
FEHB Program Carrier Letter

All FEHB Carriers

U.S. Office of Personnel Management
Healthcare and Insurance

Letter No. 2016-03

Date: February 26, 2016

Fee-for-service [3]

Experience-rated HMO [3]

Community-rated HMO [3]

SUBJECT: Federal Employees Health Benefits Program Call Letter

SUBMISSION OF PROPOSALS

This is our annual call for benefit and rate proposals from Federal Employees Health Benefits (FEHB) Program carriers. Your benefit and rate proposals for the contract term beginning January 1, 2017 should be submitted on or before **May 31, 2016**. Please send your proposals by **overnight mail, FAX, or email** to your contract specialist. We expect to complete benefit and rate negotiations by mid-August to ensure a timely Open Season. As a reminder, your Contracting Officer will consider responses to the topics in the Call Letter in evaluating your responsiveness to OPM, as it remains an important element of the Plan Performance Assessment program.

FEHB PROGRAM BENEFITS AND INITIATIVES

I. Introduction

The annual call for benefit and rate proposals sets forth the policy goals and initiatives for the FEHB Program for 2017 and beyond. We encourage all carriers to thoroughly evaluate their health plan options to find ways to improve affordability, reduce costs, and improve the quality of care and the health of the enrolled population. Except where noted, benefit enhancements must be offset by proposed reductions so that premiums are not increased due to benefit changes. OPM will make exceptions to this requirement for benefit changes in response to the Medicare and Applied Behavior Analysis (ABA) initiatives described below. This year, we are focusing on the following areas:

- limiting cost growth;
- managing prescription drugs;
- ensuring access to care;
- coordinating benefits for the Medicare population;
- implementing plan performance assessment; and
- continuing to implement Self Plus One coverage.

Specific initiatives are discussed below.

II. Limiting cost growth

OPM encourages all carriers to review plan design, network, and benefit management initiatives to address the rising cost of health care. Carriers should also review their healthcare expenditures to ensure that they are correlated with high quality and efficiency in the delivery of services to members. For the 2017 plan year, OPM is urging carriers to evaluate major drivers of health care costs and offer solutions to achieve both short and long-term savings for the FEHB Program. Controlling costs remains a priority for OPM and we want carriers to avoid ineffective and duplicate use of services. We also expect carriers to explore innovative models of health care delivery that can help manage costs. Therefore, carriers are encouraged to offer proposals that address ways in which to limit cost growth. The Consolidated Appropriations Act of 2016 delayed the excise tax (Title IX, Subtitle A, section 9001 of the Affordable Care Act (ACA)) on high cost employer-sponsored health coverage from 2018 to 2020. While the tax is delayed, OPM encourages carriers to review their plan design, network and benefit management strategies in the context of the excise tax.

III. Managing Prescription Drugs

OPM continues to emphasize the effective use of prescription medications while managing drug costs. Your proposals should highlight how you will achieve these goals through benefit structure and program initiatives. Strategies for optimal pharmacy benefits management include, but are not limited to, the following:

Utilization Management - We expect carriers to implement drug utilization management strategies that reinforce high quality care and clinically appropriate cost savings. These include prior approval, step therapy, quantity limits, and medication therapy management. Our most recent data indicate that only 67 percent of carriers require step therapy for certain drugs for specific conditions, so carriers should propose strategies to more broadly implement this effective practice.

For 2017, carriers must have in place, or propose clinically appropriate strategies, to manage high cost prescription drugs within the following categories:

- Compound pharmaceuticals
- Biosimilar medications
- Dermatological preparations
- Lipid lowering drugs
- Drugs for hepatitis
- Oncology drugs
- Diabetes drugs

Managed Formularies - OPM strongly encourages carriers to create a formulary that excludes drugs that do not provide additional clinical value, or are less safe than other drugs for the same indication. As the cost of prescription drugs has increased, a larger number of carriers now manage their formularies. Carriers proposing a managed formulary for the first time should include a communication plan for physicians and pharmacies, as well as a

description of outreach efforts to minimize member disruption. Carriers making further formulary adjustments should highlight those changes and indicate how they will inform members. Carriers must also have a formulary exception process that permits reimbursement of non-covered drugs when justified by members' medical and clinical needs.

Transparency - Both *current* and *prospective* enrollees must have convenient access to information about the formulary tier, member cost-share and utilization management requirements for covered prescription drugs. We appreciate efforts underway to provide drug coverage information and cost calculators. However, we strongly encourage carriers to improve this functionality for the 2017 plan year.

Formulary Tiers – OPM urges carriers to remain vigilant to avoid potential adverse consequences of formulary tiering. Carriers must address in their proposals the ways in which members with chronic conditions will have access to safe, clinically appropriate, and affordable prescription drug choices within their tiered formularies. As biosimilar products continue to enter the market, carriers need to continue to focus on differentiating preferred and non-preferred specialty products.

Behavioral Health - President Obama called attention to the national epidemic of opioid abuse and misuse in his October 2015 Presidential Memorandum¹. We strongly encourage carriers to review and improve access to drugs used to manage addiction, including reversal agents and Medication Assisted Treatment.² This may require adding qualified prescribers to your network or eliminating restrictions that no longer reflect best clinical practices.

Adherence - Industry data demonstrate that approximately 40 percent of patients discontinue a maintenance medication within the first year. This is especially common for asymptomatic conditions like hypertension, where non-adherence can contribute to increased heart attack and stroke rates. Pharmacy claims data can help identify non-adherent patients and intervene to ensure proper medication use. We ask plans to submit strategic proposals to help improve appropriate use of maintenance medication by their members. For 2017, please include a description of your approach to identify and intervene with patients at risk, as well as those who have abandoned maintenance prescriptions.

IV. Ensuring Access to Care

OPM strongly encourages carriers to reassess their benefit offerings as the needs of our population evolve. In recent years, FEHB has welcomed young adults up to the age of 26, same sex spouses as covered family members and added a self plus one coverage option. To further ensure that members can access appropriate care, we provide the following guidance:

Applied Behavior Analysis (ABA) – OPM has encouraged FEHB plans to offer ABA benefits for children with autism spectrum disorders since 2013. We have also emphasized

¹<https://www.whitehouse.gov/the-press-office/2015/10/21/presidential-memorandum-addressing-prescription-drug-abuse-and-heroin>

² <http://www.samhsa.gov/medication-assisted-treatment>

the growing number of providers and research linking behavioral interventions with positive outcomes. We are pleased that in the past several years, the provision of ABA within FEHB has expanded significantly, particularly among carriers with state and local service areas.

OPM has now determined that appropriate coverage of ABA treatment by all plans/options is necessary for the efficient and effective operation of FEHB's individual choice insurance model. Therefore, for the 2017 plan year, carriers may no longer exclude ABA for the treatment of Autism Spectrum Disorder (ASD). We expect all carriers to offer clinically appropriate and medically necessary treatment for children diagnosed with ASD. You may provide coverage for ABA as a fully case managed benefit, a pre-authorized service, and/or an in-network benefit only. We will allow an exception to cost neutrality for ABA when included as a new service in your plan. Please consult the Technical Guidance for additional details regarding ABA benefit implementation.

Telehealth Services - We are pleased to note that carriers are beginning to offer members convenient access to virtual visits for urgent care. Some carriers extend telemedicine applications to include behavioral health, in-home monitoring of chronic illness, and dermatology. The expansion of telemedicine services parallels the evolution of state regulations facilitating this type of clinical encounter, as well as the development of practice standards.

We encourage all carriers that have not added virtual visits to explore the opportunity to do so. For more information, carriers may consult telemedicine accreditation standards published by the American Telemedicine Association and URAC. The Technical Guidance will provide additional details regarding telemedicine proposals and related brochure language.

Population Health and Wellness – OPM continues to focus on programs and benefits that promote healthy lifestyles amongst the FEHB population. We encourage carriers to review our Carrier letter titled “Updated FEHB Guidance on Population Health and Wellness” and include in their proposals strategies addressing the key components identified in the carrier letter to incentivize participation. Your proposals should focus on both the availability of the benefit or program, alignment of incentives offered to FEHB enrollees with those offered to other commercial customers (as appropriate) as well as enrollee communication and education strategies.

In-Network Benefits - FEHB members continue to encounter unexpected charges from out-of-network providers who render services within network hospitals. More states are enacting legislation to halt unexpected out-of-network bills. For example, in 2015, both California and New York require out-of-network providers to give proper notice to consumers when insurers may not cover specific services. These states also restrict charges consumers must pay for out-of-network services. OPM encourages carriers to carefully evaluate contracts with providers to provide maximum in-network benefits; examples include anesthesiology, radiology, and neonatology services.

An OPM priority is to minimize unnecessary out-of-network services at in-network facilities for our members, which can have significant impact on cost-sharing. Our goal is to ensure that members have access to in-network options whenever practicable and receive sufficient notices before out-of-network services are delivered. Please include in your proposal a description of how you will address this issue in 2017.

End-of-Life Care - OPM encourages carriers to explore providing end-of-life care counseling for members and to expand access for those who want hospice. Many carriers already offer benefits or programs that support advance care planning or Advance Directives as well as comprehensive hospice programs that coordinate with Medicare³. Many of these benefits may improve members' quality of life. We want carriers to consider providing access to those who want hospice and advance care planning at the end of life, regardless of age. Your proposals for 2017 should describe relevant services you cover, the associated costs to enrollees, and related payment arrangements.

V. Coordinating Benefits for the Medicare Population

In recent years, an increasing number of carriers have adopted plan design changes or member education efforts to promote increased enrollment in Medicare Part B by those enrollees eligible for Medicare. Carriers should propose benefit changes that allow members to maximize their benefits under FEHB and Medicare, such as reduced cost sharing under hospital, medical or pharmacy benefits for members with Part B. We also encourage carriers to improve coordination for pharmacy benefits covered under Part B and FEHB. As noted earlier, benefit enhancements that encourage Medicare participation do not require any offset by decreases in other benefits.

VI. Implementing Plan Performance Assessment

We appreciate carrier preparation for the implementation of FEHB Plan Performance Assessment in 2016. For reference, Carrier letter 2015-10 outlines the methodology, Carrier Letter 2015-15 describes 2017 measures, and Carrier Letter 2015-19 contains measure collection and reporting instructions. Measures selected for OPM's Plan Performance Assessment are aligned with those used by industry leaders and other federal agencies, such as the Core Measures Collaborative co-sponsored by the Centers for Medicare and Medicaid Services and America's Health Insurance Plans⁴. Physicians and medical groups performing well on the Core Measures will positively contribute to FEHB health plan excellence.

We strongly recommend that carriers pay special attention to their performance on OPM's three Priority 1 measures: risk adjusted all cause readmissions, timeliness of prenatal care, and blood pressure control. Improvement on these measures will advance population health.

³ <https://www.federalregister.gov/articles/2015/11/16/2015-28005/medicare-program-revisions-to-payment-policies-under-the-physician-fee-schedule-and-other-revisions>

⁴ <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/QualityMeasures/Core-Measures.html>

Among Priority 1 measures, most carriers need to improve blood pressure control rates. Along with efforts unique to your plan and population, we suggest emphasizing treatment protocols and medication adherence. Hypertension protocols⁵ can standardize treatment and improve outcomes.

VII. Continuing to Implement Self Plus One Coverage

We wish to thank all carriers for the rollout of the Self-Plus One enrollment type during the 2015 Open Season. As carriers prepare their proposals for 2017 rates and benefits including Self Plus One enrollment types, we expect proposals for Self Plus One rates to be lower than Self and Family rates.

IX. Technical Guidance

We will provide specific requirements to submit benefit and rate proposals and information for preparing 2017 brochures, including Technical Guidance and an automated data collection tool.

CONCLUSION

OPM's continued goal for this year is for the FEHB Program to pursue innovative ways to restrain rising health care costs while providing opportunities for all members to live healthier lives. Please discuss all benefit changes with your Contract Specialist.

We look forward to the negotiations for the upcoming contract year. Thank you for your commitment to the FEHB Program.

Sincerely,

John O'Brien
Director, Healthcare and Insurance

⁵ <http://millionhearts.hhs.gov/tools-protocols/protocols.html>