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# FEHB Program Carrier Letter

All Carriers

U.S. Office of Personnel Management  
Office of Insurance Programs

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**Letter No. 1999-005**

**Date:** February 1, 1999

Fee-for-service [ 5 ]   Experience-rated HMO [ 5 ]   Community-rated HMO [ 5 ]

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**SUBJECT: Military Retirees= FEHB Coverage Demonstration Project**

The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261) directed the Department of Defense (DoD) to enter into an agreement with the Office of Personnel Management (OPM) to conduct a three-year demonstration project to permit certain Medicare-eligible military retirees= and dependents to enroll in the FEHB Program.

The legislation specifies that up to 66,000 Medicare-eligible retirees= and their dependents, unremarried former spouses of military members and dependents of deceased members or former members in 6 to 10 sites around the country are to be given the opportunity to enroll during the 1999 open season that will be held next fall. The legislation also specifies the criteria DoD was required to use in selecting the sites for the project, including that there could be only one site in any TRICARE region. TRICARE is the regional managed care program for members of the uniformed services and their families. Using this criteria, on January 13, 1999, DoD conducted a lottery to make the final selections. Eight sites were selected before the maximum number of 66,000 eligibles was reached. The News Release announcing the site selections is enclosed. They are:

- ! Dover Air Force Base, Delaware
- ! The Commonwealth of Puerto Rico
- ! Fort Knox, Kentucky
- ! Greensboro/Winston-Salem/High Point, North Carolina
- ! Dallas, Texas
- ! Humboldt County, California and surrounding counties
- ! Naval Hospital, Camp Pendleton, California
- ! New Orleans, Louisiana

All plans that are open to employees and annuitants must take part in the demonstration project. We will convene a meeting in the near future to discuss issues related to this demonstration project with the carriers most likely to be affected.

The law stipulates that there will be a risk pool and premium rates for each plan, separate from the risk pool and rates established for current FEHB enrollees. You will be hearing more about that in the near future.

Unlike the civilian annuitants now in the FEHB Program, who must have had at least five years of coverage immediately preceding retirement, the vast majority of demonstration project participants will have had no prior experience with the FEHB Program. We will need to mount a significant educational effort and ask that you be prepared to assist us in this regard.

DoD and OPM will jointly evaluate the program and submit reports to Congress in May 2001 and December 2002. Therefore, plans involved in the demonstration project will likely be asked to maintain and provide data on this group. The substance of this data is yet to be determined.

As we know more details and we and DoD make more decisions, we will keep you fully informed. We expect the demonstration project to run smoothly and provide quantifiable results.

Please contact your contract representative if you have any immediate questions.

Sincerely,

Frank D. Titus  
Assistant Director  
For Insurance Programs

Attachment

## ***NEWS RELEASE***

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
(PUBLIC AFFAIRS)  
WASHINGTON, D.C. 20301

No. 014-99  
(703)695-0192(media)  
(703)697-5737(public/industry)

**IMMEDIATE RELEASE**

January 14, 1999

### **MILITARY RETIREES' FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM TEST SITES SELECTED**

The Department of Defense announced today the selection of eight sites for a Congressionally enacted test of the Federal Employees Health Benefits Program (FEHBP) to provide medical care for up to 66,000 retired Service members and their dependents.

The sites selected at a Pentagon ceremony yesterday afternoon are: Dover Air Force Base, Del.; Commonwealth of Puerto Rico; Fort Knox, Ky.; Greensboro/Winston-Salem/High Point, N.C.; Dallas, Texas; Humboldt County, California area; Naval Hospital, Camp Pendleton, Calif.; and New Orleans, La.

In accordance with the 1999 National Defense Authorization Act, the Department of Defense (DoD) and the Office of Personnel Management (OPM) are developing a demonstration project that would allow some Military Health System (MHS) beneficiaries to enroll with the Federal Employees Health Benefits Program (FEHBP) to receive their military retirement medical care.

The selection of sites for the demonstration follows congressionally mandated requirements. Sites include: one Medicare subvention site, one catchment area site and one noncatchment site, with no more than one site per TRICARE region.

"The Military Health System stands firm in our commitment to providing quality health care to all our beneficiaries," said Assistant Secretary of Defense for Health Affairs Dr. Sue Bailey. "This demonstration project, along with several other test programs, such as the TRICARE Senior Prime demonstration, and planned demonstrations to test an expanded pharmacy benefit and a TRICARE supplemental benefit for Medicare-eligible beneficiaries over the age of 65, will provide the Department with valuable information about the cost and feasibility of several alternative approaches to providing increased health care access for our over-65 population." In addition, Janice R. Lachance, director of OPM, said, "We are pleased to be able to bring the same health care coverage enjoyed by federal civilian employees and retirees to military retirees and their dependents."

Under this new test, MHS beneficiaries can join the FEHBP during the fall 1999 open season. Those beneficiaries include over-65 retirees who are Medicare eligible and their dependents, unremarried former spouses of military members, and dependents of deceased members or former members. For the retirees' dependents and the last two groups, Medicare eligibility is not required. Coverage will start in January 2000 and end December 2002.

Beneficiaries must enroll in an FEHBP plan and pay any applicable premiums to receive benefits. During the test, enrollees may not use Military Treatment Facilities (MTFs) for any services. Premiums will be based on a separate risk pool for MHS beneficiaries. The government's contribution will be computed the same as it is currently computed under the FEHBP.

OPM and DoD will jointly evaluate the program and submit reports for Congress in May 2001 and December 2002.