FEHB Program Carrier Letter
Community-rated Carriers

Letter No. 1999-015

Date: March 26, 1999

Fee-for-service [n/a]   Experience-rated HMO [n/a]   Community-rated [13]

SUBJECT: <u>Correction</u> **to Reconciliation Instructions For 1999 Rates – Community-Rated Carriers**

On March 19, 1999, we sent you Carrier Letter 1999-014 with reconciliation instructions for your 1999 Federal Employees Health Benefits Program rates. Page 55 was inadvertently not sent; page 65 had a typographical error in the heading; and there were formatting problems on pages 38, 39, 40, 46, 52, and 57. Replacement pages are enclosed.

We apologize for any inconvenience this may have caused you. For more information, contact Agnes Kalland at 202/606-0745.

Sincerely,

(signed)

Frank D. Titus
Assistant Director
 for Insurance Programs

Enclosures

QS13. (continued)

EXAMPLE TCR and CRC COMPARISON SHEET

		Federal Group	SSSG #1	SSSG #2
1.	Group Renewal Date	1-1-99	1-1-99	2-1-99
2.	Rating Method (a) (TCR,CRC,ACR)	CRC	CRC	CRC
3.	Capitation (b)	$100.00	$98.00	$101.00
4.	Age/Sex Factor	.92	.98	1.04
5.	Industry Factor (c)	.95	.95	.98
6.	Other Discounts	.95	1.00	.95
7.	Total Discount (d)	.95 x .98	.95 x 1.00	.95 x .98
8.	1st Level Step-Up Factor (e)	1.30	1.12	1.22
9.	**Self Rate**(f)	$111.35	$102.19	$119.31
10.	Family/Self Ratio	2.71	2.80	2.55
11.	**Family Rate**	$301.76	$286.13	$304.24

(a)   If all three methods are not the same, explain why.

(b)   **IMPORTANT! If these capitation rates are not the same, explain why in QS14.**

(c)   The Federal group receives the lowest industry factor < 1.0 given to an SSSG.

(d)   **IMPORTANT**: The Federal group receives the lowest total discount given to an SSSG. In this case, one SSSG received a total discount of (.95 x 1.00) and the other received a total discount of (.95 x .98) Therefore the Federal group would get a discount of (.95 x .98) , the lower of the two.)

(e)   Show How Factors Are Derived.

(f) $100 x .92 x (.95 x .98) x 1.3 = $111.35

QS13. (continued)

COMPARISON SHEET - TCR AND CRC

Federal Group   SSSG #1   SSSG #2

QS13(continued)

EXAMPLE -   ACR COMPARISON SHEET

This shows one way you might present your ACR rate development. You should modify this example to fit your particular ACR procedure. Note that although this example is for the Federal group only, your comparison sheet must include the SSSGs as well as the Federal group.

		Federal Group ACR	SSSG #1	SSSG #2
a.	Rating Method			
b.	Group Renewal Date	1/1/99		
c.	Experience Period	1/1/97-12/31/97		
d.	Paid Claims	$10,000,000		
e.	Annual Trend (if different, explain)	12%		
f.	Trend From Experience Period To Renewal Period $[(1+ .12/12)^{24}$	27%		
g.	Expected Claims [(d) x 1.27]	$12,700,000		
h.	Administration (if different, explain)	15%		
i.	Claims + Administration [(g)/(1-.15)]	$14,941,176		
j.	Members	100,000		
k.	Per/Person Rate [(i)/(j)]	$149.41		
l.	First Level Step-Up Factor	1.2		
m.	Bi-weekly Self Rate [(l) x (k) x 12/26]	$82.75		
n.	Family/Self Ratio	2.6		
o.	Family Rate [(m) x (n)]	$215.15		
p.	Discount	10%		
q.	Rates After Discount	Self $74.48 Family $193.64		

QT6. How did you derive the above step-up factors? Explain briefly (a numerical formula for each factor is the preferred form of explanation).

> Example:
> Self/Capitation = 1.17 = $\dfrac{.40 + .60(3.5)}{.40 + .60(2.9)}$

QT7. Do you use step-up factors for all groups?

>   [ ] YES

>   [ ] NO

   If No, explain the criteria that you use to determine when step-up factors are applicable.

QT8. If you use enrollment-mix or other demographic assumptions at any point in the development of the 1999 Federal group rates, (including development of step-up factors), what are they?

>   % Self Contracts   _____

>   % Family Contracts   _____

>   Family Size   _____

>   Other:

Attachment IIIB, Section 4

QC8. Are the above step-up factors the same as those used in the 1999 rate proposal (which you submitted in May 1998)?

      [ ] YES

      [ ] NO

If No, is the reason because the carrier revised its community-wide demographics after the 1999 rate proposal was made (and used the revised step-up factors for its SSSGs)?

      [ ] YES

      [ ] NO

If No, what was the reason for the change in the step-up factors?

QC9. How did you derive the above step-up factors? Explain briefly (we prefer a numerical formula for each factor as the explanation).

Example:
$$\text{Self/Capitation} = 1.17 = \frac{.40+.60(3.5)}{.40+.60(2.9)}$$

QC14. If both SSSGs have industry factors greater than 1.00, did
you apply an industry factor of 1.00 to the Federal group
rates?

> [ ] YES

> [ ] NO

If No, explain.

QC15. Explain how you derive the "relative utilization factors"
associated with your age/sex distribution sheet.

Note that we would expect the factors to be based on the
utilization experience of the different age groups of the
total employee population the carrier services. In some
cases, a carrier might use factors based on some other
large population. Please make it clear to us exactly
where your relative utilization factors come from, and on
what population they are based.

IMPORTANT! DO NOT SKIP THIS QUESTION

Attachment IIIB, Section 4

QC17. Show the calculations behind the rates that you have on
line 1 on the reconciliation sheet. **DO NOT REFER US TO
ANOTHER SHEET FOR THIS CALCULATION. WHAT WE WANT HERE IS
A SIMPLE EXPLANATION OF THE LINE 1 RATES.**

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Example:
      Capitation = $25.00
      CRC Adjustment Factor = 1.08
      Adjusted Capitation = $25 x 1.08 = $27
      1st Level Step-Up Factor = 1.1
      2nd Level Step-Up Factor = 2.9
      Line 1 Self Rate = $27 x 1.1 = $29.70
      Line 1 Family Rate = $29.70 x 2.9 = $86.13
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Attachment VI

Carrier Contacts

For information about your reconciliation, we should contact:

Name _____

Phone Number _____

Fax Number   _____

E-Mail   _____

OR

Name _____

Phone Number _____

Fax Number   _____

E-Mail   _____