<u>2006 FEHB Proposal Instructions</u>

Preparing Your Benefit Proposal

Please send the following material by **May 31, 2005:**

Your benefit proposal must be complete. The timeframes for concluding benefit negotiations are firm and we cannot consider late benefit proposals. Your benefit proposal should include:

- A plain language description of each proposed change (in worksheet format) and the revised language for your 2006 brochure;
- A plain language description of each proposed clarification (in worksheet format) and the revised language for your 2006 brochure; and
- A signed contracting officials' form.

If there are, or you anticipate, significant changes to your benefit package, please discuss them with your OPM contract specialist before you prepare your submission.
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<u>Benefit Changes</u>

Your proposal must include a narrative description of each proposed benefit change. You must show all changes, however slight, that result in an increase or decrease in benefits as benefit changes, even if there is no rate change. Please answer the following questions in worksheet format for <u>each</u> proposed benefit change. Indicate if a particular question does not apply and use a separate page for <u>each</u> change you propose. We will return any incorrectly formatted submissions. ***We require the following format:***

- Describe the benefit change completely. Show the proposed brochure language, including the "How we change for 2006" section in "plain language" that is, in the active voice and from the enrollee's perspective. Show clearly how the change will affect members. Be sure to show the complete range of the change. For instance, if you are proposing to add an inpatient hospital copay, indicate whether this change will also apply to inpatient hospitalizations under the emergency benefit. <u>If there are two or more changes to the same benefit, please show each change clearly.</u>
- Describe the rationale or reasoning for the proposed benefit change.
- State the actuarial value of the change, and whether the change represents an increase or decrease in (a) the existing benefit, and (b) your overall benefit package. If an increase, describe whether any other benefit offsets your proposal. Include the cost impact of this change as a biweekly amount for the Self Only and Self and Family rate. If there is no cost impact or if the proposal involves a cost trade-off with another benefit change, show the trade-off or a cost of zero, as appropriate.

Benefit Clarifications

Clarifications are not benefit changes. Clarifications help enrollees understand how a benefit is covered**.** For each clarification:

- Show the current and proposed language for the benefit you propose to clarify; reference all portions of the brochure affected by the clarification. Prepare a separate worksheet for each proposed clarification. When you have more than one clarification to the same benefit you may combine them but you must present the worksheet clearly. Remember to use plain language.

- Explain the reason for the benefit clarification.

Preparing Your Proposal for High Deductible Health Plans (HDHP), Health Savings Accounts (HSA), and Health Reimbursement Arrangements (HRA)

High Deductible Health Plans (HDHP)

The U.S. Department of The Treasury (Treasury) requires that an HDHP have an annual deductible of at least $1,000 for self only coverage and annual out-of-pocket expenses (deductibles, co-payments, etc.) that do not exceed $5,100. For family coverage, an HDHP must have an annual deductible of at least $2,000 and annual out-of-pocket expenses that do not exceed $10,200. **Both the deductible minimum and out-of-pocket expense maximums are indexed for inflation**. Because we anticipate an increase in the minimum annual deductible amount, we will not accept proposals with deductibles less than $1,100 for self only and $2,200 for self and family coverage.

An HDHP may not provide benefits for any year until the member meets the annual deductible. However, a plan may offer first-dollar coverage for preventive care (or have only a small deductible) and still be defined as an HDHP. Additional Treasury guidance may be found at: http:/www.treas.gov/offices/public-affairs/hsa/. The following guidance applies for health plans proposing to offer an HDHP for 2006:

- High Deductible Health Plans (HDHP) must meet the requirements of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA).

- HDHP proposals should reflect that these choices will be open to everyone within the defined service area eligible to enroll in the FEHB Program.

- We will evaluate HDHP proposals in accordance with OPM premium rating guidelines.

- Your HDHP proposal must include a Health Savings Account (HSA) and Health Reimbursement Arrangement (HRA) component. The HRA component is available only to enrollees who are ineligible for an HSA.

- Proposals should reflect costs only, including the amounts the Plan will deposit/credit to the enrollee’s HSA or HRA.

- Proposals should clearly describe the health benefits that the Plan offers, including deductibles, co-payments, and any other out-of-pocket amounts for in-network and out-of-network services, if applicable.

- Proposals should include a description of all preventive care benefits and any applicable out-of-pocket amounts.

- Proposals should include a description of catastrophic limitations and how they apply to self-only and family enrollments (i.e., is there any “imbedded” one-person catastrophic limit).

- You should describe your HDHP provider network and provide evidence that there will be sufficient access to in-network primary, specialty and tertiary providers.

- Proposals should include a description of the HDHP health education program components that the Plan offers.

- Proposals should also include a description of the consumer education program the health plan intends to provide including appropriate use of HSA/HRA funds for necessary medical expenses.

- Proposals should include a complete description of the geographic service area.

- Proposals should include a certification that the State in which your health plan operates has no mandates requiring first dollar coverage for any medical benefit that would keep the plan from qualifying as an HDHP.

Health Savings Accounts (HSA) and Health Reimbursement Arrangements (HRA)

Tax-favored HSAs are available to those who have an HDHP. However, HSAs are not open to people enrolled in Medicare or another medical benefit health plan (with certain exceptions as provided in Treasury's guidance). Therefore, health plans that are proposing HDHP/HSAs should also propose an HRA of equivalent value for enrollees who are ineligible for an HSA. The HRA could be used for medical expenses, including Medicare premiums. The following guidance applies for health plans proposing to offer an HDHP and HSA/HRA for 2006:

- Health Savings Accounts (HSA) must meet the requirements of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) and applicable Treasury Guidance.

- Health Reimbursement Arrangements (HRA) must meet applicable Treasury requirements.

- Fiduciary institutions for HSAs and HRAs must be banks or other non-bank trustees or custodians approved by Treasury. However, the health plan may choose to manage the HRA component in-house.

- Health plan proposals should clearly state how they intend to meet Treasury requirements pertaining to HSA and HRA fiduciary responsibilities.

- Health plan proposals must include assurances that its fiduciary is financially stable. At a minimum, a major financial rating service must rate the trustee/custodian in one of its two highest categories for the most recent available rating period. All proposals should provide evidence of this minimum rating level.

- Plans that offer HDHP and HSA/HRA proposals must describe, in detail, the flow of funds from receipt to disbursement to the designated fiduciary.

- Plans must also provide a detailed description from the fiduciary demonstrating how the HSAs and HRAs financial mechanisms and transactions will be established and monitored, including earnings for individual accounts.

- HDHP and HSA/HRA proposals that include the use of debit or credit cards should describe in detail how the Plan will manage and monitor them, including accounting for earned interest.

- Proposals should state how fees and ancillary charges to individual accounts will be paid for.

NOTE: Final brochure language is <u>not</u> required with your May 31 submission.
OPM will work with you to jointly develop brochure language.

Carrier Contracting Officials

The Office of Personnel Management (OPM) will not accept any contractual action from

____(Carrier), including those involving rates and benefits, unless it is signed by one of the persons named below (including the executor of this form), or on an amended form accepted by OPM. This list of contracting officials will remain in effect until the carrier amends or revises it.

The people named below have the authority to sign a contract or otherwise to bind the Carrier

for ____(Plan)

Enrollment code (s):____

Typed name	Title	Signature	Date

By: ____
(Signature of contracting official) (Date)

____
(Typed name and title)

____________________ ____________________
(Phone number) (FAX Number)

____
(Email address)