



FEHBP CARRIER CONFERENCE

MARCH 7, 2002

Issues Update

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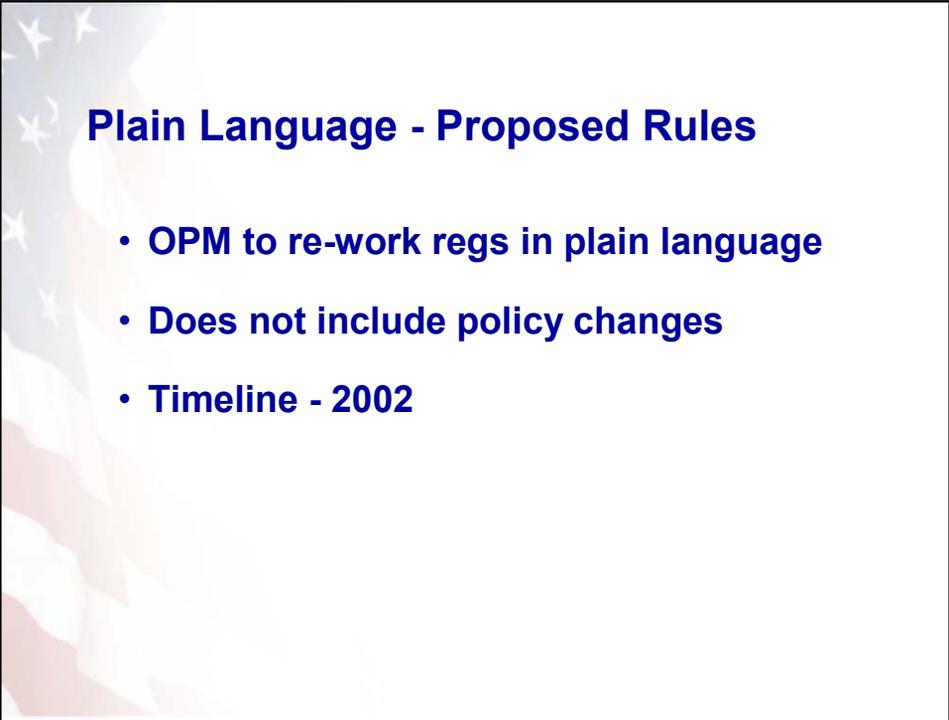


Topics

- **Regulatory Issues**
- **Cost Accounting Standards**
- **Similarly Sized Subscriber Groups**
- **Patients' Bill of Rights**
- **Pursuing FEHB Improvements**

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Regulatory Issues

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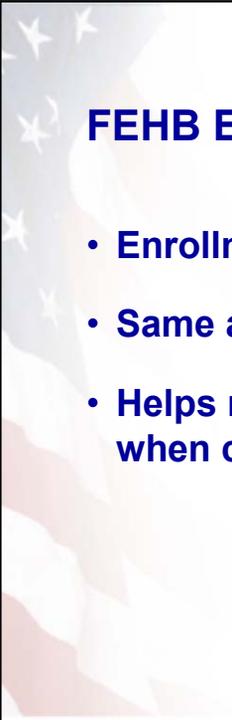
Plain Language - Proposed Rules

- **OPM to re-work regs in plain language**
- **Does not include policy changes**
- **Timeline - 2002**



TriCare Suspension

- **Interim regs -- September 2001**
- **Retirees with Medicare may suspend enrollment**
- **15,000 enrollees have suspended their enrollments**
- **Final rules will include CHAMP/VA enrollees**



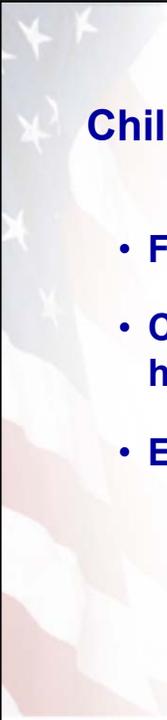
FEHB Effective Dates

- **Enrollment changes effective January 1**
- **Same as benefit changes**
- **Helps members, agencies, and plans know when coverage begins**



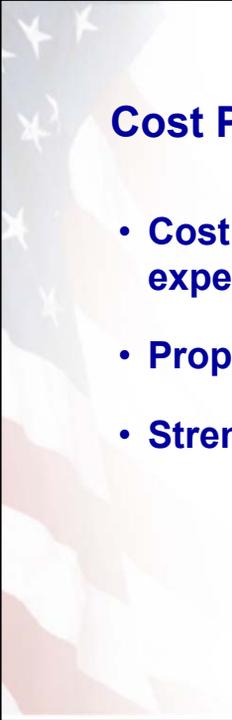
Premium Conversion

- **Employees pay premiums with pre-tax dollars**
- **Internal Revenue Code §125 n/a to retirees**
- **Clarifies some qualifying life events (QLEs) and adds new ones**
- **Easier for agencies to administer**



Children's Equity

- **FEHB Children's Equity Act of 2000**
- **Court order that employee must provide health benefits for his or her children**
- **Employee must elect self and family**

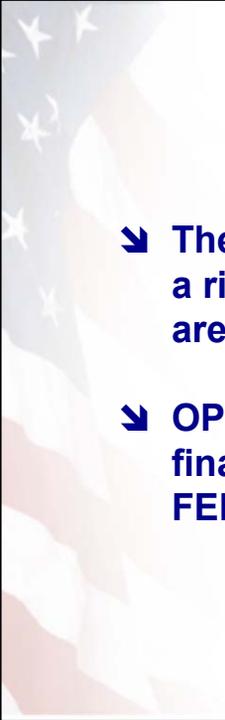


Cost Principles

- **Cost principles and procedures for experience-rated plans**
- **Proposed regs: opportunity for comment**
- **Strengthen OPM's oversight in this area**



Cost Accounting Standards



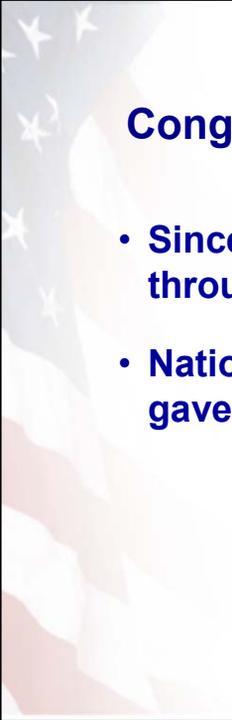
Underlying Principles

- **The Government and the taxpayer have a right to know that Government funds are being used appropriately.**
- **OPM can and does impose stringent financial reporting requirements on FEHB health plans.**



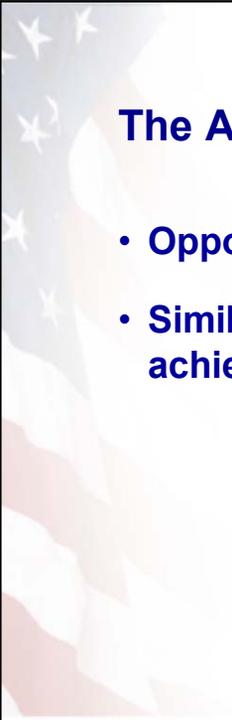
Government Contracting

- **CAS apply to most Federal contracts**
- **Affects experience-rated cost allocation**
- **Implementation delayed for FEHB plans**
- **Not easily adapted to insurance**



Congressional Action

- **Since 1999, Congress has waived CAS through legislation**
- **National Defense Authorization Act gave agencies authority to waive CAS**



The Administration

- **Opposes the legislative approach**
- **Similar and permanent results can be achieved administratively**

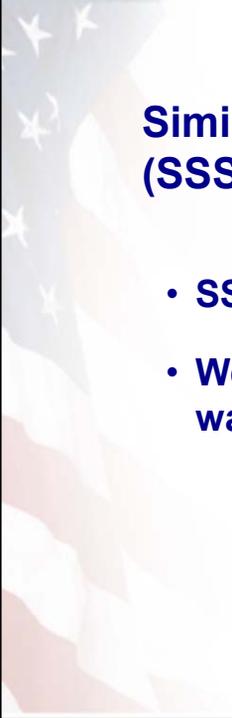
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Next Steps

- **Regs with appropriate cost procedures**
- **Aim to assure an equitable allocation of costs in the FEHB Program**
- **Possibly a waiver**

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Similarly Sized Subscriber Groups (\$\$\$Gs)

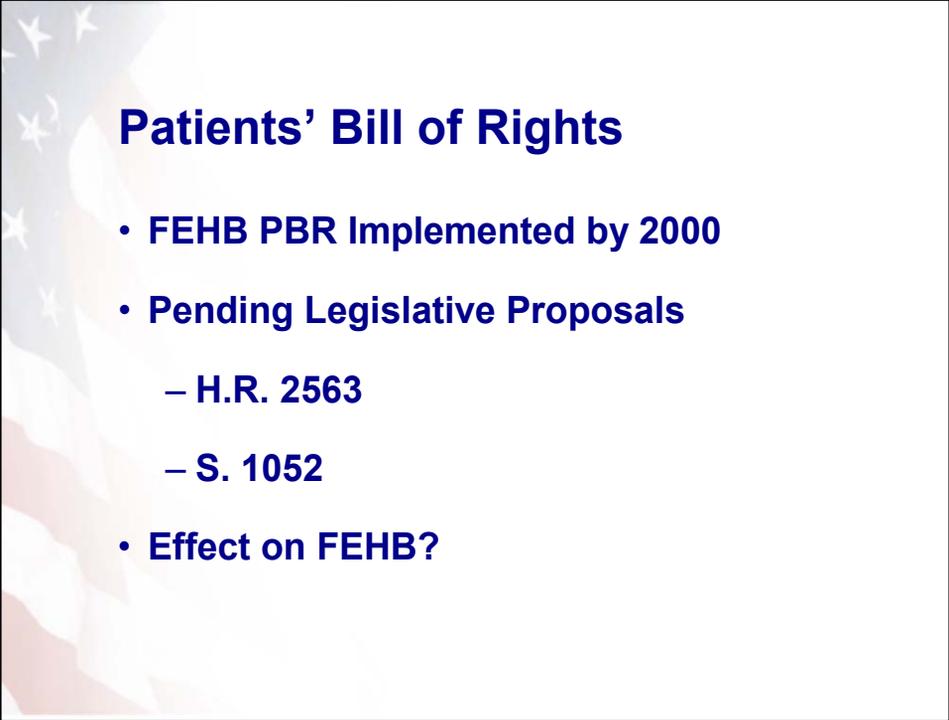


Similarly Sized Subscriber Groups (SSSGs)

- **SSSG requirements have evolved**
- **We will continue to look at effective ways to rate HMOs**



Patients' Bill of Rights

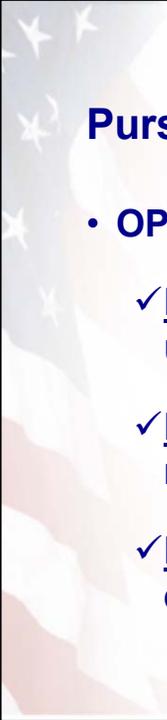
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Patients' Bill of Rights

- **FEHB PBR Implemented by 2000**
- **Pending Legislative Proposals**
 - **H.R. 2563**
 - **S. 1052**
- **Effect on FEHB?**

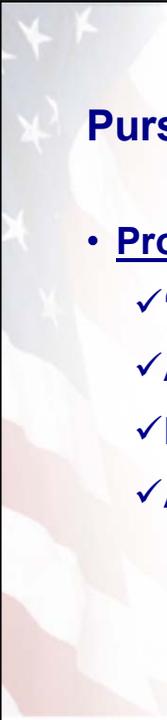
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Pursuing FEHB Improvements



Pursuing FEHB Improvements

- **OPM will:**
 - ✓ **Reach out** to new plans, especially in underserved areas
 - ✓ **Ensure**: FEHB customers are in highly rated plans
 - ✓ **Ensure**: FEHB Plans deliver cost-effective quality care



Pursuing FEHB Improvements (cont'd)

- **Promote**: patient safety measures, such as:
 - ✓ “Five Steps to Patient Safety”
 - ✓ Automated entry for prescription drugs
 - ✓ Recognized Centers of Excellence
 - ✓ Appropriate ICU staffing



Pursuing FEHB Improvements (cont'd)

- Continue to build and maintain strong relationships with:
 - NCQA
 - JCAHO
 - NQF
 - QuIC Taskforce
 - WBGH
 - Leapfrog Group
 - HCFA
 - Other HHS components

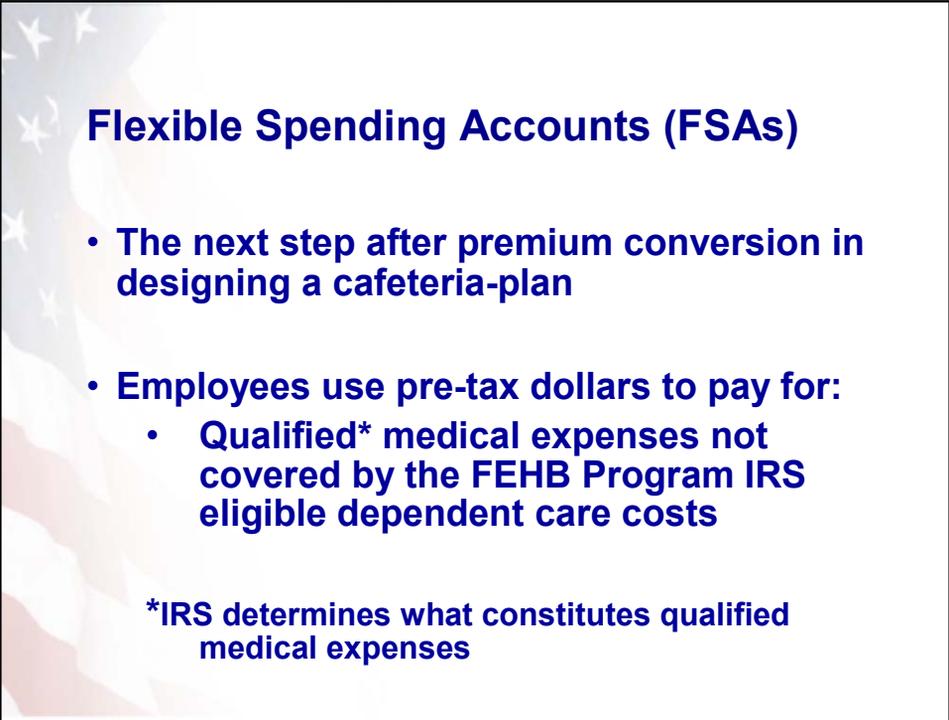


Pursuing FEHB Improvements (cont'd)

- Standardize and centralize plan performance data that will:
 - Help us analyze & benchmark quality
 - Provide feedback to help plans improve quality
- Look for better ways to COB with Medicare



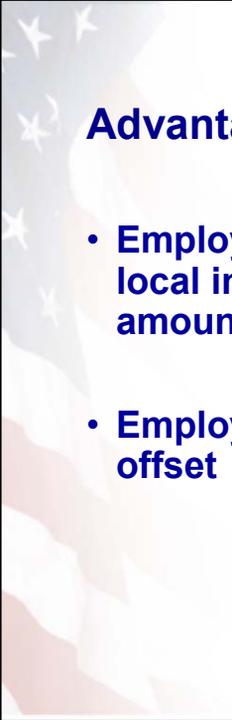
Flexible Spending Accounts (FSAs)



Flexible Spending Accounts (FSAs)

- **The next step after premium conversion in designing a cafeteria-plan**
- **Employees use pre-tax dollars to pay for:**
 - **Qualified* medical expenses not covered by the FEHB Program IRS eligible dependent care costs**

***IRS determines what constitutes qualified medical expenses**



Advantages

- **Employee saves federal, state and (usually) local income taxes and Medicare taxes on amounts applied through FSAs**
- **Employees eligible for FERS and CSRS-offset retirement save on OASDI taxes**



Healthcare Spending Accounts

May be used for:

- **Plan deductibles**
- **Member copayments and coinsurance**
- **Certain tax-deductible medical expense not covered under FEHB**
 - ▶ **Dental**
 - ▶ **orthodontics**
 - ▶ **Laser corrective surgery**
 - ▶ **Rx**



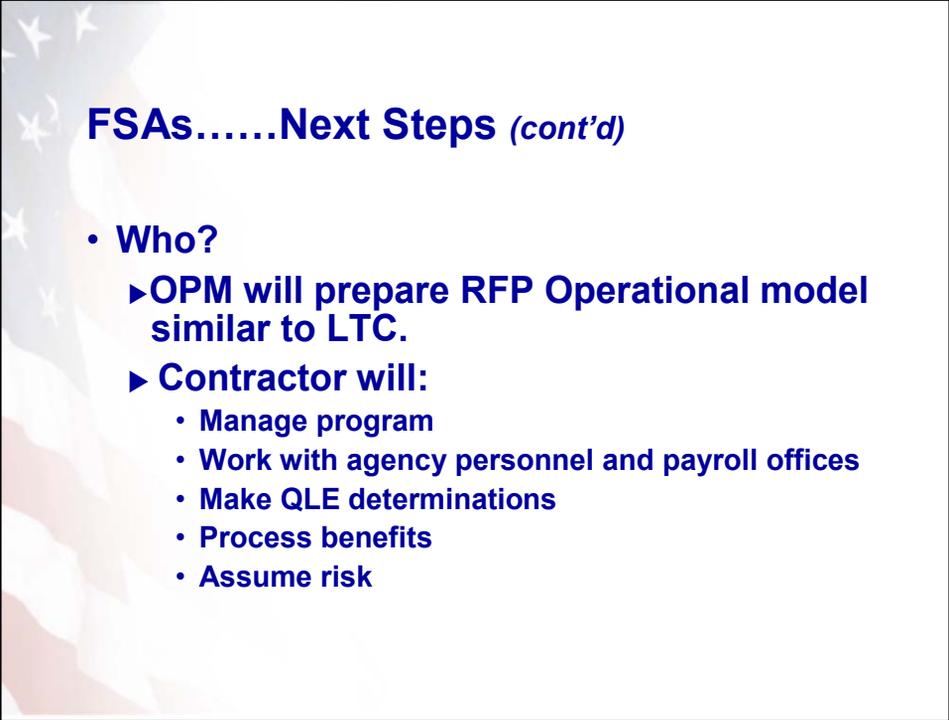
Dependent Care Spending Accounts

- **May be used for:**
 - ▶ **Child care for eligible dependents**
 - ▶ **Adult dependent care**
- **Expense must be necessary to allow employee to work**



FSA's.....Next Steps

- **When?**
 - Anticipate implementation during 2003**
- **How?**
 - ▶ **OPM will incorporate FSAs into FedFlex, our plan document**
 - ▶ **All executive branch agencies automatically covered.**
 - ▶ **Non- executive branch and independent agencies will have option to adopt our plan**



FSA.....Next Steps *(cont'd)*

- **Who?**
 - ▶ **OPM will prepare RFP Operational model similar to LTC.**
 - ▶ **Contractor will:**
 - **Manage program**
 - **Work with agency personnel and payroll offices**
 - **Make QLE determinations**
 - **Process benefits**
 - **Assume risk**



OPMs Proposed Reorganization



Reorganization

- Agency is looking at reorganizing
- Comments on proposal invited through your representative organization



Q&As