

ENCLOSURE B3

**FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM
EXPERIENCE-RATED CARRIERS
FINAL REPORTING PACKAGE REQUIREMENTS
As of September 30, 2003**

SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS

FEHBP BALANCE SHEET

FEHBP STATEMENT OF OPERATIONS

FEHBP STATEMENT OF CASH FLOWS

FEHBP SUPPLEMENTAL SCHEDULES

****Due to OPM by November 14, 2003****

**Instructions for Preparing
The SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS**

Round all amounts to the nearest whole dollar and ensure they add to the totals.

- 1) **PROGRAM INCOME:** Enclosure A of the cover letter lists Letter-of-Credit (LOC) authorizations recorded by OPM for your plan during the period October 1, 2002, through September 30, 2003. Please compare the information provided to your records and immediately notify Melanese Matthews or Laxman Pai of the Trust Funds Branch on (202) 606-4498 or (202) 606-4492 of any differences.

Carrier Interest Income: Your contract states that all funds in excess of those needed to promptly discharge the obligations of the contract should be invested. Report all interest earned on these funds on line 1e. Do not report interest earned on your Letter-of-Credit account on this line.

2) **HEALTH BENEFITS CHARGES:**

- a) Paid: Should agree with both the "TOTAL" in Part D of the "Health Benefits Charges Paid" Schedule 1 and the total Claims Paid in the "Supplemental Schedule of Cash Flows."
- b) Accrued but Unpaid:
- 1) Beginning: Line 2 of Enclosure A of the cover letter shows the ending health benefits accrual reported on your September 30, 2002, fiscal year accounting statement. This figure is to be used on Line 2b(1) of this year's Summary Statement. Attach a schedule showing the monthly liquidation of the September 30, 2002 accrual.
 - 2) Ending: Show the charges incurred but unpaid as of September 30, 2003. Attach a schedule showing the development of the unreported health benefit charges. All assumptions, judgment factors and estimates should be supported and all sources of data identified.
- c) Total: Line 2a minus line 2b(1) plus line 2b(2).

- 3) **ADMINISTRATIVE EXPENSES:** If your plan has high and standard options, show the basis and amounts used for prorating administrative expenses between the two options. All reported administrative expenses must be within your contract limit.

- a) Paid: Should agree with the amount stated on the Statement of Cash Flows.
- b) Accrued but Unpaid:
- 1) Beginning: Show on Line 3b(1) the amount of the accrued administrative expenses as shown on your prior fiscal year accounting statement.
 - 2) Ending: Show on line 3b(2) the amount of accrued administrative expenses as of September 30, 2003.
- c) Total: Line 3a minus line 3b(1) plus line 3b(2).

4) **OTHER EXPENSES AND RETENTIONS:**

- a) State Statutory Reserve: Report the amount necessary to satisfy state requirements for mandatory statutory reserves for the period October 1, 2002, through September 30, 2003. Attach a schedule showing in detail the development of the charges or credits for this retention.
- b) Reinsurance Expenses: List the amount paid for reinsurance expenses (if applicable) for the period October 1, 2002, through September 30, 2003.
- c) Service Charge: Show on Line 4c, 25 percent of the formula derived contract limitation for calendar year 2002 plus 75 percent of the allowable 2003 service charge.
- d) Other: Other expenses not previously stated.
- e) Total: The sum of Lines 4a through 4d.

5) CHANGES TO SPECIAL RESERVE:

- a) Special Reserve, 09/30/02: The amount of the prior fiscal year accounting statement ending Special Reserve (Line 3 of Enclosure A).
- b) Gain (Loss) on Operations: This is calculated as follows: Line 1f)-(line 2c)-(line 3c)-(line 4e).
- c) Prior Period Adjustments: All adjustments made to the current fiscal year report as a result of prior OPM audits or due to any other reasons. These adjustments should also be included in your annual accounting Statement of December 31, 2003.
- d) Contingency Reserve Payments: Show the amount transferred from the contingency reserve to your LOC account during the period October 1, 2002, through September 30, 2003.(Line 4d(1)of Enclosure A)
- e) Return of Excess Reserves: Show the amount of excess reserves withdrawn from your LOC account and transferred to the contingency reserve during the period October 1, 2002, through September 30, 2003. (Line 4d(2) of Enclosure A)
- f) Other: Show on line 5f any transfers or other additions or subtractions to the special reserve during fiscal 2003.
- g) Special Reserve, Ending: The total of lines 5a, 5b, 5c, 5d, 5e, and 5f.

**SUMMARY STATEMENT OF FEHBP FINANCIAL OPERATIONS
FOR THE PERIOD OCTOBER 1, 2002 - SEPTEMBER 30, 2003**

Carrier Name: _____

Code: _____

	TOTAL	HIGH	STANDARD
<u>1. PROGRAM INCOME:</u>			
a. Letter of Credit Authorizations	\$	\$	\$
(1) Semimonthly Premiums			
(2) Interest			
b. Accrued Income 09/30/02			
(1) Semimonthly Premiums			
(2) Interest			
c. Accrued Income 09/30/03			
(1) Semimonthly Premiums			
(2) Interest			
d. Total Program Income	\$	\$	\$
e. Carrier Interest Income			
f. Total Carrier Income	\$	\$	\$
<u>2. EST. HEALTH BENEFITS CHARGES:</u>			
a. Paid	\$	\$	\$
b. Accrued but Unpaid:			
(1) Beginning			
(2) Ending			
c. Total Health Benefit Charges	\$	\$	\$
<u>3. EST. ADMINISTRATIVE EXPENSES:</u>			
a. Paid	\$	\$	\$
b. Accrued but Unpaid:			
(1) Beginning			
(2) Ending			
c. Total Administrative Expenses	\$	\$	\$
<u>4. EST. OTHER EXP. & RETENTIONS:</u>			
a. State Statutory Reserve	\$	\$	\$
b. Reinsurance Expenses			
c. Service Charge			
d. Accrued Other Expenses & Retentions			
e. Total Other Exp. And Retentions	\$	\$	\$
<u>5. EST. CHANGES TO SPECIAL RESERVE:</u>			
a. Special Reserve - 09/30/02	\$	\$	\$
b. Gain (Loss) on Operations			
c. Prior Period Adjustment			
d. Contingency Reserve Payments			
e. Return of Excess Reserves			
f. Other			
g. Special Reserve - 09/30/03	\$	\$	\$

Instructions for Preparing The FEHBP BALANCE SHEET

The Balance Sheet should be prepared in accordance with the special purpose financial statements required by the U.S. Office of Personnel Management. This is a comprehensive basis of accounting other than generally accepted accounting principles.

If your plan has an underwriter, please provide a consolidated balance sheet incorporating the financial activity of the underwriter, organization and former underwriter(s), if applicable. Please provide separate balance sheets for each entity if they are available.

In addition, if your Plan has high and standard options, please provide a balance sheet for each option.

ASSETS

Cash and Cash Equivalents - The ending cash and cash equivalents balance as shown on the Consolidated Statement of FEHBP Cash Flows and other related schedules.

Balance in Letter of Credit Account - The balance in the LOC account as of September 30, 2003. This should agree with line 4e of Enclosure A.

Interest Income Receivable - All accrued interest income from bank accounts or short-term investments as of September 30, 2003. Do not include accrued interest due the Letter of Credit (LOC) account.

Program Income Receivable - The accrued semimonthly premiums due to the LOCA and accrued interest, due to the LOCA. These balances are provided on your Enclosure A.

Due for Treasury Offset - The amount due the Program as a result of actions by the U.S. Treasury to reduce or “offset” drawdowns from your LOCA account.

Other (Includes Pre Paid Expense) - We may require a break-out if we or our auditors judge this category to be material.

LIABILITIES

Health Benefits Accrued but Unpaid - The health benefits charges accrued but unpaid, breaking out charges that have been incurred but not received (IBNR) in a note, if feasible.

Accrued Administrative Expenses and Retentions - The total accrued administrative expenses and retentions as of September 30, 2003.

Due to OPM for Audit Findings - The total billed to the Carrier by OPM to resolve audit findings.

Special Reserve - The Special Reserve equals total assets less Health Benefits Accrued but Unpaid and Accrued Administrative Expenses and Retentions.

Carrier Name _____ Code _____

**FEHBP BALANCE SHEET
SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and Cash Equivalents	\$	\$
Balance in Letter of Credit Account		
Interest Income Receivable		
Program Income Receivable		
Due for Treasury Offsets		
Other		
TOTAL ASSETS	\$	\$
LIABILITIES		
Health Benefits Accrued but Unpaid	\$	\$
Accrued Administrative Expenses and Retentions		
Due to OPM for Audit Findings		
Other Accrued Liabilities		
Special Reserve		
TOTAL LIABILITIES WITH SPECIAL RESERVE	\$	\$

**Instructions for Preparing
The FEHBP STATEMENT OF OPERATIONS**

Enclosure A of the cover letter shows the Letter of Credit (LOC) authorizations and reductions recorded by OPM for your plan during fiscal year 2003. This information must be used to prepare your report. Please compare this information and your records and notify Melanese Matthews or Laxman Pai of the Trust Funds Branch on (202) 606-4498 or (202) 606-4492 of any differences. As noted previously, the amount reported as LOC drawdowns must be the total amount requested from OPM and not the net amount received due to the Treasury Offset Program.

REVENUE:

Letter of Credit Authorizations: Show the total semi-monthly premium authorizations and interest credited to your LOCA by OPM. (See Enclosure A)

Net Investment Income: Show the investment interest earned on funds held by the carrier, if applicable.

BENEFITS AND EXPENSES:

Health Benefits Charges: Show the amount of health benefit charges for fiscal year 2003.

Administrative Expenses: Your contract with OPM provides for allowable charges to the Federal Employees Health Benefits Program based on an administrative expense formula for contract year 2003. The amount stated for fiscal year 2003 must not exceed your computed fiscal year 2003 limitation.

State Statutory Reserve: Report the amount necessary to satisfy State requirements for mandatory statutory reserves. Attach a schedule showing in detail the calculation of the required reserve amount and citation to specific state statutes.

Reinsurance Expenses: Report the amount of reinsurance expenses, if applicable, incurred in fiscal year 2003. Attach a schedule showing the development of your reinsurance expenses and the basis for this charge.

Service Charge: This amount must not exceed 25% of your allowable 2002 service charge plus 75% of the 2003 allowable service charge as stated on Appendix B of the 2003 contract amendment.

Other: Show all other expenses not previously listed. We may require a break-out if we or our auditors judge this category to be material

GAIN (LOSS) FROM OPERATIONS:

Special Reserve Beginning of Year: Show the special reserve as of the end of the prior year's Balance Sheet.

Gain (Loss) from Operations: Total revenue minus total benefits and expenses.

Return of Excess Reserves: Show the amount of excess reserves withdrawn from your LOC account and transferred to your contingency reserve during fiscal year 2003 shown on Enclosure A.

Contingency Reserve Transfers: Show the contingency reserve transfer(s) authorized to your LOC account during fiscal year 2003 as shown on Enclosure A.

Other: Show all other additions or subtractions. Include a supporting schedule to explain the source of the adjustment(s).

Carrier: _____

Code: _____

**FEHBP STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS ENDING
SEPTEMBER 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
REVENUE		
Letter of Credit (LOC) Authorizations	\$	\$
Net Investment Income		
Total Revenue	\$	\$
BENEFITS AND EXPENSES		
Health Benefit Charges	\$	\$
Administrative Expenses		
State Statutory Reserve		
Reinsurance Expenses		
Service Charge		
Other		
Total Benefits and Expenses	\$	\$
GAIN (LOSS) FROM OPERATIONS	\$	\$
Special Reserve, Beginning of Year	\$	\$
Gain (Loss) from Operations		
Return of Excess Reserves		
Contingency Reserve Payments		
Other		
Special Reserve, End of Year	\$	\$

See accompanying notes to financial statements.

**Instructions for Preparing
The FEHBP STATEMENT OF CASH FLOWS**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Gain (Loss): Show the net gain or (loss) from the Statement of Operations.

**Adjustments to Reconcile Net Gain (Loss) to Net Cash
Provided by (used in) Operating Activities:**

Prior Period adjustments and other adjustments as shown on the Statement of
Operations
Contingency Reserve Payments
(Withdrawal of Excess Reserves)

(Increase) Decrease in Assets:

Letter of Credit Account
Program Income Receivable
Interest Income Receivable
Due for Treasury Offsets
Other

Increase (Decrease) in Liabilities:

Health Benefits Charges Accrued but Unpaid
Accrued Administrative Expenses
Accrued Service Charge
Other Accrued Liabilities

Total Adjustments:

Net Cash Provided by Operating Activities:

The total net gain or (loss) plus total adjustments

CASH FLOWS FROM INVESTMENT ACTIVITIES

Proceeds from Sale of Investments: Present the sum of proceeds received from the sale of
FEHBP investments.

Net Cash Provided by Investing Activities: Proceeds from the sale of investments plus non-
LOC interest income minus payments for purchase of investments.

NET INCREASE IN CASH AND CASH EQUIVALENTS

Net Cash Provided by Operating Activities plus or minus Net Cash Provided by Investing Activities.

Cash and Cash Equivalents at Beginning of Year: From the 2002 FEHBP Balance Sheet.

Cash and Cash Equivalents at End of Year: From the 2003 FEHBP Balance Sheet

Carrier: _____ Code: _____

**FEHBP STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDING
SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Gain (Loss)	\$	\$
Adjustments to Reconcile Net Gain to Net Cash Provided by (used in) Operating Activities:		
(Increase) Decrease in Assets:	\$	\$
Letter of Credit Account		
Program Income Receivable		
Interest Income Receivable		
Due for Treasury Offsets		
Other		
Increase (Decrease) in Liabilities:	\$	\$
Health Benefits Charges Accrued but Unpaid		
Accrued Administrative Expenses		
Accrued Service Charge		
Other Accrued Liabilities		
TOTAL ADJUSTMENTS	\$	\$
Net cash provided by operating activities	\$	\$
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from Sale of Investments	\$	\$
Net Cash Provided by Investing Activities	\$	\$
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at the Beginning of Year	\$	\$
Cash and Cash Equivalents at the End of Year	\$	\$

See accompanying notes to financial statements.

Instructions for Preparing

The FEHBP SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES

Show your Plan's total expenses, by object class. The total charged should be shown on the Statement of Operations and must not exceed the computed 2003 fiscal year administrative expenses limitation.

Attach a supporting document showing the basis and statistical data used for prorating administrative expenses between options, e.g. number of claims paid, or other units of work performed.

If the line item "Other" expenses aggregates to an amount that is material, its composition must be disclosed in a footnote.

Carrier: _____

Code: _____

**FEHBP SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
ADMINISTRATIVE EXPENSES		
Rent	\$	\$
Salaries		
Employee Benefits		
Furniture and Equipment		
Maintenance		
Equipment Rental		
Printing, Stationary and Supplies		
Travel		
Postage		
Telephone & Telegraph		
Private Wire System		
Auditing Services		
Legal Services		
Consulting & Professional		
Payroll Taxes		
Utilities		
Insurance		
LOC Bank Charges		
Cost Containment		
Other		
TOTAL ACTUAL EXPENSES	\$	\$
IPA Audit Fees	\$	\$
Clearinghouse	\$	\$
TOTAL CHARGED TO CONTRACT	\$	\$

**** See Instructions for preparing Administrative Expense**

See accompanying independent auditors' report.

**Instructions for Preparing
FEHBP SUPPLEMENTAL SCHEDULE OF HEALTH BENEFITS CHARGES PAID**

Part A: Monthly Claims Paid

Report in the first column the amount of health benefits charges paid in each month. In the second, third and fourth columns, show a breakdown of the amount reported in the first column by the fiscal year incurred.

Part B: Number of Claims Paid

Self-explanatory.

Part C: Types of Claims Paid

If possible, separate claims paid into hospitalization, physicians, and other claims.

Part D: Reconciliation of Health Benefit Charges Paid

Self-explanatory.

Carrier: _____

Code: _____

High Option _____ Standard Option _____

**FEHBP SUPPLEMENTAL SCHEDULE OF HEALTH BENEFIT CHARGES PAID
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

PART A - Monthly Claims Paid

MONTH	AMOUNT PAID	YEAR INCURRED		FISCAL YEAR 2001- PRIOR
		10/01/02 09/30/03	10/01/01 09/30/02	
October				
November				
December				
January				
February				
March				
April				
May				
June				
July				
August				
September				
Total	\$	\$	\$	\$

PART B - Number of Claims Paid

	FISCAL YEAR INCURRED		
	FISCAL 2003	FISCAL 2002	2001- PRIOR
TOTAL			

PART C - Types of Claim Paid

TOTAL	HOSPITALIZATION	PHYSICIANS	OTHER

PART D - Reconciliation of Health Benefit Charges Paid

Total Claims Paid from Part A (*above*) -

Less: Reinsurance Recovery

Other Adjustments (*explain*)

TOTAL (Summary Statement) \$

See accompanying independent auditors' report.

**Instructions for Preparing
THE FEHBP SUPPLEMENTAL SCHEDULE OF MONTHLY CASH FLOWS**

This schedule must be prepared on a monthly basis for the period October 1, 2002 through September 30, 2003.

Cash Balance: The total of ending cash balance and total value of investments held by carrier as shown on your 2002 fiscal year accounting statement, and as of the end of each month through September 30, 2003.

Sources of Cash:

- * LOC Drawdowns. Withdrawals made from your Letter of Credit (LOC) account as shown on line 4b. of Enclosure A.
- * Interest Income. Interest earned on funds held during the period October 1, 2002, through September 30, 2003, other than the LOC account.
- * Other. Explain via footnote or attached sheet of paper, all entries shown on this line.

Applications of Cash:

- * Claims Paid. The total health benefits charges paid during the period October 1, 2002, through September 30, 2003.
- * Administrative Expenses Paid. The amount of cash paid for allowable administrative expenses during the period October 1, 2002, through September 30, 2003.
- * Other. Explain, via footnote or attached sheet of paper, all entries shown on this line.

Net Inflow (Outflow): The net of total Sources of Cash minus total Applications of Cash.

Cash and Cash Equivalents Monthly Balance: Previous month's balance of cash, cash equivalents, and investments plus the month's net inflow (outflow).

Carrier: _____

Code: _____

**FEHBP SUPPLEMENTAL SCHEDULE OF AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

AUDIT NUMBER AND ASSOCIATED YEAR:

\$ _____

TOTAL

\$ _____

Instructions for Preparing

The FEHBP SUPPLEMENTAL SCHEDULE OF TREASURY OFFSET ACTIVITY

Balance beginning of the year: The amount that is owed to the Program at October 1, 2002 as a result of a LOC drawdown having been offset by the Treasury.

New Treasury Offsets: The amount of Treasury offsets against LOC drawdowns that have occurred during FY 2003.

Amount Repaid to Program: The amount of monies that have been credited to the Program in FY 2003 to repay Treasury Offsets.

Other: Use only after obtaining OPM approval.

Balance end of year: The amount that is owed to the Program at September 30, 2003 as a result of a LOC drawdown having been offset by the Treasury.

Carrier: _____ Code: _____

**FEHBP SUPPLEMENTAL SCHEDULE OF TREASURY OFFSET ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

TREASURY OFFSET ACTIVITY		
	Number	Amount
Balance beginning of the year		
New Treasury offsets		
Amount repaid to Program		
Other		
Balance end of the year¹		

1 Must agree with amount reported on Balance Sheet as "Due for Treasury Offset"