Office of Personnel Management

Retirement and Insurance Group

CSRS Civil Service Retirement System — *1920*

FEGLI Federal Employees Group Life Insurance — *1954*

FEHB Federal Employees Health Benefits Program — *1959*

FERS Federal Employees Retirement System — *1986*

Benefits Administration Letter

Number: **96-402** *Date:* **September 10, 1996**

SUBJECT: FEHB Open Season - Changes to the FEHB Guide

Purpose

The purpose of this letter is to let you know of some important changes we're making to the FEHB Guide in order to make it more useful to Federal employees during the 1996 Open Season.

Why change?

For many years FEHB plans have been described as being either fee-for-service (FFS) plans or prepaid plans. FFS plans were further broken down into Government-wide Plans (e.g., the Blue Cross and Blue Shield Service Benefit Plan), and employee organization plans either open to all employees (e.g., the Mail Handlers Benefit Plan) or restricted to specific groups (e.g., the Foreign Service Benefit Plan). Enrollees in prepaid plans had to use medical providers designated by their plans, while FFS enrollees could choose whichever providers they wished.

Recent changes in the health insurance industry have made these descriptions and distinctions relatively obsolete. FFS plans have incorporated a number of managed care initiatives, including precertification and preferred provider organizations, and are beginning to add health maintenance-type features in some locations. Many prepaid plans now offer benefits for services provided by non-plan doctors. As a result, we needed to come up with plan descriptions that reflect current insurance industry reality.

New descriptions

This year's FEHB Guide will break the plans down into three general categories: 1) nationwide managed Fee-for-Service plans, 2) plans offering a Point of Service product, and 3) Health Maintenance Organization plans (HMOs).

Nationwide Managed Fee-for-Service plans. This category contains the Government-wide plan and the employee organization plans and is further broken down between plans open to all and plans open only to specific groups. These plans are "nationwide" in the sense that they are available to employees regardless of where they live, and "managed" in that all contain features such as precertification of hospital admissions and utilization review. Many also contain a Preferred Provider Organization (PPO) feature.

Health Maintenance Organizations (HMOs). These are the prepaid plans that, except for emergency care, require their enrollees to use providers that are affiliated with the plans.

Plans offering a Point of Service product. As we noted above, different kinds of plans are beginning to blend their features. A number of FFS and HMO plans now offer both forms of health care delivery, known as "in network" and "out of network."

In an HMO with a Point of Service (POS) product, the POS product acts like a Fee-for-Service plan: The HMO's enrollees may use non-affiliated (out of network) providers if they wish, but the services will cost them more--in terms of deductibles and coinsurance--than if they used plan providers.

In a Fee-for-Service plan with a POS product, the POS product acts like an HMO: If they agree to let their medical care be managed by a plan-affiliated gatekeeper physician (in network), plan enrollees will get a better benefit, usually in the form of richer benefits and lower copays or coinsurance.

Listing the plans in the Guide

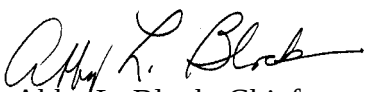
Plans with a POS product will be listed in the FEHB Guide separately from other plans. HMOs will be listed in either the HMO section or the Plans Offering a POS Product section, depending upon whether they contain a POS product. For example, if a State has two HMOs and only one HMO has a POS product, that plan will be listed only in the Plans Offering a POS Product section. The other plan will be listed only in the HMO section. Employees will need to be cautioned to look at both sections to find the plans available to them.

FFS plans will be listed on the Managed Fee-for-Service Plans page. In addition, those FFS plans that offer a POS product will also be listed in the Plans Offering a POS Product section under the States where the POS product is available.

Also...

Quality Assurance. In addition to redesignating the plans, we will show which plans are accredited by the National Committee for Quality Assurance (NCQA), a nationally-recognized leader in evaluating managed care plans, such as HMOs. NCQA evaluates how well a health plan manages both its administrative services and health care delivery system, including physicians, hospitals, and other providers.

Survey Results. The Customer Satisfaction Survey Results, formerly shown separately in the back of the FEHB Guide, have been expanded and incorporated with the plan information described above into a "report card" on plan performance. In addition to the NCQA information noted above and the overall ratings achieved by plans, ratings on specific questions will be highlighted, and plans with overall ratings that are significantly better than average for that plan type will earn a star.



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