

*Office of Personnel Management*  
*Retirement and Insurance Service*



1920



1954



1959



1986

**Benefits Administration Letter**

*Number:* 96-204

*Date:* May 21, 1996

**SUBJECT:** Service Benefit Plan Contract Change

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**Purpose**

The purpose of this letter is to notify you of a retroactive change in the Blue Cross and Blue Shield Service Benefit Plan contract for calendar year 1996. A copy of the contract change is attached.

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**Old provision**

Before 1996, the allowable charges for services of nonparticipating providers were based on 100% of the Usual, Customary, and Reasonable (UCR) amounts as determined by local plans. Therefore, the Standard Option benefit was 75% of 100% of the UCR and the High Option benefit was 80% of 100% of the UCR.

Effective January 1, 1996, allowable charges for services of nonparticipating providers are based on the Medicare participating fee schedule amounts for the geographic area in which the services were provided or 60% of the billed charge if there is no equivalent Medicare fee schedule amount.

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**New provision**

Under the new retroactive 1996 contract provision, **allowable charges** will be based on the greater of--

- the Medicare participating fee schedule amount for the service or supply in the geographic area in which it was performed or obtained (or 60% of the billed charge if there is no equivalent Medicare fee schedule amount), or
- 80% of the 1996 UCR amount for the service or supply in the geographic area in which it was performed or obtained.

Blue Cross and Blue Shield calculates the benefit on the **allowable charge**. If 80% of the UCR is greater than the Medicare participating fee schedule amount, the Standard Option benefit would be calculated as 75% of 80% of the UCR and a High Option benefit would be calculated as 80% of 80% of the UCR, after any applicable deductible has been taken.

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## Examples

### Example of a Standard Option Benefit in 1995:

Billed amount	\$1,200
UCR amount	1,000
Allowable charge (100% of the UCR)	1,000
Standard Option Benefit (75% of the allowable charge)	750

### Example of a Standard Option Benefit in 1996 when 80% of the UCR is greater than the Medicare fee schedule amount:

Billed amount	\$1,200
UCR amount	1,000
Allowable charge (80% of the UCR)	800
Standard Option Benefit (75% of the allowable charge)	600

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## When the change will be effective

The plan will have all the necessary administrative and claims-processing changes in place by July 8, 1996. Claims paid after that date will be based on the new provision.

The plan will automatically reprocess all claims that were paid before July 8, 1996, and will make any appropriate payment adjustment no later than October 31, 1996.

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Abby L. Block, Chief  
Insurance Policy  
and Information Division

**AMENDMENT TO CONTRACT CS 1039**

CONTRACT NO: CS 1039  
EFFECTIVE: January 1, 1960

AMENDMENT NO: 1996-D  
EFFECTIVE: 1/1/96

BETWEEN: THE UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
*hereinafter called the OPM, the Agency, or the Government.*

AND

CONTRACTOR: Blue Cross and Blue Shield Association  
Service Benefit Plan  
*hereinafter also called the Carrier.*

Address: 1310 G Street, N.W., Suite 900  
Washington, DC 20005

Section 4.10 is added to the Contract to amend the definition of "Non-participating Provider Allowance."

SECTION 4.10  
NON-PARTICIPATING PROVIDER ALLOWANCE (NPA)

- (a) Notwithstanding the provisions stated in the certified brochure text at page 48 of Appendix A, or any other provision of the Contract, for purposes of determining the Non-participating Provider Allowance (NPA) solely for those Non-participating providers which are not facilities, the following definitions shall apply for the 1996 contract year:

**Non-participating Provider Allowance (NPA) for Non-participating Providers Other Than Facilities --** An allowance equal to the greater of (1) the Medicare participating fee schedule amount for the service or supply in the geographic area in which it was performed or obtained (or 60% of the Billed charge if there is no equivalent Medicare fee schedule amount) or (2) 80% of the 1996 Usual, Customary and Reasonable (UCR) amount for the service or supply in the geographic area in which it was performed or obtained.

**Usual, Customary and Reasonable (UCR)--**

Profile: Local Plans determine reimbursement for covered services by

applying a profile. The profile is developed from the actual charges by providers in their area. The profiles are generally updated annually; however, local exceptions may apply.

Accepted allowance: Local Plans may determine reimbursement for covered expenses based on an accepted allowance instead of a profile. Accepted allowances are based on what Participating providers are accepting as payment in full in the Local Plan area.

All other terms set forth in the definition of NPA shall apply to claims for covered services provided by Non-participating providers other than facilities.

- (b) The Carrier shall implement the necessary claims processing system and other administrative changes by July 8, 1996, to accommodate this amendment. Any affected 1996 claims for covered services processed prior to July 8, 1996, shall be identified and retroactively reprocessed. Adjustments shall be sent to Enrollees by October 31, 1996. The Enrollee's adjustment for covered services shall be determined by readjudicating the claims using the definition of "Non-participating Provider Allowance" set forth in paragraph (a) of this section.
- (c) The Carrier shall readjudicate at the time of reconsideration any affected claim that is submitted to the Plan for reconsideration prior to the effective date of the system and administrative changes.
- (d) The Explanation of Benefits (EOB) for each Non-participating provider claim that is based on 80% of the Usual, Customary and Reasonable allowance shall explain that the Member's out of pocket costs were capped on this payment and shall provide the Member a comparison with a payment of the same claim using the Medicare participating fee schedule or 60% of the Billed charge if there is no equivalent Medicare fee schedule amount.
- (e) The Addendum to the brochure outlining the new provisions set forth in this amendment shall be mailed by the Carrier to the enrollees.