

TO: Members of the Board of Trustees of the FELRA Health and Welfare Fund
Anne-Marie Sims, Chief Business Officer, Associated Administrators, LLC
Joshua Timm, Vice Chief Business Officer, Segal

FROM: Joe Scibilia, Vice President Commercial Markets Sales, CareFirst BlueCross BlueShield
Romil Aparentado, Labor Relations Account Consultant, CareFirst BlueCross BlueShield

RE: Network Lease and FlexLink Renewal Rates (January 1, 2022 – December 31, 2026)

DATE: November 8, 2021

CareFirst BlueCross BlueShield would like to thank the FELRA Board of Trustees and its members for the opportunity to provide its services over the past thirteen years. During this time, the joint efforts between the FELRA Board, Associated Administrators, and CareFirst have produced the following results:

- (1) Cost savings to the Fund in excess of \$436 million from January 1, 2017 – September 30, 2021
- (2) Broad access to the BlueCross BlueShield credentialed PPO network of hospitals, physicians, and labs
- (3) Efficient integration of system and adjudication processes with Associated Administrations via daily operations
- (4) Lower appeals volumes and greater member satisfaction.

CareFirst is requesting that the FELRA Board consider extending its partnership with CareFirst into the future by renewing its contract an additional five years. Please find on the subsequent page a five-year proposal which outlines a new rate structure for Network Lease and FlexLink fees from 1/1/2022 – 12/31/2026:

Current Rate

	Network Lease	Increase over Previous Year's Network Lease Rate	FlexLink	Increase over Previous Year's FlexLink Rate
1/1/2021 – 12/31/2021	\$4.66 pcpm	N/A	\$23.55 pcpm	N/A

Proposed Renewal Rate

	Network Lease	Increase Over Previous Year's Network Lease Rate	FlexLink	Increase Over Previous Year's FlexLink Rate
Yr 1 (1/1/2022 – 12/31/2022)	\$4.76 pcpm	2.3%	\$23.95 pcpm	1.7%
Yr 2 (1/1/2023 – 12/31/2023)	\$4.88 pcpm	2.5%	\$24.55 pcpm	2.5%
Yr 3 (1/1/2024 – 12/31/2024)	\$5.03 pcpm	3.0%	\$25.29 pcpm	3.0%
Yr 4 (1/1/2025 – 12/31/2025)	\$5.18 pcpm	3.0%	\$26.04 pcpm	3.0%
Yr 5 (1/1/2026 – 12/31/2026)	\$5.33 pcpm	3.0%	\$26.83 pcpm	3.0%

(Note: "pcpm" is an abbreviation for "per contract per month")

This new rate structure, which only impacts the administrative service fees paid to CareFirst, represents small increases to our Network Lease and FlexLink fees. We are happy to report that our 5-year proposal contains incremental increases on Flex Link at 1.7% and on Net Lease at 2.3% in Year 1 (1/1/2022 – 12/31/2022), and that the total increase over the five-year period is 14.0% in aggregate. Components of the request for an increase include, but are not limited to:

- Increases in costs of Technical and Operational Support
- Transitioning to a value-based national BlueCross BlueShield network, which requires implementation of Patient Centered Medical Home (“PCMH”) and supporting programs required by the BlueCross BlueShield Association.
- Implementation of Consolidated Appropriations Act mandates

Should you have any questions about the proposed renewal rates, feel free to reach out to Joe Scibilia at (202) 680-7272 or Romil Aparentado at (410) 998-5558. CareFirst wishes to thank you again for your business, and we look forward to continuing our partnership with FELRA and its members for many years.