

**STATEMENT OF  
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**before the**

**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE, AND THE  
DISTRICT OF COLUMBIA  
COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE**

**on**

***Growth Trends in Health Care Premiums for Active and Retired Federal  
Employees***

**May 18, 2007**

Mr. Chairman and Members of the Subcommittee:

I am here today on behalf of Linda M. Springer, Director of the Office of Personnel Management (OPM), to discuss the recent premium trends within the Federal Employees Health Benefits (FEHB) Program, as well as the initiatives of OPM and the health insurers who participate in the FEHB Program to provide Federal employees, retirees, and their families with top quality health care at reasonable cost.

## **Administering the Federal Employees Health Benefits Program**

OPM administers the FEHB Program, which covers approximately 8 million Federal employees, retirees, and their dependents. The FEHB offers competitive health benefits products for Federal workers, much like other large employer purchasers, by contracting with private sector health plans.

For five consecutive years, rate increases in the FEHB Program have declined. In fact, for 2007, rates increased only 1.8 percent. The result – approximately 63 percent of FEHB enrollees incurred no premium increase, while another 15 percent saw increases of less than 5 percent. For the past five years, the rate increases were lower than industry averages with the last three years being remarkably lower.

We believe that these low increases are the result of the continued efforts by OPM and the Administration to provide FEHB enrollees with choices of quality health care that meet their respective individual and family health care needs at affordable prices. Among those efforts, OPM has taken steps to further promote market-based competition by providing a range of quality health care options that include High Deductible Health Plans and Consumer-Driven Health Plans linked to Health Savings Accounts, as authorized by Congress and signed into law by President

George W. Bush in the Medicare Modernization Act of 2003. In addition, for 2007, we took steps to enable enrollees to make pre-tax contributions to their Health Savings Accounts through payroll allotment. We have also added other health-related benefits such as stand-alone dental and vision benefits as well as Flexible Spending Accounts.

And, under Public Law 108-375, *The National Defense Authorization Act for 2005*, OPM continues to encourage agencies to assist Federal employee reservists by paying the Government's share and the employee's share of the FEHB premium for up to 24 months while those individuals are deployed in harm's way, in accordance with the guidelines specified in the law. We are pleased to say that about all Executive branch agencies have chosen to waive premiums for these individuals.

Each year, OPM issues its FEHB "Call Letter" to provide guidance and negotiation objectives for benefit proposals from FEHB Program plans for the next contract term. Over the past several years the Call Letter has asked carriers to add benefits to their respective coverage options. Those benefits have included coverage for a variety of preventive services such as screenings for osteoporosis, colorectal cancer, abdominal aortic aneurysm, and cholesterol as well as a variety of adult and childhood immunizations. In addition, we have consistently encouraged carriers to place emphasis on

care management programs and practices to address the complex health care needs of FEHB enrollees with chronic conditions.

As part of the annual premium rate negotiation process, OPM makes use of its authority to use excess reserves to mitigate premium increases. As OPM stated during the past year's Open Season rollout period, we allowed FEHB plans to exercise this option to reduce premiums. The Government Accountability Office, in its December 2006 report, titled "Federal Employees Health Benefits Program: Premium Growth Has Recently Slowed, and Varies Among Participating Plans," confirms OPM's ability to use the reserves in this manner and to generally mitigate fluctuations in premiums from year to year. Usually, better than expected claims experience creates excess reserves and leads individual health plans to propose drawing down reserves in future years. In fact, this is the third time in the last five years our bilateral negotiations with insurance carriers have resulted in some planned reduction in reserves.

Regarding the use of the Medicare Part D employer subsidy to assist with offsetting premiums in the FEHB Program, the intent of the subsidy is to encourage employers to continue providing prescription drug coverage to their Medicare eligible retirees. As part of the Fiscal Year 2006 Budget process, the potential use of the subsidy was evaluated by the Federal

Government. This review found no good rationale for the Federal Government to pay itself to continue providing prescription drug coverage to Federal retirees, especially since OPM has no plans to eliminate this coverage.

As OPM moves forward, we will continue to seek innovative benefit proposals from FEHB carriers that provide for quality, value and affordable health care options. OPM has encouraged proposals from plans that would allow for lower cost HMO options that are offered in the marketplace but not actually offered to Federal enrollees. We strongly encourage plans to offer chronic care and disease management programs including flexible benefit options for chronically ill patients. OPM also asked plans to compare their current preventive care benefits against those endorsed by the U.S.

Preventive Services Task Force under the U.S. Department of Health and Human Services which are built on evidence-based medicine. Like many other employers, the Federal Government, under the leadership of President Bush, Secretary Leavitt, and Director Springer, has been committed to promoting a healthier workforce through preventive care. We believe these health promotion efforts are responsive to the needs of enrollees and add value to their health care coverage. It is also important that enrollees have the ability to make informed decisions that result in improved lifestyle

choices and health care outcomes. We know the Federal workforce is well informed, and we encourage FEHB carriers to reach out to their enrollees to avail themselves of the positive effect that preventive care services can have on their health.

OPM is proud of its record in administering the FEHB Program and believes it offers Federal employees and retirees a wide variety of options from which to select the health benefits and the premiums that best meet their needs. We were also pleased that about 60 percent of employees who replied to our 2006 Federal Human Capital Survey (FHCS) responded positive in reference to their satisfaction with our Federal health insurance benefits.

Mr. Chairman, I appreciate this opportunity to testify before the Subcommittee on this very important issue. I will be glad to answer any questions you or other Members may have.