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Excess Reserves Help Slow the Rise in Health-Care Costs

By [Stephen Barr](#)

Wednesday, September 20, 2006; Page D04

Health insurance premiums for federal employees will increase by an average of 1.8 percent next year, the lowest annual increase in the government's employee program since 1997.

Officials said they substantially slowed the rise in 2007 insurance rates by dipping into excess financial reserves of the Federal Employees Health Benefits Program, which provides about \$33 billion in health-care benefits annually. They said the reserves had increased in recent months because insurance claims and other expenses had not grown as fast as estimated. Next year, 63 percent of FEHBP

enrollees "will see no increase in their premium," said *Linda M. Springer*, director of the Office of Personnel Management, which administers the program. "That is amazing."

She said 15 percent of the program's enrollees will see a premium increase of less than 5 percent.

The federal program will offer 284 plans next year and will provide insurance coverage to about 8

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and postal workers, retirees, and family members. The government picks up about 71 percent of premium costs in its role as an employer.

Next year, individuals will pay an average of \$1.45 more per two-week pay period, and families will pay \$3.13 more biweekly.

More than 56 percent of FEHBP enrollees are in two plans provided by the Blue Cross and Blue Shield Association, and Blue Cross enrollees will see their share of the premium drop or stay the same.

Enrollees in the Blue Cross standard option will pay \$57.30 biweekly, 77 cents less than this year. Families covered by the standard option will pay \$134.30 biweekly, \$1.29 less.

The Blue Cross basic option, which requires enrollees to stay in the Blue network, will not raise premiums for the third consecutive year. The enrollee cost will be \$37.99 for individuals and \$88.99 for families on a biweekly basis.

Data provided by the OPM showed that \$500 million will be drawn out of the program's cash reserves, bringing down next year's premium increase by 5 percentage points. Otherwise, federal employees and retirees could have faced a rate increase of 6.8 percent, in line with this year's premium rise.

The program's reserves "are more than adequate," Springer said. "Everything is financially sound here." Rate decisions "are not things that are manipulated," she said. "They are certainly not political."



Linda M. Springer is director of the Office of Personnel Management. (By Bill O'leary -- The Washington Post)

Wednesday, Sept. 20, Noon ET

Federal Diary Live

Mark A. Abramson, Jonathan D. Breul and John M. Kamensky of the IBM Center for the Business of Government answer questions about their report, "Six Trends Transforming Government," and the future of employment. Federal Diary columnist Stephen Barr will moderate.

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The use of the program's reserves helped reduce rate increases next year for national fee-for-service plans, which are required to set aside money for contingencies. The program's health maintenance organizations do not build up reserves because they operate on fixed-price contracts each year, officials said.

As a result, the national plans' average premium will rise 0.3 percent, and HMOs will rise an average 6.3 percent.

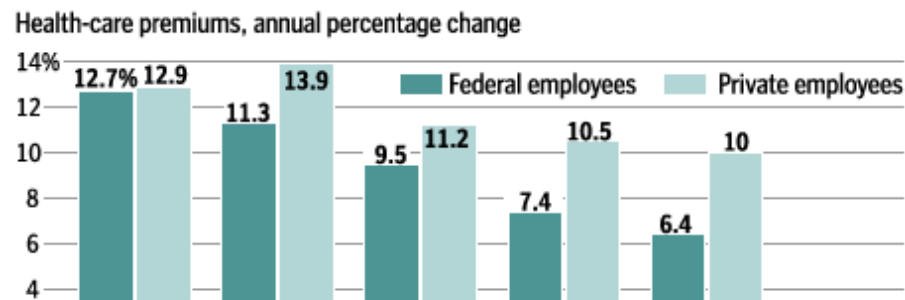
Premium increases in the federal employee program usually are lower than the annual rate increases in other large plans. The California Public Employees' Retirement System, for example, plans to increase HMO rates by an average of 11.6 percent and premiums for preferred-provider organizations by 12.6 percent next year.

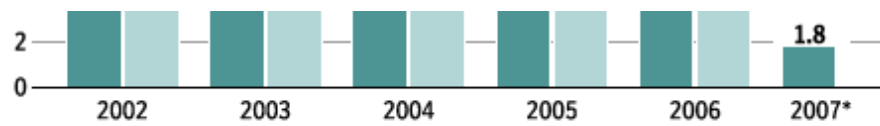
Tom Billet, a senior consultant with Watson Wyatt Worldwide in Stamford, Conn., said surveys show that most private-sector employees' premiums will increase by 9 to 10 percent next year.

"Even when companies are fortunate to have a low increase, we find they are choosing to pass along something more than that so that it will be consistent with their long-term message -- health-care costs are high and that people should act responsibly to control them," Billet said.

Springer also said enhanced dental and vision benefits will be added to the federal benefits package next year. Premiums will vary by plan and by region, she said.

A Better Deal





* Federal estimate. Private estimate not available.

SOURCE: U.S. Office of Personnel Management | By Karen Yourish, The Washington Post - September 20, 2006

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