

January 11, 2010

Dear:

Our organizations represent the nearly 9 million federal and postal employees and retirees and their families who participate in the Federal Employees Health Benefits Program (FEHBP). The FEHBP is the largest employer-sponsored health benefits plan of its kind in the United States. Established by Congress in 1959, it serves as a beacon in recruiting and retaining quality individuals to federal and postal service. The FEHBP has succeeded in providing enrollees with adequate health care coverage at competitive price levels.

As you work to craft a final health care bill, we want you to know that our members support your efforts to contain medical costs, but insist upon the preservation and integrity of FEHBP as a program designed principally for federal and postal employees and annuitants.

Towards this end, we believe the final bill must:

Include the Senate's FEHBP protections. If House and Senate negotiators agree to include a Senate provision to require the Office of Personnel Management (OPM) to administer multi-state health plans, we urge you to retain the provisions in Sec. 1334 (g) of the Reid amendment to the Senate passed bill, entitled "Continued Support for FEHBP". Federal workers and annuitants have often heard that "if you like the health insurance coverage you currently have, you can keep it." FEHBP protections in the Senate-passed bill would uphold that principle and would ensure that the health insurance earned by federal workers and annuitants continues to offer comprehensive coverage with affordable and predictable premiums.

OPM's role in administering a national health plan for non-FEHBP participants is the most significant expansion of its duties in the agency's history. For that reason we ask that you allow us, as representatives of the federal employee and annuitant community, to review and comment on the final agreement between the House and Senate so that we can ensure our members that the integrity and administration of the FEHBP remains intact.

Drop the Excise Tax on "High Value" Health Insurance. According to the *Federal Times*,¹ a study has recently been completed on the effect of the excise tax on FEHBP. It and other projections demonstrate that the most popular plan, Blue Cross/Blue Shield Standard (BS/BS) plan, would be subjected to the tax. While the excise tax is slated to be imposed on the insurers on so-called high cost plans, the tax will be passed on to enrollees in the form of higher premiums, co-pays or reduced benefits. BC/BS plans cover approximately 48% of FEHBP enrollees, or nearly 3.8 million Americans. Single enrollees would be subject to the effects of the tax in 2013, while families are hit in the third year. Including other, non-BC/BS plans, more than one-half of active and retired

¹ See "Popular plans could be subject to tax," page 18, *Federal Times*, December 14, 2009.

enrollees will face the effects of these taxes that accumulate to thousands of dollars in the middle to out years of the Senate-passed bill. Because we understand the value of all health care is counted towards the threshold amounts, enrollees with dental or vision coverage, or a Flexible Spending Account, could reach the thresholds even sooner and feel the effects of this tax earlier.

Characterizing this tax proposal as a “Cadillac tax” is a misnomer. It hits the average blue collar and white collar employee or annuitant. FEHBP insurers will simply reduce coverage and, as the taxes increase, a downward spiral toward less coverage will ensue, which is antithetical to health care reform’s stated purpose. Penalizing FEHBP enrollees with this tax is a huge disincentive to qualified applicants seeking federal or postal employment. It is bad for the government and bad policy overall.

Clarify that FEHBP plans must provide dependent coverage for children up to age 27. We are concerned the House and Senate bills are not clear enough on the requirement for group health plans to expand dependent coverage to the FEHBP. To recruit and retain the best and brightest workers, the federal government, like private employers, should be able to offer its employees FEHBP coverage for their dependents up to age 27.

Thank you for taking these concerns into account as you work to merge the House and Senate health care reform legislation. Our members strongly support affordable health care for all Americans and believe that goal can be attained without undermining the health coverage already secured by millions of active and retired federal/postal workers.

Sincerely,

American Federation of Government Employees (AFGE)
American Foreign Service Association (AFSA)
American Federation of State, County and Municipal Employees (AFSCME)
American Postal Workers Union (APWU)
Federal Managers Association (FMA)
Laborers' International Union of North America (LIUNA)
National Active and Retired Federal Employees Association (NARFE)
National Air Traffic Controller Association (NATCA)
National Association of Letter Carriers (NALC)
National Association of Postal Supervisors (NAPS)
National Association of Postmasters of the United States (NAPUS)
National League of Postmasters of the United States
National Postal Mail Handlers Union (NPMHU)
National Rural Letter Carriers' Association (NRLCA)
National Treasury Employees Union (NTEU)
Professional Aviation Safety Specialists (PASS)