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FEHBP
A Feeble Model for Universal Health Care!

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Politicians are fond of saying that everyone should have a health plan as good as the one that Congress has. John Kerry, for instance, says that "all Americans should have access to the same affordable coverage policies that Members of Congress get today," and he proposes that any individual or business should be able to buy into it. This plan, which is available to Congress and all other employees of the Federal Government, is the Federal Employees Health Benefit Plan (FEHBP). What is FEHBP? Is it as good as these claims suggest? Does the opportunity to buy in to FEHBP provide a model for universal health care?

FEHBP is, in brief, a private insurance program that the Federal government offers to its employees. Just like many other employers, the Federal government makes available a choice of private health insurance plans. Federal employees can choose from among plans offered by Blue Cross/Blue Shield, Aetna, and other such insurers. These include "fee-for-service" plans with "preferred providers" (called PPOs), in which employees can reduce their out-of-pocket expenses by using an "in-network" provider, as well as HMOs offering care primarily through contracted providers.

Thus, FEHBP offers standard private health insurance in the current managed-care mode. As pointed out by the Federal Office of Personnel Management, which runs the program, "You will find managed care features in all the plans…pre-approval of hospital stays, the use of primary care providers as 'gatekeepers' to coordinate your medical care, the use of a prescription drug formulary, and networks of physicians and other providers." (www.opm.gov/insure/health/about/fehb.asp) **Thus, as in all private insurance plans today, under FEHBP a private, often for-profit, insurance company will decide (i) which physicians you can see, (ii) which drugs your physician can prescribe, (iii) whether you can see a specialist, and (iv) whether and where you can be hospitalized**. **You can be turned down for treatment.** You then can appeal a service denial, but first to the private insurance company before asking the Office of Personnel Management for a second appeal.

Under FEHBP, the Federal Government pays 72% of the average premium for any plan; the employee pays the rest. For example, for the standard Blue Cross/Blue Shield Plan available nationally, the employee's share of the cost is $1,271 per year for an individual and $2,935 per year for family coverage. Like the corresponding premiums in the private sector, these have been rising rapidly in recent years. For instance, Federal employees' share of the premium rose more than 7% this year (by $84 for individuals and $199 for families). Premiums have been rising an average of 11 percent per year and have climbed more than 50 percent over the past four years – far above the general cost of living increase of 9 percent over four years.

Then there are deductibles of from $250 to $500 per person (and $500 or more per family). All plans have copays of 10-25% for outpatient care and $10-30 for prescription drugs. There are limits to what it will cost the employee: Most plans provide for maximum out-of-pocket expenses of $4,000 to $6,000 per family. So a family might, under these plans, be paying $6,000 plus the employee's share of the premium ($2935) or $8,935 per year for health care, clearly beyond the reach of many.

If the FEHBP were to be offered through private employers, would they be willing to pick up the same nearly three-quarter share of the insurance premium as the Federal government's does for its employees? If they did not, or if a self-employed (or unemployed!) individual were to buy into this plan, the annual premium for the standard Blue Cross/Blue Shield plan alone -- without any out-of-pocket medical costs -- would be $4,539 for an individual and $10,482 for a family. Kerry has suggested tax subsidies to help pay these costs; they would have to be quite substantial to make this truly affordable for low-income individuals and employees of small businesses.

But this is not the worst of it: **Those who advocate an "FEHBP solution" assume that the private insurers who participate in FEHBP would be willing to offer the same plan that is offered to Federal employees, at the same cost, to anyone wishing to purchase it.** However, Federal government employees are healthier, more securely employed, and more "middle-class" than the average person in the population. It is highly unlikely that private insurers would be willing to offer the same deal to any small business or individual. We know that insurance premiums for small businesses and individuals are much higher than for large employers, where the risk is spread far wider. **If FEBHP were to be offered to the general population, either the premiums would be substantially higher, or fewer insurance companies would choose to join, or, more likely, both.**

Finally, there is the vaunted "consumer choice" that a program such a FEHBP would offer. **Over time there have been fewer and fewer choices offered in FEHBP.** The number of participating plans has dropped by 50 percent in the past five years. In the New York City area, for instance, employees have the choice of just four major insurers -- Aetna, Blue Cross, GHI, or HIP – along with several firms set up originally to serve postal workers but now offered to any Federal employee. Other areas of the country have even fewer.

FEHBP requires that all plans cover the same medical services. In spite of this, some plans offer more dental and vision coverage than others. However, **the primary "choice" is whether to pay now or pay later**. **Those who choose plans with lower premiums (taken out of biweekly or monthly paychecks) face higher deductibles and co-payments when they actually need medical care. Often this results in higher overall cost to those who choose what looks like a less-expensive plan.** Seeing physicians "out of network" costs more in a "basic" plan than in a "standard" or "high option" plan. We know from many studies that higher co-payments lead low- and even middle-income people to postpone needed medical care. Since FEHBP premiums are independent of the employee's income, lower-wage workers are likely to choose a "basic" plan and thus face the barrier of higher costs when they have to seek care. And many, of course, will not be able to afford to pay for any plan.

This is not universal health care. It is simply the clearest example of the excessively expensive way we finance health care today, with millions still left out completely. Funneling billions of additional dollars into the wasteful and intrusive private insurance system would not move us toward the kind of humane, inclusive, and efficient health care system we need and deserve. We would simply be pouring more money into the coffers of the for-profit insurance industry, which is the central <u>problem</u> with American health care, <u>not</u> its solution. We know, for instance, that the complexity and wastefulness of the insurance industry alone is responsible for 1 out of every 6 dollars we spend on health care today. Studies by a variety of analysts show that, compared with countries with simpler national systems, our use of multiple private insurance companies costs our country hundreds of billions of dollars each year in funds that could be better spent actually providing health care to those who don't have it and improving the health care for those who do have it.

The only solution is to move to a single payer national health insurance system which would eliminate the duplication of multiple billing and reimbursement systems, the eligibility determinations, the corporate intrusion into medical practice, the

massive expenses on marketing and other administrative waste, and the deeply offensive attempt to collect thousands of dollars from ill and dying patients. We need Expanded and Improved Medicare for All, as embodied in the Conyers Bill, HR 676, if we are truly to make health care accessible and affordable for all Americans.

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