




# The Federal Manager

## COVER



## FEATURE



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# PRESIDENT'S PAGE

*FMA National President*
*Patricia Niehaus*

## FMA's New President Looks to the Future

Hello, Team FMA!

Thank you for electing me to represent you. As I said at the National Convention, I believe that since I ran unopposed, this election was a vote of confidence rather than a demonstration of apathy on the part of my fellow members. I am delighted to be your new National President because I believe in the mission of FMA—advocating excellence in public service and representing our members' interests and concerns. As a female Baby Boomer, I should have realized I am the first woman president of this wonderful organization but I did not until Zone 2 President Jackie Bell pointed it out to me. Thanks, Jackie! This may not mean much to some of our younger members but, as a member of the generation that accomplished a lot of "firsts" for women, it matters to me. Thank you, FMA, for this opportunity!

I am excited to lead the organization which is the premier voice for federal managers, especially at this point in time. We have a proud tradition of service, integrity and credibility stretching back almost 100 years. Past presidents Darryl Perkinson and Mike Styles have set outstanding examples for me to follow and 2009 was an incredible year for FMA. I believe the key to our success is the commitment to excellence demonstrated by our members and our National Office staff on a daily basis. I look forward to continuing to advance our mission in this new role.

I would like to express my gratitude to Darryl for his generous offer to mentor me and to assist whenever he can if I cannot make it across the country for an event or testimony. You are a wonderful asset to FMA, Darryl, and I am glad you will still be an active part of the organization. The other members of the NEB and GEB have also made me feel welcome and have encouraged me in my new role. Thanks also to all of you who have offered your support and friendship. This organization consists of an amazing group of people!

In my federal career, I am the Labor Relations Officer for Travis Air Force Base in California. In addition to union negotiations, my job also includes a wide range of employee-management relations functions (discipline, performance, recognition, newsletters for the base civilian population, etc.). I believe my 27-plus years as a federal employee will serve FMA well—particularly now that our organization has a seat on the new National Council on Federal Labor-Management Relations.

I am currently an NSPS employee and, for those of you who are expecting to be subjected to pay retention upon conversion back to the GS system, I feel your pain. We will continue to pursue every avenue possible to address this unreasonable policy.

At home, I am known as "Gramma Pat" or "GP" to my five grandchildren, one granddaughter-in-law and two great-grandchildren. Until recently, I have been the primary family photographer, but my two youngest granddaughters are both developing into better photographers than their GP. Who knows, maybe some of the family albums will have me in front of the camera instead of behind it. Besides photography, I enjoy travelling, reading (especially since my grandchildren gave me a Kindle for my birthday last year), paper crafts and cross-stitching.

I look forward to working with you and getting to know more about you. Please let me know what FMA can do to serve you better! ■

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All materials submitted to *The Federal Manager* should pertain to public service managers. Copy should be double-spaced, no longer than 10 pages. Color photographs, 35 mm color slides, charts, or other illustrations should be included if possible. Text should be submitted on compact disc, labeled with type of software and name of file. Also include a biography of the author.

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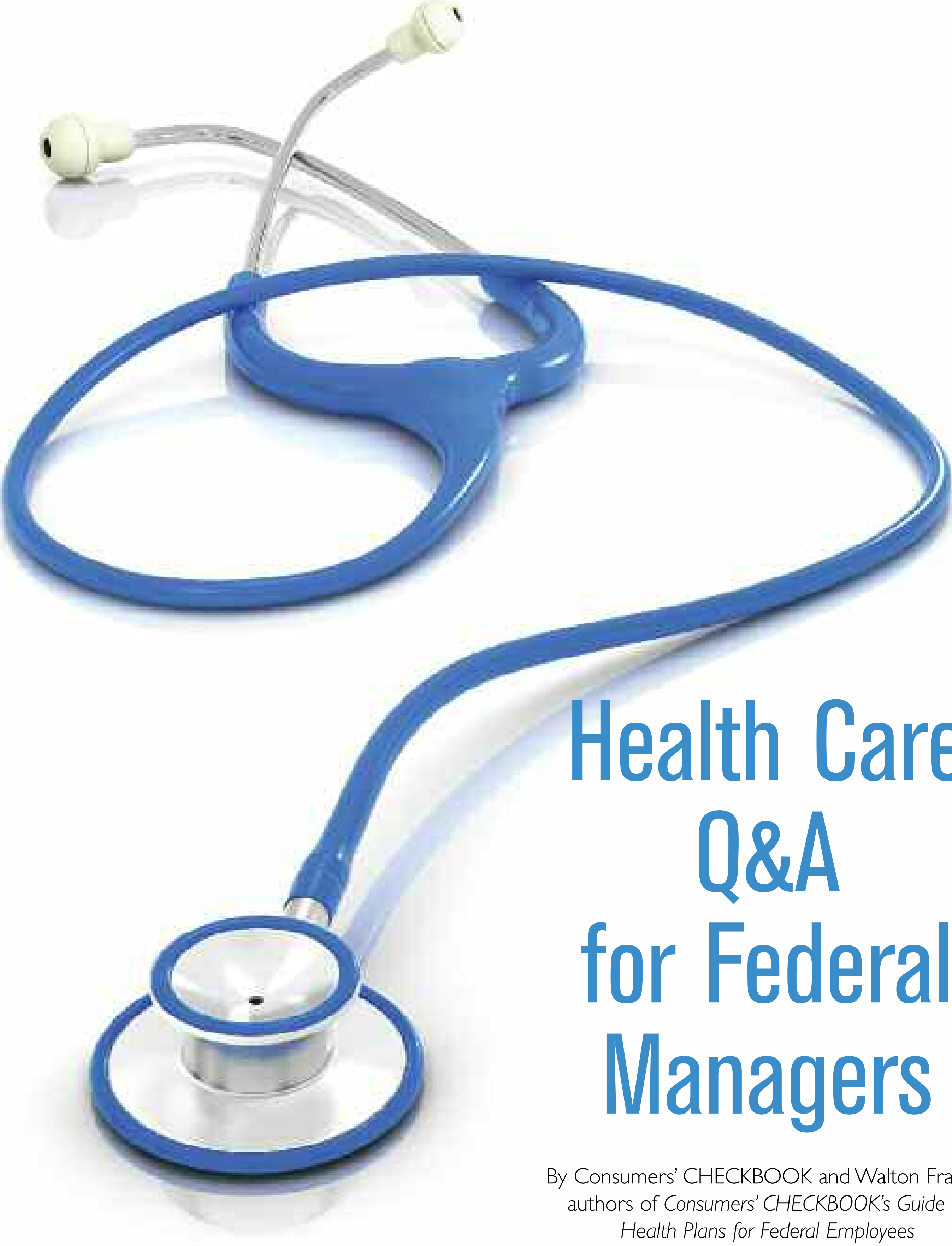

# Health Care Q&A for Federal Managers

By Consumers' CHECKBOOK and Walton Francis, authors of *Consumers' CHECKBOOK's Guide to Health Plans for Federal Employees*

On March 23, 2010, President Obama signed landmark legislation (P.L.111-148) expanding health care coverage to all Americans. According to the White House, "Health reform will make health care more affordable, make health insurers more accountable, expand health coverage to all Americans, and make the health system sustainable, stabilizing family budgets, the federal budget, and the economy."

With this change, however, came a lot of rumors, misinformation and general ambiguity regarding the nuances of the new legislation. This was an especially uncertain moment for federal employees, who currently receive health care coverage from the federal government. To separate the facts from the fiction, the Federal Managers Association (FMA) took your questions to the Consumers' CHECKBOOK. Below is a question and answer session from the same people who keep federal employees informed about their health care insurance options during the Open Season.

## First, tell us a little about Consumers' CHECKBOOK and how it relates to the Federal Employees Health Benefits Program (FEHBP)?

In the Washington, D.C., area and six other major metro areas (San Francisco-Oakland-San Jose, Seattle-Tacoma, Twin Cities, Chicago, Delaware Valley, and Boston), Consumers' CHECKBOOK magazine and Checkbook.org provide consumers extensive advice and in-depth ratings of local service providers, from plumbers to doctors, from auto repair shops to veterinarians, from auto insurance companies to health clubs. Consumers' CHECKBOOK is a program of the Center for the Study of Services, which was founded in 1974. It is a nonprofit and carries no advertising in its publications or on its Web sites.

For more than thirty years, CHECKBOOK has published ratings of health care services, including not only doctors, hospitals, and health plans, which are rated nationwide, but also hospital emergency departments, dentists, optometrists, acupuncturists, drug stores, and other services, which are rated in the seven metro areas where CHECKBOOK magazine is published.

Since 1970, CHECKBOOK has compared and rated health plans for federal employees and retirees. CHECKBOOK was the first organization in America to provide ratings of the total out-of-pocket costs and the quality of health plans. Our rating system continues to lead the field in comprehensiveness and in helping each consumer identify the best plan overall for him or her.

In recent years, other health plan comparison tools have been created, including one at the Office of Personnel Management (OPM), but CHECKBOOK's is the only one that covers both full-time and part-time employees, covers all pay systems, covers retirees with and without Medicare, adjusts all estimates for the tax advantages of "premium conversion," and corrects for differences and discrepancies in the ways that plans present benefits such as hospitalization, dental, and catastrophic spending limits. Originally, CHECKBOOK's *Guide to Health Plans for Federal Employees (www.guidetohealthplans.org)* was a paperback book, and there is still a paper version, but by far the most popular version today is online.

The Guide shows the likely total costs, in dollars, consumers can expect under each plan. It makes these comparisons for families of different sizes and ages, since there are huge differences in likely health care costs by size and age. Again, only the *Guide* makes these adjustments. Cost estimates include both the "for sure" premium expense and the likely out-of-pocket expenses if health care costs are low, average, high, or reach catastrophically expensive levels.

Another unique feature of the *Guide* is that it gives in depth written advice along with its numerical results. For example, it not only shows how much employees nearing retirement will save (or lose) by signing up for Medicare Part B, but also provides a detailed analysis of pros and cons. Other topics covered in depth include dental options (both in health plans and stand alone dental plans), coverage of children turning age 22 (next year age 26), and the relative merits of traditional national plans compared to Health Maintenance Organizations (HMOs) and Consumer-Driven plans.

From the perspective of federal managers, the *Guide* is a valuable resource in two ways:

- At present, about half of all federal departments and agencies give their employees online access. This provides an incredibly valuable tool to their employees since potential savings from choosing a lower cost plan are several thousand dollars. This advice and information comes into play not only during Open Season, but also year round as employees retire, are relocated or experience some other major change, and new employees are hired.

- Little known, but equally valuable, are benefits to agencies in reduced Salaries and Expenses costs. Agencies pay at least half, and often three fourths, of premium costs for each plan. CHECKBOOK's research has shown that agencies save on average more than $500 in the first year alone for every employee who actively uses the *Guide* to consider plan options. This figure includes all employee choices, including staying put or choosing a more expensive plan.

In summary, CHECKBOOK has published the *Guide* for 30 of the 50 years that the FEHBP has existed. The *Guide* has saved both employees and agencies billions of dollars over this time, and is an integral part of human resource assistance and management in subscribing agencies.

## Overall, what is your perception on the health care reform bill that President Obama signed into law?

CHECKBOOK does not generally take positions on such broad policy issues, but the Patient Protection and Affordable Care Act (PPACA) will benefit millions of Americans who otherwise would not or could not get health insurance. One of the little-known secrets of the federal government is that there are many employees—by some estimates as many as 250,000—who decide not to enroll in an FEHBP plan. The Act does not directly affect the FEHBP in major ways over the next decade, but its enactment provides a major opportunity both for employees and hiring agencies to get them into an affordable, quality health plan at low costs. Moreover, many of these employees will face tax penalties if they do not enroll.

## There were some changes made to Flexible Spending Accounts (FSAs) in the bill. Can you tell us about those?

Flexible Spending Accounts are a tax subsidy for amounts that employees (but not retirees) can predict with considerable certainty they will spend in the coming year for health care costs that their plan does not cover, such as deductibles, copayments, and uncovered expenses such as dental or eyewear costs. The money put into an FSA account is taken from the employee's salary and is "use or lose." An employee who sets aside too much loses whatever he or she does not spend. The online *Guide* helps employees decide how much to set aside and shows how that will affect out-of-pocket costs.

FSA rules apply uniformly to all employees in America whose employers sponsor such accounts; there is no specific FEHBP benefit. Under the health care reform legislation, there will be a reduction in the amount that can be set aside, with the maximum falling from $5,000 to $2,500. That does not mean that any employees will lose that much, but rather they will lose potential tax savings. For example, an employee in the 20 percent tax bracket who would otherwise have set aside $5,000 will lose only $500 in tax savings when limited to $2,500. Only about one in five federal employees sets up an FSA account, and only a small proportion of these set an amount in excess of $2,500.

## The bill is partially funded by an excise tax imposed on companies offering high value or "Cadillac" health care insurance. How will the excise tax affect FEHBP plans, in plain language?

The "Cadillac" tax only affects amounts in excess of a generous ceiling ($10,200 for individuals and $27,500 for families), but most insurance plans will reach that ceiling sooner or later. "Cadillac" really is not an accurate label. That said, plans have three major ways to avoid the tax: improving the quality of their network so that doctors reduce unnecessary procedures and costs; improving medical case management techniques so that costly procedures can be avoided (HMOs are already very good at this by keeping enrollees from unneeded hospital admissions); and, reducing benefits through such techniques as raising deductibles. Of these, the first two actually help enrollees. Plans that save money these ways reduce overall costs and premiums to all enrollees, benefitting all. This is why this tax was the main "bend the cost curve" method scored as saving money by the Congressional Budget Office and recommended by the great majority of health care economists. Even when it goes into effect, it will benefit federal employees by encouraging cost saving changes in health care practices. These savings may equal or exceed the effects of benefit reductions, or make benefit reductions unnecessary.

## When does the excise tax take affect?

The "Cadillac" tax plan does not go into effect until 2018. As enacted, the ceiling amounts are adjusted for plans that have disproportionate numbers of older (and hence higher cost) enrollees, such as FEHBP plans. Realistically, there will be no consequential effects for several more years, or possibly even a decade from now. To the extent that the positive effects outweigh the negative effects, this delay may be unfortunate. Regardless, there is no near-term effect. Moreover, federal employees will have a great tactic available to them—using Open Season to switch into plans that are less vulnerable to the tax.

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> OPM was given substantial responsibilities under the PPACA. Most importantly, OPM will be responsible for sponsoring and administering the availability of multi-state health plans to be available to the uninsured, small-business employees, and others who will use health exchanges to obtain health insurance starting in 2014.

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## Will the excise tax thresholds change over time? How so?

The tax thresholds rise with the overall inflation rate. Historically, health care costs have risen several percentage points a year more than the inflation rate. Hence, unless the threat of the tax induces changes of several percent a year in medical cost increases, the tax will bite more severely over time. If the tax succeeds in "bending the cost curve," however, this problem may go away. A much more problematic and little known provision, however, ties the "Cadillac" tax threshold levels to the costs of the largest FEHBP plan, Blue Cross Blue Shield Standard Option. For the FEHBP, this plan's success (or failure) in controlling costs becomes the benchmark for adjustments to the excise tax threshold.

## The age of dependents to receive coverage increased in the bill. Can you explain the changes and when the new provision will take affect?

The basic change is that dependent children will be eligible to be claimed as dependents up until they turn age 26, compared to the present age 22 limit in the FEHBP. Moreover, it is possible for healthy young adults to buy a private plan for as little as $1,000 a year, so the biggest benefit of this change is for children with expensive preexisting conditions, such as diabetics. Even this group is eligible for the SAMBA plan's dependent coverage (which in recent years has extended coverage for dependent children to age 26, as discussed in the *Guide*), so there are relatively few federal employee families who will benefit substantially. Of course, saving one or two hundred dollars a month in premiums is not a negligible benefit. The costs of this benefit increase will fall on all federal employees and annuitants with family enrollments, but will be small on average because of the relatively small numbers involved and the generally far lower medical care costs of young adults.

Details remain to be worked out. Moreover, in a drafting error, Congress failed to change the age 22 limit in the FEHBP statute. It appears, but is not yet certain, that Office of Personnel Management lawyers have concluded this is not a fatal impediment to this change. Assuming there is no legal barrier, this benefit is one of the few health reforms to begin almost right away, in this case on January 1, 2011, for federal employees and annuitants.

## What is the role of the Office of Personnel Management in the new law?

OPM was given substantial responsibilities under the PPACA. Most importantly, OPM will be responsible for sponsoring and administering the availability of multi-state health plans to be available to the uninsured, small-business employees, and others who will use health exchanges to obtain health insurance starting in 2014. Local area Members of Congress worked diligently to create a stone wall between this function and the FEHBP.

## Will OPM's new duties affect feds, directly or indirectly?

Tying national tax thresholds to the Blue Cross Blue Shield Standard Option will potentially subject that plan's benefits to political interference, starting in 2018 or possibly before. How severe this problem will become, and its direction, will not be clear until at least 2018.

## Is there anything in the legislation that affects FEHBP retiree participants differently than FEHBP employee participants?

Nothing in the legislation singles out retirees for adverse treatment or directly different treatment. The limitation on FSA account amounts would not affect retirees because they are not eligible for those tax preferences under current law. The age 26 change for dependent children would affect all families, but relatively few retirees have children age 26 or below. The "Cadillac plan" tax would affect all enrollees in those plans both positively and negatively, as discussed above, whether or not those enrollees were retired.

## Anything else federal employees should know?

One important provision in the new law affects Members of Congress and their personal office staffs, but not Legislative Branch agencies such as the Government Accountability Office (GAO), the Library of Congress, and congressional committee staff. The affected Members and staff are no longer eligible for FEHBP participation, but must get their insurance from health exchanges operated by the states for the uninsured and employees of small businesses. This may be either beneficial or harmful, depending on whether the exchange plans are more or less costly than FEHBP plans. Exchange plans are likely to be less costly, because the federal work force is much older and more expensive to insure that other employees and the uninsured. However, there may be adverse consequences for retirement benefits and in other ways.

There may also be indirect consequences of health reform or additional congressional actions that profoundly affect federal employees or annuitants. For example, the House Government Reform and Oversight Committee is considering legislative changes that would radically change the structure of the FEHBP in the area of prescription drugs. Under this legislation (H.R. 4489), OPM would become responsible for many new functions, far exceeding in complexity its assignments under health reform. OPM would become responsible for price controls over all drugs sold to federal employees and for determining the amounts pharmacies could be paid to provide those drugs under this bill. It appears that the primary purpose of this legislation is to reduce or eliminate the use of Pharmacy Benefit Management firms by FEHBP plans. Almost all employer plans, including FEHBP plans, use these firms to control drug costs. The Members of Congress in favor of this legislation claim it would reduce drug costs in the FEHBP. A lively debate over the pros and cons of this legislation can be found by an Internet search on "H.R. 4489." Whatever the validity of claims on both sides, it would certainly have direct and substantial effects on federal employees.

An additional piece of good news is that the law requires that preventive health care benefits, such as annual physicals, not be subject to the deductible. OPM has already told the FEHBP plans to make this change for the 2011 contract year. This only affects a few plans, since the great majority already provided this benefit, but will now be a program-wide feature.

## Where can FEHBP participants find out more information about Consumers' *CHECKBOOK's Guide to Health Plans for Federal Employees*?

Any federal employee can quickly find information on the *Guide* at *www.guidetohealthplans.org*. The home page provides a list of all federal departments, agencies, and agency bureaus that currently subscribe for their employees. In those agencies, employees have immediate access to the *Guide* and all of its features. In other agencies, federal managers can easily arrange either a "trial run" or an immediate subscription by contacting Kevin Moss at 800-213-7283 or at *kmoss@CHECKBOOK.org*.

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*Walton Francis is an independent consultant and author who served for many years as a policy analyst in the Office of the Secretary at the U.S. Department of Health and Human Services. For more than 30 years, he has been the principal author of the annual* CHECKBOOK's Guide to Health Plans for Federal Employees. (www.guidetohealthplans.org)