

FEHBP Rates Increase as Much as \$4,572.12 a Year: Is This Really a Model for Medicare?

In the House Medicare prescription drug bill, after 2010, traditional Medicare will be required to compete against private insurance plans in a system modeled after the Federal Employee Health Benefits Program (FEHBP). FEHBP is a program that works well for many, but it is not a good model for the seniors and people with disabilities that Medicare serves.

If competitive bidding in Medicare does follow FEHBP's example, one result would be a wide variation in the premiums Medicare beneficiaries would pay for different plans, including striking differences in annual increases between plans and between geographic areas.

While the average increase in FEHBP premiums for 2004 will be 10.9 percent—below the average predicted premium increase of 13.9 percent for the nation's private and employer-based health insurance plans—that is only part of the story. The relatively low average increase—which the Office of Personnel Management (OPM) director attributed to “tough negotiations”—obscures the number of FEHBP plans that are proposing horrendous premium increases: Thirty plans are *increasing* premiums by more than \$1,200 a year, or \$100 a month; eight by more than \$2,400 a year, or \$200 a month; five by more than \$3,000, or \$250 a month; and one is *increasing* premiums by over \$4,500. Fifty-three FEHBP plans will have a 20 percent or higher premium increase between 2003 and 2004. These plans are listed at the end of this memo.

The government employees and retirees in these plans will pay about one-fourth to three-fourths of these increases themselves. For them, these huge increases will produce terrible sticker shock. These increases will probably force most to leave these plans, enroll elsewhere, and find new doctors and provider networks.

Under the House of Representatives Medicare competition scheme, Medicare beneficiaries—who could expect to experience comparable premium increases—would have to pay all of the increase above the average (or “benchmark”) increase in their region. This would be an enormous burden for many. But proponents of a FEHBP model for Medicare would say, “Good. The price increase will drive people to seek cheaper plans, and thus competition will work.”

That logic may hold when one is dealing with a younger workforce with significant disposable income and high levels of education. It is not true when applied to those in Medicare. That's because, as a group, Medicare beneficiaries have a greater need for continuity of care, are less able to easily change plans or navigate complex plan arrangements, and are less able to absorb large premium increases.

- Fifteen percent of those in Medicare have disabilities, and 65 percent suffer from two or more chronic conditions. For them, continuity of care is critical and making changes in plan enrollment can be very disruptive to care. How will their health care suffer if they have to change providers multiple times?¹
- Five percent of Medicare beneficiaries suffer from Alzheimer's disease, and eight percent suffer from chronic mental impairment.² How would they evaluate the financial impact of premium increases and assess plan choices?
- Over 40 percent of Medicare beneficiaries have incomes below 200 percent of poverty—\$17,960 for an individual in 2003. How could they manage paying 20, 30, or 40 percent more in premiums monthly?
- Six percent of beneficiaries reside in long-term care facilities.³ How will they make a new plan selection?

FEHBP is not a stable model for Medicare. Yet, the House of Representatives proposal uses higher premiums in traditional Medicare to force seniors and people with disabilities into private plans. This will shift costs to beneficiaries and is a recipe for endless confusion and anger in the years to come.

If the 20 percent or higher increases in these 53 plan options are the “product of tough negotiations,” it is hard to imagine what the rate increases would be like under a Medicare program where the industry constantly and successfully lobbied Congress for “relief.”

¹ In 2002, 14 percent of beneficiaries had disabilities and 0.6 percent were Medicare-eligible because of a diagnosis of End-Stage Renal Disease (ESRD).

² Centers for Medicare and Medicaid Services, *The Characteristics and Perceptions of the Medicare Population*, available online at (<http://cms.hhs.gov/mcbs/PubIDT.asp>).

³ Centers for Medicare and Medicaid Services, *The CMS Chart Series, CMS Facts & Figures, III. Medicare Program Information, B. Profile of Medicare Beneficiaries (54 slides)*, June 2002, available online at (<http://www.cms.hhs.gov/charts/default.asp>).

**Non-Postal Premium Rates for the FEHBP Program:
Plans with Premium Increases of 20 Percent or More from 2003 to 2004***

Plan, Option, Enrollment Code	2003 Total Monthly Premium (employee plus government share)	2004 Total Monthly Premium (employee plus government share)	Annual Total Increase	Individual Enrollees' Annual Increase
Mail Handlers, high family (452)	\$793.35	\$991.68	\$2,379.96 (25%)	\$1,665.72
Postmasters Benefit Plan, standard family (365)	\$774.19	\$929.05	\$1,858.32 (20%)	\$1,144.08
Secret Service Employees Health Assn., high family (Y72)	\$752.01	\$902.42	\$1,804.92 (20%)	\$1,090.68
Florida Humana (HMO) Medical Plan, high self (EE1)	\$257.53	\$326.28	\$825.00 (27%)	\$206.28
Florida JMH (HMO) Health Plan, high self (J81)	\$209.97	\$287.43	\$929.52 (37%)	\$232.44
Florida JMH (HMO), high family (J82)	\$516.51	\$711.30	\$2,337.48 (38%)	\$584.28
Florida Vista Healthplan (HMO), high self (RK1)	\$280.41	\$343.74	\$759.96 (23%)	\$189.96
Florida Vista Healthplan of South Florida (HMO), high self (5E)	\$197.30	\$243.77	\$557.64 (24%)	\$139.44
Florida Vista Healthplan of South Florida (HMO), high family (5E)	\$542.60	\$670.39	\$1,533.48 (24%)	\$383.40
Guam, PacifiCare Asia Pacific (HMO), high family (JK20)	\$674.66	\$823.16	\$1,782.00 (22%)	\$649.68
Indiana, Humana Health Plan (HMO), high self (D21)	\$317.83	\$385.82	\$815.88 (21%)	\$501.36
Iowa, Avera Health Plans (HMO), high self (AV1)	\$256.06	\$313.67	\$691.32 (23%)	\$172.92
Iowa, Avera Health Plans (HMO), high self (AV2)	\$597.96	\$732.51	\$1,614.60 (23%)	\$403.68
Iowa, Sioux Valley Health Plan (HMO), high self (AU1)	\$362.03	\$462.93	\$1,210.80 (28%)	\$896.28
Iowa, Sioux Valley Health Plan (HMO), high self (AU2)	\$829.05	\$1064.38	\$2,823.96 (28%)	\$2,109.72
Kansas, Humana Health Plans, Inc. (HMO), high self (MS1)	\$305.09	\$369.87	\$777.36 (21%)	\$366.84
Kansas, Humana Health Plans, Inc. (HMO), standard self (MS4)	\$177.41	\$266.26	\$1,066.20 (50%)	\$266.52
Kansas, Humana Health Plans, Inc. (HMO), standard family (MS5)	\$425.58	\$612.39	\$2,241.72 (44%)	\$560.52
Kansas, Preferred Plus of Kansas (HMO), high self (VA1)	\$316.68	\$459.92	\$1,718.88 (45%)	\$1,404.36
Kansas, Preferred Plus of Kansas (HMO), high family (VA2)	\$842.38	\$1,223.39	\$4,572.12 (45%)	\$3,857.88
Kentucky, Humana Health Plan (HMO), high self (D21)	\$317.83	\$385.82	\$815.88 (21%)	\$501.36
Louisiana, Coventry Healthcare LA (HMO), high self, (JA1)	\$296.66	\$369.40	\$872.88 (25%)	\$386.52
Louisiana, Coventry Healthcare LA (HMO), high family, (JA2)	\$688.96	\$857.89	\$2,027.16 (25%)	\$1,023.48
Mass., Fallon Community Health Plan (HMO), high self (JV1)	\$306.15	\$387.10	\$971.40 (26%)	\$570.36
Michigan, Bluecare Network of MI (HMO), high self (KR 1)	\$316.36	\$417.86	\$1,218.00 (32%)	\$903.48
Michigan, Bluecare Network of MI (HMO), high family (KR 2)	\$913.73	\$1,207.09	\$3,520.32 (32%)	\$2,806.08

Plan, Option, Enrollment Code	2003 Total Monthly Premium (employee plus government share)	2004 Total Monthly Premium (employee plus government share)	Annual Total Increase	Individual Enrollees' Annual Increase
Minnesota, Avera Health Plans, (HMO), high self (AV1)	\$256.06	\$313.67	\$691.32 (22%)	\$172.92
Minnesota, Avera Health Plans, (HMO), high family (AV2)	\$597.96	\$732.51	\$1,614.60 (23%)	\$403.68
Missouri, Humana Health Plan, Inc. (HMO), high self (MS1)	\$305.09	\$369.87	\$777.36 (21%)	\$366.84
Missouri, Humana Health Plan, Inc. (HMO), standard self (MS4)	\$177.41	\$266.26	\$1066.20 (50%)	\$266.52
Missouri, Humana Health Plan, Inc. (HMO), standard family (MS5)	\$425.58	\$612.39	\$2,241.72 (44%)	\$560.52
New Mexico, Cimarron Health Plan (HMO), high self (PX1)	\$282.66	\$347.21	\$774.60 (23%)	\$193.68
New Mexico, Cimarron Health Plan (HMO), high family (PX2)	\$743.30	\$911.80	\$2,022.00 (23%)	\$1,307.76
NY, Aetna Health Inc. (HMO), high self (JC1)	\$286.80	\$349.92	\$757.44 (22%)	\$189.36
NY, Aetna Health Inc. (HMO), high family (JC2)	\$717.80	\$861.36	\$1,722.72 (20%)	\$978.60
NY, GHI HMO Select, high family (X42)	\$722.95	\$917.78	\$2,337.96 (27%)	\$1,623.72
NY, HMO Blue, high self (AH1)	\$341.53	\$457.23	\$1,388.40 (37%)	\$1,073.88
NY, HMO Blue, high family (AH2)	\$870.22	\$1,167.57	\$3,568.20 (34%)	\$2,853.96
NY, Vytra Health Plans (HMO), high self (J61)	\$302.45	\$380.32	\$934.44 (26%)	\$500.16
NY, Vytra Health Plans (HMO), high family (J62)	\$792.70	\$997.36	\$2,455.92 (26%)	\$1741.68
PA, HealthAmerica Pennsylvania (HMO), high self (SW1)	\$307.28	\$383.93	\$919.80 (25%)	\$528.96
South Dakota, Avera Health Plans (HMO), high self (AV1)	\$256.06	\$313.67	\$691.32 (22%)	\$172.92
South Dakota, Avera Health Plans (HMO), high family (AV2)	\$597.96	\$732.51	\$1,614.60 (23%)	\$403.68
SD, Sioux Valley Health Plan (HMO), high self (AU1)	\$362.03	\$462.93	\$1,210.80 (28%)	\$896.28
SD, Sioux Valley Health Plan (HMO), high family (AU2)	\$829.05	\$1064.38	\$2,823.96 (28%)	\$2,109.72
TN, Health Spring (HMO), high self (6K1)	\$321.30	\$413.83	\$1,110.36 (29%)	\$795.84
TN, Health Spring (HMO), high family (6K2)	\$895.38	\$1,153.10	\$3,092.64 (29%)	\$2,378.40
TX, FIRSTCARE (HMO), high self (6U1)	\$267.69	\$324.65	\$683.52 (21%)	\$170.88
TX, FIRSTCARE (HMO), high family (6U2)	\$575.06	\$697.43	\$1,468.44 (21%)	\$367.20
TX, Humana Health Plan of Texas (HMO), high self (UR1)	\$289.86	\$369.68	\$957.84 (28%)	\$410.28
TX, Humana Health Plan of Texas (HMO), standard self (UR4)	\$233.03	\$296.83	\$765.60 (27%)	\$191.40
WY, WINhealth Partners (HMO), high self (PV1)	\$267.82	\$371.06	\$1,238.88 (39%)	\$492.96
WY, WINhealth Partners (HMO), high family (PV2)	\$729.11	\$1001.82	\$3,272.52 (37%)	\$2,558.28

* Source: U.S. Office of Personnel Management.