

Why Don't My FEHBP Premiums Decrease When I Sign Up for Medicare Parts A and B?

Many people ask this question. They assume that because Medicare is paying the preponderant share of their medical and hospital expenses, that their Federal Employees Health Benefits Program (FEHBP) plans are paying out a lot less for them than they do for people who are not covered by Medicare. Therefore, they reason that their own FEHBP premiums should be reduced because of Medicare assuming the role of the primary insurer. People often ask for separate FEHBP coverage for Medicare-eligible enrollees, again, assuming they will pay a lower premium than other retirees and employees pay.

There is no provision in law for an FEHBP-Medicare option in health plans. One thing to remember is that the FEHBP covers people over their lifetime in many medical circumstances. The plans do not charge different rates as your health and family circumstances change. These are group plans covering all group members.

More importantly, however, the facts of the matter do not support creation of an FEHBP - Medicare option. Data from the Office of Personnel Management shows that there are no significant savings in the FEHBP because retirees are covered by Medicare. Therefore, the answer to the question, "Why don't my FEHBP premiums decrease when I sign up for Medicare?" is that there are not enough savings to the FEHBP because of enrollment in Medicare to justify a lowering of the FEHBP premium.

Following is OPM actuarial data comparing the cost to the FEHBP for active employee enrollees, Medicare annuitant enrollees, and non-Medicare annuitant enrollees, for calendar year 2000. Note that the costs associated with Medicare-annuitant-enrollees is the average cost to the FEHBP AFTER Medicare has paid. The data is displayed by costs related to self-only coverage enrollments and self and family enrollments, further stratified by fee-for-service (FFS) plans and health maintenance organization (HMO) plans. ("FFS" are Fee-for-Service plans such as Blue Cross Blue Shield; "HMO's" are health maintenance organizations such as Kaiser Permanente).

Based on this data, the cost to the FEHBP for active employee enrollees is:

Self Only Coverage FFS \$2,692.26 HMO \$2,291.50
Self and Family Coverage FFS \$6,089.72 HMO \$5,234.47

the cost to the FEHBP for Medicare annuitant enrollees after Medicare pays is:

Self Only Coverage FFS \$2,833.92 HMO \$2,432.97
Self and Family Coverage FFS \$5,796.86 HMO \$5,061.03

and the cost to the FEHBP for non-Medicare eligible annuitant enrollees is:

Self Only Coverage FFS \$5,498.28 HMO \$4,278.46
Self and Family Coverage FFS \$8,994.52 HMO \$8,631.56

The Medicare enrollees in the self and family coverage do cost the FEHBP slightly less than the other types of enrollees, but these savings are spread across all enrollee premiums including the much higher costing non-Medicare eligible annuitant enrollees. The self only coverage for the Medicare group costs more.

FEHBP fee-for-service plans do waive some deductibles, coinsurance and co-payments in recognition of the small savings that accrue for Medicare annuitant enrollees.

Since FEHBP premiums are based on fee-for-service plans' FEHBP claims experience, administrative expenses and a modest profit of one percent or less, there are insufficient savings related to the Medicare factor to justify a change in the law to create an FEHBP Medicare in

FEHBP plans.

Moreover, this cost to the FEHBP experience will not shift in favor of the Medicare annuitant enrollees. We know that fifty percent of all FEHBP enrollees are current employees and fifty percent of all FEHBP enrollees are retiree and survivor annuitants. Data from the Department of Health and Human Services, Administration on Aging (AOA) indicates that there are more older people living longer in the United States than ever before. The following information is derived from the AOA report "A Profile on Older Americans: 2001."

In 2000, there were 35 million people age 65 and older living in the United States. This represents a growth of eleven times the age 65 and older population in 1900 (3.1 million in 1900). The older population itself is getting older. In 2000, the 65-74 age group (18.4 million) was eight times larger than in 1900. The 75-84 age group in 2000 (12.4 million) was sixteen times larger than in 1900. The 85 plus age group (4.2 million) was 34 times larger than in 1900. The 35 million people age 65 and older in 2000 is projected to grow to nearly 40 million by 2010 and to nearly 54 million by 2020.

We have an aging population that is growing larger and an aging population that is living longer. In 1999, 26.1 percent of older persons assessed their health as fair or poor, compared to 9.2 percent for all persons. Chronic medical conditions increase with age. In 1998, 28.8 percent of the age 65 - 74 group reported a limitation caused by a chronic condition, and 50.6 percent of those age 75 and over reported they were limited by chronic conditions. Similarly, the percentage of people affected by disabilities increase sharply with age. Consequently, older people need more medical and hospital services than younger people.

Older people had four times the number of days of hospitalization in 1999 than the under age 65 group. The average hospital stay was 6.0 days for older people compared to only 4.1 days for people under age 65, even though the average stay for the older group has decreased by 6 days since 1964. Older people went to their doctors in 1999 more frequently (6.8 doctor contacts) than persons of ALL ages (3.5 doctor contacts).

In conclusion, we have an older population (age 65 and above) that is growing. The people within the group are living longer than ever before. They go to the hospital more frequently and they stay longer. They go to the doctor more frequently. In addition, OPM also reports that the age 65 and older FEHBP group uses the prescription drug benefit 150 percent more frequently than people under age 65. There is no Medicare prescription drug benefit to offset this cost to the FEHBP. All of this means that the cost to the FEHBP will continue to grow for the age 65 and older population regardless of their Medicare status. People with Medicare will cost less than the people age 65 and older without Medicare, but with minimal or no savings to the FEHBP.