Director of Retired Members

A little homework can pay off during Open Season

Ron Watson

Mark your calendars: Nov. 12 through Dec. 10. That is the period of the 2018 Open Season for the Federal Employees Health Benefit (FEHB) Program for the plan year 2019. It provides an opportunity for retirees to review their current FEHB plan (costs and benefits), see how their current plan will change in 2019, compare those costs and benefits with other offered plans, and then make informed decisions on whether to change their plan for 2019.

Some retirees will benefit from such a review, because they may have elected a plan many years ago and not paid attention to the rising, incremental costs of that plan over the years. Background information regarding the FEHB Program is provided below, and may assist retirees in making informed decisions.

The FEHB Program was created by a law passed in 1959. It provides health insurance coverage, on a voluntary basis, to federal employees, retirees and their dependents. It is the largest employer-sponsored health insurance program in the country. It covers more than 8 million enrollees each year. About 90 percent of all federal retirees elect to continue participation in the FEHB Program.

There are compelling reasons that explain that high rate of retiree participation. First, the FEHB is widely perceived as a successful program that provides high-quality health care coverage to enrollees in a way that successfully contains growing costs. In fact, policymakers and researchers have expressed interest in it as a model for private and public health insurance programs. Second, the cost of the premiums for each enrollee is shared between the federal government (specifically, the Postal Service for retired letter carriers) and the enrollee. For retirees, the Postal Service contributes 72 percent of the weighted average premium of all plans, not to exceed 75 percent of the premium for any one plan. Postal Service financial reports show that in Fiscal Year (FY) 2017, it paid $3.45 billion for retiree health benefits. Retirees pay a fraction of the actual cost of the premiums for the plan they select.

In addition to quality health benefits coverage at relatively low cost to retirees, the program also offers a very large selection of different plans. That is where the Nov. 12 through Dec. 10 Open Season comes in. Retirees have the same unfettered right to change plans during an Open Season as current employees.

The FEHB Program allows competing private insurers to offer numerous types of coverage to enrollees within broad federal guidelines. There are scores of regional Health Maintenance Organization (HMO) plans with specific service areas, and a lesser number of nationwide fee-for-service plans (including the NALC HBP, other postal union plans, and others such as Government Employees Health Association and Blue Cross Blue Shield). Each plan provider offers self, family or self-plus-one enrollment. In additional, each plan may offer various levels of coverage, tagged as basic, standard, high, consumer-driven, etc. Premiums vary depending on the plan, the number of enrollees covered (self, two, more than two) and levels of coverage.

By law, the Office of Personnel Management (OPM) has authority to prescribe regulations and manage the FEHB Program. In September, OPM announced the 2019 premium rates for each of the plans. It also announced that for plan year 2019, the average total FEHB premiums for retirees (as well as non-postal employees) will increase by 1.2 percent.

That historically low 1.2 percent increase is an average of the total premium (government share and enrollee share) of all FEHB plans. Because OPM uses a complex weighted-average formula to determine how much of the premium the government pays for each plan, the actual change in the monthly premium for a retiree enrolled in a specific plan can be an increase or a decrease and can vary greatly.

For instance, for self-and-family coverage in one of the nationwide fee-for-service, high-coverage plans, the retiree share of the monthly 2019 premium can vary between a high of more than $1,000 and a low of around $300. Moreover, the change in the dollar amount of a retiree's monthly 2019 premium (for family coverage in a high-coverage plan compared to the 2018 premiums) varies between an increase of almost $100 and a decrease of $8. These are rough, general numbers provided to make the point that retirees may benefit from carefully reviewing their current plan costs and coverage and comparing it to the same plan's 2019 costs and coverage, and also alternate available plans.

One last caution: Many retirees need coverage only for themselves and a spouse. FEHB previously provided for only two choices, self or family, but now offers a third choice, self plus one. Although it seems logical that self-plus-one coverage would be cheaper than family coverage, in fact, that is not always the case. Because of the complex OPM weighted-average formula, in some cases the premiums for family coverage are less than the premiums for self-plus-one in the same plan. You have the right to elect family instead of self-plus-one when it is less expensive.

Here is an Internet link to OPM information: opm.gov/healthcare-insurance