



## **The Federal Employees Health Benefit Plan (FEHBP) as a Model for Reform**

By ensuring choice and the financial security of the system, we can make Medicare into a better program for beneficiaries today as well as for the decades to come.

One model for reform, the Federal Employees Health Benefit Plan (FEHBP), is highly regarded by experts and enrollees alike for the flexibility and quality of care it provides.

In the late 1990s, the National Bipartisan Commission on the Future of Medicare spent more than a year studying ways to strengthen the Medicare program for beneficiaries today and tomorrow. This Commission, made up of Republicans and Democrats and experts in the health care field, based its majority recommendation on the notion that Medicare had to be reformed to provide beneficiaries with the same type of coverage that members of Congress and their families currently enjoy.

FEHBP currently covers nearly 10 million federal employees, including over 1.9 million retirees, and is widely regarded as one of the most effective health insurance plans in America. In addition to promoting healthy competition among multiple private providers, FEHBP also provides a wide variety of benefits to its enrollees (ranging from coverage for prescription medicines to long-term care) and allows members to choose the plan and provider that suits them best. Many have also looked to FEHBP as an example of a large-scale health insurance plan that has managed to contain costs.

Employees of the federal government, including members of Congress, are eligible for the Federal Employees Health Benefit Plan (FEHBP). Widely regarded as one of the most effective health insurance plans in America, FEHBP promotes competition and choice while providing a wide variety of benefits currently available to Medicare beneficiaries. The premise that FEHBP operates from is simple – give enrollees a wide variety of health care plans to choose from, and let them pick the solution that best fits their needs. In addition to promoting choice for plan enrollees, FEHBP also fosters competition amongst health care plans, forcing plan administrators to provide the highest quality care for their beneficiaries.

## *Understanding FEHBP: What it is and what it does*

Only employees or retirees of the federal government and their spouses, dependents, or survivors are eligible for enrollment in FEHBP. Over 200 health care plans compete for the business of enrollees, with every beneficiary (even those living in rural or remote areas) given a choice of at least 10 fee-for-service plans that meet basic FEHBP requirements. The federal government pays for approximately 75% of the premiums associated with membership in a particular health care plan, with the beneficiary responsible for the remaining amount. FEHBP is administered by the Office of Personnel Management (OPM), but enrollment and the dissemination of information are handled by individual federal agencies and offices. OPM requires certain benefits to be a part of every health care plan competing for business in FEHBP, including coverage for hospital and surgical care, ambulatory patient care, obstetrical examinations, and prescription drugs. Finally, plan enrollees are given the opportunity to evaluate and “grade” their health care plans, giving FEHBP beneficiaries the opportunity to choose only the best providers, thereby weeding out poor performers or non-responsive plans.

### *FEHBP as a Model for Reform*

As discussed above, some of the most notable benefits of FEHBP are that it features less regulatory control, many competing private plans, and a number of quality control mechanisms. FEHBP is perhaps most noteworthy because it gives enrollees access to quality medical care and gives the patient control over the benefits she receives. Because choice and competition are promoted in FEHBP, enrollees have an opportunity to pick the plan they feel is best suited to them and, perhaps more importantly, can simply switch plans if they find that their needs are not being met.

In addition to promoting competition and choice, as well as providing additional benefits such as coverage for long-term care and prescription medicines, FEHBP has also found a way to effectively control costs. Because competition under FEHBP forces health care plan providers to ensure that they are operating as efficiently as possible, costs are more easily controlled.

Given the impending financial crisis that Medicare faces it would be prudent for legislators and policymakers to consider the lessons that FEHBP teaches us about the importance of competition and choice in the administration of medical care.