



# *In the Beginning*



## Before FEHB

- Labor unions and employee organizations offer insurance
- One co-op was formed by federal employees



## Why Step In?



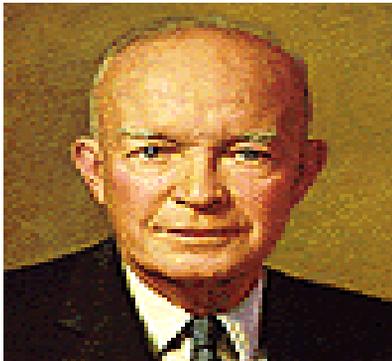
- **Keep pace with progressive private employers**
- **Spread risk while providing benefits at lower cost**
- **Compete for the best employees**



## The FEHB Law



- **Ike signs FEHB Law Effective July 1, 1960**



# The FEHB Program

- **Variety of plans**
- **Broad range of benefits**
- **No pre-existing condition exclusions**
- **Guaranteed conversion**
- **Carries into retirement**

*Moving into the Present*

## The Guide

- Early Guides
  - Rates and benefit changes
  - Little program information
- Mid-to-late 1970s
  - Wall charts
- 1980s
  - *“Enrollment Information Guide and Plan Comparison Chart”*
- Today

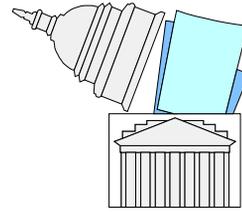


## Medicare

- At first – only a few Feds eligible
- 1983 – Federal employees brought in
- Affects FEHB and other insurance
- Still - no prescription drugs
- Medicare plus FEHB -- a winning combination



## HMO Act of 1973



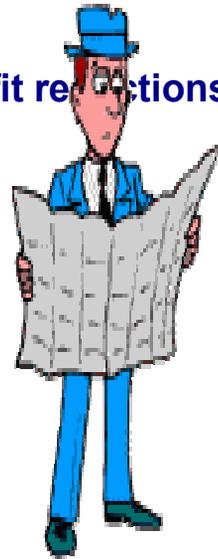
- Funded and promoted HMOs
- New benefits
- FEHBP HMO offering grows rapidly

## ~~FPR~~ FAR

- 1981 - FPR/OPMPR
  - 41 CFR Chapter 1
  - 41 CFR Chapter 16
- 1987 - FAR/FEHBAR
  - 48 CFR Chapter 1
  - 48 CFR Chapter 16

## 1981 - A Pivotal Year

- OPM Director orders cost/benefit reductions
- And delays Open Season
- Adverse selection a concern
- National focus on the FEHBP



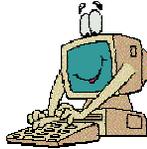
## What Are We Getting for our Money?

- Government Performance and Results Act (GPRA)
- Strategic and Performance Planning
- Accountability for reporting
- Audit Guide
- Current disputed claims process



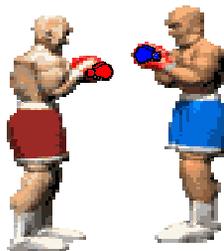
# Paper to E-Communication

- **Faster and more efficient**
- **Increased information availability**
  - **Communications**
  - **Enrollment**
  - **Payments**
  - **COB**
  - **Brochure process**
  - **Data Matching**
  - **Y2K**



# Controversial Benefit Decisions

- **Congenital anomalies**
- **Abortion ban**
- **ABMT**
- **Infertility**
- **Transplants**
- **Reconstruction following mastectomy**
- **Inpatient maternity stay**
- **MRIs**
- **Viagra**





# Inspector General Act

- Independent audit function
- IG appointed by President
- IG –
  - ✓ Reports directly to Congress
  - ✓ Recovers funds
  - ✓ Investigates fraud and abuse



# FEHB on Parade

- Model for National Health Reform
- DoD Demo Project (replaced by *TRICARE for Life*)
- Other reform initiatives, such as:
  - ✓ Medicare



# Government Contribution

- Fixed Percentage
- Big Six
- Phantom Rate
- Fair Share Formula

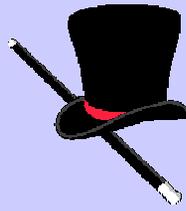


## SSSGs

- Similarly Sized Subscriber Groups
- Replaces “best rate offered”
- Confirmed that OPM accepts
  - TCR
  - CRC
  - ACR
- Evolved over time



## Enhancing Quality Performance

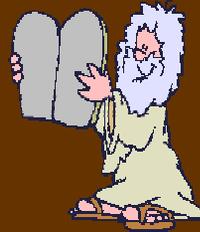


- Quality measurement and accreditation
- Satisfaction survey, plan report cards
- Survey results and accreditation status in FEHB Guide
- Brochures acknowledge accreditation status



# HIPAA

- **Standardized electronic transactions format -- October 2002**
- **Privacy standards -- April 2003**
- **Security & electronic signature standards**
- **OPM/Plan cooperation/Ongoing workgroup**



## Patients' Bill of Rights

- **Full compliance in 1999**
- **Strengthened consumer confidence**
- **Reaffirmed strong patient-provider relationship**
- **Reaffirmed consumer responsibility**





## **Plain Language Brochure**

- **Gtaal sjfsJ SJD FS JNRG**
- **HSDFFS Ddndsj SVJS**
- **BZSD KJRIUH**

## **Plain Language Brochure**

- **Big effort**
- **OPM / Plan team made it a success**

## Our Network

- CMS
- AAHP
- NCQA
- JCAHO
- URAC
- CARS
- QUIC
- NQF
- Leapfrog
- WBGH



## Patient's Bill of Rights-- Revisited

- FEHB PBR implemented by 2000
- Pending legislative proposals
  - H.R. 2563
  - S. 1052
- No change for FEHB except for litigation provisions

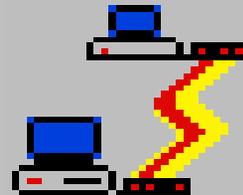


# Patient Safety



- Reduce medical errors
  - Monitor plans' patient safety programs
  - Nationally recognized accreditation
  - Personal health decision making
  - Hospitals take on leadership role
- 

# Taking Advantage of Technology



- Community-rated carriers allege premium shortfall
- FEHB Centralized Enrollment Reconciliation Clearinghouse (CLER)
- System operational June 1, 2002

# Cost Drivers

- Prescription drugs
- Hospital costs

## Prescription Drugs

- 20% of total program costs
- 40% of total rise in 2002 premiums
- No relief in sight



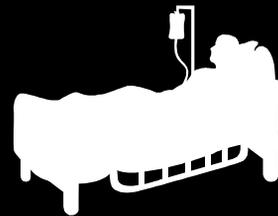
## Generic Drugs

- Cost saving measure
- Major impediments to generic industry expansion
- Possible legislative reform
- New focus: Methods of drug delivery



## Hospital Costs

- What drives hospital costs?
  - Patient demand for access to
    - Latest technology
    - Top hospitals
    - More choice



## MH/SA Parity

- OPM/HHS three year evaluation
- Report due September 2003
- OPM/Carriers evaluate results



## Future Directions In Health Care Quality

- CAHPS and Quality Assurance requirements
- FEHB plan performance data repository
- Ultimate goal-  
*✓ All FEHB members receive cost-effective, quality healthcare*

## Fraud and Abuse/Debarment



## Fraud and Abuse/Debarment

- Standards in place since 1991
- Report to OPM Jan 31 and July 31
- Identify new cases and dollars recovered
- OPM Fraud and Abuse Workgroup developing enhancements
- FEHB providers can be debarred for committing fraud

# Disaster Strikes



## When disaster strikes – FEHB is There!

- Provide service, ask questions later
  - Carriers
  - OWCP
- Be prepared!
- Contingency planning



## Cost Containment

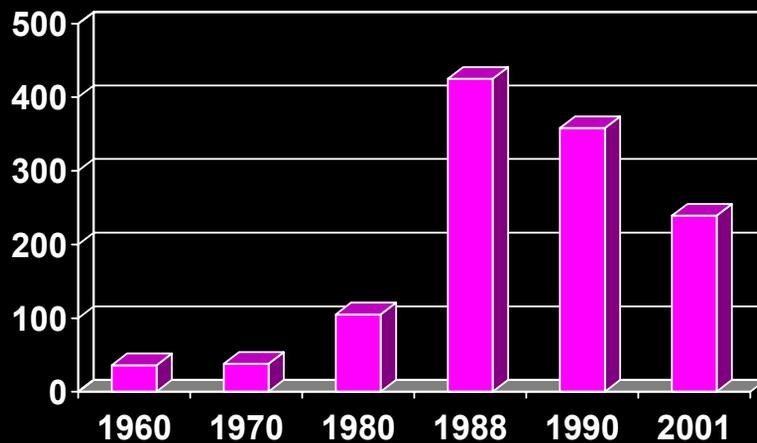
- Industry trends
- Consultants say
- FEHB trends
- Are we different?



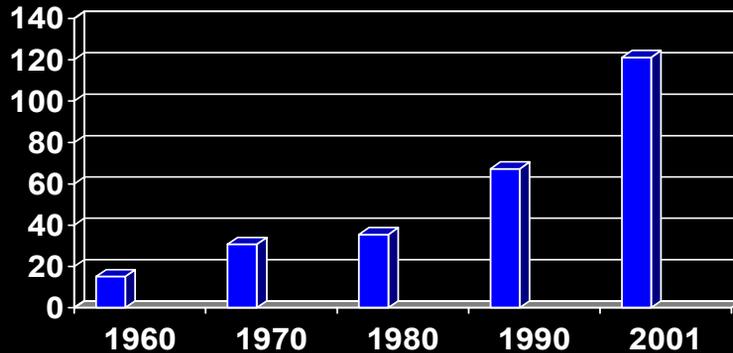
## Big Trends

- FEHB Plan Participation
- Average Premium
- Government Contribution
- Average age of Federal Workforce
- Employee to Retiree Movement
- Number of Dependents

### FEHB Plan Participation

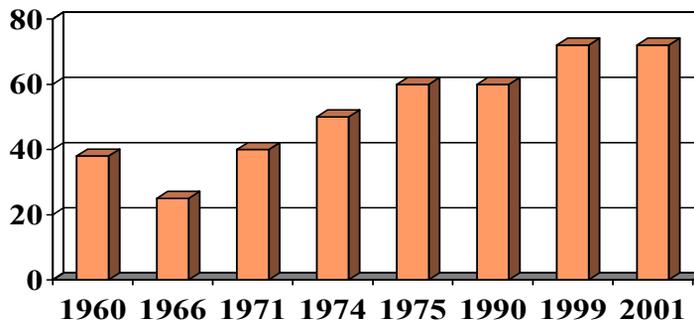


## Overall Average Monthly Premium (in dollars)



\* Average Premium to member - Figures do not include the government contribution

## Government Contribution (in percent)



1960 Fixed amount equivalent to 38 percent of total premiums

1966 Fixed amount equivalent to 25 percent of total premiums

1971 40 percent of Big 6 average subscription charge

1974 50 percent of Big 6 average subscription charge

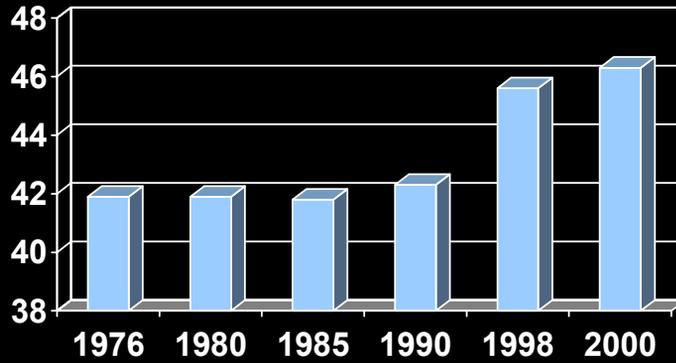
1975 60 percent of Big 6 average subscription charge

1990 60 percent of Big 5 + phantom plan average subscription charge

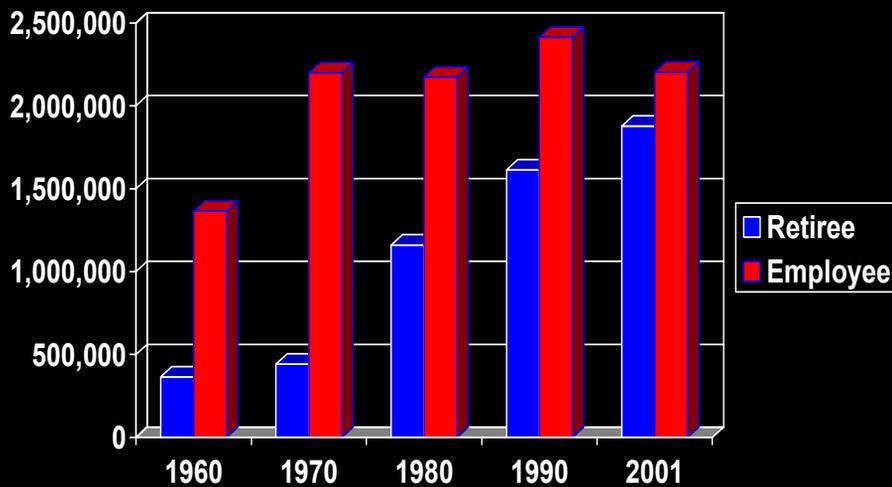
1999 "Fair Share" formula - 72 percent of program-wide weighted average subscription charges

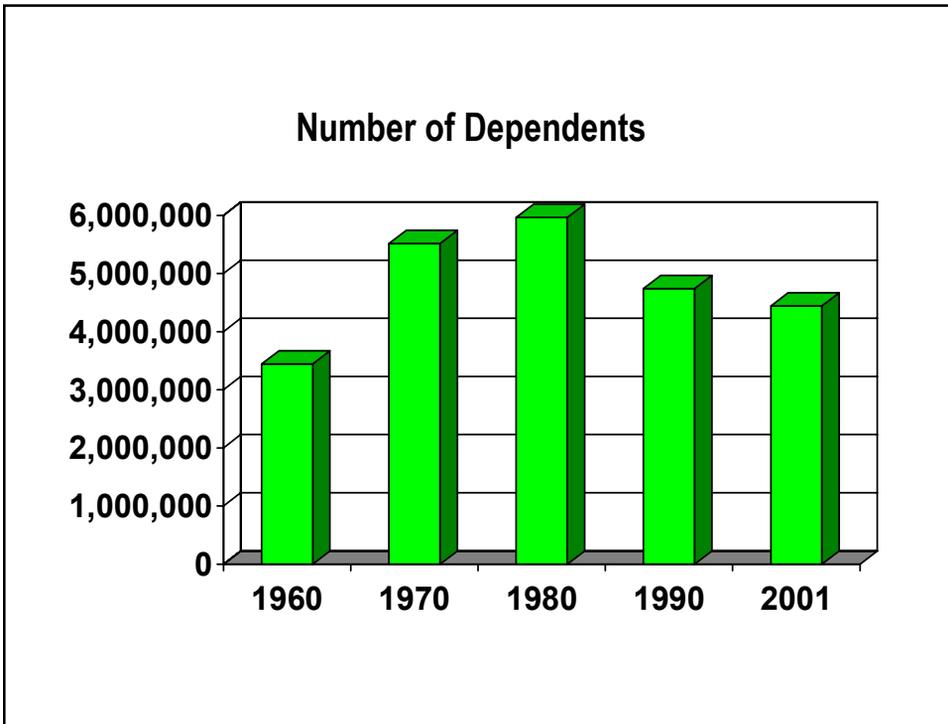
2001 "Fair Share" formula - 72 percent of program-wide weighted average subscription charges

## Average Age of Federal Workforce



## Employee v. Retiree Movement





### Hot Pursuits

- ✓ Reach out to new plans, especially in underserved areas
- ✓ Ensure: highly rated health plans
- ✓ Ensure: quality cost-effective care

STC/PROV ST: Public Heritage Team (JURVST/STC/STC)





## Crystal Ball

- Who will we cover?
- What plan types?
- What plan designs?
- What kinds of products?
- How will costs be shared?
- Technology of the future?





# Adjusting to Technology

- Whole body scanning?
- DNA-based medicine?
  - Genetic markers
  - Gene Therapy
- Reproductive Cloning?



# Awards

## **Award Recipients 1960 – Present**

- **APWU Health Plan**
- **Association Benefit Plan**
- **Blue Cross and Blue Shield Service Benefit Plan**
- **Foreign Service Benefit Plan**
- **GHI Health Plan**
- **Government Employees Hospital Association, Inc. (GEHA) Benefits**
- **Group Health Cooperative of Puget Sound**
- **Hawaii Medical Service Service Association Plan**
- **Health Insurance Plan of Greater New York (HIP/HMO)**

## **Award Recipients 1960 – Present (cont.)**

- HealthPartners Classic
- Kaiser Foundation Health Plan, Inc., California Division
- Kaiser Foundation Health Plan, Inc., Hawaii Region
- Kaiser Foundation Health Plan of the Northwest
- National Association of Letter Carriers
- Panama Canal Area Benefit Plan
- Postmasters Benefit Plan
- SAMBA Health Benefit Plan
- The National Rural Letter Carriers Association