

National Indian Health Board



NOVEMBER 15, 2010

ASSESSMENT TOOL FOR THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM (FEHBP) HEALTH INSURANCE OPTION

Assessing whether offering enrollment in health insurance coverage through FEHBP is preferable to current Tribal-sponsored coverage

The Federal Employees Health Benefits Program is administered by the federal Office of Personnel Management (OPM). The recently enacted health reform laws included a provision that opened the FEHB program to certain Tribes and Tribal organizations to offer health insurance coverage to their employees.^{1, 2}

NIHB realizes that it may be challenging to decide whether this new employee benefit option will be good for your Tribe or Tribal organization. This Assessment Tool is designed to assist Tribes and Tribal Organizations (T/TO) in their making an initial assessment as to whether the FEHBP health insurance option may be preferable to the current arrangement the Tribe or Tribal organization has for providing health insurance coverage to employees.

Overview of FEHBP³

“This Assessment Tool is designed to assist Tribes and Tribal Organizations in their making an initial assessment as to whether the FEHBP health insurance option may be preferable to the current arrangement the Tribe or Tribal organization has for providing health insurance coverage to employees.”

¹ Under section 157 of the Indian Health Care Improvement Reauthorization and Extension Act (S. 1790), a bill contained within the broader health reform legislation (the Patient Protection and Affordable Care Act (or ACA)), a new section 409 was created in the Indian Health Care Improvement Act (IHCA). This new section 409 of the IHCA provides access to Federal insurance for certain named groups.

² In addition to health insurance coverage, employees of eligible Indian Tribes and Tribal organizations may purchase and enroll in life insurance coverage under the Federal Employees Group Life Insurance program.

³ Information on the FEHB program can be found at <http://www.opm.gov/insure/health/>.

Under FEHBP, Federal agencies offer their employees health insurance coverage through a menu of private health insurance plans. If an employee chooses to enroll in a health insurance plan through FEHBP, the employer and the employee each contribute a portion of the premium. The premium amount varies depending upon the health plan selected by the employee. Employees can choose to enroll in “self” or “self plus family” coverage. In addition to the health plan's premium, plan enrollees typically have to pay deductibles, copayments, or coinsurance when accessing health services.

Typically, enrollees in FEHBP have access to a number of “nationwide” plans as well as several State-specific plans. Premium information for each plan can be accessed at <http://www.opm.gov/insure/health/rates/index.asp>. In addition to comparing the premiums between plans, it is important for employees to compare the package of covered services, the amount of cost-sharing required under each plan, and a plan’s provider networks. General plan information can be accessed at <http://www.opm.gov/insure/health/planinfo/index.asp>.

For Tribal employers, assessing whether the FEHBP option is preferable to their current health insurance coverage offering(s), if any, will require conducting a similar exercise to that conducted by employees: compare plan premiums, enrollee out-of-pocket costs, and the adequacy of plan provider networks. Tribal employers may also consider factors such as potential revenue impact to Tribal providers, increase or decrease in insurance risk, and change in control over benefit package design.

If an employer elects to offer coverage through FEHBP, it is the employee (and not the employer) who chooses which particular health insurance plan to enroll.

Although this FEHBP option has been authorized in law as of March 2010, a mechanism for Tribes to access FEHBP has not yet been developed. Tribal input to OPM in this pre-implementation stage is critical as some important program design issues remain to be decided.

Broader Health Reform Changes⁴

Under health reform, a range of health insurance options – offered through state-based Exchanges – are to be available in each state by January of 2014. An Exchange is anticipated to operate in some ways similar to the FEHB program, in that there would be a number of plans available, including one or two nationwide plans but mostly HMOs and PPOs operating in a specific region or state. Eligible enrollees could choose which health plan to enroll in and would be able to change plans annually.

Also, in 2014 some employers will be required to offer health insurance coverage or make a payment to an Exchange for some or all of their employees.⁵ T/TO that are employers are not exempt from these requirements.

⁴ Information on the health care reform laws can be found on the NIH Web site at http://www.nihb.org/legislative/healthcare_reform.php.

A key difference (as of January 2014) between securing coverage through an Exchange versus through FEHBP will be the availability of Federal assistance for enrollees through an Exchange. This Federal assistance will reduce the amount of premiums and cost-sharing required for eligible individuals, but this assistance will not be available to individuals who secure coverage outside an Exchange (such as through FEHBP). In addition to the premium assistance, for American Indian and Alaska Native (AI/AN) Exchange enrollees who have family income at or below 300 percent of the federal poverty level, the value of the cost-sharing protections (*i.e.*, no cost-sharing required) will be significant. Because of this, some T/TO may choose to offer their employees coverage through the FEHB program from 2011 – 2013 and then opt to have employees access the Exchange coverage and Federal assistance beginning in 2014.

Worksheets to assist in comparing plans (current coverage vs. FEHBP), particularly in calculating and comparing plan premiums, are attached.

Assessment of FEHBP Option

Following is a series of questions that may help guide Tribes and Tribal organizations in making an initial assessment of the FEHBP option. The attached “Worksheets for Comparing Plan Premiums: Current Health Insurance Coverage vs. FEHBP Options” may be useful in making plan comparisons, particularly in calculating and comparing plan premiums.

Eligibility

Q1. Does your organization fit within the following definition? ⁱ

1. An Indian Tribe or Tribal organization carrying out programs under the Indian Self-Determination and Education Assistance Act (ISDEA) (25 U.S.C. 450 et seq.).⁶
 - Does your Tribe or Tribal Organization have a Title I contract or Title IV or Title V compact with the Bureau of Indian Affairs, Department of Interior, or Indian Health Service? If “yes,” you qualify.

If yes, your organization is eligible to participate in the Federal Employee Health Benefits Program.⁷

⁵ Employers with 50 or more full time equivalent employees are subject to these requirements.

⁶ An urban Indian organization carrying out programs under title V of the Indian Health Care Improvement Act is also entitled to participate in FEHBP.

⁷ It is the opinion of NIHB that all employees of an eligible Tribe or Tribal organization are eligible to enroll in health insurance coverage through FEHBP. A question has been raised, though, that the eligibility for coverage through FEHBP may be only available to a subset of the employees of eligible Tribes or Tribal organizations.

Q2. If a T/TO chooses to offer employees the FEHBP enrollment option now, can the T/TO decide not to offer coverage through FEHBP in a later period?

Yes. A T/TO that enrolls in FEHBP in the initial period will retain the option of declining to participate in FEHBP in subsequent years. Conversely, T/TO that decide to not participate initially are able to participate at a later date.

Q3. Do all employees of a T/TO have to enroll through FEHBP if a T/TO chooses to offer enrollment through FEHBP?

No. Participation in FEHBP is a two-step process. First, a T/TO *employer* will first decide whether to offer an enrollment option through FEHBP to their employees. Second, each *employee* of an electing organization will then decide whether to enroll in health insurance coverage under FEHBP. Some employees may choose not to access this coverage (e.g., if they have coverage through a spouse or parent).

Q4. Is a T/TO required to offer employees health insurance coverage today in order to participate in FEHBP? How much is an employer required to contribute?

It is not a requirement for participation under this new FEHBP option that a T/TO *currently* offer health insurance coverage.

Under the FEHB program operations today, employer contributions are required to be made for each enrolled employee. The percentage of the health insurance premium paid by an employer under FEHBP varies depending upon the health plan selected by an employee. The Federal government (employer) contribution ranges from 60% to 75% of the plan premium, with the employee paying the remainder.⁸ The health insurance premium payments made by employers and employees to FEHBP are made from “pre-tax” dollars (*i.e.*, not subject to payroll and income taxes).

Under this new FEHBP option for T/TO, it is our understanding that Tribal employers may make the full premium contribution on behalf of their employees (or some combination of contributions from employers and employees) and will not be required to follow the current employer – employee split of the premiums.

Current Coverage

To make an “apples-to-apples” comparison of the costs under current T/TO coverage to that under FEHBP, it is necessary to include all associated health insurance costs in the comparison.

⁸ For most employees, the Government contribution equals the lesser of a) 72 percent of the overall weighted average; or b) 75 percent of the total premium for the plan selected. The amount employees pay is the balance. That is, the difference between the total premium and the government contribution for an employee’s health plan. If an employee enrolls in a health plan that has premiums above the average, the premium balance for the employee will be higher.

For example, in addition to plan premium costs, there may also be insurance broker fees and other administrative costs currently incurred by a Tribal employer.

Use the attached Worksheet B to enter the current monthly health insurance premium costs as well as information on other associated health insurance costs.

Q5. If coverage is provided today by your T/TO, what are the current health insurance premium rates?

For comparison purposes, a T/TO should use premium information for the latest plan year available and then project the premiums forward to 2010 or 2011.

- For T/TO employers with fully-insured plans: For T/TO employers offering a fully-insured health plan (not self-insured), use premium rates for 2011 if these are available. If 2011 premiums are not yet available, use premium rates for 2010. If there are multiple plans offered by the T/TO, use figures for the plan with the greatest number of employees enrolled or calculate an average across all plans offered.
- For T/TO employers with self-insured plans: For T/TO with self-insured health plans, use the most recent cost data available and project through 2010 or 2011. Calculate a figure for “self” and “family” coverage.

For employers who calculate COBRA continuation coverage rates, these premium calculations may provide ready figures for the comparison to FEHBP rates.

Enter the monthly premium information in column “b”, lines 29 and 30 of Worksheet B for “self” and “family” coverage.

Q6. Is the premium (or average cost) information from the most recent T/TO plan year the most useful for comparison purposes?

Particularly for self-insured plan, the claims experience for one year may not be a good representation of average claims experience over a multi-year period as health service claims could be significantly higher or lower in any one year.

A T/TO may wish to calculate average per employee costs (under “self” and “family” coverage) over several years to see how much the average over multiple years compares to the most recent year. If the most recent year’s premium/claims experience is significantly higher or lower than the average, the T/TO may wish to calculate the comparison premium using the average for a period and then inflate the premium forward to 2010 or 2011. (See Q6 for data on average annual premium increases under FEHBP.)

Q7. To what extent have FEHBP premiums increased from year to year?

Using the Blue Cross and Blue Shield “standard” nationwide plan for comparison, FEHBP premiums for “self” coverage have increased an average of 6.3% annually over each of the past five years. FEHBP premiums for “family” coverage have increased an average of 6.0%

annually over each of the past five years. (The cumulative increase over the 2006 – 2011 period was 35.4% for “self” coverage and 33.5% for “family” coverage. See “Table 1: “Annual Change in Plan Premiums, FEHBP” below for data on year-to-year changes in Blue Cross and Blue Shield standard option plan premiums.

One caution in using the year-to-year premium increases under FEHBP (Blue Cross standard option coverage) to compare to the T/TO premium experience is that plan characteristics (benefits and cost-sharing sharing) under the various FEHBP and non-FEHBP plans may have changed over the period.

Table 1: Annual Change in Plan Premiums, FEHBP				
Example: Blue Cross and Blue Shield Service Benefit Plan (Standard; nationwide FFS)				
	Coverage Category		Percentage Change from Prior Year	
Plan Year	Self	Family	Self	Family
2006	\$427.38	\$978.62		
2007	\$431.64	\$988.41	+ 1.0%	+ 1.0%
2008	\$448.91	\$1,027.95	+ 4.0%	+ 4.0%
2009	\$489.32	\$1,120.47	+ 9.0%	+ 9.0%
2010	\$538.24	\$1,215.72	+ 10.0%	+ 8.5%
2011	\$578.61	\$1,306.89	+ 7.5%	+ 7.5%
Average	\$485.68	\$1,106.34		
	Average annual increase:		+ 6.3%	+ 6.0%
	Cumulative increase (2006 - 2011):		+ 35.4%	+ 33.5%

Source: FEHBP Web site, November 6, 2010

Q8. What if a T/TO offers more than one “family” option?

Under FEHBP, an employee may select either a “self” or “self plus family” option. If your T/TO offers additional family size options, an average “family” premium will need to be calculated to make a comparison to the FEHBP premiums. (Use Worksheet C: “Calculation of ‘Family’ Premiums for Employers with Multiple Family Size Options” to help calculate the average “family” premium amount.)

If multiple “family” options are provided, enter the *average* monthly “family” premium calculated from line 69 on to line 30.

Q9. Which FEHBP premium rates should be used and for what years are they available?

On the FEHBP Web site, premium rates are shown for employees of the U.S. Postal Service and non-employees of the U.S. Postal Service. <http://www.opm.gov/insure/health/rates/index.asp>. Use the “Non-Postal” premium rates for comparison.

The health plans are grouped under “HMO (Regional Plans with Specific Service Areas)” or “FFS (Fee-for-Service/Nationwide Plans)”. The premiums for the nationwide plans are the same in all parts of the United States. The premiums for HMO plans are specific to each region covered by the plan.

The FEHB program has published premium rates for the 2011 plan year. The plan premium rates for 2010 are also shown on the FEHBP table which includes plan premiums for 2011. Premium information for FEHBP plans for pre-2010 plan years can be found at <http://www.opm.gov/insure/health/archive/index.asp>.

Q10. Which FEHBP plan(s) should be chosen to compare to current coverage?

You may wish to compare the current T/TO coverage to a) one nationwide plan and b) one State-specific plan under FEHBP.

Each health plan listed has the benefit level (high, standard or basic) and family size (single or family) indicated. A unique enrollment code is assigned to each plan offering (e.g., “Blue Cross and Blue Shield Service Benefit Plan, Standard Self, 104”). The first two digits of the enrollment code (e.g., “10”) can be used to identify the plan’s covered benefits and cost-sharing requirements under “Plan Information”. To identify a plan’s service area and other plan characteristics, see information at <http://www.opm.gov/insure/health/planinfo/index.asp>.

In Worksheet B, column “c”, premium information is included for the most popular FEHBP “nationwide” plan (Blue Cross and Blue Shield Service Benefit Plan, standard option).

In Worksheet B, column “d”, enter premium information for a State-specific plan that serves the primary service area for the T/TO.

Q11. What other insurance-related costs should be included in this comparison?

On Worksheet B, enter in column “b”, lines 32 – 35 the total annual costs for other current T/TO insurance-related expenditures. These might include insurance broker fees, ASO (administrative service organization)/third-party administrator fees, and stop-loss coverage. Enter the total annual costs for these expenditures; then divide by 12 to generate an average monthly figure; then divide by the total number of covered employees to generate a per employee, per month average of insurance-related costs. This monthly per employee figure for insurance-related expenditures (on line 39) can be added to the base monthly premium amount (lines 29 and 30) to generate a “total monthly premium with associated costs” on lines 41 and 42.

Under the FEHBP option, some of the T/TO insurance-related costs may continue. For example, the T/TO may incur costs to calculate the monthly employer and employee premium amounts and to transfer the funds to FEHBP. There may also be a cost, at least in the initial year, for an insurance broker to help employees navigate the various insurance options under FEHBP. But, some or all of these costs may be eliminated or may be already covered in the administrative fee to be charged by OPM.

Already imbedded in the monthly premiums shown on the FEHBP premium tables is an administrative fee charged by OPM to participating agencies. This OPM fee is intended to cover OPM's costs related to enrolling agency employees, providing a customer service line to answer enrollee questions, etc. This fee is currently 3 percent of the plan premium but may be higher or lower under this FEHBP option for T/TO. One insurance-related cost that should not continue under FEHBP is any T/TO expenditure for "stop-loss" coverage as the FEHBP plans are fully-insured.

On Worksheet B, enter in columns "c" and "d", lines 32 - 35 estimates of any insurance-related costs that may continue under the FEHBP option. Generate a per employee, per month figure on line 39. Add the line 39 per employee insurance-related average cost to the monthly premium amounts on lines 29 and 30 to generate a "total monthly premium with associated costs" on lines 41 and 42 for "self" and "family" coverage under FEHBP.

Plan Benefit Package and Cost-Sharing Requirements

Q12. How do the health benefit packages compare between the existing Tribal coverage and FEHBP?

Information on plan-specific health benefits and cost-sharing requirements can be found at <http://www.opm.gov/insure/health/planinfo/index.asp>. Select the state and then choose the plan type (nationwide FFS/PPO or regional HMO) and then select the plan or plans to be compared. The plan code shown is the first two digits of the plan-specific enrollment code listed in the premiums table. *Near the end of the plan brochure is a "summary of benefits" that may be useful in conducting a comparison across plans.*

Other Considerations

Provider Network Adequacy

Q13. Is the provider network adequate under the FEHBP plan options? How does the number of primary care doctors compare between the current insurance coverage and the most popular plan under FEHBP for your region? How does the number of in-network hospitals compare under the plans?

You may want to ask several of your employees to volunteer to assess if their providers are available (in network) under one or more of the FEHBP plans.

Use Worksheet A to record plan information for comparison purposes.

Value of Risk Reduction

Q14. For Tribes and Tribal organizations currently self-insuring, to what extent would securing a fully insured health insurance product be of value to your organization? Is there significant variance in the year-to-year claims costs experienced by your Tribe or Tribal organization?

Although “stop-loss” coverage may reduce the variance in year-to-year costs experienced by T/TO with self-insured plans, a significant year-to-year difference in claims costs may still be experienced. Each T/TO will need to assess the value to the T/TO of eliminating the uncertainty in annual plan expenditures. Conversely, under the fully-insured FEHBP option, the T/TO will not experience the benefit of years that may have lower-than-expected expenditures for covered employees.

Revenue Impact on Tribal Health Programs / Providers

Q15. Would securing coverage through FEHBP impact the revenue flow to Tribal health programs and providers and/or the IHS? Is this anticipated to be a positive or negative impact? Can the financial impact be estimated?

Indian Tribes, Tribal organizations and the IHS have the right to seek reimbursement and be paid for services rendered to AI/AN with third party insurance. This generates a substantial revenue stream to these providers. Consideration should be given to how Tribal providers and the IHS may be impacted if a T/TO chooses to enroll employees through FEHBP.

For more information, or questions, contact Doneg McDonough at dmcdonough@nihb.org, or 202-507-4070.

Or, visit www.nihb.org/indianhealthreform.

ⁱ Section 409 of the IHCA, as amended, reads in part: “An Indian tribe or tribal organization carrying out programs under the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.) or an urban Indian organization carrying out programs under title V of this Act [IHCA] shall be entitled to purchase coverage, rights, and benefits for the employees of such Indian tribe or tribal organization, or urban Indian organization, under chapter 89 of title 5, United States Code, and chapter 87 of such title if necessary employee deductions and agency contributions in payment for the coverage, rights, and benefits for the period of employment with such Indian tribe or tribal organization, or urban Indian organization, are currently deposited in the applicable Employee’s Fund under such title.” – Excerpted from Section 157, Indian Health Care Improvement Reauthorization and Extension Act (S. 1790).

Attachments: Worksheets for Comparing Plans: Current T/TO Health Insurance Coverage vs. FEHBP Options

Worksheet A. Plan Information			
a	b	c	d
	Current Coverage	FEHBP: Option 1	FEHBP: Option 2
		http://www.opm.gov/insure/health/planinfo/index.asp	http://www.opm.gov/insure/health/planinfo/index.asp
Plan Year:	2011	2011	2011
Plan Name:	[Tribe / Tribal Organization Plan]	<u>Example:</u> Blue Cross and Blue Shield Service Benefit Plan (nationwide FFS plan)	<u>Example:</u> (state-specific HMO plan)
Plan level:		Standard	
Plan Reference # (FEHBP):		104	
Plan Type (Nationwide/FFS; Regional/PPO,		Nationwide; FFS	State-specific; HMO
Service Area:		Nationwide	
Plan structure:	Self-insured or fully-insured?	Fully-insured	Fully-insured
Plan Information:			
Annual deductible:		\$350 (self); \$700 (family)	
Primary care visit co-pay:		\$20	
Inpatient admission co-payment:		\$250 preferred; \$350 non-preferred, plus 35% co-insurance	
Catastrophic protection:		\$5,000 (PPO), \$7,000 (PPO/non-PPO); with exceptions	
# of primary care providers accepting new			
# of IHS and/or Tribal providers in service area:			
Relationship between plan and I/T providers?			
Other:			

Worksheet B. Calculation of Plan Premiums: Current Health Insurance Coverage vs. FEHBP

	a	b	c	d
		Current Coverage	FEHBP: Option 1	FEHBP: Option 2
Plan Name:		[Tribe / Tribal Organization Plan]	Example: Blue Cross and Blue Shield Service Benefit Plan (nationwide FFS plan)	Example: (state-specific HMO plan)
Plan Year:		2011	2011	2011
Monthly premium:			http://www.opm.gov/insure/health/rates/nonpos_talffs2011.pdf	http://www.opm.gov/insure/health/rates/nonpostalhmo2011.pdf
Self (total: employer and employee contributions):			\$578.61	
Family (total: employer and employee contributions)*:			\$1,306.89	
Additional costs				
Insurance broker fees (total annual):				
ASO / third-party admin. fee (total annual):				
Stop-loss coverage (total annual):			---	---
Other insurance-related costs (total annual):			FEHBP administrative fee of 3% included in premium	FEHBP administrative fee of 3% included in premium
Total additional insurance-related costs (lines 32 - 35):		\$0.00		
Divide line 36 by 12 to generate a monthly average:		\$0.00		
Enter total number of covered employees:				
Divide total monthly costs (line 37) by total number of covered employees (line 38) to generate a per employee, per month additional costs :		\$0.00		
TOTAL MONTHLY PREMIUM (WITH ASSOCIATED COSTS)		---		
Self (add line 29 to line 39):		\$0.00	\$578.61	
Family (add line 30 to line 39):		\$0.00	\$1,306.89	
Premium difference (Current vs. FEHBP):				
Self:		---		
Family:		---		

* See Section C below if an employer has multiple "family" size options. Section C assists in calculating an average "family" premium rate.

Areas shaded in grey have formulas contained in cell. Override formula if needed.

Worksheet C. Calculation of "family" premium for employers with multiple family size options			
a	b	c	d
	Current Coverage		
	[Tribe / Tribal Organization Plan]		
Monthly premium for Type 1: "Two adults"			
# of employees w/ Type 1:			
Total monthly premium paid for Type 1 coverage:			
Monthly premium for Type 2: "Adult and 1 child"			
# of employees w/ Type 2:			
Total monthly premium paid for Type 2 coverage:			
Monthly premium for Type 3: "More than 2"			
# of employees w/ Type 2:			
Total monthly premium paid for Type 3 coverage:			
Total monthly premiums paid for family coverage (add lines 57, 61 and 65)	\$0.00		
Total number of employees covered under family coverage (add lines 56, 60 and 64)	0		
Average "family" coverage (divide line 67 by line 68)(enter on line 30 above)	\$0.00		

68
69 Areas shaded in grey have formulas contained in cell. Override formulas if needed.