



THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

The Federal Employees Health Benefits Program (FEHBP) provides health insurance coverage to 8.2 million federal employees, retirees and their dependents. It is the largest employer-sponsored health insurance program in the United States. For 2014, health insurance premiums increased an average of 3.7%, with some participating health insurance plans increasing their premiums by much larger amounts. The 2014 premium increase followed increases of 3.4% in 2013 and 3.5% in 2012. With federal employee pay frozen in 2011, 2012 and 2013, many federal employees have found it increasingly difficult to continue to afford their health insurance coverage. In addition, the FEHBP offers only minimal dental and vision insurance benefits. The separate Federal Employees Dental and Vision Insurance Program (FEDVIP) offers this coverage to employees, however, they must pay the entire premium for these benefits. An employer contribution toward the FEDVIP benefits would make them much more affordable to the federal workforce.

NTEU believes that savings could be found in the FEHBP by reforming the prescription drug purchasing process and allowing the Office of Personnel Management to contract directly for pharmacy services. Currently, FEHBP plans independently contract with PBMs who negotiate prices with drug companies and pharmacies for each individual plan. Rebates and discounts PBMs receive from drug manufacturers are retained by the PBMs instead of being returned to the federal government. Because approximately 30% of all costs in the FEHBP program are for prescription drugs, adoption of this reform could produce \$1.6 billion in savings over 10 years for the federal government and program enrollees. H.R.1367, introduced by Stephen Lynch (D-MA), would ensure fair prescription drug contracting and pricing practices in the FEHBP but has yet to receive Congressional consideration.

Some proposals under consideration by Congress have suggested turning the FEHBP into a voucher plan and providing enrollees with a fixed amount each year toward their health benefits – regardless of the amount of annual premium increases. Others have suggested raising the government's contribution toward FEHBP coverage by only the increase in the Chained CPI. Postal Reform legislation, S.1486, would allow for separate postal-only plans within the FEHBP. Segmenting postal employees and retirees from the remainder of the FEHBP pool could destabilize the FEHBP and raise costs for those remaining in the program. Still others have proposed eliminating employer-sponsored health insurance benefits for the federal workforce entirely.

NTEU urges:

- **Adoption of prescription drug purchasing reforms in the FEHBP and support for H.R. 1367**
- **Opposition to efforts to limit federal employee and retiree access to the FEHBP or shift further costs to enrollees**