



Highlights of [GAO-07-141](#), a report to the Ranking Minority Member, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Average health insurance premiums for plans participating in the Federal Employees Health Benefits Program (FEHBP) have risen each year since 1997. These growing premiums result in higher costs to the federal government and plan enrollees. The Office of Personnel Management (OPM) oversees FEHBP, negotiating benefits and premiums and administering reserve accounts that may be used to cover plans' unanticipated spending increases.

GAO was asked to evaluate the nature and extent of premium increases. To do this, GAO examined (1) FEHBP premium trends compared with those of other purchasers, (2) factors contributing to average premium growth across all FEHBP plans, and (3) factors contributing to differing trends among selected FEHBP plans. GAO reviewed data provided by OPM relating to FEHBP premiums and factors contributing to premium growth. For comparison purposes, GAO also examined premium data from the California Public Employees' Retirement System (CalPERS) and surveys of other public and private employers. GAO also interviewed officials from OPM and eight FEHBP plans with premium growth that was higher than average, and six FEHBP plans with premium growth that was lower than average to discuss premium growth trends and the variation in growth across plans.

www.gao.gov/cgi-bin/getrpt?GAO-07-141.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John Dicken at (202) 512-7119 or dickenj@gao.gov.

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Premium Growth Has Recently Slowed, and Varies among Participating Plans

What GAO Found

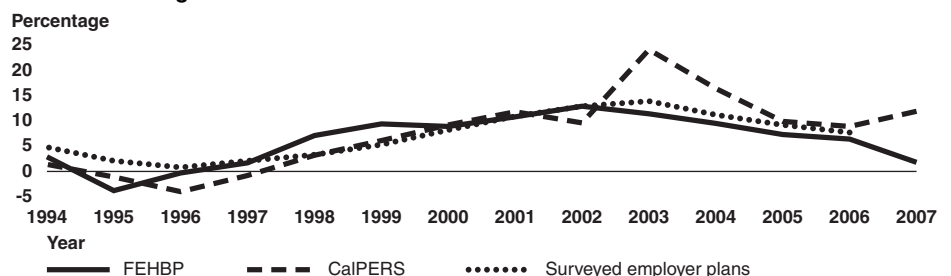
Growth in FEHBP premiums recently slowed, from a peak of 12.9 percent for 2002 to 1.8 percent for 2007. During this period FEHBP premium growth was generally slower than for other purchasers. Premium growth rates for the 10 largest FEHBP plans by enrollment ranged from 0 percent to 15.5 percent in 2007, while growth rates among smaller FEHBP plans varied more widely. The growth in average enrollee premium contributions—the share of total premiums paid by enrollees—was similar to the growth in total FEHBP premiums from 1994 through 2006, and was generally comparable with recent growth in enrollee premium contributions for surveyed employers.

Projected increases in the cost and utilization of health care services and in the cost of prescription drugs accounted for most of the average premium growth increases for 2000 through 2007. Other factors, including benefit changes resulting in less generous coverage and enrollee migration to lower cost plans, were projected to slightly offset premium increases. In 2006 and 2007, projected withdrawals from reserves significantly helped offset the effect of other factors on premium growth.

Officials from most of the plans with higher-than-average premium growth cited increases in the cost and utilization of services as well as a high share of elderly enrollees and early retirees. GAO's analysis of financial and enrollment data found that these plans generally experienced faster-than-average growth in the cost and utilization of services and faster-than-average growth in their share of elderly enrollees and retirees in recent years. Officials from most of the plans with lower-than-average premium growth cited adjustments for previously overestimated projections of cost growth. Officials also cited benefit changes that resulted in less generous coverage for prescription drugs. GAO's analysis of financial data provided by these plans found that their increase in per enrollee expenditures for prescription drugs was significantly lower than average in recent years.

In commenting on a draft of this report, OPM said the draft confirms that growth in average FEHBP premiums has slowed and has been lower than that of other large employer purchasers for the last several years.

Growth in Average Premiums for FEHBP and Other Purchasers



Sources: OPM, CalPERS, and Kaiser Family Foundation/Health Research and Educational Trust.