



**Retirement and Insurance Service
Financial Management Letter**

Number: F-00-02

Date: February 8, 2000

SUBJECT: HEALTH INSURANCE PREMIUM CONVERSION

Employees in the private sector, the Judiciary Branch of Government, the U.S. Postal Service, and certain other Federal entities have benefit of what is termed a health benefits "premium conversion". This means that the taxable incomes of the affected employees are reduced by the amount withheld from their basic pay for health benefits purposes. Because their taxable income is reduced, these employees pay less Federal income, Social Security and Medicare taxes.

On February 7, 2000, the President announced that "premium conversion" would be extended to all employees in the Executive Branch of the Government who are covered by the Federal Employees Health Benefits Program (FEHB). Thus, the effect will be that the taxable incomes of covered employees will be reduced by the amount withheld from their basic pay for FEHB. It is anticipated that implementation of "premium conversion" will be required by October 1, 2000.

We have attached a series of questions and answers about "premium conversion" for your information. We will provide you with more specific guidance, as it becomes available. If you should have any questions call (202) 606-0606, or email at finance@opm.gov.

A handwritten signature in black ink, appearing to read "Robert A. Yuran".

**Robert A. Yuran, Chief
Financial Policy Staff
Retirement and Insurance Service**

Attachments

*Civil Service
Retirement
System*

*Federal Employees
Group Life
Insurance*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*