



Highlights of [GAO-07-873T](#), a testimony before the 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 discuss its December 22, 2006 report, entitled *Federal Employees Health Benefits Program: Premium Growth Has Recently Slowed, and Varies Among Participating Plans* ([GAO-07-141](#)). In this report, GAO reviewed (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 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.

www.gao.gov/cgi-bin/getrpt?GAO-07-873T.

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

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

Premiums Continue to Rise, but Rate of Growth Has Recently Slowed

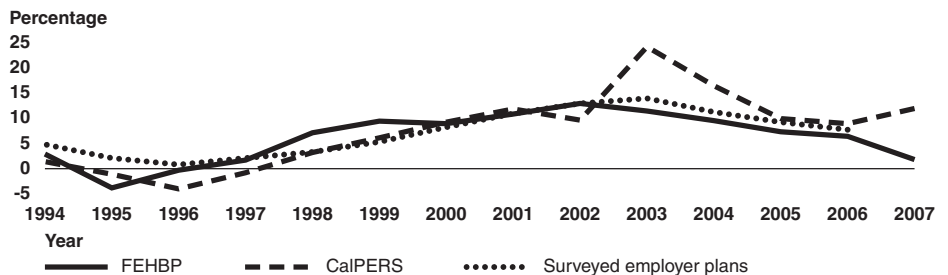
What GAO Found

Growth in FEHBP premiums recently slowed, from a peak of 12.9 percent for 2002 to 1.8 percent for 2007. Starting in 2003, FEHBP premium growth was generally slower than for other purchasers. Premium growth rates for the 10 largest FEHBP plans by enrollment—accounting for about three-quarters of total enrollment—ranged from 0 percent to 15.5 percent for 2007.

Projected increases in the cost and utilization of health care services and in the cost of prescription drugs accounted for most of the average annual FEHBP premium growth for 2000 through 2007. Absent other factors, these increases would have raised 2007 average premiums by 9 percent. Other projected factors, including benefit changes resulting in less generous coverage and enrollee migration to lower-cost plans, slightly offset average premium growth. In 2006 and 2007, projected withdrawals from reserves helped offset average premium growth—by 2 percentage points for 2006 and 5 percentage points for 2007.

To explain the factors associated with premium growth, officials GAO interviewed from most of the FEHBP 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. Officials GAO interviewed from most plans with lower-than-average premium growth cited adjustments made for previously overestimated projections of cost growth, and some officials cited benefit changes that resulted in less generous coverage for prescription drugs. The plans with lower-than-average premium growth also experienced a decline of 0.5 years in the average age of their enrollees compared with an increase of 0.5 years in the average age of all FEHBP enrollees.

Growth in Average Premiums for FEHBP and Other Purchasers



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

Note: The 2007 average premium growth rate for employer plans in the Kaiser/HRET surveys was not available at the time we completed our work for this testimony.