



JOINT ECONOMIC COMMITTEE

Senator Sam Brownback, Ranking Republican

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Steep Increase in 2010 Federal Employees Health Benefits Premiums

When Will Your FEHB Plan Be Subject to the High Cost Plans Tax?

The Office of Personnel Management (OPM) just released the new 2010 Federal Employees Health Benefits (FEHB) plans premiums, which reveal an average cost increase of 8.8%. For the most popular plan, the Blue Cross Blue Shield Standard Option, premiums will increase by \$587 for individuals and \$1,143 for families.

The steep increase in premium costs highlights an important component of the 40% high cost plans tax contained in the Senate Finance Committee's mark on healthcare reform. Beginning in 2013, plans costing more than \$8,000 for individuals and \$21,000 for families would be subject to the tax. The thresholds for the tax would only grow at the pace of general inflation plus one percent (CPI-U + 1%), which has historically risen significantly slower than premium costs.

This lower rate of threshold indexing is essential to generating revenue because it causes "threshold creep," whereby all plans would eventually be taxed (under the minimum benefit requirements, plans will reach a point where they can no longer cut costs to stay below the "high cost" thresholds).

The chart to the right demonstrates how quickly many of the FEHB plans would become subject to the high cost plans tax—both without and with FSA contributions of \$2,500. (Under the legislation, FSA contributions will be capped at \$2,500 beginning in 2011). Because FSA contributions (as well as dental and vision plans), will be included in the cost of health insurance benefits for purposes of calculating

	Annual Premium in 2010	No FSA		\$2500 FSA	
		First Year Plan Will Be Taxed	Years Until Plan Will Be Taxed	First Year Plan Will Be Taxed	Years Sooner Tax Applies
FEHB Individual Plans					
APWU High	\$5,350	2023	10	2013	10
APWU CDHP	\$4,040	2036	23	2026	10
Association Benefit High	\$5,851	2019	6	2013	6
BCBS Service Standard	\$6,459	2015	2	2013	2
BCBS Service Basic	\$4,837	2028	15	2013	15
Foreign Service High	\$5,487	2022	9	2013	9
GEHA High	\$6,426	2015	2	2013	2
GEHA Standard	\$3,851	2038	25	2029	9
GEHA HDHP	\$4,570	2030	17	2015	15
Mail Handlers Standard	\$6,350	2016	3	2013	3
Mail Handlers CDHP	\$3,730	2039	26	2031	8
Mail Handlers Value	\$2,866	2051	38	2046	5
NALC High	\$6,122	2017	4	2013	4
Panama Canal Area High	\$4,911	2027	14	2013	14
Rural Carrier High	\$6,455	2015	2	2013	2
SAMBA High	\$7,186	2013	0	2013	0
SAMBA Standard	\$5,213	2024	11	2013	11
FEHB Family Plans					
APWU High	\$12,098	2030	17	2026	4
APWU CDHP	\$9,090	2042	29	2040	2
Association Benefit High	\$13,478	2025	12	2021	4
BCBS Service Standard	\$14,589	2022	9	2017	5
BCBS Service Basic	\$11,327	2033	20	2030	3
Foreign Service High	\$13,312	2026	13	2022	4
GEHA High	\$14,615	2022	9	2017	5
GEHA Standard	\$8,750	2044	31	2042	2
GEHA HDHP	\$10,437	2036	23	2034	2
Mail Handlers Standard	\$14,532	2022	9	2017	5
Mail Handlers CDHP	\$8,452	2046	33	2044	2
Mail Handlers Value	\$6,833	2055	42	2054	1
NALC High	\$13,374	2025	12	2021	4
Panama Canal Area High	\$10,251	2037	24	2035	2
Rural Carrier High	\$13,184	2026	13	2022	4
SAMBA High	\$16,922	2015	2	2013	2
SAMBA Standard	\$11,906	2031	18	2027	4

NOTES:

- (a) The high cost plans tax of 40% will begin in 2013 and will apply to plans (including FSA contributions, dental, and vision benefits) in excess of \$8,000 for individuals and \$21,000 for families. The thresholds will be indexed for general inflation plus one percent.
- (b) Higher thresholds (for retirees over 55 and employees in high risk professions) would push back the first year of taxation by an average of four years.
- (c) Calculations based on indexing thresholds annually by 3.7% (CPI-U + 1%) beginning in 2014 and indexing annual premiums by 6.1%.

Sources: OPM, Kaiser Family Foundation, BLS, JEC Republican Staff Calculations.

the high cost plans tax, individuals and families who contribute to FSAs will be subject to the tax sooner.