

October 23, 2009

Dear Senator:

Our organizations represent the nearly 9 million federal and postal employees and retirees and their families who participate in the Federal Employees Health Benefits Program (FEHBP). The FEHBP is the largest employer-sponsored health benefits plan of its kind in the United States. Established by Congress in 1959, it serves as a beacon in recruiting and retaining quality individuals to federal and postal service. The FEHBP has succeeded in providing enrollees with adequate health care coverage at competitive price levels.

As you work to craft a Senate health care bill and bring it to the floor, we want you to know that our members support your efforts to contain medical costs, but insist upon the preservation of FEHBP as a program designed principally for federal and postal employees and retirees. We take this opportunity to advise you of three proposals circulating or pending in the Senate that would have adverse, even disastrous, consequences for FEHBP.

**Grassley Amendment**— The Senate Finance Committee bill contains an amendment offered by Senator Grassley that requires Members of Congress and staff to buy insurance provided through the insurance exchange. His original proposal would have required *all* federal and postal employees, as well as Members of Congress and Congressional staff, to participate in the insurance exchanges. If such a proposal were accepted on the floor, FEHBP as currently constituted would cease to exist. Without its active federal employee base and risk pool, FEHBP could become a retiree-only plan, which would be prohibitively expensive to retirees. As a result, such a proposal would produce an outcome directly contrary to the goals of affordable health care and allowing individuals to retain their current insurance.

**Wyden Amendment**— Senator Wyden has indicated that he may introduce an amendment that would permit non-federal or postal employees or retirees to participate in the FEHBP. The amendment would permit entry to FEHBP by those who would be exempt from the individual mandate. While we believe that all Americans should have access to comprehensive and affordable health care, any proposal to open the FEHBP to the public must include risk pools separated by a firewall between the federal/postal community from the general public. Otherwise, this amendment would dramatically alter the existing risk pool of federal/postal employees by absorbing a significant segment of high-cost medical users. Costs to the FEHBP would soar, premiums would skyrocket, and federal/postal employees and retirees would ultimately be responsible for subsidizing a higher-risk, non-federal population. We oppose the Wyden amendment as drafted.

**Excise tax**— The Senate Finance Committee’s creation of an excise tax on higher-cost employer-provided insurance plans may not immediately extend to coverage received by federal and postal employees today, but we have considerable concerns about the likelihood of our members being subject to the tax by 2013 or soon thereafter and suffering health benefit reductions as a result. For example, if a federal employee’s family has the BCBS Standard Option, the premium in 2010 would be \$14,592. Since many employees also have vision, dental and/or flexible spending accounts, by 2013, many will be close to the taxable level of \$21,000. If not by 2013, they will easily reach that level within two to three years, based upon the history of medical inflation. Clearly, many federal employees would be trapped by this proposal that ostensibly is intended to tax the wealthy, not middle-income federal and postal employees and retirees. The most likely outcome of the excise tax would be a move by many insurance companies to reduce coverage and plan benefits, or they would pass the cost of the tax on to FEHBP enrollees in increased premiums.

Thank you for taking these concerns into account as you craft health care legislation. Our members strongly support affordable health care for all Americans and believe that goal can be attained without reducing health coverage already secured by millions of active and retired federal/postal workers.

Sincerely,

American Federation of Government Employees  
American Federation of State, County and Municipal Employees  
American Foreign Service Association  
American Postal Workers Unions  
Federal Managers Association  
Laborers International Union of North America  
National Active and Retired Federal Employees Association  
National Association of Letter Carriers  
National Association of Postal Supervisors  
National Association of Postmasters (US)  
National Federation of Federal Employees  
National League of Postmasters  
National Postal Mail Handlers Union  
National Rural Letter Carriers Association  
National Treasury Employees Union  
Professional Aviation Safety Specialists  
Senior Executives Association