

NTEU

The National Treasury Employees Union

September 21, 2006

The Honorable Linda M. Springer
Director
Office of Personnel Management
Washington, D.C. 20415

Dear Linda:

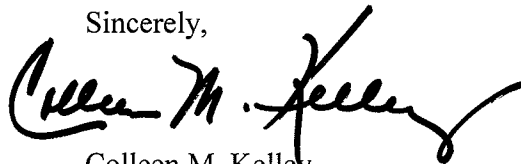
On behalf of the National Treasury Employees Union (NTEU) and our more than 150,000 federal workers in 30 government agencies, I was pleased to be advised that the average health insurance premium increase for federal enrollees in the Federal Employees Health Benefits Program (FEHBP) is estimated to be 2.3 percent for 2007. This is a decidedly lower level of increase than previous years witnessed and will likely have an impact on public servants as they choose their health insurance coverage for the upcoming year.

While this is good news, it is our understanding that the rate of increase is small because of the Office of Personnel Management's (OPM) decision to use FEHBP's cash reserves to hold down the 2007 premiums. According to OPM's material, had cash reserves not been utilized, a likely average premium increase of approximately 7% would have been projected, with higher deductible plans and Health Maintenance Organizations seeing an even greater increase. I would therefore like a clearer understanding of the ramifications of using the reserve fund and would appreciate your response to the following questions:

- Why are additional reserves currently available in the fund to cover 2007? Is it a function of costs decreasing or employees having contributed too much in past years?
- Have claims been down or coverage been less under the plans, thus resulting in greater reserves?
- What are OPM's current minimum requirements of carriers for reserve funds? What is the minimum amount of reserves set aside under FEHBP in current law?
- Will sufficient reserves now be left in 2007 in the event a plan goes out of business, or a higher than expected level of claims come in?

As dedicated public servants, our federal workers and retirees deserve all relevant information about their own health plans and the health of FEHBP. Thank you for your consideration of these questions. I look forward to hearing from you soon.

Sincerely,



Colleen M. Kelley
National President