



Statement of

**Edward L. Wristen, President and CEO
First Health Group Corp.**

on

**Dental and Vision Benefits
For Federal Employees**

**HOUSE GOVERNMENT REFORM
COMMITTEE**

**SUBCOMMITTEE ON
CIVIL SERVICE AND AGENCY
ORGANIZATION**

Tuesday, February 24, 2004

Chairwoman and Members of the Committee, I am Edward L. Wristen, President and Chief Executive Officer of the First Health Group Corp. (“First Health”). First Health is the premier national health benefit services company. We specialize in providing large payors with integrated managed care solutions. First Health serves the group health, workers’ compensation, state agency, and Federal Government markets. First Health, and its predecessor company, has been a provider of managed care – both broad-ranging, integrated medical management and Preferred Provider Organization (“PPO”) – services in the Federal Employees’ Health Benefits Program (“FEHBP” or “Program”) since 1985, serving as a subcontractor to various employee organization carriers participating in the Program. In addition, since July, 2002, First Health has served as the plan administrator, underwriter, managed care service provider, and pharmacy benefit manager, fully integrating all those functions, for the second largest plan in the Program, the Mail Handlers Benefit Plan (“MHBP”) sponsored by the National Postal Mail Handlers Union, a Division of the Laborers’ International Union of North America, AFL-CIO.

First Health appreciates this opportunity to present testimony on H.R. 3751 to require that the Office of Personnel Management study and present options under which dental and vision benefits could be made available to Federal employees and retirees and other appropriate classes of individuals. As a company that strives to remain at the cutting edge in providing quality health care options, world-class customer service, and consumer choice – and as one now with 20 years’ participation in the Federal employees’ health care arena – we believe we can offer valuable perspective and assistance in this effort.

First of all, First Health would like to emphasize, as we are sure others will, that Federal employees and annuitants, and their dependents, currently have both dental and vision benefits available to them from many of the health plans participating in the FEHBP. Currently, there are 12 fee-for-service plans in the FEHBP, six of whom are open to all Federal employees and annuitants, and six of whom are “closed” plans whose enrollment is limited to employees of

specific agencies. Approximately 70 percent of all FEHBP members are in those 12 plans. Five of the six open fee-for-service plans have dental benefits included in their FEHBP offerings, and three of the six closed plans have dental benefits included in their FEHBP offerings. The remaining 30 percent of FEHBP members are enrolled in some 210 comprehensive, or HMO, plans that are available in their respective service areas. Many of those HMO's offer dental coverage in their FEHBP benefit packages.

In addition, those five open fee-for-service plans offer supplemental dental benefit plans to their members (at 100 percent member cost) that augment their FEHBP dental offerings,¹ and three of them also offer supplemental vision plans. Four of the six closed fee-for-service plans offer both supplemental dental and vision benefits to their members. In addition, many of the HMOs in the FEHBP offer supplemental dental and/or vision benefits plans to their members.

Thus, as you can readily see, the benefits issue OPM is to study pursuant to this bill is not one characterized by lack of availability. There already exist numerous options and choices for Federal employees and annuitants and their dependents to obtain dental and vision benefits both within and outside the FEHBP. The issue that merits attention here is how the delivery of these benefits can best be enhanced in tandem with maintaining a strong and viable FEHBP.

Obviously, what would be the most attractive to Federal employees and annuitants is the enhancement of dental benefits within, and the addition of vision benefits to, their FEHBP plan offerings without the requirement of any offsetting reductions in the other medical benefits in their FEHBP plans. If this were done, the Federal Government as employer

¹ The Government Employees Hospital Association ("GEHA") supplemental dental and vision plans are available to all Federal employees and annuitants (and their dependents), not just to members of the GEHA FEHBP health plan. For 2005, the supplemental dental and vision plans offered by the MHBP and First Health will be available to all Federal employees and annuitants (and their dependents).

would shoulder most of the increased costs under the current FEHBP financing arrangement.² However, there have been budgetary constraints impacting the FEHBP since at least the early 1980's that have served to limit virtually any benefit increases in FEHBP plans, and especially those for dental or vision benefits. First Health does not see these constraints changing substantially in the current economic environment, although some relaxation of this situation would be both warranted and welcome.

What OPM has done to address these budgetary constraints is arguably a reasonable approach: OPM has allocated scarce Government contribution dollars to financing the preservation of medical benefits to the detriment of permitting any dental benefit increases in existing FEHBP plans since 1987, or adding any vision care benefits. Thus, the dental benefit offerings within FEHBP plans, most of which are based on scheduled-allowances for given procedures, have in effect been frozen at 1987 levels. This has led to the state of affairs today where FEHBP plan dental benefits are considered inadequate by 2004 standards.

To address this situation, many of the FEHBP plan carriers have offered various supplemental dental plans to try and compensate for the insufficiency of their FEHBP plan dental coverage occasioned by this "freeze". This has been done with OPM's knowledge and encouragement and, to some extent, with OPM assistance. This assistance has been in the form of OPM's allowing FEHBP carriers to use a page in their official FEHBP plan brochure to announce the availability of non-FEHBP benefit offerings, such as dental and vision supplements, and in permitting FEHBP plans to discuss these supplemental benefit offerings at Government-sponsored health fairs and in other promotional activities allowed during the annual FEHBP Open Season.

These dental and vision supplemental benefit offerings have thus become part and parcel of these FEHBP plans' total offerings to Federal employees and annuitants. Medical and

² The addition of any such benefits to the FEHBP plans approved by OPM would raise the weighted average cost of all plans and thus the required Government contribution under 5 U.S.C. § 8906(b).

the OPM-permitted dental benefit levels are provided as the “official” FEHBP offering that is financed in large part by a Government contribution toward the cost, while supplemental dental and vision benefits are offered by the FEHBP plans to fill-in the “gaps,” with 100 percent of the cost being shouldered by the Federal employees and annuitants who select them. Together, these two elements form integrated benefits packages offered in the competitive environment in which the FEHBP plans operate.

Introducing new, carved-out, dental or vision benefit plans into this mix as some advocate will serve only to upset that competitive balance in the FEHBP, which has served the Government and Federal employees and annuitants well since its inception in 1960, and it will do so without any discernible benefit to the Government and Federal employees and annuitants. There is no magic bullet of cost savings or quality-of-benefit gains in separating these types of benefits from those being offered already by the FEHBP and its carriers. Instead, doing so will serve to create an additional contracting system with which OPM will have to deal that will add cost and complexity where there already exists a contracting system and experienced carriers providing dental and vision care benefits to Federal employees and annuitants. The existing FEHBP carriers and the FEHBP contracting system in place have the capability to handle any enhancements that Congress or OPM desire to see made in dental or vision benefits for Federal employees and annuitants, and they can do so with minor adjustments to what they are already doing to serve the broad health care needs of Federal employees and annuitants.

Thus, the issue at the heart of this bill does not call for a new contracting system or program like that created for the offering of Long-Term Care Insurance to Federal employees and annuitants. That offering was a new benefits program, unlike dental and vision care benefits, which have been an integral part of the FEHBP carriers’ total offerings to Federal employees for many years. The Long-Term Care program needed an infrastructure in which to operate. The FEHBP and its carriers already provide that infrastructure for any enhancements that need to be

made to dental or vision benefits for Federal employees and annuitants. Utilizing the FEHBP system and its carriers to do so will preserve the relative competitive environment among the plans in the FEHBP system that has served the Government and Federal employees and annuitants so well.

The FEHBP system of balanced competition and choice is one that has become a model for both private sector health insurance and Medicare reform. It is not one that should be tampered with by having its plans' integrated benefit offerings – those in their “official” FEHBP plans and those in their supplemental dental and/or vision offerings – broken apart, stripped away, and parceled out to a new and unnecessary contracting program. Any new resources that can be brought to bear, by Congress or OPM, in the form of financial assistance to enhance dental or vision benefits for Federal employees and annuitants, or in the form of marketing assistance in promoting any desired changes in those benefits, should be channeled to the existing FEHBP program and carriers rather than devoted to establishing a duplicative infrastructure for a new, unproven, and unnecessary Government contracting program. The Government and Federal employees and annuitants will receive far more “bang for their buck” from the investment of scarce resources in a proven entity than in an unproven hope.

First Health thanks the Committee for the opportunity to make these comments.