Government Executive

A Little More Cash During Open Season

By Tammy Flanagan

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Open season for federal health benefits is right around the corner: It starts Nov. 10 and runs until Dec. 8. When you hear the words "open season," what thoughts come to mind?

How about: Stirring, exciting, thrilling, rousing, sensational and exhilarating?

Or is it more like: Tiresome, mind-numbing, monotonous, tedious, boring and dull?

Open season is your chance to enroll, review, change or terminate your participation in the following programs:

- Federal Employees Health Benefits Program
- Federal Employees Dental and Vision Insurance Program
- Federal Flexible Spending Accounts

Those don't sound like exciting things to think about, I must admit. However, what if I told you that open season is like mining for gold or finding lost cash or using a metal detector to discover a diamond ring on the beach? That's a little more exciting, right?

Open season can be an opportunity to put a little more cash in your pocket. Here are five ideas that might help you do just that.

Contribute to a Flexible Spending Account

If you're an eligible federal employee, you can sign up. If you're already contributing, but not at the maximum level, then consider increasing your contributions -- assuming you'll incur enough out-of-pocket expenses next year to justify the increase. Lowering your taxable income by contributing $2,500 to an FSA can boost your take home pay by:

- FICA tax: 6.2 percent of $2,500 = $155
- Medicare tax: 1.45 percent of $2,500 = $36.25
- Federal income tax (varies based on your marginal tax bracket): 28 percent of $2,500 = $700
- State tax (varies by state): 6 percent of $2,500 = $150

There are both health care and dependent care FSA options.

Consider a High Deductible Health Plan or a Consumer-Driven Health Plan

Even though these plans have high deductibles, they also have among the lowest premiums of all federal health plans. And you'll receive contributions in the form of a premium pass-through or a medical fund to help pay for out of pocket expenses. With a high deductible plan you may also be eligible for a health savings account, into which you can contribute up to $3,350 for self-only coverage or $6,650 for self-and-family enrollment -- all tax-free. Enrollees over age 55 can contribute an additional $1,000 to their HSAs.

The contributions that you make to an HSA will lower your taxable income. And when the money is spent on eligible medical expenses, it comes out tax-free. The account belongs to you and will accumulate from one year to the next. You will earn interest on your balance and may be eligible to invest some of the money in a variety of investment options. You also may be eligible to contribute additional tax-free contributions to an FSA or a limited expense FSA if you are in a high-deductible health plan.

Enroll in Medicare Part B

Are you retired or approaching retirement and also are 65 or older? If so, you should at least consider enrolling in Medicare Part B (as well as Part A) and change your federal health plan to lower your FEHBP costs and also eliminate most of your deductibles, copayments and coinsurance.

If you choose carefully, you can find a federal health plan that has low premiums and will waive most of your out-of-pocket medical expenses (other than prescriptions and dental and vision expenses) when Medicare is the primary payer. Many FEHBP plans offer incentives for retirees to enroll in Part B. Check out Section 9 of your plan brochure.

Medicare will generally be your primary insurance if you are paying your FEHBP premiums out of your CSRS or FERS retirement benefit. If you are 65 and still paying your premiums out of your paycheck because you are working, then Medicare will be the secondary payer to your FEHBP plan.

There's a new plan this year called Aetna Direct designed specifically for retirees with Medicare A and B. Other FEHBP plans also provide benefits for retirees who are enrolled in parts A and B.

Change Your Health Plan

The cost of plans is not necessarily an indication of their quality. Costs are determined by a number of factors related to how much the plan must pay out to its enrollees. For example, if a plan attracts older retirees who fill a lot of prescriptions, it may have higher premiums due to the expense of a generous prescription drug benefit. Find out more about all of the plans you are eligible for here.

Biweekly premiums for self-only fee-for-service plans range from $43.10 to $137.88. Biweekly premiums for self-and-family fee-for-service plans range from $93.59 to $351.89. Potential savings (comparing the highest priced plan to the lowest) are:

- $2,464.28 per year for self-only plans
- $6,715.80 per year for self-and-family enrollments

Consider Changes in Other Benefits

Although this open season is not directly related to life insurance, it might be a good time to review your life insurance coverage. If you are carrying Option B of Federal Employees Group Life Insurance, (which is based on multiples of your federal salary up to five times your basic pay rate), the premiums almost double when you turn 55. The costs will more than double again when you turn 60. At age 55, $300,000 of FEGLI Option B costs $1,792 per year. That goes up to $4,057 a year at 60.

The premiums continue to increase until age 80 unless you choose to lower your coverage while you are employed or take a full reduction of the coverage when you retire.

For More Information

If you'd like to learn more about your choices this open season, consider signing up for the three-part webinar series that I'm conducting with Micah Shilanski. You also can tune in to the series of "For Your Benefit" programs on Federal News Radio that I co-host with Bob Leins. These shows air on Mondays at 10 a.m. on AM 1500 in the Washington area and also are archived online.

This year's open season programs will include:

- Nov. 10: Walton Francis, author of the *Checkbook Guide to Federal Health Plans*
- Nov. 17: SAMBA FEHBP and FLTCIP
- Nov. 24: Aetna FEHBP
- Dec. 1: Kaiser FEHBP
- Dec. 8: Open Season Wrap-Up

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