

# GUIDE TO **2023** FEDERAL BENEFITS OPEN SEASON

Your annual guide to help you better understand your health benefits choices. This guide condenses the main factors federal employees should consider during open season.

**The Fed Corner**<sup>™</sup>**.com**

FINANCIAL PLANNING FOR FEDERAL EMPLOYEES



# WHAT TO EXPECT

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Every year, during the benefits “Open Season”, federal employees must make decisions about their various healthcare benefits coverage. Even if you’ve been enrolled for many years, it’s important to review your coverage based on your current and specific needs. Open Season for 2024 benefits is from **November 13 – December 11, 2023**.

Health insurance programs change over time, as does your **health** and **financial life**, and Open Season gives you an opportunity to make decisions about your various insurance benefits so that they are aligned to best support your family’s needs.

OPM offers resources but expects that you do your own research to understand your benefits. They do not offer planning considerations, nor is there context on how federal employees should be thinking about their benefits as it relates to their overall financial well-being. Their website is dense with valuable information, but is primarily focused on providing facts, policies, and rules.

That's why we created this guide. Back by popular demand, our team has sorted through OPM's website and extracted some of the most relevant and important information to save you time and increase your understanding. In addition, our advisors have added context and factors for you to think about throughout.

This is not meant to be a comprehensive resource of every nuance, rather a tool to help federal employees during Open Season. This guide, combined with OPM's comparison tools, should allow you to make the best choices about your benefits.

# QUESTIONS TO ASK

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- Am I satisfied with my current FEHB health plan coverage?
- Do they meet my family's needs? Did we have significant expenses that were a surprise to us?
- What's my plan for Long Term Care expenses? Can my retirement plan handle that?
- Is my FEGLI coverage appropriate? Am I over or under insured?
- If we're healthy and don't ever have many medical expenses, should I consider a High Deductible Health Plan (HDHP)?
- What happens if we need care from a provider outside the "network"? Do I need or care about this?
- Do I have enough cash saved to cover out of pocket maximums?
- Are my current health care providers remaining within the network of my current FEHB plan?
- What kind of medical procedures or care will I or family need next year?
- Have I been maximizing the use of an FSA or HSA if I have one? (Tax free medical care if qualified)
- What changes have occurred to my current FEHB plan?
- Is it cheaper to get Self Plus One or Self & Family for me and my spouse?
- Am I within 5 years of retirement? (Five-year rule for carrying FEHB in retirement)
- Do I want to switch to Medicare and use FEHB as the supplemental instead of the primary insurance?

# HEALTH INSURANCE (FEHB)

When selecting your health insurance, there are numerous FEHB programs available and sorting through can be overwhelming. Let's start with a glossary of some important terminology that you'll encounter.

## Premium

Your subsidized cost of insurance. Influenced by the type of plan and amount of coverage.

## Copayment

Fixed dollar amount you will pay for health care services after deductible.

## Coinsurance

Percentage of covered health care that you pay for after you've paid deductible.

## Deductible

Your out-of-pocket expenses before your insurance will begin to pay.

## HSA

Health Savings Account. Type of account that accepts pre-tax dollars to provide tax-free qualified medical coverage.

## OOP Max

Out-of-pocket max. Highest amount you'll pay in any year towards costs, including deductibles, copay, & coinsurance.

## Network

List of health care providers within a group that accepts that insurance. In-Network means negotiated rates and possibly discounted services. Out-of-network service may cost more.

## IMPORTANT NOTE

Changes in these categories impact the cost of the health insurance plan. The total average increase for enrollees' share of premium for the FEHB Program for 2024 is 7.7%

# PICKING YOUR HEALTH INSURANCE

Navigating your FEHB can be complicated when trying to understand the types of health plans available. There are myriad considerations of which to be aware.

Use this document combined with a plan's **Summary of Benefits & Coverage** (SBC) available from the insurance carrier. You can access them from within the FEHB Plan Comparison tool on [OPM.gov > Insurance](https://www.opm.gov/insurance)

## HEALTH MAINTENANCE ORGANIZATIONS

- Preventative health care may be covered.
- Less cost for health care.
- Limitations on which doctors you may see.
- Require referral to see specialist.
- Typically have co-pays instead of deductibles.
- Least amount of work required from enrollee.
- More restrictive, primary doctor is "gatekeeper".



# HMO

## FEE-FOR-SERVICE

- Generally more flexible than HMOs.
- You may change doctors more frequently.
- You may have to submit for reimbursement for care.
- May have deductibles.



# FFS

### PPO

#### (Preferred Provider Organization)

- Pay less for service; co-pays.
- Must use network providers.

### Non-PPO

- Pay more for service.
- May need to file own claim.

## POINT-OF-SERVICE

- Hybrid. Less restrictive than HMO, may require referrals.
- May require use of generic prescriptions.
- **In-Network** providers offer:
  - Cheaper Care
  - Full Network Coverage
  - Ease of use
- **Out-of-Network** offers:
  - More expensive care.
  - May need to file own claim.
  - Greater number of providers but potentially less coverage.



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## HIGH DEDUCTIBLE HEALTH PLAN

- High deductible and out of pocket expenses, but cheaper premiums.
- Check-ups included. Good for healthy people.
- Access to HSA and all its benefits.
- In-network providers have cheaper care.
- HSA funds are pre-tax and grow tax-deferred, and are tax-free for qualified expenses.



HD  
HP

## CONSUMER DRIVEN HEALTH PLAN

- One of the least common plans.
- Access to medical savings fund.
- May have open architecture on providers, putting power in the hands of enrollee.
- Self-managed care, with a trade-off of requiring more effort.
- Can be more customized in terms of care, but may be more expensive if you have a lot of care.



CD  
HP

## CONTINUING FEHB IN RETIREMENT, MUST BE:

- Entitled to retire on immediate annuity under FERS ("MRA +10" incl.)
  - Continuously covered in FEHB for last 5 years, including last day.
- TRICARE time counts. Service breaks okay if reenrolled in 60 days.

# FEHB AND MEDICARE

## MEDICARE IS AVAILABLE AT AGE 65

### Why enroll in Medicare Part B with FEHB?

- 1** FEHB still has out-of-pocket expenses. With both, Medicare covers most expenses, and FEHB helps cover the rest.
- 2** Possible greater access to broader range of health care providers. Most care providers will accept FEHB plans and/or Medicare.

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## EXPLAINED

The two parts of Medicare that federal employees would use are **Part A** and **Part B**.

Part A (hospital) helps pay for inpatient hospital care, limited skilled nursing facility care, limited home health care, and hospice care. Part A has no additional cost to federal employees.

Part B (medical) helps pay for doctors, outpatient care, laboratory and x-rays, medical equipment/supplies, preventative care, ambulance, and some therapy. Part B has additional premiums that vary depending on your taxable income.

### **Neither are Long Term Care insurance.**

The choice is a personal one. Plans under FEHB provide similar coverage as Medicare plus a comprehensive range of preventative and prescription coverage. Medicare becomes primary and FEHB as supplemental. FEHB acts as Part D, or prescription coverage. **Understand that if you have substantial tax-deferred assets, Part B premiums may become expensive as you draw from your portfolio, especially when distributions are forced for RMDs.**

# VISION & DENTAL (FEDVIP)

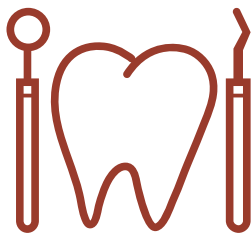


FEDVIP offers comprehensive vision insurance for you and eligible family.

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## 4 VISION PLANS, EACH COVER:

Routine eye exams | Frames & lenses | Contacts | Discounts on eye surgery



FEDVIP offers comprehensive dental insurance for you and eligible family.

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## SEVERAL PLAN CHOICES, EACH COVER:

Cleanings | X-Rays | Root Canals | Crowns | Dentures | Filings | Orthodontia

Vision insurance costs start at \$7/mo. Dental insurance costs depend on level of care and coverage you wish to purchase. **Being enrolled in FEHB is not a requirement.** We suggest you compare the different plans using OPM's tools to find the best plan for your family. Some FEHB plans have coverage, but we recommend that you don't make FEHB choices based on vision and dental.

Plan comparison tools available at: [WWW.OPM.GOV/FEDVIPCOMPARE](http://WWW.OPM.GOV/FEDVIPCOMPARE)



# LIFE INSURANCE (FEGLI)

FEGLI offers various levels of life insurance for you and eligible family.

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## LIFE INSURANCE EXPLAINED:

If a federal employee were to die, how much would they no longer earn if they were still working, or if retired, how much **less** will their spouse receive both from their FERS pension and Social Security upon their death? With this reduction in income, does the surviving spouse and family have enough assets to cover their financial needs?

The primary purpose of life insurance is income replacement, as described above. Beyond that, many look to life insurance as a means to leave a legacy, reduce estate taxes, and achieve various other objectives. FEGLI is one of the largest life insurance programs in the world and is a great benefit for federal employees. It can help protect your loved ones from unexpected financial burdens. Federal employees should consider the cost and benefits offered by FEGLI, as well as other private insurance options to find the best plan that fits their financial goals. The case for traditional life insurance like FEGLI becomes less clear the more assets you have and the older you become.

The important factor to note is that FEGLI becomes very expensive as you age, especially the additional coverage. For federal employees wishing to maintain additional FEGLI into retirement, you need to understand that premiums just about double around every five years. Let's explore coverage.

# LIFE INSURANCE (FEGLI)

## FEGLI COVERAGE OPTIONS:

### BASIC

**Coverage:** Your annual salary rounded to next \$1K, + \$2K.  
**Persons covered:** Employee.  
**Biweekly cost:** \$0.16 per \$1K of coverage.  
**Cost increase:** No. Costs change post-retirement.

### OPTION A

**Coverage:** \$10,000.  
**Persons covered:** Employee.  
**Biweekly cost:** \$0.20 - \$6.00, depending on age.  
**Cost increase:** Yes, depending on age.

### OPTION B

**Coverage:** 1X - 5X your salary rounded to next \$1K.  
**Persons covered:** Employee.  
**Biweekly cost:** \$0.02 - \$2.88 per \$1K of coverage.  
**Cost increase:** Yes, depending on age.

### OPTION C

**Coverage:** \$5K/\$2.5K on spouse/child. 1X - 5X multiples.  
**Persons covered:** Spouse and unmarried children < 22 y/o  
**Biweekly cost:** \$0.20 - \$7.80 per multiple of coverage  
**Cost increase:** Yes, depending on age.

Rates may change, see OPM.gov for more information. You can use their FEGLI premium calculator here: <https://www.opm.gov/retirement-services/calculators/fegli-calculator/>

# LONG TERM CARE (FLTCIP)



FLTCIP offers insurance coverage to help cover costs for assistance with everyday tasks including bathing, dressing, walking or moving, toileting, and eating.

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## LONG TERM CARE EXPLAINED:

Long term care (LTC) insurance can help protect you from costly care in the event of a chronic illness, injury, aging, or disability. FLTCIP can help pay for some of the expenses surrounding your required care in such a circumstance. Such expenses can derail a retirement plan and have a larger financial impact than your portfolio may be able to handle.

The biggest challenge is that traditional LTC insurance premiums are not fixed and are subject to change according to how insurance carriers need to hedge their risk. Coverage often becomes prohibitively costly for many during the years in which they have the highest need for it (80+). That said, it can be affordable during your working years as a federal employee. We strongly encourage that you explore all LTC options, both FLTCIP as well as private options, in the context of your retirement plan. Some plans have fixed costs, others have additional features. FLTCIP is presently closed to new enrollees, but you should still take this time to consider your own LTC needs.

## MORE RESOURCES ON LTC:

<https://acl.gov/ltc/basic-needs>

<https://www.ltcfeds.com/program-details/eligibility>

# PUTTING IT ALL TOGETHER

Your Open Season elections are just one part of your overall financial well-being. There are many other parts that contribute to your financial success.

If you're approaching retirement and feel overwhelmed trying to plan it, you're not alone. Federal employees have some of the best benefits packages around, but they are complicated and complex. Many employees preparing for retirement attend seminars to gain clarity, but often leave confused. Some seek help from financial planners that lack the training and expertise to offer FERS retirement help. We've found that federal employees are underserved by their advisory relationships, and often find themselves in a frustrating search for answers or end up making costly mistakes.

That's why we created The Fed Corner. We know that successful families want and deserve answers. Our mission is to help you plan and enjoy a fulfilling future. As fiduciaries, our collaborative team of professionals work *for* you and *with* you, and our combined expertise is geared towards bringing you better outcomes. We're nationally recognized, and we're celebrating four decades of helping families feel confident and prepared for their futures.

Let's create a plan that is designed to help you **achieve a life of financial independence, free from the burden of uncertainty, and proud of the legacy you leave behind.** After all, it's not just your money, it's your future.

