



**BlueCross BlueShield
Association**

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TESTIMONY OF

Blue Cross and Blue Shield Association

An Association of Independent
Blue Cross and Blue Shield Plans

Before the

**Subcommittee on
Committee on Oversight and Government Reform
United States House of Representatives**

On

**“2009 Blue Cross Blue Shield Health Benefit: What it means for Federal
employees.”**

Presented by:

**Stephen W. Gammarino
Senior Vice President, National Programs**

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Mr. Chairman and Members of the Subcommittee:

Good morning. Chairman Davis, Ranking Member Marchant, and Members of the Subcommittee, I am Stephen Gammarino, Senior Vice President, National Programs, of the Blue Cross and Blue Shield Association (Association).

Participating independent local Blue Cross and Blue Shield Plans jointly underwrite and administer the Government-Wide Service Benefit Plan in the FEHBP. The Association acts as the agent for these Plans for, among other things, communications with OPM. We are proud to have offered the Service Benefit Plan from the very beginning of the FEHBP in 1960. Today, the Service Benefit Plan provides health insurance to more than 4.9 million active and retired federal employees and their dependents. By their choice to enroll in one of the options we offer, the Service Benefit Plan has become the largest plan in the Program.

Through our participation in the FEHBP, we have made available to active and retired federal employees and their families the deep provider discounts and broad networks that our local Plans have developed on the basis of their extensive commercial business. An estimated 95 percent of eligible providers participate in our nationwide Blue Cross and Blue Shield Provider Network.

Mr. Chairman, today's hearing provides a welcome opportunity to address the change we originally negotiated with OPM for 2009 to the benefit for surgery provided to Standard Option members by Non-participating surgeons and to explain the legitimate problem that it was intended to address.

Much concern has been generated about this change, even though it affects only a small percentage of our Standard Option members. It has become evident that this concern is justified and we have re-examined the benefit design for 2009.

The Service Benefit Plan offers federal employees and retirees two options from which to choose, Standard Option and Basic Option, which have become the two most popular choices in the FEHBP. I will confine my remarks today, however, to Standard Option, because Basic Option is not affected by the 2009 benefit change for surgery performed by Non-participating surgeons.

Standard Option covers professional services provided by three categories of professional providers: Preferred, Participating, and Non-participating. The member's cost for a provider's services varies, depending on the category of provider the member has chosen.

Preferred and Participating providers have agreed to accept an amount that we have negotiated with them as payment-in-full for their services. As a result, members cannot be billed for the difference between our negotiated amounts (or "allowances" as we call them) and the provider's total charge – a practice known

as “balance billing.” Members can generally save the most money by using Preferred providers, and we make them aware of this fact. When using either Preferred or Participating providers, Service Benefit Plan members are responsible only for their deductible, coinsurance, or copayments.

Non-participating providers, on the other hand, have no contractual relationship with us, so they are not obligated to accept our allowances for their services as payment-in-full. Instead, they are free to balance bill the member. And many do. In order to address the potential for excessive balance billing, we explicitly warn our members in our Service Benefit Plan brochure that they may be balance billed and that their “out-of-pocket costs may be substantially higher” if they use a Non-participating provider.

Ironically, it was to protect our members from having to pay exorbitant balances that we worked with OPM to negotiate a different benefit for surgery performed by Non-participating providers. We reasoned that if we capped the member’s out-of-pocket costs we could relieve some of the burden placed on members who choose Non-participating providers for what is typically the most expensive type of professional service that they receive. Members will pay 100 percent of the amount billed by Non-participating surgeons up to a maximum of \$7,500 per surgeon per day on which surgery is performed, and we will pay the rest.

This benefit does not apply to emergency surgery or surgery for accidental injuries. For emergency surgery by a Non-participating surgeon, the member is responsible for 30 percent of our Plan allowance (subject to the calendar year deductible). In addition, the member would also have to pay the difference between our Plan allowance and the billed charges up to a maximum of \$5,000 per episode of care. In the case of surgery performed within 72 hours of an accidental injury, the member is responsible for the difference between the Non-participating surgeon’s bill and the Plan allowance up to a maximum of \$5,000 per episode of care (deductible does not apply).

In re-examining the benefit initially negotiated for 2009 and in view of these concerns, we are working with OPM to pursue an alternative that would allow us to administer the benefit in a way that is consistent with other services that are covered out-of-network. The alternative will not result in an increase in our premiums.

Mr. Chairman, we take very seriously our obligation to offer federal employees and retirees high-quality, affordable health insurance through the FEHBP. Service Benefit Plan members have access to the deepest discounts and most extensive networks in the FEHBP. And, we strongly encourage Standard Option members to use Preferred or Participating providers to lower their costs. Yet some still choose to see Non-participating providers. In order to keep our products competitive in the FEHBP, we are continually called on to make difficult

decisions and develop benefit designs that meet our members' needs and keep our premiums competitive.

We appreciate your interest in the FEHBP and look forward to working with you and the Subcommittee to address this and other issues that are so important to the federal employees and retirees who rely on the FEHBP for their health care coverage.

This concludes my prepared statement. I look forward to answering any questions the subcommittee may have.