The Best Way to Promote Universal Healthcare Coverage: Create a Public Option to Enroll in the Federal Employees' Health Benefits Program

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I. Introduction and Summary

The United States can advance towards universal healthcare coverage in a number of ways. Here, we will examine an approach to expand the choices under the Affordable Care Act (ACA) by providing a new public option to enroll in the highly successful Federal Employees Health Benefits program (FEHB). The FEHB currently offers group coverage to cabinet members, White House staff, and all other civilian employees of the federal government. (The exception are members of Congress and their staffs, who must purchase their insurance through ACA exchanges.)

This approach preserves people's freedom to retain or not their current private coverage, whether secured through their jobs or through the ACA exchanges. It does not require that Congress overhaul Medicare and its current arrangements with healthcare providers. Rather, millions of individuals and families would gain the new option of participating in government-supported private group coverage.

The ACA relied on a three-part strategy to achieve universal coverage: 1) mandate that everyone enroll in some form of healthcare insurance; 2) require states to expand Medicaid to cover uninsured individuals and families with incomes up to 138 percent of the Federal Poverty Level (FPL), at modest cost to the states; and 3) create public marketplaces or "exchanges" where uninsured people can purchase private personal health insurance, with government subsidies for those earning 400 percent or less of FPL. The ACA's prospects for achieving universal coverage faded when congressional Republicans eliminated any financial penalty for ignoring the mandate to secure coverage and the Supreme Court overturned the requirement that states expand Medicaid. As a result, while the ACA substantially lowered the share of Americans without health insurance, 12 percent of American remained uninsured in 2018.[1]

A new public option to enroll in the FEHB program should sharply reduce the numbers of uninsured people by providing access to more comprehensive coverage at less personal cost than the policies offered through the ACA exchanges. To explore the impact of this approach, we will compare coverage and costs under a standard fee-for-service BlueCross BlueShield policy offered by the FEHB and a representative fee-for-service BlueChoice Silver plan from the ACA exchanges. This analysis shows that a large majority of households would pay lower premiums and lower deductibles and copayments under the standard FEHB group policy than they would under the standard personal ACA Silver plan. The differences in these basic patient costs are summarized in Table 1:

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[1] Collins, Sara, Herman Bhupal and Michelle Doty (2019). "Health Insurance Coverage Eight Years After the ACA: Fewer Uninsured Americans and Shorter Coverage Gaps, But More Underinsured." Commonwealth Fund. February 2019.https://www.commonwealthfund.org/sites/default/files/2019-02/Collins_hlt_ins_coverage_8_years_after_ACA_2018_biennial_survey_sb.pdf.

Table 1: The Terms of a Standard FEHB Group Policy and a Standard ACA Silver Plan: Premiums, Deductibles, and Maximum Out of Pocket Costs

	FEHB BlueCross BlueShield		ACA Blue Choice Preferred Silver PPO			
	Individual	Family	Individual		Family	
			Lower Income	`No Subsidy	Lower Income	Others
Monthly Premium	$245	$589	$87-$132	$402-$1,091	$188-$293	$1,206-$2,804
Annual Deductible	$350	$700	$2,450	$3,750	$4,900	$11,250
Max Out of Pocket	$5,000	$10,000	$2,450	$6,850	$4,900	$13,700

The ACA provides sliding income-based subsidies for the monthly premiums of individuals and families with incomes of up to 400 percent of the FPL, a lower maximum on out-of-pocket spending for those with incomes up to 250 percent of the FPL, and therefore a lower deductible for individuals and families at those income levels. Under the FEHB program's standard BlueCross BlueShield policy, the federal government subsidizes 67.0 percent of the monthly premium costs for individuals and 65.7 percent of those costs for families, and provides modest deductibles for everyone, regardless of income. As a result,

- The monthly premiums under the ACA are less for lower-income people than under the FEHB standard plan but substantially more than the FEHB at higher income levels; and

- The deductible under an ACA Silver plan is seven times higher than under a FEHB standard policy for lower-income people and 11 times higher for those with no ACA subsidies.

- While maximum out of pocket costs for lower-income people are less under the ACA Silver plan than the FEHB standard policy, the ACA plan's maximum is higher for everyone else. Further, people of all incomes are more likely to spend up to their maximum out-of-pocket costs under the ACA plan, because patient copayments are higher than under the FEHB policy for each visit to a primary physician or specialist, all diagnostic tests, laboratory tests, and maternity-related services, and every hospital admission and surgical procedure.

In order to compare the real average costs for patients under the two policies, we built a model to estimate those costs based on their incomes, to take account of ACA's subsidies, and based on people's ages and medical conditions, since those factors drive people's actual medical costs. As we will see, in any year about 90 percent of individuals and 85 percent of families incur low or medium medical costs, with the modest remainders incurring high or very high costs.) We calculated the costs for individuals and families at five income levels and the four levels of medical costs. (See Tables 7 and 8 below for details.)

This analysis found that most individuals and families in every age group and level of medical bills would personally pay less under the FEHB standard policy than under the ACA Silver Plan. Using 2018 data, Table 2, below, presents the estimated average annual savings for individuals and families with incomes of 250 percent of the FPL and 400 percent of the FPL under the standard FEHB group plan compared to the standard personal ACA Silver plan based on their premium costs and out-of-pocket deductible and copayment spending, by age group and level of medical bills (low, medium, high or very high).

The results show almost everyone at these income levels saves under the standard FEHB plan, compared to a standard ACA Silver plan. Those personal savings increase as a person or family's medical bills rise from low to medium, and then moderate for those with high and very high medical bills as people reach their maximum levels for out-of-pocket spending. The savings also are more for those with incomes of 400 percent of the FPL compared to 250 percent, because ACA subsidies phase out at 400 percent of the FPL or lower.

Table 2: Estimated 2018 Personal Savings for Individuals and Families Under the FEHB Standard Policy, Compared to the ACA Silver Plan, By Income, Age Group, and Level of Medical Bills

Income of 250 Percent of FPL								
Age	**Individuals**				**Families**			
	Low	**Medium**	**High**	**Very High**	**Low**	**Medium**	**High**	**Very High**
19-25	- $114	$2,823	$2,837	$682	$1,119	$7,454	$7	- $33
26-34	- $72	$2865	$2,879	$724	$1,218	$7,552	$105	$65
35-44	- $27	$2,911	$2,924	$769	$1,323	$7,657	$210	$170
45-54	$533	$3,824	$929	$929	$4,733	$6276	$542	$542
55-64	$826	$4,117	$1,222	$1,222	$5,412	$6,954	$1,220	$1,220
Average	**$229**	**$3,308**	**$2,158**	**$865**	**$2,761**	**$7,179**	**$417**	**$393**
Income of 400 Percent of FPL								
Age	**Individuals**				**Families**			
	Low	**Medium**	**High**	**Very High**	**Low**	**Medium**	**High**	**Very High**
19-25	$1,934	$4,872	$6,385	$4,230	$5,021	$11,366	$6,908	$6,868
26-34	$2,112	$5,049	$6,563	$4,408	$5,119	$11,465	$7,007	$6,967
35-44	$2,157	$5,095	$6,608	$4,453	$5,224	$11,570	$7,112	$7,072
45-54	$2,717	$6,008	$4,613	$4,613	$8,635	$13,177	$7,443	$7,443
55-64	$3,010	$6,301	$4906	$4,906	$9,314	$13,856	$8,122	$8,122
Average	**$2,386**	**$5,465**	**$5,815**	**$4,522**	**$6,663**	**$12,287**	**$7,318**	**$7,294**

As we discuss in detail later, some individuals and families with incomes above the maximum for Medicaid (138 percent of the FPL under the ACA's Medicaid expansion, 100 percent in states that decline to expand) to just over 250 percent of the FPL would pay more for the FEHB policy than the ACA policy. The reason is the ACA's large premium subsidies and lower ceilings on out-of-pocket spending, including the deductible, for low-income people. Given their limited resources, most of these people would have to decline a FEHB option. However, the reform could offset their additional costs if they choose the public option or go further and also reduce their premium payments for the standard FEHB coverage.

The Cost to Government

Since the large savings for most individuals and families under the standard FEHB group plan arise mainly from the government assuming 67.0 percent (individuals) or 65.7 percent (families) of the cost of the plan premiums, the new public option will cost the government more than current ACA subsidies. To estimate these costs, we assume that all 46.5 million people who currently

lack private or public group coverage opt for the FEHB public option. We then compare the associated costs for the government with its costs if all of those individuals and family members were covered by a standard ACA Silver plan. The government's costs for the ACA's income-based subsidies if everyone without group coverage purchased a standard Silver plan in 2018 would have totaled $170.1 billion. If everyone without group coverage chose the FEHB public option in 2018, it would have cost the government $227.5 billion, or $57.4 billion more.

Since the FEHB policy would produce significant savings for the vast majority of people currently without group coverage, compared to the ACA, this new public option should sharply reduce the number of uninsured Americans: For $57 billion more, we could approach universal coverage without dismantling the current network of employer-provided coverage or altering the terms of Medicare. In the process, at least 12.2 million individuals and 20.4 million family members would personally save hundreds or thousands of dollars.

Alternatively, we can assume that all individuals and families enroll in the cheaper option for them, whether the ACA or FEHB plan. In that case, government costs would increase $81.1 billion, because the subsidies for low-income people are greater than the government's share of the FEHB premiums. However, if we ensure that those lower-income people could join the FEHB without paying more than they do under the ACA, government's costs would increase by $72.4 billion. If we hold low-income people harmless and also reduce by half their share of the premiums for the FEHB policy, so they personally benefit from the shift along with those with higher incomes, it would increase government's costs by $89.8 billion.

While government's costs rise under the new public option, those costs would be less than the savings for most people. (See Table 2 above) If everyone without group coverage shifted to the standard FEHB plan in 2018, they would collectively save $118.6 billion, compared to their premium and out of pocket costs if they were all enrolled in an ACA Silver plan. If lower-income people kept their ACA coverage and others shifted to the FEHB, the personal savings would total $131.4 billion. If the reform also held low-income people harmless, so they paid no more for the standard FEHB policy than for the standard ACA Silver plan, total personal savings would rise to $133.7 billion. And if we also reduced by half their personal share of the standard FEHB policy premium, the total personal savings would increase to $151.8 billion.

II. Coverage and Costs under a Standard FEHB Policy and ACA Silver Plan

Congress created the FEHB program in 1960, and today it covers more than 8 million current and former federal employees and retirees and their families.[2] The only federal worked barred from FEHB coverage are members of Congress and their personal staffers, who are directed under the ACA to purchase personal coverage through an ACA exchange. In 2018, nearly 85 percent of those eligible for coverage under the FEHB program did so.[3] The Office of Personnel Management administers the program, contracting with and overseeing the private insurance companies offering coverage under the program. Insurers offer more than 250 plans, with most available only to the residents of a particular state, so most FEHB participants can select from about 15 plans.[4] Finally, while the statute governing FEHB directs the federal government to pay

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[2] Blom, Kirstin and Ada Cornell (2016). "Federal Employees Health Benefits Program: An Overview" Congressional Reseach Service. https://fas.org/sgp/crs/misc/R43922.pdf
[3] *Ibid.*
[4] *Ibid.*

an average of 72 percent of the premiums across all plans, under the standard BlueCross BlueShield fee-for-service plan we use for this analysis, the government pays 67.0 percent of the premiums for individuals and 65.7 percent for families or $496.71 and $1,130.09 respectively. As a result, individuals personally pay $245.18 monthly in premiums and families pay $589.23 monthly.

As noted earlier, the standard FEHB plan provides superior benefits at lower personal cost than the fee-for-service Silver plan purchased through the ACA exchange. (See Table 1, above.) The monthly premiums paid by most individuals and families are lower for the standard FEHB policy than for the ACA Silver plan, although the ACA's subsidies for lower-income people bring their premium costs close to or below what all those covered by the FEHB policy pay in premiums. Similarly, people's maximum out-of-pocket costs apart from premiums, including the deductible, are lower for most households covered by the FEHB policy, except for lower-income individuals.[5]

People covered by the ACA Silver plans also are more likely to spend up to their maximum out of pocket spending level, because they are subject to high copayments or flat payments for specific medical services. Each visit by a patient to a primary physician requires a $30 copayment under the ACA Silver plan, compared to $25 under the standard FEHB policy, and each visit to a specialist costs $60 under the ACA policy versus $35 under the FEHB policy. The FEHB plan also covers all maternity care at no cost for the mothers, compared to a $40 compulsory copayment for each maternity-related service under the ACA policy. These cost differences increase as a patient's medical issues grow more serious. Each diagnostic test, laboratory test, ultrasound, X-ray, EEG, inpatient and outpatient therapy session, and surgical procedure involves a 30 percent copayment under the ACA Silver policy, compared to a 15 percent copayment under the standard FEHB coverage. Finally, each hospital admission costs a patient $500 under a standard ACA Silver plan compared to $350 under the standard FEHB policy.

How Much People Actually Spend on their Healthcare

To appreciate the implications of providing access to FEHB coverage as a public option, we next analyze the healthcare costs borne by individuals and families based on their income, age and levels of medical costs. Income matters, because ACA subsidies are income-based; and age and level of medical costs largely determine people's real healthcare costs. These estimates are based on 2018 data. We start with the average 2018 *per capita* healthcare costs for adults and family heads, by age group, and for children age 18 and younger.[6] The estimates for families are based on Census Bureau data showing that the average family consists of 3.21 persons, including 0.89 children. Table 3, below, presents our estimates of the healthcare costs for these groups.

Table 3: Average *Per Capita* Medical Costs for Adults, Families and Children, by Age, 2018

	Individual Adults		Families (age of family head)		Children
Age	19 to 44	45 to 64	19 to 44	45 to 64	0 to 18
Cost	$5,584	$11,686	$16,916	$31,606	$4,449

[5] The ACA provides a premium tax credit for individuals and families at or below 400% of the federal poverty level (FPL) and cost-sharing subsidies to lower out-of-pocket expenses for individuals and families at or below 250% of the FPL.,The ACA also provides an additional cost-sharing subsidy if they elect to purchase a Silver plan.

[6] Centers for Medicare and Medicaid Services (2017). "2017 Marketplace Open Enrollment Period Public Use Files." https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/Plan_Selection_ZIP.html

Healthcare costs are also distributed based on a person's level of medical care. Using a study by the Department of Health and Human Services, we disaggregate medical costs into four categories: low, medium, high, and very high. Table 4 shows that 10 percent of individuals account for 64.6 percent of all individuals' healthcare costs; and for families, 14.9 percent account for 57.6 percent of costs.[7] Half of individuals and 42.5 percent of families incur low medical costs each year.

Table 4: The Distribution of Individuals, Families and Their Total Treatment Costs, By Level of Treatment Costs

Healthcare Treatment Cost Level	Adult Individuals		Families	
	Share of Individuals	Share of Total Individual Costs	Share of Families	Share of Total Family Costs
Low Costs	50.0%	3.7%	42.5%	10.2%
Medium Costs	40.0%	31.7%	42.6%	32.2%
High Costs	5.0%	15.2%	14.2%	52.5%
Very High Costs	5.0%	49.4%	0.7%	5.1%

Based on the data above, we can calculate average medical costs by age and treatment cost level.

Table 5: Medical Costs Incurred by Individuals and Families, By Age and Costs Level, 2018

Individuals		Families	
19 to 44	**45 to 64**	**19 to 44**	**45 to 64**
Average Healthcare Costs			
$5,584	$11,916	$16,916	$31,606
Low Healthcare Costs			
$414	$884	$4,056	$7,631
Medium Healthcare Costs			
$4,428	$9,449	$12,787	$24,477
High Healthcare Costs			
$16,984	$36,242	$62,432	$114,955
Very High Healthcare Costs			
$55,135	$117,654	$120,059	$220,153

III. Costs for Individuals, Families and Government: FEHB versus the ACA

Based on the terms of the standard FEHB policy and the data on healthcare costs by age and level of medical bills, we can estimate the government's costs and the personal costs borne by individuals and families, by age at each level of medical costs, under the standard FEHB policy. (Table 6 below) This analysis shows that the government's costs for individuals and families

[7] Mitchell, Emily (2016). "Concentration of Health Expenditures in the U.S. Civilian Noninstitutionalized Population, 2014." Agency for Healthcare Research and Quality, Department of Health and Human Services. Statistical Brief 497. November 2016. https://meps.ahrq.gov/data_files/publications/st497/stat497.shtml.

covered by the standard FEHB policy are constant across the age groups and levels of medical costs, while the personal costs for individuals and families vary by age and medical cost level.[8]

Table 6: Estimated Personal Costs for Individuals and Families and Government Costs Under a Standard FEHB Policy, by Age and Levels of Medical Costs, 2018

Individuals				
Medical Cost Level	Ages 19-44		Ages 45-64	
	Personal	Government	Personal	Government
Average	$4,077	$5,961	$5,027	$5,961
Low	$3,302	$5,961	$3,372	$5,961
Medium	$3,904	$5,961	$4,657	$5,961
High	$5,787	$5,961	$7,942	$5,961
Very High	$7,942	$5,961	$7,942	$5,961
Families				
Medical Cost Level	Ages 19-44		Ages 45-64	
	Personal	Government	Personal	Government
Average	$10,203	$13,561	$12,407	$13,561
Low	$8,274	$13,561	$8,810	$13,561
Medium	$9,584	$13,561	$11,337	$13,561
High	$17,031	$13,561	$17,071	$13,561
Very High	$17,071	$13,561	$17,071	$13,561

Determining the personal costs borne by individuals and families under a standard ACA Silver policy is more complicated, because those costs vary by income as well as age and medical cost level. For a previous study, we calculated the personal costs to individuals and families under an ACA standard Silver policy, based on five income levels and five age groups as well as the four level of medical costs. In brief, we drew first on data from the Kaiser Family Foundation on the government's contribution to healthcare premiums for a standard Silver plan, by income and age.[9] The difference between total premium costs and government's contribution is the premium costs borne by individuals and families, calculated by age and income. We also know the average healthcare costs by age, income and medical cost level, and people's personal costs under the Silver plan. Since we know the distribution of medical costs (low, medium, high and very high) by age and income, we can apply all of the terms for a standard ACA Silver policy to people's medical costs, and determine their average personal spending by age, income and medical bills. Table 7A compares costs for individuals under the two plans, by age, income and medical costs.

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[8] It also illustrates the basic principle of insurance: The personal and government spending for those with low medical needs far exceed their actual medical costs, generating surpluses for the insurer to offset the medical costs they bear for people with high and very high medical costs.

[9] Henry J. Kaiser Family Foundation (2016). "Health Insurance Marketplace Calculator." U.S. Average. https://www.kff.org/interactive/subsidy-calculator/.

Table 7A: Personal Healthcare Costs Borne by Individuals, ACA Silver Plan versus FEHB Standard Plan, By Age, Income and Medical Cost Level, 2018

Medical Cost Level	ACA: Income as a Percentage of FPL					FEHB
	800%	600%	400%	250%	150%	
Ages 19-25						
Average	$9,123	$9,123	$9,123	$7,074	$3,499	**$4,077**
Low	$5,236	$5,236	$5,236	$3,188	$1,463	**$3,302**
Medium	$8,776	$8,776	$8,776	$6,727	$3,499	**$3,904**
High	$12,172	$12,172	$12,172	$8,624	$3,499	**$5,787**
Very High	$12,172	$12,172	$12,172	$8,624	$3,499	**$7,942**
Ages 26-34						
Average	$9,773	$9,773	$9,300	$7,116	$3,542	**$4,077**
Low	$5,887	$5,887	$5,414	$3,230	$1,506	**$3,302**
Medium	$9,426	$9,426	$8,953	$6,769	$3,542	**$3,904**
High	$12,823	$12,823	$12,350	$8,666	$3,542	**$5,787**
Very High	$12,823	$12,823	$12,350	$8,666	$3,542	**$7,942**
Ages 35-44						
Average	$10,463	$10,463	$9,346	$7,162	$3,587	**$4,077**
Low	$6,577	$6,577	$5,459	$3,275	$1,551	**$3,302**
Medium	$10,116	$10,116	$8,999	$6,815	$3,587	**$3,904**
High	$13,513	$13,513	$12,395	$8,711	$3,587	**$5,787**
Very High	$13,513	$13,513	$12,395	$8,711	$3,587	**$7,942**
Ages 45-54						
Average	$14,812	$14,812	$11,405	$8,871	$3,747	**$5,027**
Low	$9,496	$9,496	$6,089	$3,905	$2,181	**$3,372**
Medium	$14,072	$14,072	$10,665	$8,481	$3,747	**$4,657**
High	$15,962	$15,962	$12,555	$8,871	$3,747	**$7,942**
Very High	$15,962	$15,962	$12,555	$8,871	$3,747	**$7,942**
Ages 55-64						
Average	$19,288	$19,288	$11,698	$9,164	$4,039	**$5,027**
Low	$13,972	$13,972	$6,382	$4,198	$2,474	**$3,372**
Medium	$18,547	$18,547	$10,958	$8,774	$4,039	**$4,657**
High	$20,438	$20,438	$12,848	$9,164	$4,039	**$7,942**
Very High	$20,438	$20,438	$12,848	$9,164	$4,039	**$7,942**

Virtually all individuals with incomes of 250 percent of the FPL or more would personally save under the FEHB option. (Table 7B below) These savings range from $682 for a young person earning 250 percent of the FPL incurring very high medical bills, to $13,890 for an older individual with an income above 400% of the FPL and medium medical bills. At 400 percent of the FPL or roughly median income, individuals would save from $1,934 to $6,608 with the FEHB option. However, all individuals at or below 150 percent of the FPL would pay more under the FEHB program, because the ACA subsidizes their coverage extensively. Presumably, they would decline the FEHB option unless the reform offset their additional personal costs.

Table 7B. Personal Savings or Additional Costs for Individuals Who Shift from an ACA Silver Plan to a New Public Option to Join the FEHB Program, 2018

Medical Cost Level	Income as a Percentage of FPL				
	800%	600%	400%	250%	150%
Ages 19-25					
Average	$5,046	$5,046	$5,046	$2,997	-$578
Low	$1,934	$1,934	$1,934	-$114	-$1,839
Medium	$4,872	$4,872	$4,872	$2,823	-$405
High	$6,385	$6,385	$6,385	$2,837	-$2,288
Very High	$4,230	$4,230	$4,230	$682	-$4,443
Ages 26-34					
Average	$5,696	$5,696	$5,223	$3,039	-$535
Low	$2,585	$2,585	$2,112	-$72	-$1,796
Medium	$5,522	$5,522	$5,049	$2,865	-$362
High	$7,036	$7,036	$6,563	$2,879	-$2,245
Very High	$4,881	$4,881	$4,408	$724	-$4,400
Ages 35-44					
Average	$6,386	$6,386	$5,269	$3,085	-$490
Low	$3,275	$3,275	$2,157	-$27	-$1,751
Medium	$6,212	$6,212	$5,095	$2,911	-$317
High	$7,726	$7,726	$6,608	$2,924	-$2,200
Very High	$5,571	$5,571	$4,453	$769	-$4,355
Ages 45-54					
Average	$9,785	$9,785	$6,378	$3,844	-$1,280
Low	$6,124	$6,124	$2,717	$533	-$1,191
Medium	$9,415	$9,415	$6,008	$3,824	-$910
High	$8,020	$8,020	$4,613	$929	-$4,195
Very High	$8,020	$8,020	$4,613	$929	-$4,195
Ages 55-64					
Average	$14,261	$14,261	$6,671	$4,137	-$988
Low	$10,600	$10,600	$3,010	$826	-$898
Medium	$13,890	$13,890	$6,301	$4,117	-$618
High	$12,496	$12,496	$4,906	$1,222	-$3,903
Very High	$12,496	$12,496	$4,906	$1,222	-$3,903

The same analysis for families shows, first, that their personal costs under the ACA Silver plan range from $6,313 for a young, low-income family with low medical bills to $48,347 for an older,

high-income person with medium, high or very high medical costs, due to their high monthly premiums and maximum out-of-pocket costs . In contrast, the personal costs for families covered by a FEHB standard policy range from $8,274 for younger families with low medical bills to $17,031-$17,071 for families of any age with high or very high medical bills. Table 8A:

Table 8: Costs to families under Silver ACA plan compared to FEHB Standard Plan

Medical Cost Level	Income as a Percentage of FPL, for ACA					FEHB
	800%	600%	400%	250%	150%	
Ages 19-25						
Average	$27,568	$27,568	$22,336	$17,038	$7,157	**$10,277**
Low	$18,527	$18,527	$13,295	$9,393	$6,313	**$8,274**
Medium	$26,182	$26,182	$20,950	$17,038	$7,157	**$9,584**
High	$29,171	$29,171	$23,939	$17,038	$7,157	**$17,031**
Very High	$29,171	$29,171	$23,939	$17,038	$7,157	**$17,071**
Ages 26-34						
Average	$29,077	$29,077	$22,434	$17,136	$7,256	**$10,277**
Low	$20,036	$20,036	$13,393	$9,492	$6,411	**$8,274**
Medium	$27,691	$27,691	$21,049	$17,136	$7,256	**$9,584**
High	$30,680	$30,680	$24,038	$17,136	$7,256	**$17,031**
Very High	$30,680	$30,680	$24,038	$17,136	$7,256	**$17,071**
Ages 35-44						
Average	$30,678	$30,678	$22,539	$17,241	$7,360	**$10,277**
Low	$21,637	$21,637	$13,498	$9,597	$6,516	**$8,274**
Medium	$29,292	$29,292	$21,154	$17,241	$7,360	**$9,584**
High	$32,281	$32,281	$24,143	$17,241	$7,360	**$17,031**
Very High	$32,281	$32,281	$24,143	$17,241	$7,360	**$17,071**
Ages 45-54						
Average	$37,963	$37,963	$24,514	$17,613	$7,732	**$12,480**
Low	$30,894	$30,894	$17,445	$13,543	$7,732	**$8,810**
Medium	$37,963	$37,963	$24,514	$17,613	$7,732	**$11,337**
High	$37,963	$37,963	$24,514	$17,613	$7,732	**$17,071**
Very High	$37,963	$37,963	$24,514	$17,613	$7,732	**$17,071**
Ages 55-64						
Average	$48,347	$48,347	$25,193	$18,291	$8,411	**$12,480**
Low	$41,277	$41,277	$18,124	$14,222	$8,411	**$8,810**
Medium	$48,347	$48,347	$25,193	$18,291	$8,411	**$11,337**
High	$48,347	$48,347	$25,193	$18,291	$8,411	**$17,071**
Very High	$48,347	$48,347	$25,193	$18,291	$8,411	**$17,071**

As with individuals, virtually all families with incomes of 250 percent or more of the FPL would bear lower personal costs under the FEHB option. (Table 8B below) Their savings range from $7 for a young family earning 250 percent of the FPL facing high medical bills to $37,010 for an older high-income family (above 600% of the FPL) with medium medical bills. At 400 percent of the

FPL, roughly median income, families save $1,934 to $6,563 by choosing the FEHB plan. Again, all low-income families (150 percent of the FPL) would pay more under the FEHB program, and they would likely decline the public option unless the reform offset their additional personal costs.

Table 8B. Personal Savings or Additional personal Costs for Families Choosing to Shift from ACA Silver Plan to a Public Option to Join the FEHB Program, 2018

Medical Cost Level	Income as a Percentage of FPL				
	800%	600%	400%	250%	150%
Ages 19-25					
Average	$17,144	$17,144	$11,912	$6,761	-$3,120
Low	$10,253	$10,253	$5,021	$1,119	-$1,961
Medium	$16,598	$16,598	$11,366	$7,454	-$2,427
High	$12,140	$12,140	$6,908	$7	-$9,874
Very High	$12,100	$12,100	$6,868	-$33	-$9,914
Ages 26-34					
Average	$18,653	$18,653	$12,011	$6,859	-$3,021
Low	$11,762	$11,762	$5,119	$1,218	-$1,863
Medium	$18,107	$18,107	$11,465	$7,552	-$2,328
High	$13,649	$13,649	$7,007	$105	-$9,775
Very High	$13,609	$13,609	$6,967	$65	-$9,815
Ages 35-44					
Average	$20,254	$20,254	$12,115	$6,964	-$2,917
Low	$13,363	$13,363	$5,224	$1,323	-$1,758
Medium	$19,708	$19,708	$11,570	$7,657	-$2,224
High	$15,250	$15,250	$7,112	$210	-$9,671
Very High	$15,210	$15,210	$7,072	$170	-$9,711
Ages 45-54					
Average	$25,483	$25,483	$12,034	$5,133	-$4,748
Low	$22,084	$22,084	$8,635	$4,733	-$1,078
Medium	$26,626	$26,626	$13,177	$6,276	-$3,605
High	$20,892	$20,892	$7,443	$542	-$9,339
Very High	$20,892	$20,892	$7,443	$542	-$9,339
Ages 55-64					
Average	$35,867	$35,867	$12,713	$5,811	-$4,069
Low	$32,467	$32,467	$9,314	$5,412	-$399
Medium	$37,010	$37,010	$13,856	$6,954	-$2,926
High	$31,276	$31,276	$8,122	$1,220	-$8,660
Very High	$31,276	$31,276	$8,122	$1,220	-$8,660

The last issue for the above analysis is how many individuals and families would gain or lose by shifting from a standard ACA Silver plan to the standard FEHB policy. Of the 18 million individuals in the pool to purchase coverage through an ACA exchange, nearly 12.2 million or almost 68 percent, would pay less under the FEHB public option. (Table 9 below) Similarly, of nearly 8.9 million families in that pool, with nearly 28.5 million members, almost 6.4 million with 20.4 million members, or almost 72 percent also would pay less under the FEHB public option. The other 5.8 million individuals and 2.5 million families all have incomes between the ceiling for Medicaid coverage to just above 250 percent, and therefore receive large ACA subsidies.

Table 9. Individuals and Families that Would Face Higher or Lower Personal Costs Under the New Public Option, Compared to the ACA, by Age

	Individuals			Families		
Age	**Total**	**Lower Costs**	**Higher Costs**	**Total**	**Lower Costs**	**Higher Costs**
19-25	2,351,581	1,548,970	802,611	367,314	254,274	113,040
26-34	6,046,923	4,006,941	2,039,982	1,877,384	1,310,253	567,131
35-44	3,647,350	2,430,752	1,216,599	2,902,236	2,042,098	860,138
45-54	3,455,385	2,393,372	1,062,013	2,448,762	1,797,500	651,262
55-64	2,495,556	1,800,807	694,748	1,269,728	963,535	306,193
Total	**17,996,795**	**12,180,842**	**5,815,952**	**8,865,424**	**6,367,660**	**2,497,764**

This analysis also tells us that a disproportionate share of Americans who cannot access group health coverage -- 32 percent of individuals and 28 percent of families -- have incomes from the income cutoff for Medicaid to the income level at which ACA coverage is less costly than FEHB coverage. That income threshold also depends on age but generally occurs below 250 percent of the FPL, which is $17,236 to $31,225 for individuals and $29,435 to $53,325 for a family of three. Again, given their limited resources, these individuals and families would decline the FEHB option or the reform could offset their additional personal costs. The reform also could go further by lowering by half the premiums paid by those lower-income people, so they would personally save along with everyone else. In that case, the government would pick up 83.5 percent (individuals) or 82.9 percent (families) of their premiums, instead of 67.0 percent and 65.7 percent.

The Government's Costs to Provide the Public FEHB Option

This new public option is designed to relieve personal healthcare costs for people without group coverage and thereby sharply reduce the number of uninsured Americans. In so doing, the FEHB option would increase the government's costs, compared to an ACA Silver plan. To estimate the government's additional costs, we will assume first that everyone without group coverage opts for the standard BlueCross BlueShield FEHB fee-for-serve policy, and then we compare those costs to the government's expenditures if everyone without group coverage were enrolled in a standard ACA Silver plan. Thus, we begin with the data on the numbers of Americans without group health

coverage – those who purchase personal policies through an ACA exchange or on their own, and those who remain uninsured.[10] (Table 10, below)

Table 10: People with Personal Healthcare Coverage or Who Remain Uninsured.[11]

	ACA Exchanges	Outside ACA Exchanges	Uninsured	Total
Individuals	5,382,511	3,229,506	9,384,810	17,996,827
Families	9,752,490	5,851,494	12,854,055	28,458,038
Adults	7,048,571	4,229,123	9,290,166	20,567,860
Children	2,703,918	1,622,371	3,563,889	7,890,178
Total	**15,135,000**	**9,081,000**	**22,238,764**	**46,454,764**

Budget data provide the government's ACA-related costs, and we apply the data above and our analysis of the distribution of healthcare costs by age to estimate government's costs to provide ACA coverage by age and household group. Table 11, below, shows that if the 18.0 million individuals and 28.5 million family members who lack group health coverage all enrolled in the ACA Silver plan, it would cost the government an estimated $170.1 billion in 2018.

Table 11: Government's Estimated Costs if Everyone without Group Coverage Enrolled in an ACA Silver Plan, by Age, 2018 (S millions)

	Individuals	Families	Total
19-25	$4,802.2	$2,863.6	$7,665.8
26-34	$14,625.0	$16,302.6	$30,927.6
35-44	$10,333.2	$27,935.5	$38,268.7
45-54	$15,509.8	$34,275.8	$49,785.6
55-64	$17,909.7	$25,528.0	$43,437.7
Total	**$63,179.9**	**$106,905.5**	**$170,085.4**

Next, we calculate the government's costs if everyone without group coverage chose the FEHB public option and enrolled in a standard FEHB BlueCross BlueShield policy. These estimates are based on the government's 2018 practice of paying 67.0 percent of the premiums for individuals

[10] Congressional Budget Office (2016). "Federal Subsidies for Health Insurance Coverage for People under Age 65: 2016 to 2026." https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51385-healthinsurancebaselineonecol.pdf; Henry J. Kaiser Family Foundation (2017). "Key Facts about the Uninsured Population." http://files.kff.org/attachment/Fact-Sheet-Key-Facts-about-the-Uninsured-Population; and Garfield, Rachel, Anthony Damico, Julia Foutz, Gary Claxton, and Larry Levitt (2017). "Estimates of Eligibility for ACA Coverage among the Uninsured in 2016." Henry J. Kaiser Family Foundation. https://www.kff.org/health-reform/issue-brief/estimates-of-eligibility-for-aca-coverage-among-the-uninsured-in-2016/

[11] Henry J. Kaiser Family Foundation (2014). "Kaiser Family Foundation Survey of Non-Group Health Insurance Enrollees." https://kaiserfamilyfoundation.files.wordpress.com/2014/06/8306-t2.pdf; US Census Bureau (2016-A). "America's Families and Living Arrangements: 2016." https://www.census.gov/data/tables/2016/demo/families/cps-2016.html.

and 65.7 percent of the premiums for families enrolled in the standard FEHB policy or respectively $496.71 and $1,130.09 per-month.[12]

Table 11: Government's Estimated Costs if Everyone without Group Coverage Enrolled in the Standard FEHB Policy, by Age, 2018 (S millions)

	Individuals	Families	Total
19-25	$14,017.8	$4,981.1	$18,998.9
26-34	$36,045.7	$25,459.2	$61,504.9
35-44	$21,741.9	$39,357.2	$61,099.1
45-54	$20,597.5	$33,207.7	$53,805.2
55-64	$14,876.0	$17,218.8	$32,094.8
Total	**$107,278.9**	**$120,224.0**	**$227,502.9**

Therefore, if everyone without group coverage chose the public option for FEHB coverage, so we would achieve universal coverage, it would cost the government in 2018 some $57.4 billion more than if they all enrolled in an ACA Silver plan. While the government would pay more, those 46.5 million individuals and family members would pay less – saving an estimated save $118.6 billion in personal healthcare costs, compared to their costs if all 46.5 million were enrolled in an ACA Silver plan.

If everyone who would personally save under the FEHB option did so in 2018, and everyone else kept their lower-cost ACA Silver plans (with the government extensive subsidies for them), it would increase the government's costs by $81.8 billion. However, under those circumstances, everyone's personal savings would total $131.4 billion.

If instead, we held all of those low-income individuals and families harmless, so they would pay no more under for the standard FEHB policy than for the standard ACA Silver plan with their government subsidies, it would increase government's costs by $72.4 billion. Under these circumstances, people's combined personal savings would total $133.7 billion.

Finally, if we not only held low-income people harmless but also reduced their personal share of the premiums for the standard FEHB policy by half, from 28 percent to 14 percent, so they save personally along with everyone else, it would increase government's costs by $89.8 billion. Under these parameters, people's combined personal savings would total $151.0 billion.

Under all of these alternatives, we can approach universal coverage by offering a new public option to join the FEHB program. By so doing, we can also save Americans without group coverage much more than the additional cost to the government.

[12] Blom, Kirtin and Ade Cornell (2016). "Federal Employees Health Benefits Program: An Overview." Congressional Research Service. https://fas.org/sgp/crs/misc/R43922.pdf

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