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2d Session } { 108–410

PROVIDING FOR CONTINUED HEALTH BENEFITS COVERAGE FOR CERTAIN FEDERAL EMPLOYEES, AND FOR OTHER PURPOSES

R E P O R T

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 2409

PROVIDING FOR CONTINUED HEALTH BENEFITS COVERAGE FOR CERTAIN FEDERAL EMPLOYEES, AND FOR OTHER PURPOSES

NOVEMBER 16, 2004.—Ordered to be printed

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PROVIDING FOR CONTINUED HEALTH BENEFITS COVERAGE FOR CERTAIN FEDERAL EMPLOYEES AND FOR OTHER PURPOSES

NOVEMBER 16, 2004.—Ordered to be printed

Ms. COLLINS, from the Committee on Governmental Affairs, submitted the following

REPORT

[To accompany S. 2409]

The Committee on Governmental Affairs, to which was referred the bill (S. 2409) to provide for continued health benefits coverage for certain Federal employees, and for other purposes, having considered the same reports favorably thereon with an amendment and recommends that the bill do pass.

I. PURPOSE AND SUMMARY

S. 2409 is a bill to provide continued health and life insurance coverage under federal employee benefit programs for employees who are called or ordered to active duty in the Armed Forces Reserves.

II. BACKGROUND

The Reserves of the Armed Forces, including the National Guard, continue to play an integral role as the United States continues to be engaged in the Global War on Terrorism. In support of its mission, the Department of Defense has required certain members of its reserve component to serve 24 months of active duty.[1]

Current law authorizes federal departments and agencies the option of paying for 18 months both the employee and government contribution for health insurance provided to civilian federal employees under the Federal Employee Health Benefits Program (FEHBP) who are called or ordered to active duty in the Reserves.

[1] 10 U.S.C. §12302.

According to the Office of Personnel Management, all federal departments and agencies with affected employees have exercised this option for their employees.[2] However, with certain members of the Reserve component being called to serve a 24 month period, current statute leaves a six month gap in coverage for the affected federal employee. This gap requires those federal employees and their families to change their health insurance coverage to the Department of Defense's TRICARE program for the remaining six months of mobilized duty.

S. 2409 would amend current law to extend from 18 to 24 months the period of time a Federal department or agency may pay the health insurance premium for mobilized Federal employees. This provision of S. 2409 is retroactive to March 1, 2003, which coincides with the expiration of FEHBP coverage extended for Reservists first mobilized in response to the September 11, 2001, terrorist attack.

Additionally, federal employees have the option to purchase life insurance through the Federal Employees' Group Life Insurance (FEGLI) Program. When called or ordered to active duty, federal employees are granted military leave.[3] Federal employees in nonpay status with a federal department or agency are extended FEGLI coverage for up to 12 months.[4] At the end of 12 months in nonpay status, the coverage terminates. Employees are granted a 31-day extension of coverage at no cost to themselves and have the right to convert to a nongroup policy.

When federal employees who also serve in the Reserves are called or ordered to active duty, there is potential for a lapse in FEGLI coverage should active duty exceed the 12 month coverage period. S. 2409 would extend coverage under FEGLI from 12 to a maximum of 24 months for federal employee reservists. The additional FEGLI coverage would be in addition to the coverage reservists are automatically eligible for under the Servicemembers Group Life Insurance program, which is provided to members of the uniformed services and all reservists when they are mobilized.

III. Legislative History

S. 2409 was introduced by Senator Voinovich for himself and Senator Akaka, Senator Collins, Senator Durbin, and Senator Lieberman on May 11, 2004, and was referred to the Committee on Governmental Affairs. On May 17, 2004, the bill was referred to the Subcommittee on Financial Management, the Budget, and International Security.

On May 27, 2004, the Subcommittee on Financial Management, the Budget, and International Security favorably polled out S. 2409. The Committee considered the legislation on July, 21, 2004. By voice vote, the Committee accepted an amendment offered by Senator Richard Durbin. Specifically, whereas the bill as introduced extended FEHBP coverage, the amendment added a provision extending coverage under FEGLI as well. The Committee subsequently ordered S. 2409 reported favorably as amended on July

[2] *www.opm.gov/press/rel2003/BL-Military-Attach.asp*
[3] 5 U.S.C. 6323.
[4] 5 U.S.C. 8706.

21, 2004. Senators present: Collins, Voinovich, Specter, Fitzgerald, Lieberman, Akaka, Durbin, Carper, and Lautenberg.

IV. Section-By-Section Analysis of Bill as Amended

Section 1. Payment of Federal Employee Health Benefit premiums

Subsection (a) amends section 8905(a) of title 5, United States Code, to authorize for 24 months continued participation in the Federal Employee Health Benefits Program for federal employees who also serve in the Reserves and have been called or ordered to active duty.

Subsection (b) amends section 8906 of title 5, United States Code, to extend from 18 months to 24 months the length of time federal departments or agencies may pay both the Government and employee contributions for health insurance premiums under the Federal Employee Health Benefits Program.

Subsection (c) establishes an effective date of March 1, 2003. The effective date of this section coincides with the expiration of FEHBP coverage for reservists mobilized immediately following September 11, 2001.

Section 2. Payment of Federal Employee Life Insurance premiums

This section amends section 8706 of title 5, United States Code, to extend coverage of life insurance purchased under the Federal Employees' Group Life Insurance Program for up to 24 months for a federal employee who also is a member of the Reserves and has been called or ordered to active duty.

V. Estimated Cost of Legislation

S. 2409—A bill to provide for continued health benefits coverage for certain federal employees, and for other purposes

Summary: S. 2409 would increase health insurance benefits for reservists in the Armed Forces who are also federal employees, when those reservists are called to active duty for longer than 18 months. Specifically, it would extend the time period when reservists on active duty can remain enrolled in the Federal Employees Health Benefits (FEHB) program from 18 months to 24 months. Furthermore, it would extend for the same period the authority for federal agencies to pay both the employee's share and the agency's share of the FEHB premium for reservists on active duty. Finally, the bill would extend life insurance benefits to federal employees who are also reservists and are deployed for periods longer than 12 months.

CBO estimates that enacting S. 2409 would increase direct spending on life insurance benefits for the deployed reservists by $1 million in 2005, $2 million over the 2005–2009 period, and $4 million over the 2005–2014 period. In addition, CBO estimates that implementing the bill would increase spending by federal agencies for the FEHB program by $4 million in 2005 and $17 million over the 2005–2009 period, assuming appropriation of the estimated amounts.

S. 2409 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 2409 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 600 (income security).

ESTIMATED BUDGETARY IMPACT OF S. 2409

	By fiscal year in millions of dollars—					
	2004	2005	2006	2007	2008	2009
CHANGES IN DIRECT SPENDING [1]						
Estimated Budget Authority	0	1	*	*	*	*
Estimated Outlays	0	1	*	*	*	*
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	4	4	3	3	3
Estimated Outlays	0	4	4	3	3	3

[1] CBO estimates that enacting S. 2409 would also raise direct spending by less than $500,000 each year over the 2010–2014 period.

Note.*=less than $500,000.

Basis of estimate: This estimate assumes that S. 2409 is enacted before the end of December 2004 and that appropriations are increased by the estimated amounts.

Direct Spending

Section 2 of H.R. 2409 would extend life insurance coverage provided by the Federal Employees' Group Life Insurance (FEGLI) program for certain federal employees who are also revervists and are called to active duty. Current law provides up to 12 months of FEGLI coverage for federal employees in the reserves who are placed on leave from their jobs because of a call to active duty. The bill would extend FEGLI coverage among those revervists who are serving in Iraq or Afghanistan for an additional 12 months, making them eligible for a total of 24 months of FEGLI coverage while on active duty.

FEGLI provides group term life insurance to approximately 4 million federal employees and retirees. FEGLI premiums, which amounted to nearly $3 billion in 2003, are paid in part by the program's participants and partly by employing federal agencies (retirees pay the entire premium). Federal employees who are covered by FEGLI while on active duty in the reserves are not required to pay their share of FEGLIL premiums. Because premiums are not paid for those individuals, the cost of providing this coverage must be included in premium rates levied on the program's other participants.

By extending the period of time for which reservists employed by the federal government are eligible to receive FEGLI coverage, this provision would increase the program's costs, as well as its premium rates. Based on information provided by the Department of Defense (DoD), CBO estimates that more than 17,000 reservists who work for the federal government will serve in Iraq and Afghanistan next year, and that about 20 percent will have been on active duty longer than 12 months. We estimate that extending FEGLI coverage to this group would increase the program's costs by about $1 million in 2005. After 2005, CBO assumes the number of reservists deployed in Iraq and Afghanistan will decline and premiums paid by other FEGLI participants would increase, resulting in an net increase in the program's costs of less than $500,000 annually. Cumulatively, CBO estimates that enacting this provision would increase direct spending for the FEGLI program by $2 million over the 2005–2009 period and $4 million over the 2005–2014 period. Over the long term, higher premiums collected from both participants and federal agencies would cover these additional costs.

Spending Subject to Appropriation

Under current law, reservists in the Armed Forces who are employed by the federal government and are involuntarily called to active duty for a contingency operation can continue their enrollment in the FEHB program for up to 18 months. Additionally, federal agencies may pay both the employee's share and the agency's share of the FEHB premium while the reservist is on active duty. Under S. 2409, reservists who are deployed for longer than 18 months would be able to continue their enrollment for up to 24 months and agencies would be able to pay the entire FEHB premium for that period. Those changes would affect those reservists called to active duty on or after March 1, 2003.

Based on information from DoD, CBO estimates that this authority would affect about 750 reservists working for the federal government at an estimated cost of $5,200 per reservist in 2005. CBO assumes for this estimate that all government agencies would use the authority to pay the full FEHB premium for two years. Assuming a declining number of reservist mobilizations over the 2005–2009 period, CBO estimates that implementing this provision would cost about $4 million in 2005 and $17 million over the 2005–2009 period. Those amounts would be paid from agencies' future appropriations.

Intergovernmental and private-sector impact: S. 2409 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Previous CBO estimate: On May 17, 2004 CBO transmitted an estimate for H.R. 4200, the National Defense Authorization Act for Fiscal Year 2005, as reported by the House Committee on Armed Services on May 14, 2004. Section 1101 of H.R. 4200 is almost identical to section 1 of S. 2409. The only difference is the effective date of the provision—September 14, 2001, for H.R. 4200 as opposed to March 1, 2003, for S. 2409. According to DoD, reservists were not called to serve for longer than 18 months until March 2003; thus, CBO does not estimate any difference in costs because of the differing effective dates. In addition, H.R. 4200 does not contain any provisions relating to the FEGLI program, while S. 2409 does.

Estimate prepared by: Federal Costs: FEHB Program: Sam Papenfuss, FEGLI Program: Geoffrey Gerhardt. Impact on State, Local, and Tribal Governments: Melissa Merrell. Impact on the Private Sector: Adebayo Adedeji

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis.

VI. Evaluation of Regulatory Impact

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill. CBO states that there are no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and no costs on state, local, or tribal governments. The legislation contains no other regulatory impact.

VII. Changes in Existing Law Made by the Bill, as Ordered Reported

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic and existing law, in which no change is proposed, is shown in roman):

TITLE 5, UNITED STATES CODE

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Subpart G—Insurance and Annuities

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CHAPTER 87—LIFE INSURANCE

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§ 8706. Termination of insurance; assignment of ownership

(a) ⟦A⟧ *Except as provided in subsection (h), a* policy purchased under this chapter shall contain a provision, approved by the Office of Personnel Management, to the effect that insurance of an employee stops on his separation from the service or 12 months after discontinuance of his pay, whichever is earlier, subject to a provision for temporary extension of life insurance coverage and for conversion to an individual policy of life insurance under conditions approved by the Office. Justices and judges of the United States described in section 8701(a)(5)(ii) and (iii) of this chapter are deemed to continue in active employment for purposes of this chapter.

(h)(1) The provisions of subsection (a) shall apply to an employee described under paragraph (2), except that the Office of Personnel Management shall apply a 24-month period instead of a 12-month period.

(2) An employee referred to under paragraph (1) is an employee who is—

(A) covered by an insurance policy under this chapter;

(B) a member of a Reserve component of the armed forces;

(C) mobilized to active duty in accordance with section 101(a)(13)(B) of title 10;

(D) placed on leave without pay or separated from service to perform active duty; and

(E) serves on active duty for a period of more than 30 consecutive days.

* * * * * * *

CHAPTER 89—HEALTH INSURANCE

* * * * * * *

§ 8905a. Continued coverage

(a) Any individual described in ❲paragraph (1) or (2) of❳ subsection (b) may elect to continue coverage under this chapter in accordance with the provisions of this section.

(b) This section applies with respect to—

(1) any employee who—

(A) is separated from service, whether voluntarily or involuntarily, except that is the separation is voluntary, this section shall not apply if the separation is for gross misconduct (as defined under regulations which the Office of Personnel Management shall prescribe); and

(B) would not otherwise be eligible for any benefits under this chapter (determined without regard to any temporary extension of coverage and without regard to any benefits available under a nongroup contract); ❲and❳

(2) any individual who—

(A) ceases to meet the requirements for being considered an unmarried dependent child under this chapter;

(B) on the day before so ceasing to meet the requirements referred to in subparagraph (A), was covered under a health benefits plan under this chapter as a member of the family of an employee or annuitant; and

(C) would not otherwise be eligible for any benefits under this chapter (determined without regard to any benefits available under a nongroup contract)❲.❳*; and*

(3) any employee who—

(A) is enrolled in a health benefits plan under this chapter;

(B) is a member of a Reserve component of the armed forces;

(C) is called or ordered to active duty in support of a contingency operation (as defined in section 101(a)(13) of title 10);

(D) is placed on leave without pay or separated from service to perform active duty; and

(E) serves on active duty for a period of more than 30 consecutive days.

(e)(1) Continued coverage under this section may not extend beyond—

(A) in the case of an individual whose continued coverage is based on separation from service, the date which is 18 months after the effective date of the separation; ❲or❳

(B) in the case of an individual whose continued coverage is based on ceasing to meet the requirements for being considered an unmarried dependent child, the date which is 36 months after the date on which the individual first ceases to meet those requirements, subject to paragraph (2)❲.❳*; or*

(C) in the case of an employee described in subsection (b)(3), the date which is 24 months after the employee is placed on leave without pay or separated from service to perform active duty.

§8906. Contributions

(e)(3)(C) Notwithstanding the one-year limitation on coverage described in paragraph (1)(A), payment may be made under this paragraph for a period not to exceed [18 months] *24 months.*

* * * * * * *