



Statement of

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**Subcommittee on Federal Workforce, Postal Service and the
District of Columbia**

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

on

Federal Benefits: Are We Meeting Expectations?

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Chairman Davis, Ranking Member Marchant, and distinguished Members of the Subcommittee, thank you for the opportunity to speak with you today about federal employee benefit and retirement programs. The question you ask, "Are we meeting expectations?" is a relevant and important question for the approximately 150,000 federal employees in 30 federal agencies and departments who are represented by the National Treasury Employees Union (NTEU), as it is for the Government in general. My name is Colleen Kelley and I am the National President of NTEU.

It's difficult to say that we are meeting expectations when every day federal employees are asked to do more with less and face an often hostile administration that does not seem to value the work that federal employees do. We appreciate those Members of Congress who put substantial time and effort into making the way easier for federal employees. There are some issues before this Congress that NTEU is actively working on and I would like to share some of them with you. First, I would like to address FEHBP, the Federal Employees Health Benefits Plan.

- **Increase coverage for dependents in FEHBP to age 25:** Young adults are the fastest-growing age group among the uninsured. While the current law provides health insurance until age 22, 22 year-olds are seldom in a position to obtain health insurance themselves. Several states have enacted new legislation to avert this health crisis. Utah recently changed its law so that a dependent may not age-out of health care coverage until their 26th birthday, regardless of whether they are enrolled in school. New Jersey provides coverage for dependents until their 30th birthday. Further, because young adults are healthier than older adults, it may be possible that adding more young adults to a pool of health care participants may even lower the average costs for group insurance. NTEU would like to see this change in FEHBP, and we appreciate your interest in this proposal.
- **Increasing the Government contribution to the Federal Employees Health Benefits Plan (FEHBP):** H. R. 1256, introduced by Congressmen Hoyer and Wolf, will increase the level of Government contributions under FEHBP from 72 percent to 80 percent. Federal employees are paying a constantly increasing share of their paycheck for health care premiums for their families, often at the same time their coverage has declined. Unlike the private sector, or even state and local government employees, whose employers pay a greater share of the premium cost, the federal government's share continues to remain at 72 percent. For 2007, health insurance premiums increased an average of 2.3 percent, but since 2001, FEHBP premiums have risen by 50 percent. Had the Office of Personnel Management (OPM) not dipped into reserve funds for the current year, federal participants would have realized premium increases of nearly 7 percent. There are many federal employees who have left FEHBP, and in some cases the federal government, because they could not afford the health care premiums for their families. The importance of ensuring that the federal government continues to employ the best and brightest that our country has to offer cannot be underestimated in these difficult times. One way of doing that is to provide more affordable health care premiums to federal employees.

- **Medicare Drug Subsidy:** It is NTEU's position that OPM should apply for the drug subsidy to which it is entitled under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Pub.L. 108-173). According to GAO, if OPM had applied for the subsidy, it would have lowered the average 2006 FEHBP premium by 2.6 percent. Some of the individual health plans that serve a high number of retirees could have realized a slowdown in premium growth by as much as 3.5 to 4 percent. These savings could have been passed on to keep the enrollee portion of the premium down. According to the National Association of Active and Retired Federal Employees (NARFE), the agency could have left more than \$1 billion on the table by forgoing the subsidy. NTEU would support legislative measures to require OPM to apply for the subsidy.
- **Negotiating Drug Prices:** We would like to see a thorough investigation into the issue of drug price negotiations. It is our understanding that OPM negotiates with carriers for the best overall health care package, but the carriers negotiate individually for the best drug prices. We would be happy to work with your committee to reopen the drug pricing discussion, perhaps find a creative way to bring down premiums.
- **Vision and dental care:** We were very pleased when vision and dental care was added to the benefits available to federal employees. We would like to see more federal employees take advantage of this benefit, but, sadly, some cannot afford to pay the entire premium amount. We would like to see legislation that would provide a government contribution to the vision and dental care benefit.
- **Premium conversion:** NTEU would like to see passage of H. R. 1110, sponsored by Rep. Tom Davis, and S. 773, introduced by Senator Warner this year. Both bills enjoy widespread bipartisan support. The bill would allow federal and military retirees to use pre-tax dollars to pay for their health insurance premiums, as active federal workers already do. Since October 2000, OPM has allowed active federal employees to use pre-tax dollars to pay these premiums. However, legislation is needed to treat federal and military retirees the same as active workers. During the past six years, cost of living adjustments have ranged from 1.3 to 3.5 percent for retirees, yet health care premiums have risen by more than 50 percent. Passage of this legislation will help relieve the expense federal retirees are absorbing to pay for their health care costs.

Administration Proposals

We appreciate Congress's help in defeating two administration proposals that would have seriously affected the integrity of the FEHBP. One such proposal was to expand the use of Health Savings Accounts (HSAs). Businesses have been promoting the benefits of HSAs and it's easy to see why. HSAs can shift some costs to employees, lowering costs for employers. However, HSAs require a significant amount of luck by the employee. If you keep yourself healthy, you may realize some savings, but if catastrophe strikes and you haven't adequately funded your HSA, you may have to pay significant additional health expenses out of pocket before reaching your annual cap. This is not mentioned clearly in OPM's materials on HSAs, by the way. In addition, if healthier workers choose HSAs, then the health plans will be left with an

older, sicker pool of people (See GAO report, GAO-06-1133T). The increased exposure to risk is not in the best interests of federal employees.

The other Administration proposal I would like to mention is one that was buried in the budget submission, referred to as a “technical change”. It was not technical. It was unconscionable. The proposal to reduce the federal subsidy for the FEHBP program for retirees with between five and ten years of service would hinder efforts to recruit the very group we are trying to attract. With unprecedented retirements looming in these next few years, the Government will need mid-career professionals. The federal subsidy for health insurance is a benefit that can be touted to this group. NTEU is opposed to reducing this subsidy.

Other Benefits

There are other significant initiatives in Congress right now that NTEU is pursuing.

- **Parental Leave:** NTEU has long been an advocate for parental leave, and was instrumental in the successful passage of the Family and Medical Leave Act of 1993. When it was passed, it was viewed as an important step in helping Americans balance family needs and work needs. Since that time, it has become clear that many who would take advantage of time off to care for a baby have not because they were unable to forgo their income. A benefit that you cannot take advantage of is not much of a benefit. It is time for the Federal Government to step up and make family leave real, not a mirage that few can afford to use. This is an opportunity to provide Federal workers with a benefit that not only helps them, but helps society in general, by offering a chance for a mother and father to bond with his or her child.

Most industrialized nations already provide paid family leave. Some 128 countries now provide paid leave. The average amount of paid leave is 16 weeks. We applaud the efforts of Congresswomen Maloney and Woolsey and Senator Stevens for the introduction in this Congress of bills to create paid family leave. Most especially, Mr. Chairman, we would like to thank you for working with NTEU to make paid parental leave a reality.

- **Recapture credit:** Congressman Moran’s bill, H. R. 2533, (introduced with Reps. Wolf, Wynn, Norton and Van Hollen) will allow individuals who return to Government service after receiving a refund of retirement contributions to recapture credit for the service covered by that refund by repaying the amount that was received, with interest. As mentioned above, there is a need to attract older workers.
- **Annuities and part-time service:** NTEU would also like to thank Congressman Moran for introducing H. R. 2780 which will correct a glitch in a 1986 law that changed the formula calculation for retirement annuities for individuals with part-time service. Thousands of civil servants who are eligible under the Civil Service Retirement System (CSRS) and have worked part-time in their careers are in jeopardy of losing credit for the years they worked full-time. I have long supported correcting this problem which affects employees who choose to work part-time, often because of family obligations or illness.

- **Pension Offset and Windfall Elimination:** Other provisions that NTEU would like to see passed in this Congress are changes in the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), Social Security provisions that prevent federal retirees from receiving the full Social Security benefits to which they are entitled. Legislation this year has been introduced by Rep. Howard Berman (H. R. 82), Sen. Feinstein (S. 206), and Sen. Mikulski, (S. 1254). We thank them for their untiring efforts to overcome this inequity.
- **TSP Changes:** As you know, NTEU is a member of the Employee Thrift Advisory Council (ETAC) at the Thrift Investment Board. We endorse the legislative proposal that the Thrift Board is pursuing that will authorize automatic enrollment of all newly hired federal employees and to change the Thrift Savings Plan (TSP) default fund for new enrollees from the G Fund to the L Fund. The statistics kept by the Board have been very helpful in fine-tuning the TSP for the benefit of all employees.

Incentives

I will just mention two more incentives that NTEU would like to see used more frequently for federal workers: student loan repayments, and telework enhancement. Senator Stevens has introduced S. 1000, a bill that will force the establishment of a telework policy at every Executive agency, with reporting requirements. Telework is the wave of the future, and perhaps with passage of this bill, the reluctance seen on the part of many agencies within the Government will be diminished.

We have been talking about student loan repayment for a long time, but still very few people seem to know that this incentive exists. As our federal workforce retires out, we must be smarter in our recruitment to replace them. The authority to repay federally insured loans is one agencies should be persuaded to use. Sadly, these programs often lack sufficient funding. I would like to ask you, Mr. Chairman, to help us find a way to persuade agencies to use the tools we already have to keep our workforce at a sufficient level to carry on our nation's work. I would be happy to answer any questions that you have.