NTEU

The National Treasury Employees Union

Testimony of

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on

H.R. 5550, FEHBP Dependent Coverage

Before the

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Oversight and Government Reform Committee

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Chairman Davis, Ranking Member Marchant, and members of the Subcommittee, I appreciate the opportunity to appear before this distinguished subcommittee to discuss H.R. 5550 and the important subject of extending coverage under the Federal Employees Health Benefits Program (FEHBP) to child dependents past the age of 22. As you know, the National Treasury Employees Union (NTEU) represents more than 150,000 federal employees in over 31 different agencies and departments throughout the government.

NTEU supports H.R. 5550, the bipartisan bill that takes a simple approach to solve a large problem. Right now, young people who receive health insurance through their parents' FEHB family policies lose it when they turn 22. These young adults are frequently in college, or out of school but with no job, or no job with benefits. They are part of a growing segment of society who are not financially independent of their families and cannot afford health care insurance on their own. NTEU believes they should have coverage. H.R. 5550 proposes to simply strike "age 22" in the FEHB statute and replace it with "age 25." We believe this is sound federal policy and an answer to a problem calling out to be fixed. NTEU will gladly lend its support to the bill and work towards its enactment.

Not only do federal employees support the age 25 proposal, colleges all over American want to see young people covered as well. Some colleges now require health insurance coverage for their students as a condition of admission. Some offer their own coverage which can greatly vary in cost and coverage.

The Commonwealth Fund found in its August, 2007 report, *Rite of Passage? Why young Adults Become Uninsured and How New Policies Can Help,* that young adults ages 19 to 29 are the largest and fastest growing segment of the population without health insurance. Fortunately, FEHBP covers unmarried dependents up until age 22. But frequently 22 year olds are still in college and find themselves cut off from their parents' health insurance plans even before they have finished their studies. Some are in their senior year, or in programs that require more than four years. Some may be seeking their first job, or have one that doesn't provide benefits. Some interrupt their studies to work in volunteer or community service jobs and find themselves aged out when they return. At 22, college-educated or not, young adults face waiting periods, temporary positions, and lower wage jobs as they enter the job market.

According to the Government Accountability Office (GAO) about 1.7 million college students age 18 through 23 were uninsured in 2006 (GAO-08-389). Of the uninsured students, 35 percent of those age 23 and 25 percent of those age 22 were uninsured compared with 16 to 19 percent of the college students aged 18 through 21. While many colleges, to their credit, offer student health insurance, plans vary widely with differing prices and coverage; some cannot afford to offer preventive services, prescription drugs or other benefits. Students and other young adults generally cannot afford health insurance at this point in their lives.

FEHBP does offer a program available to enrollees who lose their health coverage, including those who reach age 22, known as the Temporary Continuation of Coverage (TCC) program. However, TCC enrollees must pay the full cost of the premium—the enrollee and the government share for a total of one-hundred percent plus a 2 percent administrative fee. This essentially puts it out of reach for most young people when they are dropped. If their parents pay the cost, they do it as a separate policy in addition to the already existing family premiums. And if they have more than one child cut off at 22, the cost is prohibitive.

Mr. Chairman, I want to emphasize that there are numerous precedents in the states and throughout the private sector for carrying dependents past age 21. According to the National

Association of Insurance Commissioners (NAIC), most health insurance policies cover full–time student dependents until age 23, a full year longer than FEHB. (*www.naic.org*) In recent years, seventeen states have required coverage for dependents in private plans up to age 24, 25, 26, or in one case, age 30. In Massachusetts, for example, young adults are considered dependents for insurance purposes up to age 25 or for two years after they are no longer claimed on their parents' tax returns, whichever comes first. Maryland enacted a law last year requiring plans to cover unmarried young people who reside with the policyholder until age 25.

In Texas, dependents can stay on their parents' policies up to age 25, and if they are students, until age 25 or longer. New Jersey requires most health insurers to cover single adult dependents up to age 30. In Utah, a dependent may not age out until 26 providing they are unmarried. The National Conference of State Legislatures lists 25 states on its website that have or are considering legislation relating to the changing definition of "dependent." (*http://www.ncsl.org/programs/health/dependentstatus.htm*)

It is not surprising then, that our federal employees and retirees who participate in FEHBP are disappointed that the federal government is so far behind. If the states require private policies to carry dependents past age 22, why not the federal government? This is an area in which the federal government should lead, not follow. Private insurers are offering coverage for young people out there in the states, yet one of the largest health insurance plans in the country—one that serves almost 9 million people-- is way behind the curve. If employees working in the private sector can have their dependents covered well beyond the time they turn 22, then surely the federal government— with the largest risk pool in the country—should be able to do the same.

Barely a day goes by without an article about the pending retirement "tsunami" and the need to attract and retain talent in the federal workforce. Comparing benefits like health insurance for children of employees with those offered by private sector plans is a good place to start. The federal government will not attract the talent it wants and needs if it lags behind in an area as important as health care coverage. When agencies can't compete effectively with benefits offered in the private sector, the American people will be deprived of the quality workforce it depends upon to keep to keep government systems running and protect the homeland.

The Office of Personnel Management (OPM) says it is interested in creative solutions to retain and recruit talented public servants. The bill before us, H.R. 5550, is an excellent place to begin. This committee just marked up a bill to provide paid parental leave, a step towards making federal government competitive in workplace issues. Increasing the age of dependents for health insurance is another positive step toward achieving personnel competitiveness, recruiting and retaining talent, and realizing workforce equity.

Let me share with the subcommittee some real life examples from federal employees who have faced financial and emotional hardship due to the age 22 cutoff. A daughter of one of our members lost insurance at age 22 and, while in college and at the same time working for a company that did not offer health insurance, fell down her stairs, broke her jaw and had to have teeth removed and repaired. Her parents could not afford to carry a separate policy on her. The daughter incurred a debt of $25,000 in medical expenses. Needless to say, as a young person she could not readily pay this and was required to get a full-time job to pay off her debt and put college on hold.

Another parent of two daughters contacted me with his case. His daughter attended a community college before going to a four year university which added a year to her period to obtain a bachelor degree. At age 22 after losing health insurance, the parents paid $457 per month for TCC in addition to the premiums for the regular family FEHBP plan. They had researched other insurance plans for their daughter, but the daughter needed medication and without an adequate prescription drug component, it would have cost about $1,000 a month just for medication. After taking the TCC for this dependent, it became apparent that their daughter needed to incur an entirely new deductible under the TCC plan so the parents were paying the $457 a month, plus her deductible, plus their own FEHBP premiums. To make matters worse, this family has another 20 year old child in a 5–year accounting program so they will soon revisit the insurance dilemma. Here's what the father wrote to us in an email: **"I would be better off working for a private employer in New Jersey....I have worked almost 33 years with the IRS, and this insurance issue might be the one that forces me to leave before I wanted to. I might have to find another job in the private sector."** As I mentioned earlier, New Jersey allows dependents to be covered in most cases up to age 30.

Another of our members, the parent of a diabetic who tests her blood sugar 6 to 8 times a day, described her basic costs: A box of 100 test strips range from $80 - $100 per box, insulin pump supplies run approximately $773 per quarter and insulin runs about $500 a quarter. In addition she goes to the endocrinologist at least 3 times a year at $225 per visit and has lab work done at a cost of approximately $180 per visit. And this is just routine care. Her daughter, who will not be independent at 22 will not be able to pay this—or TCC—on her own.

NTEU parents point out to me that many, many young people do not complete college anymore in four years through no fault of their own. Degrees such as physical therapy take six, and those requiring student teaching frequently take five. Educators often recommend beginning kindergarten later for some children which puts them a year behind automatically.

But whether these 22 year old dependents are students or not, I emphasize the point made earlier – that the federal workforce should catch up to the private sector and the states with respect to dependent coverage. It should extend the age, as H. R. 5550 recommends, to 25.

Finally, I want to address a subject I know is on the minds of many. To my knowledge there has not been an in depth examination by impartial experts of the cost of extending coverage for young people covered under FEHBP as dependents for an additional three years—or even for an additional year or two. But common sense tells us that infusing a large number of young and generally healthy individuals into a risk pool of government employees who are older or retired, should not cost much. In fact, some, like the Commonwealth Fund, argue it could even *help* the risk pool and conceivably save money.

I am aware of a cursory 3- page "report" sent by OPM to this subcommittee in 2005 to comply with a provision of the Federal Employee Dental and Vision Program (PL 108-496) which claimed an increase in premiums by 0.7 percent. I find that hard to believe. Given the new risk pool we are talking about, and the limited number of enrollees who have dependents in this situation, I find that number extremely suspect and would welcome an in-depth look at the cost by an independent body. I encourage the subcommittee to task an impartial body to look at the overall issue, and examine what the states are requiring as well as numbers affected and current usage of FEHBP now by those nearing 22 to determine a realistic cost.

In conclusion, let me reaffirm NTEU's support for H.R. 5550. The federal government should lead, not follow, in the important area of health care coverage. It is good public policy, one that will surely help the federal government retrain its talented workforce and attract new employees. Young enrollees in FEHBP who are dependents need health care coverage. This is the right thing to do.