

STATEMENT OF  
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before the

SUBCOMMITTEE ON FEDERAL WORKFORCE,  
POSTAL SERVICE AND THE DISTRICT OF COLUMBIA  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
U.S. HOUSE OF REPRESENTATIVES

on

Providing health insurance to young adults enrolled as dependents in the Federal Employees  
Health Benefits Program.

April 29, 2008

Chairman Davis and distinguished Members of the Subcommittee:

I am pleased to be here today to discuss the issue of health insurance coverage for young adult dependents of Federal employees and retirees.

The Office of Personnel Management (OPM) offers numerous tools for Federal agencies to recruit and retain an effective civilian workforce. At OPM, we believe that success in our mission helps the total workforce succeed in their own – safeguarding the health, security, and well being of all Americans. Good personnel policies and practices just make good business sense. Overall, the Government provides excellent, comprehensive benefit programs, with care for employee dependents being an important aspect of an effective workplace.

## **Current Coverage for Young Adult Dependents**

OPM administers the Federal Employees Health Benefits (FEHB) Program, which covers approximately 8 million Federal employees, retirees, and their dependents. The FEHB Program offers competitive health benefits products for Federal workers by contracting with private sector health plans. We emphasize flexibility and consumer choice as important features of the Program. In addition to the 283 plan choices offered under the Program, Federal enrollees may choose between self only or family coverage. Dependents under family coverage are spouses and unmarried children under 22 years of age, including adopted, foster and stepchildren.

At age 22, young adult dependents lose FEHB coverage, but may enroll in Temporary Continuation of Coverage (TCC) for the full cost of premium (both the Government and enrollee share) plus a two percent administrative fee. TCC enrollments may be continued for up to 36 months following loss of eligibility. Therefore, TCC currently assists young adult dependent children with additional insurance coverage to age 25.

TCC allows dependents the choice to enroll in a different health plan than their parents' family coverage. Dependents may, therefore, enroll in lower cost plans. The average FEHB premium for self-only coverage in 2008 is \$433 per month, including both Government and enrollee shares. However, the Mail Handlers Value Option has a 2008 self-only premium of \$178 per month. Dependents may also choose to enroll in a high deductible health plan, with a premium pass-through savings account that allows them to preserve health care dollars for future needs.

In addition, some FEHB carriers offer affinity products which are not administered by OPM, but which provide enrollees with stand-alone dependent coverage for young adults over the age of 22. For example, one of the FEHB carriers (SAMBA) offers an affinity product with dependent coverage for young adults up to age 27 at \$184 per month.

### **Legislative Proposal**

We understand that Chairman Davis will be introducing a substitute for the current H.R. 5550. It would be premature for the Administration to state a position ahead of the substitute's introduction. Nonetheless, we have considered this general topic in the past and offer the following observations regarding extended dependent coverage for young adult children.

Simply changing the age of dependent children under family enrollments, as proposed in H.R. 5550, would raise total premium costs for the Government and all enrollees to offer additional benefits for only a part of the population. In 2005, at the request of Congress, OPM reviewed the potential costs associated with adding coverage for dependent full-time students up to age 25. We found that adding those dependents, alone, would increase FEHB costs by over \$200 million a year. Approximately, \$160 million would be borne by the Government with the remainder of the cost paid by enrollees through increased premiums. OPM is committed to maintaining reasonable healthcare costs for Federal families.

Chairman Davis' substitute for H.R. 5550 proposes to offer extended dependent coverage for employees with young adult children over the age of 22 as a voluntary enrollment option. The proposed legislation would allow health insurance companies to bid competitively to offer

such coverage to dependents of FEHB enrollees. Premiums for the voluntary option would not include a Government contribution, and dependents would need to have been covered under the FEHB Program up to age 22 to qualify.

The proposed legislation would establish a voluntary program open to young adult dependents formerly covered under the FEHB Program. We estimate there are about 245,000 dependents (students and non-students) in this age group. In 2006, the OPM Actuaries Group estimated the cost of extending FEHB benefits for unmarried full-time student dependents under 23 years of age at about \$1,640 per member per year, or roughly \$135 per month. This cost estimate was based on experience data from one of our largest fee-for-service health plans. We believe this represents the low end of any cost estimate.

Mr. Chairman, I appreciate this opportunity to testify before the Subcommittee on this issue. OPM would be pleased to work with you and the rest of the Congress on addressing this issue. I will be glad to answer any questions you or other Members may have.