



AFGE

Congressional Testimony

STATEMENT OF

**JOHN GAGE
NATIONAL PRESIDENT**

**AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES
AFL-CIO**

BEFORE THE

**SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE AND
THE DISTRICT OF COLUMBIA**

HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

ON

**CATCHING UP: BENEFITS THAT WILL HELP RECRUIT AND RETAIN
FEDERAL EMPLOYEES**

APRIL 29, 2008

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Mr. Chairman and Members of the Subcommittee: My name is John Gage. I am the National President of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 600,000 federal employees represented by AFGE, I thank you for the opportunity to testify today on the issue of health insurance coverage for the young adult dependents of federal employees.

Extending health insurance coverage through the Federal Employees Health Benefits Program (FEHBP) to dependents up to age 25 has long been a priority for AFGE's members. Many children of federal employees are forced to delay completion of college degrees because they must work to earn the money necessary to pay the ever-increasing tuition and fees charged by institutions of higher learning. These young adults may also remain economic dependents of their federal employee parents until age 25 because they are pursuing the advanced degrees which are increasingly necessary even for entry-level jobs in some professional occupations. Finally, a large number of young adults whose parents are federal employees are in the workforce but hold jobs that provide either no employer-sponsored health insurance or health insurance options that are entirely unaffordable.

According to the Robert Wood Johnson Foundation, as of 2004, approximately 13.7 million Americans between the age of 19 and 29 were uninsured. Unless they are either full-time students, or their parents' full-time caregivers, they, for the most part, lose eligibility for coverage under their parents' family coverage. In the FEHBP, unmarried children can be covered up until the age of 22. Only in rare circumstances, such as when the child is incapable of supporting him or herself because of a disability that began before age 22, will FEHBP continue to cover dependents over that age. Fourteen states have passed legislation that to some degree redefines "dependent" for purposes of family health insurance coverage, and the majority of those have extended coverage to the age of 25.

The legislation introduced by Chairman Danny K. Davis, H.R. 5550, was an attempt to bring the federal government up to the standards set by these progressive states and other employers against whom the federal agencies compete to recruit and retain employees. AFGE strongly supports H.R. 5550 because it provides a straightforward answer to the problem of insurance coverage for the young adult dependents of federal employees. The actual costs to FEHBP of extending family coverage to those in the age interval of 22 to 25 are likely to be negligible, but the benefit to families would be substantial.

The compromise forced upon the Subcommittee, which would have the Office of Personnel Management (OPM) make available for purchase a separate insurance policy for the young adult dependents of federal employees, is unfortunate. Even though there is absolutely no evidence that anyone meant for

this compromise to constitute a model for future efforts to improve health insurance for federal employees and their families, it must be acknowledged that employee-pay-all insurance products are not employee benefits. Because the current legislation would require federal employees who have uninsured dependents between the ages of 22 and 25 to purchase separate policies for them outside the FEHBP, it is unclear how many would be able to afford coverage, especially those with large families. In light of the fact that thousands of federal employees remain uninsured altogether because they cannot afford FEHBP premiums, it is reasonable to conclude that there are many thousands more in the lower grades of the General Schedule and the Federal Wage System who barely afford the coverage they have in FEHBP and could not begin to afford to purchase additional individual plans for their young adult dependents.

The claim that extending FEHBP family coverage to dependents up until the age of 25 is unaffordable is especially frustrating to hear in light of the Bush Administration's continued refusal to take advantage of rebates made available under the Medicare Modernization Act that, according to a Government Accountability Office (GAO) study, would immediately cut all FEHBP premiums by roughly two percent, and reduce future premium growth in perpetuity.

In December 2006 GAO issued a report on FEHBP premium trends, and addressed OPM's decision not to take advantage of the fact that the law establishing the Medicare Part D prescription drug program allowed subsidies for employers who provided their retirees with prescription drug coverage.¹ GAO surveyed both small and large FEHBP plans and all agreed that that the retiree drug subsidy would have had some effect on premium growth if OPM had applied for the subsidy and used it to offset premiums. (GAO-07-141 page 13).

OPM's rationale for declining the subsidy has been reported to rest on two arguments: First, OPM does not worry that its carriers would cease offering prescription drug coverage to retirees, as there are no separate benefit packages in FEHBP plans between active and retired enrollees (so far), and Title 5 requires all FEHBP plans to provide at least some prescription drug coverage. Second, they did not interpret the statute "to require employers to use the subsidy to mitigate premium growth." (GAO-07-141 page 14). Nevertheless, the GAO study goes on to describe the fact that prescription drug prices are responsible for the bulk of premium increases. Data from the five largest FEHBP plans (which cover 2/3 of the FEHBP population) between 2003 and 2005 show prescription drug spending as causing 34% of total increases (hospital inpatient and all physician services combined totaled only 30% of the increase, by comparison). The GAO study further estimated that if OPM had taken advantage of the Medicare Part D subsidy it would have reduced the average growth in premiums by 2.6% if

¹ Government Accountability Office, GAO-07-141. Federal Employees Health Benefits Program: Premium Growth has Recently Slowed, and Varies among Participating plans. Report to the Subcommittee on Oversight of Government Management, the Federal Workforce, the District of Columbia of the Senate Committee on Homeland Security and Government Affairs, December 2007.

applied in 2006. In plans with large retiree enrollment, the potential impact is estimated to be as large as 3.5% to 4%.

It is not too late for OPM to apply for and receive the Medicare Part D subsidy. If applied, it would not only reduce premiums for as long as it is applied, it would reduce future premium inflation as long as prescription drug prices rise faster than the prices of FEHBP's other covered services. Since federal employees are required by law to pay at least 25% of FEHBP premiums, and since they pay on average 30% of premiums, and since in each of the past three years the enrollee share of premiums has risen by a higher percentage than the agency share, AFGE strongly urges the Congress to require OPM to obtain the maximum amount available to FEHBP under Medicare's Part D employer subsidy provision. We believe that these refunds are more than adequate to pay for both an extension in eligibility for dependent coverage to age 25 as provided for in H.R. 5550, and the improvement in FEHBP financing that is provided for in H.R. 1256.

Absent a national health insurance reform that delivers affordable universal coverage, federal employees and their families look to FEHBP as a means of providing health insurance for themselves and their dependents. We commend the Chairman for introducing H.R. 5550 in recognition of the fact that young adults who are pursuing higher education, and working at jobs that provide either no insurance, or unaffordable insurance options, continue to need coverage through their parents' employer-sponsored plans. We hope that many federal employees will be able to afford the plans that OPM chooses to make available for this age group, and that soon Congress and a new administration will be successful in addressing in a more comprehensive way the many problems of health care in America.

This concludes my statement. I will be happy to answer any questions that the members of the Subcommittee may have.

John Gage

National President American Federation of Government Employees, AFL-CIO

As National President of the American Federation of Government Employees (AFGE), AFL-CIO, John Gage stands watch over the rights of some 600,000 federal and D.C. government employees. Gage, who leads the nation's largest union for government workers in some 1,100 locals in the United States and overseas, was elected national president at AFGE's 2003 National Convention in Las Vegas, NV.



John Gage has long been involved in AFGE and the labor movement. He has committed over twenty years of service as president of AFGE Local 1923 and as National Vice President of AFGE's 4th District. Under his leadership, Local 1923 experienced robust growth, making it the largest Local within the Federation. Gage brought that same energy for organizing to his role as NVP and initiated a new organizing program now familiarly called "Lunch and Learns." In fact, the new program helped the 4th District sign up 6,000 members in two years. In 1985, Gage stepped down as NVP to lead the successful defense of SSA against a well-financed membership drive by another union.

Gage began working for the federal government as a disability examiner for the Social Security Administration in 1974. He quickly became involved with AFGE and served as 2nd Vice President and editor of Local 1923's newsletter. He went on to serve as Executive Vice President before being elected President in 1982. Gage has served as chief negotiator for a number of national contracts and describes his work as a negotiator as a labor of love. He strongly believes that good contracts and the ability to enforce them are important keys to increasing membership.

Gage is proud of the true diversity established within Local 1923 under his leadership-including its members, staff, officers and stewards-and will bring the same appreciation for these values as the new leader of the Federation.

As National President, John Gage seeks to give emphasis to organizing, legal representation on behalf of Locals, and coordinated media activities. Gage believes that capitalizing on representational opportunities at the worksite, in the community and on the national scene draws attention to AFGE issues. This provides a new way of performing the most fundamental mission of AFGE-representation-and enables the union to strengthen each Local's ability to provide service, politically mobilize, organize and communicate.

Gage serves as a trustee of the National Labor College, an accredited four year college for union members and their families.

Gage was born in 1946 and graduated from Central Catholic High School, in Pittsburgh, PA in 1964. He went on to study at Wheeling Jesuit University, graduating in 1968. His career includes a brief stint as a professional baseball player with the Baltimore Orioles (1968-1969).

Gage is married to Patti McGowan, a labor lawyer for AFGE Council 220 who does pro-bono work for the Maryland Disability Law Center.



AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

John Gage
National President

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National Secretary-Treasurer

Andrea E. Brooks
National Vice President for
Women and Fair Practices

April 24, 2008

The Honorable Danny K. Davis
Chairman
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Davis:

The American Federation of Government Employees has not received any federal grants or contracts, during this year or in the last two years, from any agency or program relevant to the subject of the April 29, 2008 hearing of the Subcommittee on Federal Workforce, Postal Service and the District of Columbia entitled, *Catching Up: Benefits That Will Help Recruit and Retain Federal Employees*.

Sincerely,

Beth Moten
Legislative and Political Director