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Report to the Chairman, Subcommittee on
Federal Services, Post Office and Civil
Service, Committee on Governmental
Affairs, U.S. Senate

March 1989

U.S. EMPLOYEES HEALTH BENEFITS

Independent Agencies Offering Their Own Health Plans



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Human Resources Division

B-231302

March 2, 1989

The Honorable David Pryor
Chairman, Subcommittee on
Federal Services, Post Office
and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report is in response to your June 1988 request that we identify which independent U.S. government agencies offer their employees a health plan other than those offered under the Federal Employees Health Benefits Program (FEHBP). FEHBP currently provides health insurance to about 4.0 million enrollees (plus dependents), including 2.4 million active federal civilian employees and 1.6 million annuitants.

You expressed concern about federal employees leaving FEHBP to join an alternative health plan in some of these agencies. To obtain information on this issue, we contacted each independent agency to determine whether it offers an alternative plan and, if so, what percentage of its employees participate in that plan.

Background

An independent agency¹ with the authority to fix compensation may offer an alternative health plan to its employees. In April 1988, Towers, Perrin, Forster & Crosby, Inc. (TPF&C), submitted a report to the Office of Personnel Management (OPM),² which noted that a number of entities that have the statutory authority to fix compensation have established alternative health insurance plans outside of FEHBP. According to the TPF&C report, employees of these agencies can choose between their agency plan or FEHBP. However, employees selecting the agency plan could return to FEHBP 5 years before retirement to qualify for FEHBP coverage as annuitants. This switch back into FEHBP by a relatively older and generally higher risk population would be expected to increase costs to the program.

¹The term "independent agency" denotes both independent establishments (as defined in 5 U.S.C. 104) and government corporations (as defined in 5 U.S.C. 103). See United States Government Manual 1988/89, "Independent Establishments and Government Corporations," pp. vi, vii.

²U.S. Office of Personnel Management, Study of the Federal Employees Health Benefits Program, submitted by Towers, Perrin, Forster & Crosby, Inc., April 22, 1988 (Contract Number OPM-87-9027).

Objectives, Scope, and Methodology

Since the total number of independent U.S. government agencies offering an alternative health plan to FEHBP was not known, we conducted a telephone survey of all independent agencies (about 60). We interviewed officials at each of these agencies to obtain (1) information on whether they offered an alternative plan and, if so, (2) a description of the plan, including enrollment statistics. The results of our review, performed between June 1988 and January 1989, are presented below.

Independent Agencies Offering Alternative Health Plans

We identified seven independent U.S. government agencies that currently offer health plans other than those offered under FEHBP. One of them—the Tennessee Valley Authority (TVA)—is not covered by FEHBP and has provided its own health plan since the 1950s.

The other six agencies introduced alternative plans in the 1980s and also offer FEHBP plans. These agencies are: (1) Federal Deposit Insurance Corporation (FDIC), (2) Office of the Comptroller of the Currency (OCC),³ (3) Farm Credit Administration (FCA), (4) Overseas Private Investment Corporation (OPIC), (5) Board of Governors of the Federal Reserve System (or Federal Reserve Board [FRB]), and (6) Federal Home Loan Bank Board (FHLBB). According to officials at these six agencies, not all of their employees participate in the alternative health plans primarily because they either prefer membership in a health maintenance organization (HMO) available through FEHBP or receive health insurance coverage under their spouse's policy.

³Although OCC is within the Department of the Treasury, the Comptroller is appointed by the President, and OCC is funded by assessments from OCC-supervised banks.

The alternative health plans offered by these seven agencies are summarized in table 1 and discussed below.

Table 1: Independent Agencies Offering Alternative Health Plans

	TVA^a	FDIC	OCC	FRB	FCA	OPIC	FHLBB
Year health plan established	1950s	1982	1982	1982	1983	1985	1987
Administered by	BC-BS of Tennessee/ Provident Insurance	Self	Self	Self	Self	Self	Self
Underwriter	Self	BC-BS of Nat'l Capital	BC-BS of Nat'l Capital	Conn. General Life Ins.	BC-BS of Nat'l Capital	BC-BS of Nat'l Capital	BC-BS of Nat'l Capital
Number of employees	30,000	8,500	3,300	1,500	600	135	1,300
Percentage of employees enrolled	90	85-90	85	70	60	70	55
Covers retirees	Yes ^b	Yes	Yes	Yes	Yes	Yes	Yes
Also participates in FEHBP	No	Yes	Yes	Yes	Yes	Yes	Yes

^aTVA offers two alternatives.

^bOnly if under age 65.

Tennessee Valley Authority

Because it operates under different personnel regulations than other government agencies do, TVA does not participate in FEHBP. Instead, TVA offers its employees two self-insured health plans as part of its collective bargaining agreement. One plan, administered by Blue Cross and Blue Shield of Tennessee, is offered to one bargaining unit and has 19,000 enrollees. A second plan, administered by Provident Insurance, is offered to another bargaining unit and has 7,500 enrollees. TVA, which has been offering health plans since the 1950s, does not offer health insurance for retirees past age 65.

Federal Deposit Insurance Corporation

FDIC offers its employees and retirees an alternative health plan underwritten by Blue Cross and Blue Shield of the National Capital Area. The primary rationale for offering a separate plan is to be able to provide health insurance for the many (about 5,000 out of 8,500) FDIC employees who have temporary appointments and are not eligible for FEHBP coverage. Of the full-time employees who are eligible for FEHBP, about 75 to 80 percent have chosen the FDIC plan, which was initially offered in 1982.

**Office of the Comptroller
of the Currency**

OCC offers its employees an alternative health plan underwritten by Blue Cross and Blue Shield of the National Capital Area. Of OCC's 3,300 employees, about 85 percent are enrolled in this plan, which was first offered in 1982.

Federal Reserve Board

FRB offers its employees and retirees an alternative health plan underwritten by Connecticut General Life Insurance Company. About 70 percent of FRB's 1,500 employees have enrolled in this plan, which has been offered since 1982.

**Farm Credit
Administration**

FCA offers its employees and retirees an alternative health plan underwritten by Blue Cross and Blue Shield of the National Capital Area. About 60 percent of the agency's 600 employees have enrolled in this plan, which was introduced in 1983. (A majority of the remaining employees have signed up with FEHBP either to join HMOs or in anticipation of a transfer to another government agency.) The FCA plan covers a young work force and a small percentage of retirees.

**Overseas Private
Investment Corporation**

OPIC offers its employees and retirees an alternative health benefit plan underwritten by Blue Cross and Blue Shield of the National Capital Area. This plan was first offered in 1985, and about 70 percent of the agency's 135 employees have enrolled. OPIC has a young work force, and only 10 retirees are covered by the agency's plan. The agency has a high employee turnover rate, with the average employee staying less than 6 years.

**Federal Home Loan Bank
Board**

FHLBB offers its employees and retirees an alternative health plan underwritten by Blue Cross and Blue Shield of the National Capital Area. This plan, first offered in 1987, has enrolled about 55 percent of the agency's 1,300 employees. The primary reason for offering this plan, according to a FHLBB official, was to permit FHLBB to offer employment opportunities competitive with other financial regulatory agencies, such as FDIC, FRB, and OCC.

Observations

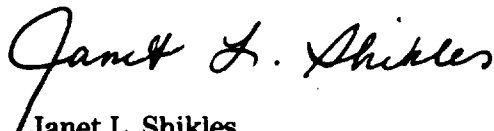
We identified seven independent U.S. agencies that offer their employees health plans other than those available through FEHBP. TVA offers only its own health plans and does not participate in FEHBP.

Each of the other six agencies offers, in addition to FEHBP, an alternative health plan to all employees. These agencies have about 10,000 individuals who would be eligible to participate in FEHBP. Consequently, the number of individuals who might choose to reestablish eligibility for retirement health benefits under FEHBP (if they have joined their agency's alternative plan) is likely to be small relative to the total enrollment in FEHBP.

As requested by your office, we did not obtain written agency comments on a draft of this report. However, we discussed its contents with OPM officials and with officials of the seven independent agencies covered in our review and incorporated their comments where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Director of OPM and other interested parties and will make copies available to others on request. The major contributors to this report are listed in appendix I.

Sincerely yours,



Janet L. Shikles
Director, Public and
National Health Issues

Major Contributors to This Report

Human Resources
Division,
Washington, D.C.

Janet L. Shikles, Director, Public and National Health Issues,
(202) 275-5451
James R. Cantwell, Health Economist

Office of the Chief
Economist,
Washington, D.C.

David I. Kass, Senior Health Economist

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