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MEMORANDUM FOR: Harry Fitzwater  
Deputy Director for Administration

✓ James McDonald  
Associate Deputy Director for Administration

FROM:   
Legislation Division, OLL

STAT

SUBJECT: H.R. 656 -- Federal Employees Health  
Benefits Reform Act of 1983

1. Attached for your information and review is a copy of H.R. 656, which was introduced by Representative Oakar (D., OH) and is presently before the House Post Office and Civil Service Committee. This bill amends 5 U.S.C. § 8901 et seq. concerning health plans for federal employees.

2. Section 2 of this bill increases the employee share of the contribution to health coverage from 60 percent to 75 percent of the average subscription charge. Section 3 of this bill also extends federal health benefits to employees who are separated due to reductions in force (RIF). Sections 5 and 6 add mental health benefits, alcohol and drug abuse rehabilitation and dental benefits to federal health programs.

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Attachment



cc:   
Liaison Division  
Office of Legislative Liaison

STAT

83-4350

98TH CONGRESS  
1ST SESSION

# H. R. 656

To amend the Federal employee health benefit plan provisions of chapter 89 of title 5, United States Code, to increase the Government contribution rate, to extend coverage for employees who are separated due to reductions in force, to require carriers to obtain reinsurance or stop-loss insurance (or to otherwise demonstrate financial responsibility), to assure adequate mental health benefit levels and otherwise limit benefit reductions, to mandate an open season each year, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1983

Ms. OAKAR introduced the following bill; which was referred to the Committee on Post Office and Civil Service

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## A BILL

To amend the Federal employee health benefit plan provisions of chapter 89 of title 5, United States Code, to increase the Government contribution rate, to extend coverage for employees who are separated due to reductions in force, to require carriers to obtain reinsurance or stop-loss insurance (or to otherwise demonstrate financial responsibility), to assure adequate mental health benefit levels and otherwise limit benefit reductions, to mandate an open season each year, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*

1                   SHORT TITLE; TABLE OF CONTENTS

2           SECTION 1. (a) This Act may be cited as the "Federal  
3 Employees Health Benefits Reform Act of 1983".

4           (b) The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Increase in Government contribution rate; repeal of 75 per centum maximum.
- Sec. 3. Continuation of coverage for employees separated due to a reduction in force, and certain others.
- Sec. 4. Financial responsibility requirement.
- Sec. 5. Mental health benefits.
- Sec. 6. Comprehensive dental benefits.
- Sec. 7. Limitations on benefit reductions and Office of Personnel Management contracting discretion.
- Sec. 8. Open season.
- Sec. 9. Employee status.
- Sec. 10. Elimination of requirement of three medical specialties for group-practice prepayment plans.

5 INCREASE IN GOVERNMENT CONTRIBUTION RATE; REPEAL  
6 OF 75 PER CENTUM MAXIMUM

7           SEC. 2. (a) Section 8906(b)(1) of title 5, United States  
8 Code, relating to the Government contribution, is amended  
9 by striking out "60 percent" and inserting in lieu thereof "75  
10 percent".

11           (b) Section 8906(b)(2) of title 5, United States Code, is  
12 amended by striking out "75 percent" and inserting in lieu  
13 thereof "100 percent".

14           (c) Section 8906(b) of title 5, United States Code, is  
15 amended by adding at the end thereof the following new  
16 paragraph:

17           "(4) In addition to the Government contribution, a Gov-  
18 ernment differential shall be paid in the case of each employ-  
19 ee or annuitant who is 65 years of age or older, who is not

1 entitled to hospital insurance benefits under part A of title  
2 XVIII of the Social Security Act (42 U.S.C. 1395c and fol-  
3 lowing), and who is enrolled in an approved health benefits  
4 plan. Such differential shall be equal to 5 percent of the aver-  
5 age subscription charge determined under subsection (a) of  
6 this section. The Government differential under this para-  
7 graph shall be treated the same as the Government contribu-  
8 tion except that—

9       “(A) such differential shall not be taken into ac-  
10       count in determining the amount to be paid by the em-  
11       ployee or annuitant; and

12       “(B) such differential shall be paid to the health  
13       benefits plan in which the employee or annuitant is en-  
14       rolled.”

15       (d) The amendments made by this section shall become  
16       effective with respect to contracts entered into or renewed for  
17       calendar year 1984 or thereafter.

18 CONTINUATION OF COVERAGE FOR EMPLOYEES SEPA-  
19       RATED DUE TO A REDUCTION IN FORCE, AND CER-  
20       TAIN OTHERS

21       SEC. 3. (a)(1) Chapter 89 of title 5, United States Code,  
22       is amended by adding after section 8906 the following new  
23       section:

1 "§ 8906a. Continuation of coverage

2 "(a) An individual described in paragraph (1), (2), (3), or  
3 (4) of subsection (b) of this section may elect to continue cov-  
4 erage under an approved health benefits plan in accordance  
5 with the provisions of this section.

6 "(b)(1) An employee who is involuntarily separated from  
7 the civil service due to a reduction in force, and who was  
8 enrolled in an approved health benefits plan immediately  
9 before the separation, may continue such individual's enroll-  
10 ment for self alone or for self and family (as the case may be).

11 "(2) In the case of the spouse of an employee or annu-  
12 itant whose marriage is dissolved by divorce or annulment, if  
13 the employee or annuitant was enrolled for self and family in  
14 an approved health benefits plan immediately before the di-  
15 vorce or annulment becomes final, the former spouse of such  
16 employee or annuitant may continue the enrollment for self  
17 and family or for self alone, except that nothing in this para-  
18 graph shall be construed to allow an unmarried dependent  
19 child to be enrolled as a member of more than one family at  
20 any time.

21 "(3) An individual who elects to receive the lump-sum  
22 credit under section 8342(a) of this title, and who was en-  
23 rolled in an approved health benefits plan immediately before  
24 such election, may continue such individual's enrollment for  
25 self alone or for self and family (as the case may be).

1       “(4) An individual who is 22 years of age or older may  
2 continue such individual’s enrollment in an approved health  
3 benefits plan if—

4           “(A) the enrollment being continued was based on  
5 such individual’s being an unmarried dependent child  
6 who was incapable of self-support because of a mental  
7 or physical disability which existed before age 22; and

8           “(B) such disability is determined not to have  
9 ended before such individual attained age 22.

10       “(c)(1) Any individual seeking to continue enrollment in  
11 a health benefits plan under this section shall, within 31 days  
12 after the date of the terminating event, and in accordance  
13 with such procedures as the Office of Personnel Management  
14 shall by regulation prescribe, file an election to continue such  
15 enrollment and arrange to pay currently into the Employees  
16 Health Benefits Fund an amount equal to the sum of the  
17 employee and agency contributions payable in the case of an  
18 employee enrolled in the same health benefits plan and level  
19 of benefits.

20       “(2) The Office may, for good cause shown, extend the  
21 31-day period referred to in paragraph (1) of this subsection.

22       “(3) For the purpose of paragraph (1) of this subsection,  
23 ‘date of the terminating event’ means—

24           “(A) in the case of an individual involuntarily sep-  
25 arated from the civil service due to a reduction in

1 force, the date as of which such individual is so sepa-  
2 rated;

3 “(B) in the case of the spouse of an employee or  
4 annuitant whose marriage is dissolved by divorce or  
5 annulment, the date that the divorce or annulment be-  
6 comes final;

7 “(C) in the case of an individual who elects to re-  
8 ceive the lump-sum credit under section 8342(a) of this  
9 title, the date that the payment of the lump-sum credit  
10 is made; and

11 “(D) in the case of an unmarried individual 22  
12 years of age or older whose coverage is based on a  
13 mental or physical disability which existed before age  
14 22, the date that such disability is determined under  
15 this chapter no longer to exist.

16 “(d)(1) An individual who makes an election under sub-  
17 section (c) of this section may, at the time of making such  
18 election and under the conditions prescribed by regulations of  
19 the Office, change the level of benefits under the health bene-  
20 fits plan in which such individual is continuing coverage, but  
21 only if the change is to a lower level.

22 “(2) An individual enrolled in a health benefits plan  
23 under this section—

24 “(A) may change such individual’s coverage or  
25 that of the individual and members of such individual’s

1 family (as the case may be) by an application filed  
2 within 60 days after a change in family status or at  
3 other times and under conditions prescribed by regula-  
4 tions of the Office; and

5 “(B) may transfer such individual’s enrollment to  
6 another plan described by section 8903 of this title at  
7 the times and under the conditions prescribed by regu-  
8 lations of the Office.

9 “(3) An individual—

10 “(A) who is eligible to continue enrollment in a  
11 health benefits plan under this section, but who does  
12 not make an election under subsection (c) of this sec-  
13 tion, or

14 “(B) who makes an election under subsection (c)  
15 of this section, but whose enrollment is subsequently  
16 ended (other than by a cancellation of enrollment),  
17 shall be granted a temporary extension of coverage, during  
18 which such individual may exercise the option to convert,  
19 without evidence of good health, to a nongroup contract pro-  
20 viding health benefits. Any individual who exercises this  
21 option shall pay the full periodic charges of the nongroup  
22 contract.

23 “(e)(1) The coverage provided under this section for any  
24 individual separated due to a reduction in force (described in  
25 subsection (b)(1)) may not extend beyond the end of the 12th



1 calendar month beginning after the separation takes effect, or  
2 (if earlier) the first day the individual involved becomes em-  
3 ployed by any employer in a position in which the individual  
4 is eligible to participate in any health benefits plan that is  
5 sponsored (in whole or in part) by such employer and has  
6 benefits at least equivalent to the lowest benefit level availa-  
7 ble under any approved Government-wide plan.

8       “(2) Under regulations prescribed by the Office of Per-  
9 sonnel Management, the coverage provided under this section  
10 for any other individual described in subsection (b) may not  
11 extend beyond the end of the calendar month during which  
12 the status or circumstances of the individual change to the  
13 extent that the individual ceases to meet the applicable re-  
14 quirements under paragraph (2), (3), or (4), as the case may  
15 be.”.

16       (2) The analysis for chapter 89 of title 5, United States  
17 Code, is amended by inserting after the item relating to sec-  
18 tion 8906 the following new item:

“8906a. Continuation of coverage.”.

19       (b) Section 8906(d) of title 5, United States Code, is  
20 amended—

21               (1) by striking out “(d)” and inserting in lieu  
22 thereof “(d)(1)”; and

23               (2) by adding at the end thereof the following new  
24 paragraph:

1       “(2) Nothing in paragraph (1) of this subsection shall be  
2 construed to prohibit the enrollment of an annuitant whose  
3 annuity is less than the withholding required under such  
4 paragraph if such annuitant arranges to pay, at the times and  
5 under the conditions prescribed by the Office, the amount of  
6 the deficiency.”.

7       (c) The amendments made by this section shall become  
8 effective with respect to contracts entered into or renewed for  
9 calendar year 1984 or thereafter.

10           FINANCIAL RESPONSIBILITY REQUIREMENT

11       SEC. 4. (a) Section 8902 of title 5, United States Code,  
12 relating to the contracting authority of the Office of Person-  
13 nel Management, is amended by redesignating subsections (d)  
14 through (m) as subsections (e) through (n), respectively, and  
15 by inserting after subsection (c) the following new subsection:

16       “(d) A contract for a plan described by section 8903(3)  
17 of this title shall require the carrier—

18           “(1) to meet the reinsurance requirements of sub-  
19 section (c)(1) of this section;

20           “(2) to enter into an agreement approved by the  
21 Office with an underwriting subcontractor licensed to  
22 issue group health insurance in all the States and the  
23 District of Columbia; or

24           “(3) to demonstrate ability to meet reasonable  
25 minimum financial standards prescribed by the Office.”.

1 (b) Section 8902(i) of title 5, United States Code, as  
2 redesignated by subsection (a), is amended by striking out  
3 "under subsection (g)" and inserting in lieu thereof "under  
4 subsection (h)".

5 (c) The amendments made by this section shall become  
6 effective with respect to contracts entered into or renewed for  
7 calendar year 1986 or thereafter.

8 MENTAL HEALTH BENEFITS

9 SEC. 5. (a) The first sentence of section 8904 of title 5,  
10 United States Code, is amended by striking out "may" and  
11 inserting in lieu thereof "shall".

12 (b) Paragraphs (1) and (2) of section 8904 of title 5,  
13 United States Code, are amended by adding at the end of  
14 each such paragraph the following:

15 "(G) Nervous and mental disorder benefits.

16 "(H) Alcoholism and substance abuse treatment  
17 and rehabilitation benefits."

18 (c) Section 8904 of title 5, United States Code, is  
19 amended by adding after paragraph (4) the following:

20 "(5) No health benefits plan described in para-  
21 graph (1), (2), or (3) of this section shall be contracted  
22 for or approved which does not provide, without dis-  
23 crimination as to the coinsurance ratio or the deduct-  
24 ible, for 50 outpatient visits and 60 inpatient days of  
25 nervous and mental disorder benefits, and two 28-day

1 alcoholism treatment and rehabilitation benefits, but  
2 such alcoholism benefits are only required to the extent  
3 that an individual has not previously been enrolled in a  
4 program of similar duration for which benefits were  
5 provided.

6 “(6) Whenever benefits of the type described in  
7 paragraph (1)(G) or (2)(G) of this section under any  
8 plan contracted for or approved hereunder are limited,  
9 such limits shall be exceeded on a case-by-case basis  
10 and only to the extent that an established peer review  
11 mechanism determines such treatment to be medically  
12 or psychologically necessary and appropriate.

13 “(7) The catastrophic benefits provided for in  
14 paragraph (6) of this section shall be paid out of the  
15 stop-loss fund established by section 8909(a)(3) of this  
16 title to the extent of 80 percent of the part of each  
17 outpatient claim that exceeds 50 visits annually and 80  
18 percent of the part of each inpatient claim resulting  
19 from a period of hospitalization in excess of 60 days.”.

20 (d) Section 8909(a) of title 5, United States Code, is  
21 amended—

22 (1) in paragraph (1), by striking out “and”;

23 (2) in paragraph (2), by striking out the period  
24 and inserting in lieu thereof “; and”; and

25 (3) by adding at the end thereof the following:

1           “(3) to pay the catastrophic benefits described in  
2 paragraphs (6) and (7) of section 8904 of this title.”.

3           (e) Section 8909(b)(1) of title 5, United States Code, is  
4 amended to read as follows:

5           “(1) One percent of all contributions made availa-  
6 ble by subsection (a) of this section out of which is to  
7 be allocated that part determined by the Office to be  
8 reasonably adequate to pay the administrative expenses  
9 referred to in subsection (a)(2) of this section with the  
10 balance to be used to pay the catastrophic benefits re-  
11 ferred to in subsection (a)(3) of this section.”.

12           (f) The first sentence following paragraph (2) in section  
13 8909(b) of title 5, United States Code, is amended by insert-  
14 ing “expenses” after “and for catastrophic benefits”.

15           (g) The amendments made by this section shall become  
16 effective with respect to contracts entered into or renewed for  
17 calendar year 1984 or thereafter.

18                                   COMPREHENSIVE DENTAL BENEFITS

19           SEC. 6. (a) Paragraphs (1) and (2) of section 8904 of  
20 title 5, United States Code, as amended by section 5, are  
21 further amended by adding at the end of each such paragraph  
22 the following:

23           “(I) Comprehensive dental benefits.”.

1 (b) The amendments made by this section shall become  
2 effective with respect to contracts entered into or renewed for  
3 calendar year 1984 or thereafter.

4 LIMITATIONS ON BENEFIT REDUCTIONS AND OFFICE OF  
5 PERSONNEL MANAGEMENT CONTRACTING DISCRETION

6 SEC. 7. (a) Section 8902 of title 5, United States Code,  
7 relating to contracting authority, as amended by section 4, is  
8 amended by adding at the end thereof the following new sub-  
9 section:

10 "(o)(1) Except as provided under paragraph (2) of this  
11 subsection, the Office may not negotiate or enter into any  
12 contract with any qualified carrier for any health benefits  
13 plan for any calendar year unless the benefits provided by  
14 such plan are actuarially equivalent to at least 95 percent of  
15 (A) the benefits under the plan provided by such carrier for  
16 the preceding calendar year, or (B) if the plan was not offered  
17 by any carrier during the preceding year, the benefits pro-  
18 vided by the approved plan which was offered during the  
19 preceding year and which is most similar to the plan.

20 "(2) The requirements of paragraph (1) shall not apply if  
21 the carrier and the Office mutually agree to a waiver of such  
22 requirements.

23 "(3) The Office shall exercise its authority under subsec-  
24 tion (a) and enter into a contract with any qualified carrier for  
25 any calendar year if—



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1 in a health benefits plan under this chapter the information  
2 required by section 8907(a) of this title.”.

3 (b) The amendments made by this section shall become  
4 effective with respect to contracts entered into or renewed for  
5 calendar year 1984 or thereafter.

6 EMPLOYEE STATUS

7 SEC. 9. (a) Section 8902(f) of title 5, United States  
8 Code, is amended by inserting “nonactive employee status,”  
9 after “health status,”.

10 (b) The amendment made by this section shall become  
11 effective with respect to contracts entered into or renewed for  
12 calendar year 1984 or thereafter.

13 ELIMINATION OF REQUIREMENT OF THREE MEDICAL SPE-  
14 CIALTIES FOR GROUP-PRACTICE PREPAYMENT PLANS

15 SEC. 10. (a) The second sentence of section 8903(4)(A)  
16 of title 5, United States Code, relating to group-practice pre-  
17 payment plans, is amended to read as follows: “The group  
18 shall include physicians who receive all or a substantial part  
19 of their professional income from the prepaid funds and who  
20 represent medical specialties appropriate and necessary for  
21 the population served and proposed to be served by the  
22 plan.”.

23 (b) The amendment made by this section shall become  
24 effective with respect to contracts entered into or renewed for  
25 calendar year 1984 or thereafter.

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