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ADDITIONAL EMPLOYEE HEALTH BENEFIT PLANS



HEARING BEFORE THE COMMITTEE ON OFFICE AND CIVIL SERVICE USE OF REPRESENTATIVES EIGHTY-EIGHTH CONGRESS FIRST SESSION ON

H.R. 1819 and similar bills

BILLS TO AMEND THE FEDERAL EMPLOYEES HEALTH
BENEFITS ACT OF 1959 TO PROVIDE ADDITIONAL CHOICE
OF HEALTH BENEFITS PLANS, AND FOR OTHER PURPOSES

MARCH 28, 1963

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ADDITIONAL EMPLOYEE HEALTH BENEFIT PLANS

THURSDAY, MARCH 28, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice at 10 a.m., in room 215, House Office Building, Hon. David N. Henderson (chairman of the subcommittee) presiding.

Mr. HENDERSON. The subcommittee will come to order.

This subcommittee, consisting of Mr. Daniels, Mr. Pool, Mr. Wallhauser, Mr. Derwinski, and myself as chairman, was appointed to consider identical bills, H.R. 1819, introduced by Mr. Olsen of Montana, and H.R. 4342 and H.R. 1058, introduced by our colleagues, Mr. Staggers and Mr. Cunningham, respectively.

These bills are similar to H.R. 10539 which was unanimously reported from our full committee on August 29 of last year and which passed the House by unanimous consent motion on October 13, the last day of the session. The bill was not taken up in the Senate.

When Congress enacted the Federal Employees Health Benefits Act in 1959, it made specific provision in the act for participation in the program by employee organizations that had earlier arranged group health insurance plans for their members in the absence of a Federal program. This was done principally to avoid the hardships and inequities that might arise if membership in these various employee organizations might be diverted into a separate Federal program. Among the requirements that had to be met by organizations' plans was that they had been in operation on July 1, 1959, and that they apply for approval as carriers before December 31, 1959.

The legislation we are considering here this morning provides, in effect, that the health benefits program be "opened up" for a short period of time—to the end of this year—to any employee organization who may, for any reason, now wish to apply for approval as a carrier. The bills would eliminate the requirement in the original act that employee organization plans must have been in operation on July 1, 1959, and they further amend the act to permit any organization to apply for approval up to December 31, 1963.

(The bill H.R. 1819 follows:)

[H.R. 1819, 88th Cong., 1st sess.]

A BILL To amend the Federal Employees Health Benefits Act of 1959 to provide additional choice of health benefits plans, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 2(i) of the Federal Employees Health Benefits Act of 1959 (73 Stat. 710; 5 U.S.C. 3001(i)) is amended by striking out "1959" and inserting in lieu thereof "1963".

(b) Section 4(3) of such Act (73 Stat. 711; 5 U.S.C. 3003(3)) is amended by striking out " , and which on July 1, 1959, provided health benefits to members of the organization".

Mr. HENDERSON. Our first witness this morning is our esteemed colleague on the committee, Mr. Olsen of Montana, author of H.R. 1819.

It is good to have you before us this morning, Mr. Olsen.

**STATEMENT OF HON. ARNOLD OLSEN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MONTANA**

Mr. OLSEN. Thank you, Mr. Chairman.

It is certainly a pleasure to be here, and I thank you and my colleagues for this early hearing on H.R. 1819.

I introduced the bill H.R. 1819, and my colleagues, Mr. Staggers and Mr. Cunningham, who are on the full committee, introduced H.R. 4342 and H.R. 1058. These bills are identical to H.R. 10539 which was unanimously reported out of this committee last August and was passed in the House of Representatives by unanimous consent on October 13, the last day of the session.

Unfortunately, because of the time limitation, the bill was not considered in the Senate.

In brief, these measures seek to correct an inequitable situation that has developed since enactment of the Federal Employees Health Benefits Act in 1959 with regard to participation by employee organizations in the program established by this act.

During the hearings which the subcommittee held last year, testimony was received from the head of a large national employee organization that his group is losing members in appreciable numbers because of the fact that they do not have a health benefits plan. And organizations that do have such plans are using the health plans as membership recruitment aids.

Now, I must say that I was on the subcommittee that heard this legislation last year, H.R. 10539 having been sponsored by our former colleague, James Davis of Georgia. I was not in sympathy with the legislation at the outset of the hearings. But because I came to believe, on the subcommittee last year, that Congress, in enacting the original law, had no intention of placing any employee organization in an unfavorable position in relation to any other organization, as has come to be the case now, I gave my support to this legislation last year.

Enactment of this legislation will correct this unfair situation by opening up the program for the remainder of this year to any employee organization that may now wish to apply for approval as a carrier of a health benefits plan.

Mr. Chairman and colleagues, the executive reports on this legislation last year were unfavorable, and I anticipate that they will again be unfavorable this year. Nevertheless, I firmly feel that the unanimous action of this committee and of the House in passing the legislation last year, and the further fact that identical bills have also been introduced this year by the chairman and by the ranking minority member of the Senate Post Office and Civil Service Committee, indicate an overwhelming sentiment in the Congress that this legislation is necessary and desirable.

I want to state this further fact, that other employee organizations have, in effect, been given a corporation charter to operate a health benefits program. At least one employee organization is, in effect, frozen out of this item of competition between these labor organizations for membership.

Mr. DANIELS. What is the name of that organization?

Mr. OLSEN. I cannot give you the whole name of it, because it is so long, but we call it the Mail Handlers' Organization. But they have a long title.

Mr. DANIELS. Does that organization's name appear in the record of testimony taken last year?

Mr. OLSEN. It does, and they testified, and they will testify again this year.

By the way, I must say that these people do not have any employees in my State, let alone my district. Honestly, they won me over to the justice of the cause that nobody, no organization, by reason of a Federal charter, should be placed in any worse position than another in attempting to represent employees of the Federal Government. And I think that this one at least is placed in this very difficult position when they cannot offer this extra service to their members.

I thank you, gentlemen, for this opportunity.

Mr. HENDERSON. Thank you, Mr. Olsen.

The Chair recognizes the fine service that you rendered. I believe that you and I were both on the subcommittee last year, and I remember the deliberations at that time. I certainly remember your service on the subcommittee.

I have no questions.

I wonder if there are other questions.

Mr. DANIELS. No further questions.

Mr. HENDERSON. Mr. Pool?

Mr. POOL.

I have no questions at this time.

Mr. HENDERSON. Mr. Wallhauser?

Mr. WALLHAUSER. I have no questions, but I would like to compliment Mr. Olsen on a very good presentation.

Mr. OLSEN. Thank you very much.

Mr. HENDERSON. Thank you.

Our next witness is our colleague on the committee, Hon. Glenn Cunningham, author of H.R. 1058.

Mr. Cunningham; it is a distinct pleasure for us to have you before the subcommittee this morning.

STATEMENT OF HON. GLENN CUNNINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. CUNNINGHAM. Thank you, Mr. Chairman.

Mr. Chairman, and members of the subcommittee, we had hearings on this last year, and those members of the committee who were here last year are quite familiar with this proposal.

I am not going to take much of your time. My statement will be in the record.

I do think that it is a fair bill. I do think that it is going to be of benefit to certain members of the Federal service. It is going to help the morale of certain segments of our Federal service. And I am

hopeful that the committee in their wisdom can go along with this legislation, whether it is my bill or any of the others that have been introduced.

Now, this health benefits plan certainly has been well received, and it is a good plan. I remember when we had the testimony setting up the plan. When was it? I believe in 1959. And it was a tremendous chore that we finally gave to the Civil Service Commission.

I want to say in the presence of Mr. Macy and other members of the Commission that they have done an extraordinary job of implementing this, and it is working smoothly.

I personally have not had occasion to take advantage of it, although a member of my family did. And I was really amazed at the plan and the benefits that are available.

Although Mr. Macy I believe said that it is one of the best, I personally think there is no other better or none certainly that can compare with it.

I wanted to say that to Mr. Macy and his staff, because they just did an excellent job in implementing this program.

So, Mr. Chairman, unless there are some questions, I simply appear in favor of the legislation and hope that the committee will approve it and it can be sent on its way for final approval by the Congress.

Mr. HENDERSON. Thank you, Mr. Cunningham.

We have with us this morning Hon. John Macy, Chairman of the U.S. Civil Service Commission, who is accompanied by Mr. Andrew Ruddock, Director of the Bureau of Retirement and Insurance.

It is a pleasure to have you gentlemen with us and anyone else who may be accompanying you, Mr. Macy.

STATEMENT OF HON. JOHN W. MACY, JR., CHAIRMAN, U.S. CIVIL SERVICE COMMISSION, ACCOMPANIED BY ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE, U.S. CIVIL SERVICE COMMISSION

Mr. MACY. Thank you very much, Mr. Chairman.

Mr. HENDERSON. You may proceed with your statement.

Of course, I think it would be in order to say that all of us on the Post Office and Civil Service Committee have been greatly impressed in these months with the fine job that you have been doing for us.

We are most appreciative of your time this morning and of what we know will be a very fair presentation, sir.

Mr. MACY. You are very gracious, Mr. Chairman.

I must confess some temerity at this point in view of the overwhelming action of the committee last year with respect to this legislation, that action being contrary to the testimony I presented last June.

I would like, if I may, to read a statement, and then Mr. Ruddock and I will be available to you for questions with respect to our position.

Each of the bills under consideration would amend the health benefits law to eliminate the requirement that participating employee organization health insurance plans have been in operation on July 1, 1959, and to permit additional employee organizations to apply for approval as carriers during 1963.

The Commission's report to the chairman of the full committee on these bills, dated March 18, 1963, sets forth our official position on this legislative proposal.

Perhaps, Mr. Chairman, to complete the record, it would be helpful to incorporate at this point that official report.

Mr. HENDERSON. Without objection, it is so ordered.

(The report referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 18, 1963.

Hon. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: This is in further reply to your requests for Commission report on H.R. 1058, H.R. 1819, and H.R. 4342, identical bills (except for printing error in line 3 of H.R. 1058; "8" should be "2"), "To amend the Federal Employees Health Benefits Act of 1959 to provide additional choice of health benefits plans, and for other purposes."

These bills would amend the act to eliminate the requirement that employee organization plans have been in operation on July 1, 1959, and would permit employee organizations to apply for approval as carriers during 1963.

The apparent purposes of the provisions proposed to be amended were three:

(1) To recognize the real contribution made by employee organizations in arranging group health insurance for their members in the absence of a Federal program, and to prevent the hardship to the organizations and their members, particularly insured former Federal employees and retired employees which would result if the greater part of the membership were drained off into a separate Federal program.

(2) To require at least a minimum of 1 year's experience in operating a health benefits plan.

(3) To restrict the number of employee organization plans to a number which would not unreasonably complicate administration of the program.

The proposed amendment would not advance the first item mentioned above and would defeat the other two.

The Commission has not observed any need for additional employee organization plans. At present each Federal employee is eligible to join at least four employee organizations having health benefits plans. When the service benefit plan, the indemnity benefit plan, and any comprehensive medical plan for which the employee is eligible are added, the choice is presently bewildering. Additional choices only serve to confuse, especially since all existing employee organization plans are variations on the indemnity benefit theme. Terms and rates differ, but the indemnity principle is the same. We would expect new employee organization plans to be similar in nature. There appears no reason, now that the Federal program is well underway, why an employee organization should feel a need for a new program for its present members.

It is apparent from the legislative history that Congress contemplated an indemnity benefit plan, a service benefit plan, half a dozen employee organization plans and a similar number of comprehensive plans, perhaps 15 in all. Under the original legislation we have approved twice that number, 12 of the existing 37 being employee organization plans. Under the proposed amendment any nationwide or agencywide employee organization could sponsor a health benefits plan if it applied by December 31, 1963, and could find an underwriter. In view of the successful operation of the Federal employees health benefits program since July 1, 1960, we would expect that underwriters can readily be found. Each carrier added to the group adds to the duties of the Commission, and of employing agencies, which also have functions under the program, inexorably followed by increases in staff and expense of administration generally. Since we do not have any information on the number of employee organizations which might qualify, we can only speculate as to the amount of the increase.

The costs of the Commission's administration of the Federal program go into the enrollment charge by virtue of the act's provision for accrual to reserves for administrative expenses of not more than 1 percent. Thus every additional administrative expense goes to raise the cost of administration for each employee as well as for the Government. The Commission prefers to see the Government's money and the employees' money used for health benefits, rather than for admin-

istration. Consequently we are compelled to object to a proposal which increases administrative costs with no real benefit to employees.

The elimination of the requirement of experience appears particularly undesirable. We have found that operation of any plan improves with experience. The first year of operation, particularly, is a learning process. Even if an experienced underwriter is selected, there are many problems which must necessarily be worked out during the first year of actual operation. This further complicates the operation of the Federal program, and if not successful, can result in employee dissatisfaction.

In addition, we may expect that any deadline set for application for approval will eliminate some existing or to be formed employee organization from consideration. We can logically expect, therefore, that if either bill is enacted, there will later be requests for further extension of the time to apply, since the sponsorship of a health benefits plan seems to be a desirable adjunct to a membership drive.

For the reasons stated, the Commission opposes the enactment of H.R. 1058, H.R. 1819, or H.R. 4342.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

Mr. MACY. In considering this proposal, I have found it helpful to review some background concerning the original legislation and its purpose. I hope that a review of this background, although it may take a few moments of your time, will provide an understanding of the Commission's adverse position on the proposed amendment.

When the health benefits law was enacted in September 1959 to be effective July 1960, experienced people in the prepaid health benefit field were practically unanimous in expressing doubt as to the ability of the Federal Government to launch such a complex program in so short a time.

Through hard work and through the cooperation of many people inside the Government and out, group health insurance for Federal employees has become a reality. In my judgment, this program, although complex, is now functioning smoothly and fulfilling the purposes intended by Congress.

Some 2 million employees, plus 4 million family members, have voluntarily elected to come under the program and are finding that their health insurance plans are among the best in the country. Our program is a model for others, and many of our approaches have been copied almost in toto by two State governments, California and Hawaii.

This committee—your committee, Mr. Chairman—which held comprehensive hearings in 1959 and made extensive changes in the original proposal offered by the executive branch, can take a large measure of credit for the law currently in effect. This statute as administered by the Commission has now reached a desirable degree of stability.

One of the main reasons why everyone who was looking over our shoulder in 1959 said it would be impossible to implement the law was that it permitted such a multiplicity of different plans and options from among which employees could choose. And these people had a pertinent point. Frankly, after almost 3 years of operation, many employees are still confused by a bewildering array of 37 plans with 55 options. This is a far broader choice than is offered under any other program in this field of benefits.

Enactment of the proposal being considered today would permit the introduction of still more plans and options into the program.

While the increased confusion among employees and the increased complexity and cost in administration would create serious problems, I would not consider them overriding if some constructive health benefits purpose would be served by the additional choices or if the interests of employees or the Government could be advanced by permitting such additional plans to enter the program. But this is definitely not the case.

Employees already have a choice of every kind of health insurance plan. The benefits offered by existing plans are among the best, if not the best, available. There is a Government-wide indemnity benefit plan with two options which every Federal employee may join. There is also a Government-wide service benefit plan which is open to every employee. There are 23 comprehensive medical plans which operate in specific geographic areas in the country.

In addition, 12 employee organization plans with 21 options, all of the indemnity type, are already participating in the program. Membership in employee organizations sponsoring 4 of these 12 plans—and each of the 4 plans has 2 options—is open to all Federal employees.

Together with the two Government-wide plans, each employee has a choice of at least 12 different options, among which he can most surely find one that best suits his personal needs and pocketbook.

Adding more plans and options would not, in any way that I can see, promote the employees' or the Government's interest. On the contrary, it would further confuse employees and complicate administration, as well as make the program more costly to the Government and to employees.

If we now permit new plans to enter the program——

Mr. POOL. Pardon me a second. May I interrupt there?

Mr. MACY. Yes, Mr. Pool.

Mr. POOL. Why does it make it more costly?

Mr. MACY. It would make it more costly, Mr. Pool, because if a new plan were authorized it would necessitate that the Commission meet with the newly authorized carrier to develop the details and specifics of the plan, to join with the new organization in developing a brochure and the materials that are involved in giving full and complete description of the characteristics of the plan, and it would mean on a continuing basis an additional carrier for the Government's representative, the Civil Service Commission, to deal with.

If we now permit new plans to enter the program, it is our judgment that at best they could expect to produce a very small enrollment, on the order of 1,000 to 5,000 employees or perhaps even less. Experience in the Federal program parallels that of the insurance industry and demonstrates that the percentage of premium which must be used for administrative expenses is larger for a smaller group.

Any new plan of small size would entail a disproportionate amount of administrative expense, leaving less in premiums available for the payment of benefits and hence resulting in benefits which are not as good as those offered by competing plans.

In 1959, in redrafting the bill which became the health benefits law, the committee realized the wisdom of limiting the number of employee organization-sponsored plans and, in fact, it very carefully did so.

At that time there were valid reasons for permitting a small number of employee organization plans to participate in the Federal program.

These plans had been in existence for a long time and had been filling a need for their Federal employee members. Employees who belonged to these organization plans were generally well satisfied with them, especially when they improved their benefits with the advent of the health benefits law.

These existing plans had experience in operating a health insurance program and a nucleus of satisfied plan members they could rely on to continue in the plan after the Federal program went into effect. Any new plan would not have this advantage, nor could it justify its formation and participation in the Federal program on the basis of offering its members better benefits or lower cost than they can find in other available plans.

All things considered, I would say that a plan without experience in the Federal employees health benefits program would have difficulty overcoming the very strong competition of the existing plans and could attract only a very small enrollment. The combinations of small enrollment and high administrative expense could well result in quick failure unless the premiums were set so high as to make them prohibitive or at least not competitive with those of existing plans.

With the new health benefits program operating smoothly, through its numerous and diverse types of plans, health insurance needs of Federal employees are being met in a fine fashion. Additional plans would not help employees in any discernible way and cannot be justified in view of anticipated cost to the Government and to employees.

It is, therefore, the judgment of the Commission, in its role as administrator of the program, that enactment of the amendment proposed is not warranted. We strongly urge that this proposal be not favorably considered.

Thank you, Mr. Chairman.

We would be happy to answer any questions that you have.

Mr. HENDERSON. Thank you, Mr. Macy.

Are there questions?

Mr. DANIELS.

Mr. DANIELS. Mr. Macy, what would be the additional cost to the Government if it sanctioned approval of these bills before the committee?

Mr. MACY. The costs are difficult to specify in dollars and cents. I believe last year in our testimony we estimated that the initial cost of putting a plan into operation would be about \$20,000. That would be the initial cost involved.

There would be some continuing cost because we are obligated under this program to have occasional open seasons at which time the employees are permitted an opportunity to review the various plans and either to renew their choice or to select an alternate plan.

Adding another plan to such open seasons would also increase the magnitude of our administrative operation.

Mr. DANIELS. What is the cost of administration at the present time?

Mr. RUDDOCK. The administrative expenses of the Civil Service Commission are running just a little over \$1 million a year. This includes personal services as well as other costs such as printing and distribution of materials.

Mr. DANIELS. If we opened up the law to permit new organizations to come in, you estimate it might cost about an additional \$20,000?

Mr. MACY. That would be the initial cost.

Mr. RUDDOCK. For each new plan that chose to participate.

Mr. DANIELS. For each new plan?

Mr. RUDDOCK. Yes.

Mr. DANIELS. What would that expense be incurred for? For printing?

Mr. RUDDOCK. As the chairman has indicated, it would be personal service cost for developing the details of a plan, for getting a contract into shape for approval by the Commission and the carrier, for developing the brochure which explains the benefits of the plan, for the printing of that brochure and for its distribution to all of the Government offices throughout the country that would need it for handing to the employees.

Mr. DANIELS. Now, assuming that all of that was done, could you explain this statement to me where you say:

Adding more plans and options would not, in any way that I can see, promote the employees' or the Government's interests. On the contrary, it would further confuse employees and complicate administration, as well as make the program more costly to the Government and to employees.

Can you explain that statement?

Mr. MACY. Yes. I indicated earlier in my statement that the multiplicity of programs and the number of options have made it difficult for the employees to form judgments as to which plans are in their best interest in meeting their needs. The addition of further options and plans would only further complicate and confuse that situation.

It is not possible to provide any plans that provide improved or more extensive coverage than the Government-wide plans that exist at the present time, particularly with a plan that would have to be based on a relatively small number of employees.

Mr. DANIELS. Of course, that is a matter of opinion. In your opinion you say the present plans provide a wide variety of options and give many benefits, perhaps the best benefits of any plans presently available, and that any new plans may not give such wide benefits. But is that not a matter for election of the employees?

Mr. MACY. Well, I think it is a matter of election. But in looking at the prospect of additional plans, the test we were endeavoring to apply in making this statement was whether the plan would provide a health benefit feature that is not presently offered to the employee in other existing plans.

Our conclusion from our knowledge of the health insurance industry is that it would not be possible within the dollars that would be available to provide benefits that are not now available.

Mr. DANIELS. On the other hand, Mr. Macy, it was not the intention of this Congress when this law was initially adopted to injure any presently existing employee organizations in their membership.

Mr. MACY. Yes.

Mr. DANIELS. And it has been already testified to by our colleague, Mr. Olsen, that one organization to his knowledge has been losing membership by reason of the fact that it is not participating in this plan at present.

Mr. MACY. Well, organizations lose membership for a variety of reasons, and it seems to me that to attribute it solely to this would raise some question.

Mr. DANIELS. If the testimony should indicate that that is the principal reason why it is losing its membership, would your opinion be different from that that you have already uttered?

Mr. MACY. No.

Mr. DANIELS. No further questions, Mr. Chairman.

Mr. HENDERSON. Mr. Wallhauser?

Mr. WALLHAUSER. Mr. Macy, are there any other organizations or plans being proposed at the moment other than the one that has been testified to?

Mr. MACY. No. The principal advocate of this legislation is the mail handlers' organization. I understand that another postal organization, the National Association of Postal Supervisors, has at its convention approved a resolution directing its officers to support legislation of this kind with the idea that they might ask for approval of a plan.

There is always the possibility that if it is opened up there will be several other organizations that do not at the present time possess these plans who would come forward with an application.

Mr. WALLHAUSER. How many other organizations are there that do not have—

Mr. MACY. Oh, there are many organizations—12 organizations—that have them at the present time. There are two specific examples where there is competition. In the white-collar field, the AFGF does have a plan; the NFFE does not have a plan. We have not had any advice from the NFFE that they will press for a plan of their own. But, because they are naturally in competition for membership, this is a possibility.

The two organizations of postmasters also. One, the League of Postmasters, has a plan; the National Association of Postmasters does not.

Now, the question there is: Would the association under the terms of this amendment also wish to have a special plan of its own?

I think it is very clear that since the enactment of the law and since the plans have been approved and in operation they have become a decided feature of competition among organizations seeking membership. Mr. Ruddock and I are very much aware of this at the times when we are reviewing new proposals for those who already have plans. Because there is a great deal of competition to see who can have just a little bit higher in the way of benefits, a little improved approach for the membership, because it has become a recruiting device.

I am aware of that. But I do not feel that the existence of that condition warrants a further extension of an already complicated set of options that are available to Federal employees.

Mr. WALLHAUSER. In your statement you said that you would not consider the previous objections overriding if some constructive health benefits purpose would be served by the additional choices, and so forth.

Mr. MACY. Yes.

Mr. WALLHAUSER. I was wondering what constructive benefits had ever been proposed by those who were already in prior. There were

no constructive benefits given or offered by the employee plans that we accepted originally.

The Government-wide program would have taken care of everyone if they elected to take it.

Mr. MACY. But the judgment of the committee and of the Congress was that there were certain plans in being at that particular time and it did not wish to disadvantage those programs by, in effect, producing their elimination by having just two plans.

And, generally, three criteria were set up in 1959. One was to recognize the fact that there had been a contribution to health insurance in a period when the Government was not providing it by these employee groups. These were groups that took this on, on their own, without any benefit or assistance from the Government.

Second, it was the judgment of the committee that there ought to be a minimum of 1 year of experience on the part of such an organization plan before it became a feature in the Government's total plan.

The third factor was that they restrict the number of employees to the number that would not unreasonably complicate administration.

Those were the three basic reasons for including this as a part of the program even though the two Government-wide plans authorized would provide the total range in the judgment of the sponsors of the bill of the necessary health benefits.

Mr. WALLHAUSER. Who certifies to the effectiveness or stability of the plans? The Civil Service Commission?

Mr. MACY. The Civil Service Commission, yes.

Mr. WALLHAUSER. Similar to the department of insurance in a State certifying to the soundness of their ability to pay?

Mr. MACY. That is correct. They submit a plan to the Commission, and there is negotiation on that plan to assure that it will operate effectively and protect employees from getting involved in a plan that may not be able to operate.

Mr. WALLHAUSER. That is what I mean. Then it really becomes your problem and the problem of the carrier to satisfy you as to their ability to perform in accordance with the premium it is going to charge? Is that not so?

Mr. MACY. Yes. That is right.

Mr. WALLHAUSER. So I hardly agree with your statement where you talk about quick failure unless the premium were set so high. I mean this will have to be determined at a later date, if this bill should happen to become law, as to whether or not their premium charge and their assets are sufficient to take care of their liabilities and their ability to pay?

Mr. MACY. That is correct. But we felt that in fairness to the committee that we ought to give our best judgment to what was likely to happen if an organization with relatively limited membership were to go into this plan where they have to seek participation in the plan and where a limited membership means higher administrative cost.

We know this based on experience.

Mr. WALLHAUSER. I must say, Mr. Chairman, I have the greatest respect for you and for the Commission, and you have always been very cooperative. And I have served on another committee before which you have testified, and you were most cooperative. I am con-

vinced that your presentation this morning is done with entire sincerity, and I congratulate you for that.

Mr. MACY. Thank you, sir.

Mr. HENDERSON. Mr. Macy, in the committee's report of last year on H.R. 10539, the committee, after setting forth its reasons for reporting the legislation, adopted this language:

The committee further emphasizes that this action is not a precedent for similar action in the future. The so-called open season will exist for only this one period of time specified in the bill, and organizations desiring to apply for approval as carriers will have only this one opportunity to do so.

As I recall the situation, as we saw it last year, I think we were as concerned on the committee as we think you are here with what could be the effect if we did not have the limitation, the so-called short open season.

I do not know whether it is fair to you to answer the question since you are opposed to the legislation, but assuming that the subcommittee and the full committee again thought that the inequities of the enactment of the law in 1959 should be remedied by the enactment of the bill or bills before us, would you comment on the helpfulness or the desirability of this type of language in the committee report showing the clear legislative intent of the Congress?

Mr. MACY. Yes. I believe the intent evidenced in the report and the language in the three bills that limits the period for submission of new plans to 1963 is desirable.

Mr. HENDERSON. Right at that point, would you suggest any other dates or periods of time than we have proposed before us in the legislation?

Mr. MACY. The bill, as I recall it, limits the period of application to 1963. Of course, that produces somewhat of an uncertain period of time because—

Mr. HENDERSON. If you knew when we were going to enact it, it would be more specific I am sure.

Mr. MACY. I think if you were to enact this legislation it would be my view, as the administrator of the bill that you enact, that you would probably want to have a period certain for this rather than just to have it run for the balance of the year.

Now, it may be that Congress will be in session until Christmas and that this would be enacted the day before. This would be an unreasonable period of time for the organizations to submit a plan and for the Commission to meet.

I would say that a 6-month period is desirable.

Mr. HENDERSON. Six months after the date of the enactment?

Mr. MACY. I would say 6 months subsequent to the enactment of the law.

Mr. HENDERSON. Do you think this would be a sufficient time to enable you to give fair opportunity to the organizations that we specifically have in mind but would be sufficiently short not to open it up to cover the concern that certainly I have and you have so well expressed in your presentation this morning?

Mr. MACY. Yes, sir. I think that if we were to permit a 6-month period for the submission of applications that this would be far better than the open-end proposal that came before you last year.

Mr. HENDERSON. And you do feel that similar language or the language that we had last year would be most helpful in the administration of the legislation?

Mr. MACY. In the report. Yes. The evidence of intent on the part of the committee would be very helpful.

Mr. HENDERSON. Mr. Pool, any questions?

Mr. POOL. I have no questions.

Mr. HENDERSON. Mr. Macy and Mr. Ruddock, we appreciate your presentation and your appearance this morning. You have been very helpful to the subcommittee.

Mr. MACY. Thank you very much, sir.

Mr. HENDERSON. I would like to direct a few comments to Mr. Cunningham, who I note is still here. The Chair recognizes that you were on the committee last year, Mr. Cunningham, when this matter was considered, and I am sure that your interest and motivation came from your study of last year.

You have heard the questions posed to Mr. Macy. Would you have any objections specifically, let's say, that your bill be amended to provide for a 6-month period after enactment?

Mr. CUNNINGHAM. No. I do object to Mr. Macy indicating there is a possibility that we will be here until Christmas.

Mr. HENDERSON. He may be more realistic than we.

Mr. CUNNINGHAM. But, seriously, I can see the problem that would be presented if this was enacted late in a late session. So, of course, that amendment should be considered in view of that fact.

Mr. HENDERSON. You certainly made a very fair presentation this morning, as we know you always contribute to our committee deliberations, and I want to congratulate you on taking time from your busy schedule to be with us and be so helpful.

Any questions, Mr. Wallhauser?

Mr. WALLHAUSER. I have no questions other than to congratulate Congressman Cunningham, who I am certain has the best interests of groups such as the mail handlers and other groups of employees at heart, and thank you very much for coming.

Mr. HENDERSON. Mr. Daniels?

Mr. DANIELS. No questions. Thank you.

Mr. HENDERSON. Mr. Pool?

Mr. POOL. No questions.

Mr. HENDERSON. Thank you, sir.

Mr. CUNNINGHAM. Thank you very much.

Mr. HENDERSON. Our next witness will be Mr. Harold McAvoy, president of the National Association of Post Office Mail Handlers, Watchmen & Messengers. I can only read the title. I think Mr. Olsen referred to it as the Mail Handlers.

Mr. McAvoy, we are very happy to welcome you before the subcommittee this morning, and any associates that you have that you would like to have at the table feel free to bring up and introduce them.

STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT, POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS & GROUP LEADERS

Mr. McAVOY. I was going to ask them to come along, but I notice on the list that Mr. McCart and Mr. Riley have asked to testify on their own.

Mr. HENDERSON. They will be given that opportunity.

Mr. McAvoy. Mr. Chairman and members of the subcommittee, for the record my name is Harold McAvoy. I am national president of the Post Office Mail Handlers, Watchmen, Messengers & Group Leaders, and our membership in our mail equipment units.

We are members of the American Federation of Labor and Congress of Industrial Organizations, and the Government Employees' Council. Our national office is located at 900 F Street NW., Washington, D.C.

Mr. Chairman, the three bills before you and the committee—H.R. 1058, introduced by Representative Glenn Cunningham, of Nebraska; H.R. 1819, introduced by Representative Arnold Olsen of Montana; and H.R. 4342, introduced by Representative Harley O. Staggers, of West Virginia, are fully endorsed by our national organization.

These bills will amend the Federal Employees Health Benefits Act of 1959 and provide additional choice of health benefit plans for our people. Under the original law of 1959, employee unions could not participate as carriers unless they at that time already had a health insurance program of their own.

The Civil Service Commission, I understand, points out that our people in this case are eligible to join at least four employees' organizations who have health benefit plans.

With your permission, when I say "four employees' organizations," I am talking about the postal service. The motor vehicle group has its own plan; the special delivery employees have their own plan; The Federation of Clerks has their own plan; and the letter carriers. The only people who do not have it are our people.

I understand that this is one of the Civil Service Commission's big reasons for not approving the bills now under consideration by this committee. If the above is correct, I would like to point out that before any of our people can join said organizations' hospital plan he must join said organization as a member.

The majority of our members are now in pay level No. 3, which is the bottom rung in postal pay, and are therefore in no financial position to stay as members in our mail handlers' national organization, after joining, for instance, the letter carriers or any other organization who are in pay level No. 4. Reason for joining as a member: their hospital plan.

Much to my amazement, although we are all part of the AFL-CIO and have signed the "no raiding pact," our people are accepted as members. Since the law was enacted in 1959, our national organization has lost over 7,000 members. I firmly believe that Congress, in enacting the original law in 1959, had no intention of placing any employee organization in an unfavorable position in relation to any other organization as has come to be the case.

If you will take time to check the testimony presented to the committee by the postal labor union leaders when public hearings were opened, July and August 1959, you will find that we presented our testimony jointly with the letter carriers, clerks, and so forth. This came about through the Government Employees' Council. We all agreed in the best interest of all Federal employees, plus faced with a time element, that we present a joint statement. Little did I realize that in a few years we would lose membership through the enactment of said legislation into law.

Our national organization has been in existence for 50 years, and I do not believe it was the intention of Congress to destroy a national labor union.

The Civil Service Commission, I understand, would prefer to use the employees' money, plus the Government's money, for health benefits. They say that the bills before you for consideration would increase administrative costs with no real benefit to our people. This thinking is hard to understand when one considers that over 32,000 mail handlers are involved.

On December 10, 1960, the Civil Service Commission had 3,605 employees on the payroll according to Senator Byrd's report. In 1962, the 3,605 increased to 4,146 employees, an increase of 541 employees, at a cost of \$301,000.

I am a firm believer in charity should start at home. I suggest that if you pick up any evening paper you will read about the billions of dollars being appropriated for this and that, and now, as was pointed out by the Civil Service Commission when they testified last year on similar bills, a cost would be involved. Again this is difficult to understand as the law has been in effect since 1959. I can hardly believe that if our people are included in the Health Benefits Act that more than several clerks will be needed.

If this small cost is more important than the welfare of 32,000 mail handlers, who at the present time have no hospital plan, I repeat, it is difficult for your writer to understand. I urge you to give speedy and favorable consideration to the bills now before you for consideration.

In conclusion, Mr. Chairman and members of your subcommittee, I am indeed grateful to Representative Olsen, Representative Cunningham, and Representative Staggers for introducing the bills, and to add I deeply appreciate the chance of appearing before you and the subcommittee to express the thinking of our national organization.

Mr. HENDERSON. Thank you, Mr. McAvoy.

Do you feel that if we were to amend these bills to provide for a 6-month open season period after enactment that that would give your organization sufficient time to negotiate with the Civil Service Commission and work out your problem?

Mr. McAVOY. I listened very closely to you discussing the question with Mr. Macy and Congressman Cunningham. The only doubt that would enter my mind is we have been faced with this problem since 1959, and I understand this coming October they are going to open the books.

Now, when they will open again I do not know. And it was the thought of all the people around our setup that we should be in the position with the help of Congress and friends to be able to present a plan. We have a plan ready right now. We have definitely an insurance firm which is fourth in the country with assets of over a billion dollars willing to take it on immediately.

So the only problem that would confront us or any doubt would be that if we are not ready in October when would we have the opportunity? I understand the books are going to be opened for all employees in Government in October.

Mr. HENDERSON. This is a problem that belongs to Congress, I think.

Mr. McAVOY. Yes.

Mr. HENDERSON. But do you feel that the 6-month period after the enactment would be a sufficient time for you?

Mr. McAVOY. Oh, more than ample time, Congressman.

Mr. HENDERSON. Any further questions?

Mr. Daniels?

Mr. DANIELS. I want to ask a question. How many members are there in your national organization?

Mr. McAVOY. Right now I would say about 22,000. Close to it.

Mr. DANIELS. In your testimony you made mention of 32,000.

Mr. McAVOY. That is right.

Mr. DANIELS. Do you mean to infer then that you have lost 10,000?

Mr. McAVOY. I would say right now close to it. Now, this was a research job when the national secretary and national treasurer came up. We went by and included even the national election that the post office definitely went through last year on exclusive rights, and so forth. And we found that, for instance, the clerks had close to 2,000 members. The letter carriers had about 1,800. The NPU had over 3,000. And we adjusted all these figures to arrive at this figure of 7,000. And all our people have gone over.

We just came back from Texas, and all our people said, "Mac, talking off the record, we have got to get a hospital plan. But the fact remains I have joined the NPU or Letter Carriers or Federation of Clerks for one reason—that I have a family and I have got to have protection. We have no plan."

Mr. DANIELS. In other words, the loss of 10,000 in your membership over the past year you attribute directly to the fact you do not have a health plan?

Mr. McAVOY. That is true.

Mr. DANIELS. Thank you.

Mr. HENDERSON. Mr. Pool.

Mr. POOL. On the 6-month period, why could it not be 12 months? I cannot understand why a 12-month period would not give you more time and you would be sure to get your plan.

Mr. McAVOY. I do not think time is as much of a problem, Congressman. The fact remains, as I said to the chairman, they are going to open the books, which would give every man in Government the chance to change plans or to reconsider the plan they have at this time.

Now, this will be this coming October. Now, will we be in a position if the Congress passes this bill to definitely present a plan at that time? Because they send brochures out which covers every plan in Government. If the bill was enacted into law, we would have our plan included in this brochure.

Mr. POOL. In other words, 6 months is agreeable with you?

Mr. McAVOY. Oh, yes.

Mr. POOL. You are sure that is all right?

Mr. McAVOY. I have no objection to that.

Mr. HENDERSON. You can understand Mr. Macy's position that he would want a limited period?

Mr. McAVOY. I agree.

Mr. HENDERSON. One that is sufficient for you to get in but one that is short enough that it does not open it up for all time?

Mr. McAVOY. Mr. Chairman, I think I have said this before. We are in existence for 50 years. We are part of the AFL-CIO. We are part of the Government Employees' Council. We feel we are a true labor organization, and we have proved it over our existence.

The fact remains if we do not have a plan soon we are going to go out of existence.

Mr. HENDERSON. Certainly if we enact the proposed legislation, we want to be sure that you had a sufficient period of time to get your plan into operation.

Mr. McAvoy. Yes.

Mr. HENDERSON. On the other hand, I think that we have recognized the position of the Civil Service Commission that an open end could bring on many problems that are not necessary by the situation that you and your organization find you are in.

Mr. McAvoy. I fully concur.

Mr. HENDERSON. Mr. Wallhauser.

Mr. WALLHAUSER. Mr. McAvoy, you mentioned that you are ready with a plan.

Mr. McAvoy. That is right.

Mr. WALLHAUSER. And a very substantial company. So that you do not agree with the statement of Chairman Macy in which he raises the danger signal of possible failure on the part—

Mr. McAvoy. Oh, the assets of the company who would be the carrier if enacted into law are over a billion dollars. They are the fourth largest in the country.

Mr. WALLHAUSER. You are ready, willing and able to step up and give them a company that you in your mind would be sure to be approved immediately?

Mr. McAvoy. Yes.

Mr. WALLHAUSER. And you cannot agree that there would be a great deal of additional cost as the Commission—

Mr. McAvoy. It's a well-established insurance company.

Mr. WALLHAUSER. Thank you.

Mr. HENDERSON. Other questions?

Thank you, Mr. McAvoy.

Mr. McAvoy. Thank you, Mr. Chairman and members of the subcommittee.

Mr. HENDERSON. The next witness is John McCart, operations director of the Government Employees' Council.

Mr. McCart, we will be glad to hear from you at this time. And may I say it is a pleasure to have you before the subcommittee again.

STATEMENT OF JOHN McCART, OPERATIONS DIRECTOR, GOVERNMENT EMPLOYEES' COUNCIL

Mr. McCart. Good morning, Mr. Chairman. I am John A. McCart, operations director of the Government Employees' Council, AFL-CIO. Twenty-four unions representing Federal Government employees comprise the council, Mr. Chairman.

This legislation was discussed at a recent meeting of the council, and it was endorsed.

I therefore present our endorsement to you and urge that the subcommittee take early favorable action on the bill.

Mr. HENDERSON. Mr. McCart, I do not believe that the council took this action at the time of the consideration of the legislation last year. This is new action on the part of the council?

Mr. McCart. That is correct, Mr. Chairman.

Mr. HENDERSON. It is very heartening to know. We appreciate you coming and advising us of this position.

Any questions?

Mr. DANIELS. No questions.

Mr. POOL. No questions.

Mr. HENDERSON. Mr. Wallhauser?

Mr. WALLHAUSER. I have none.

Mr. McCART. Thank you, Mr. Chairman.

Mr. HENDERSON. Thank you, Mr. McCart.

Mr. WALLHAUSER. Mr. Chairman, may I ask Mr. McAvoy one more question I would like to establish on the record?

Mr. HENDERSON. Mr. McAvoy, you may come back.

STATEMENT OF HAROLD McAVOY, NATIONAL PRESIDENT, POST OFFICE MAIL HANDLERS, WATCHMEN, MESSENGERS, AND GROUP LEADERS—Resumed

Mr. WALLHAUSER. Do you know of any other benefits that an employee of your organization would receive by joining another union other than the health benefits plan?

Mr. McAVOY. Well, to answer your question, I would like to give a small illustration of the competition pertaining to hospital plans within the postal service. I will confine it, of course, to post offices.

I had lunch over on the Senate side 2 weeks ago, and the chairman of the Senate Post Office Committee and I were kidding each other as people do after lunch.

And Olin said, "I want you to remember I am part of the labor movement too. I am an A.F. of L. man."

And I just looked at him and sort of smiled, and I said, "May I ask how come?"

And he said, "Well, I belong to the Letter Carriers' hospital plan." That is your answer.

Mr. WALLHAUSER. There are no other benefits that you know of—

Mr. McAVOY. No.

Mr. WALLHAUSER (continuing). By an employee leaving your organization and joining another?

Mr. McAVOY. Just that plan.

Mr. WALLHAUSER. Except the plan?

Mr. McAVOY. That is right.

As Mr. McCart said, we represent 24 or 25 unions in the Government Employees' Council. I am part of the legislative committee with Jerry Keating, Everett Gibson, John O'Connor, and George Warfel. And the only difference in recruitment used by other organizations, which amazes our people, is the hospital plan.

All we ask for is fairplay. We want the same privilege that they have.

Mr. WALLHAUSER. Thank you.

Mr. HENDERSON. It might be well if I called Mr. Ruddock back.

STATEMENT OF ANDREW E. RUDDOCK, DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE, U.S. CIVIL SERVICE COMMISSION—Resumed

Mr. HENDERSON. Mr. Ruddock, I think it would be helpful to the subcommittee if you could tell us about your plan for opening up in October.

Do you now have plans to open in October for the employees to take another look at their benefits?

Mr. RUDDOCK. Yes, we definitely do.

The original enrollment period was during the month of June in 1960. The plans went into effect July 1. At that time the regulations of the Commission provided that there would be an open season in October of 1961 and that there would be an additional open season at least once every 3 years thereafter.

We had just a limited open period in October of 1962. This was an opportunity for people who were not enrolled in any plan to come in to a plan. It was an opportunity for anyone, for example, who was signed up for self only to enlarge his coverage to include his family. It did not include an opportunity in 1962 to change plans or options.

In the fall of this year, 1963, and this will probably be in October, there will be another opportunity where every eligible Federal employee may change his plan, his option, change from self to self and family, or vice versa. In other words, make any change he wants to make just as if we were starting over.

Mr. HENDERSON. Mr. Ruddock, if the proposed legislation were enacted in sufficient time for you to consider and work out the additional plans that might be authorized and accepted by the Commission, would the open season in the fall of this year permit the employees to take the additional plan that might be authorized under this legislation?

Mr. RUDDOCK. It would if we could accomplish the necessary work in time.

Let me say if, for example, this piece of legislation were enacted this month—and I am assuming the nearly impossible—if there were only one or perhaps two or three new plans coming in to participate, I think we could easily handle this, have the contract ready, and have the brochure prepared, printed, distributed, and ready to be handed to the employees in October.

If, on the other hand, and again I am assuming an impossible, let's say that 20 new plans came in and asked to participate, I think it would be impossible to simultaneously make all of the arrangements for 20 plans, 20 new ones, to participate for this particular open season in October.

Now, we have sent a notice to each of the carriers asking them to submit to the Commission not later than April 30 any proposed amendments to their plan which they have. So we will have the task of negotiating and refining these proposals, of accepting the ones on which we mutually agree, writing them in the plan, and amending the brochures. So there is a tremendous job to be done between now and October without any new plans participating.

However, let me repeat that if we had just one, two or perhaps three I am sure that we could handle it.

Mr. WALLHAUSER. May I ask a question, Mr. Chairman?

Mr. HENDERSON. Mr. Wallhauser.

Mr. WALLHAUSER. Is October a firm date? Does it have to be the month of October?

Mr. RUDDOCK. That has been announced, sir.

Mr. WALLHAUSER. It has been announced?

Mr. RUDDOCK. Let me mention two other possibilities. If this worked out so that new plans wanting to participate could not be put in shape by that time—I guess there are several possibilities—the Commission might consider a change in the time of the open season or the Commission might declare a special open season which would be an opportunity for any present employees to join one of the new plans. This could come in January, April, June, whenever we are ready for it.

Another possibility would be that for ones coming in too late to participate for this fall, we could arrange for an open season a year from now to accommodate them.

In other words, this is not something which cannot be overcome.

Mr. WALLHAUSER. That is right. This is at the discretion of the Civil Service Commission?

Mr. RUDDOCK. That is right, sir.

Mr. WALLHAUSER. Thank you.

Mr. HENDERSON. Any further questions?

Mr. POOL. In view of that, then, is the 6-month time limitation fatal to the operation of this bill in your opinion?

Mr. RUDDOCK. No, Mr. Pool. As I understand the amendment which has been proposed and which has been discussed, it is merely one of setting a deadline date by which any organization which wants to participate must file an application.

Mr. POOL. You can adjust your procedures to work with the law? Is that right?

Mr. RUDDOCK. We would try to do that, sir. As I understand it, all that would be necessary would be on the day before the deadline date an organization could come in with a simple statement saying, "I hereby apply for participation," that would meet the deadline. I do not believe there has been any contemplation that we would have to work out all of the details and have the plan in effect within that 6-month period.

May I also add, sir, that in its administration of this program the Civil Service Commission is concerned primarily with the welfare of the Federal employees, and we are not in any sense trying to run the program in a way which is most convenient for us. That is not our objective.

Mr. WALLHAUSER. I think that has been pretty well established.

Mr. RUDDOCK. Thank you, sir.

Mr. HENDERSON. Thank you, Mr. Ruddock. We appreciate your coming back, sir.

Our next witness is Mr. George Riley of the International Association of Ironworkers.

Mr. Riley, it is a pleasure to have you before the subcommittee this morning.

**STATEMENT OF GEORGE RILEY, LEGISLATIVE REPRESENTATIVE,
INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL &
ORNAMENTAL IRONWORKERS**

Mr. RILEY. Thank you, Mr. Chairman.

My name is George D. Riley, legislative representative of the International Association of Bridge, Structural & Ornamental Ironworkers.

We are also affiliated with the Government Employees' Council, and we have a strong sense of justice in this regard.

We have no problem as such in our own union. We do not like to see our brother unions have any problem either.

Before coming into this present tour I was legislative representative for the American Federation of Labor and Congress of Industrial Organizations. This particular type of legislation fell into the field of my own activity, and I followed through with the assistance of our technical staff at that time, and I came before your committee and presented the case.

It was the feeling at that time that this legislation—as far reaching and farsighted as it was—would never be intended to be exclusive but to be inclusive of all groups and all individuals.

I doubt that many caught this particular gimmick in here of shutting the door on others who were not immediately prepared with instant plans to come in to have them approved.

That was 1959. And here we are in 1963. And you still have some who are literally outcasts under this system.

I am very happy to see the conciliatory attitude which has been displayed by the Commission this morning. I think it is enlightened, and it is actually advanced thinking. I hope they keep it up. And I have full faith and confidence in this subcommittee and the full committee that you will not allow any backward steps in this matter but you will continue to go forward.

We know that there is only a technical shade of difference why, in the expiring hours of the last Congress, this bill did not get enactment, because you operated under suspension of the rules. You got it through without murmur of difficulty. And as it was messaged into the Senate Chamber they drew the curtain there, and that was the end of the act for the 87th Congress.

So, having done this splendid work already, I hope you will give yourselves full credit for the action you have taken previously.

Mr. HENDERSON. Thank you, Mr. Riley.

Any questions, Mr. Daniels?

Mr. DANIELS. Mr. Riley, you were at this hearing all morning?

Mr. RILEY. Yes.

Mr. DANIELS. And you heard the Chair announce that it is the intention of the Congress, should this bill be enacted, that it will be enacted just for this one time and thereafter the door will be closed. Do you subscribe to that thought?

Mr. RILEY. Well, it certainly would be a useful device to open the door for those who are waiting to get in or hoping to get in.

I would not ask you to pledge yourself to the unforeseeable future. I think this will accommodate everything that is in sight. It is not a happy thought for one group, let us say if the Ladies' Garment Workers were told they had to get into the Chemical Workers in order to get some beneficial results. That is about as weird as the situation that we have here today where the members of one union or one labor group are told, "Well, if you want anything out of this thing, no matter how much you need it and how preventive it is and how morale building it is for the Government itself, you have to do this."

The Commission made a point "if it is in the interest of Government." That, to me, is that intangible element that never gets considered. Then you have got to get over here in left field and play

ball in this side of the field with the sun in your eyes rather than over here in the shade where you can be more effective.

Mr. DANIELS. Our colleague, Mr. Olsen, testified that this legislation is intended to correct an inequity.

Mr. RILEY. There is no question of that.

Mr. DANIELS. It is that inequity that presently exists that this legislation proposes to cure.

Mr. RILEY. My information is the Senate committee is ready to take this up just the moment it is cleared on this side. You have got the pattern set from last year where the House acted first. They did not have time. I am sure they would like to repair the damage as much as they can and take it up as soon as you gentlemen are ready and able to do it.

Mr. HENDERSON. Mr. Riley, I am sure that you want the record clear, and we do not want any misunderstanding. Now, as I understand it—I will speak specifically with regard to the mail handlers—while they do not have the opportunity to participate in their own plan, there is the testimony that they are going and joining other unions in order to get into the welfare plan.

The record should show they have the opportunity to come into the Government plan. They do have that much of a choice.

Mr. RILEY. Yes. I do not know what porportion are in under that sort of plan.

Mr. HENDERSON. Yes, sir.

Mr. RILEY. I reciprocate your feeling, Mr. Chairman, and I feel sure the committee would like for these groups to continue to maintain their identity and their morale which is so important in any job in the U.S. Government.

Mr. HENDERSON. I just thought that the record should show they do have that somewhat limited choice.

Mr. RILEY. Yes, that is right.

Mr. HENDERSON. Mr. Wallhauser?

Mr. WALLHAUSER. I have no questions.

Mr. HENDERSON. Mr. Pool?

Mr. POOL. I just want to compliment you for appearing before the committee and taking your time.

Mr. RILEY. Thank you, Mr. Pool. Very happy to see you on this committee.

Mr. HENDERSON. Thank you, Mr. Riley.

The next witness is Dan Jaspan, legislative representative of the National Association of Postal Supervisors.

Mr. Jaspan, it is always good to have you testify before one of our subcommittees.

Mr. Jaspan, would you introduce the gentleman with you?

**STATEMENT OF DAN JASPAN, LEGISLATIVE REPRESENTATIVE,
NATIONAL ASSOCIATION OF POSTAL SUPERVISORS; ACCOMPANIED BY FRED J. O'DWYER, NATIONAL PRESIDENT, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS**

Mr. JASPAN. Thank you, Mr. Chairman.

I am accompanied by our national president, Fred J. O'Dwyer, who just left San Francisco, unwillingly I believe, to join our permanent office staff and to see that we are doing our job.

Mr. HENDERSON. It is a pleasure to welcome you before the Congress and the committee, Mr. President. I do not know whether you will find the change in climate and scenery so wonderful, but it is good to have you before us.

Mr. O'DWYER. Thank you very much, Mr. Chairman. I found today much more comparable to my weather back home.

Mr. HENDERSON. Mr. Jaspan, you may proceed.

Mr. JASPAN. Mr. Chairman and members of the subcommittee, my name is Daniel Jaspan. I am the legislative representative of the National Association of Postal Supervisors, composed of more than 26,000 members in all 50 States and Puerto Rico. Our membership is comprised of supervisors in the post office, including those in the maintenance and motor vehicle services.

During the time hearings were held on the health benefits plan we did not have a plan of our own, and we do not have one now. At that time we were anticipating that the law would be passed limiting the selection to one or two nationwide choices. Our reasoning was based on the very excellent Life Insurance Act previously passed, and administered by the participation of nationwide insurance companies.

I may add, Mr. Chairman, that at that time there were quite a few employee organizations that had their own life insurance plans, and those were absorbed by the nationwide plan. That is the reason we felt that the same would happen with the health insurance plan.

It is now apparent that the present recognized employee plans will be continued. It is our belief, therefore, that the employee associations which did not qualify at the time of the enactment of this act should now be given the opportunity to qualify.

Most postal employees feel that they receive the greatest protection by belonging to an employee association plan.

You brought out the fact, Mr. Chairman, that they could belong to the others, but I believe the records show that the postal employees generally join the postal employee plans.

Many of our members have continued their membership in the other employee organizations merely for the purpose of being eligible to participate in their health insurance plans. This leads to an unnecessary additional payment to these associations for membership rights so they can participate in their health plans.

A comparable health plan for our members can be provided. This would relieve them from paying additional per capita tax to other associations.

For this reason, we are very much interested in the passage of a bill embodying principles of H.R. 1058, introduced by Mr. Cunningham; H.R. 1819, introduced by Mr. Olsen; and H.R. 4342, introduced by Mr. Staggers. We believe that we can best serve our members by having a health plan of our own so that our members will be eligible to participate without having to pay any additional dues.

We believe that it is only just for employee associations which were ineligible to participate at the time of the enactment of the Health Benefits Act to be given at least one opportunity to qualify if they so desire. The enactment of this type of legislation would give them that opportunity.

If a bill providing additional sources of health plans is enacted into law it should contain a provision that a special "open season" be pro-

vided for those employees who may desire to transfer to a new plan that will be set up by the associations that qualify.

Along this line, Mr. Chairman, I understand this October open season is not necessarily set by any act of Congress. It is subject to the Civil Service Commission. And if a bill were passed or enacted into law, say in July or August of this year, that could be put back until sometime next year, if you want the 6-month period.

And I would suggest also that if the bill is enacted there be an open season as soon as possible for all plans rather than having an open season in October and then opening another one 6 months later, because it would be to the benefit of all the employee organizations who qualify under the new provisions to try to have these people become members as soon as possible.

So we do suggest that that be taken into consideration.

We urge this subcommittee to report favorably one of the bills permitting additional choice of health benefits plans. We hope that the full committee and the Congress will act favorably so that all employee associations will have an equal opportunity to participate in the health benefits plans.

We thank you very much, Mr. Chairman, for your consideration.

Mr. HENDERSON. Thank you, Mr. Jaspán.

Do you know of any other organizations other than your organization and the Mail Handlers that definitely intend to come in to the Commission with proposals for their own plans?

Mr. JASPAN. Well, among the postal associations I believe that the only possibility is the National Association of Postmasters. They do not have a plan of their own, and I know that they have been considering it. But whether they will have a definite plan is difficult to answer.

I believe if they would have, they would have had somebody here today to testify.

I would also like to add, Mr. Chairman, that Mr. Macy in his presentation mentioned about the difficulty of dealing with new carriers for these plans. I am almost certain that we could make arrangements with one of the present carriers of another plan to underwrite our plan if we had one.

Mr. WALLHAUSER. Will the chairman yield at this point?

Mr. HENDERSON. Yes.

Mr. WALLHAUSER. You say you do not have a plan now, but would it be your intention to have a plan if this bill were enacted into law?

Mr. JASPAN. That is what we are planning on now, Mr. Wallhauser.

Mr. HENDERSON. How many members do you have in your organization?

Mr. JASPAN. 26,000.

Mr. HENDERSON. Any other questions?

Mr. DANIELS. Off the record.

(Discussion off the record.)

Mr. HENDERSON. Back on the record.

Mr. Jaspán, do you think that 6-month limitation that has been discussed here this morning would give you sufficient time to work that out?

Mr. JASPAN. Yes, sir. But I do hope that you will consider if the bill is enacted anywhere nearer than 6 months to October that the October date be pushed back by the Commission.

Mr. WALLHAUSER. Well, Mr. Chairman, I do not think we have anything to say about that. I believe that would be up to the Civil Service Commission.

Mr. JASPAN. I mean as a suggestion. I believe they would listen to the committee.

Mr. WALLHAUSER. They are sitting there. Sometimes they do; sometimes they do not.

Mr. HENDERSON. Mr. Pool, do you have any questions?

Mr. POOL. No.

Mr. HENDERSON. Thank you, Mr. Jaspán.

Before the subcommittee goes into executive session and as we close the record, I would like to say—and afford the other members of the subcommittee an opportunity to insert in the record any remarks they would like—I would like to compliment Mr. Ruddock and certainly ask him to convey to Chairman Macy, who has had to leave, the very fine impression that you have made not only on the members of this committee and the Members of Congress but certainly the fine compliments that the organizations have paid you not only on this occasion but on others for the job you have done in putting this tremendous health benefits program into effect.

You are to be complimented on it, and we know that if this legislation is enacted, you will make every effort to carry out the intent of Congress even though you are officially opposing the legislation by testimony of Mr. Macy.

Mr. RUDDOCK. Thank you, sir.

I might say that you referred to the fact that I am officially opposing it. In my own personal judgment, none of these organizations will be in a position to offer any Federal employee more health benefits for his money than is currently available to him.

Mr. HENDERSON. Thank you, Mr. Ruddock.

Any other comments?

Mr. DANIELS. No.

Mr. WALLHAUSER. I have nothing further.

Mr. DANIELS. I move, Mr. Chairman, we go into executive session.

Mr. HENDERSON. The subcommittee will adjourn and will go into executive session at this time.

(Thereupon, Thursday, March 28, 1963, the subcommittee adjourned.)

Mr. WATKINS: Well, Mr. Chairman, I do not think we have anything to say about that. I believe that would be up to the Civil Service Commission.

Mr. JONES: I mean as a suggestion. I believe they would listen to the committee.

Mr. WATKINS: They are sitting there. Sometimes they do; sometimes they do not.

Mr. BARNES: Mr. Jones, do you have any questions?

Mr. Jones: No.

Mr. BARNES: Thank you, Mr. Jones.

Before the subcommittee goes into executive session and as we close the record, I would like to say—and thank the other members of the subcommittee for an opportunity to present in the record any remarks they would like—I would like to compliment Mr. Rodlock and certainly ask him to convey that message to Mr. Jones, who has had to face the very real question that you have made not only on the members of this committee and the Members of Congress but certainly the lay public. I think that the organizations have said you not only on this occasion but on others for the job you have done in putting this tremendous health benefits program into effect.

You are to be complimented on it, and we know that if this legislation is passed, you will make every effort to carry out the intent of Congress even though you are officially opposing the legislation by testimony of Mr. Jones.

Mr. Rodlock: Thank you, Mr. Chairman.

I just say that in order to the fact that I am officially opposing it. In my own personal judgment, none of these organizations will be in a position to offer any Federal employee more health benefits for the money that is currently available to him.

Mr. BARNES: Thank you, Mr. Rodlock.

Any other comments?

Mr. BARNES: No.

Mr. WATKINS: I have nothing further.

Mr. BARNES: I move Mr. Chairman, we go into executive session. The subcommittee will adjourn and will go into

executive session at this time.

[Session, Thursday, March 28, 1963, the subcommittee adjourns.]



