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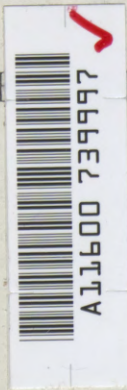
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ADDITIONAL EMPLOYEE HEALTH BENEFIT PLANS

HEARINGS BEFORE THE SUBCOMMITTEE ON RETIREMENT, INSURANCE, AND HEALTH BENEFITS OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES EIGHTY-NINTH CONGRESS



FIRST SESSION
ON
H.R. 5147
A BILL TO AMEND THE FEDERAL EMPLOYEES HEALTH BENEFITS ACT OF 1959 TO PERMIT UNTIL DECEMBER 31, 1965, CERTAIN ADDITIONAL HEALTH BENEFITS PLANS TO COME WITHIN THE PURVIEW OF SUCH ACT

JUNE 8 AND AUGUST 24, 1965

Printed for the use of the
Committee on Post Office and Civil Service



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1965

48-569

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ADDITIONAL EMPLOYEE HEALTH BENEFIT PLANS

TUESDAY, JUNE 8, 1965

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

The subcommittee met at 10 a.m., in room 219, Cannon House Office Building, Hon. Dominick V. Daniels (chairman of the subcommittee) presiding.

Mr. DANIELS. The Subcommittee on Retirement, Insurance, and Health Benefits will come to order.

The subcommittee is meeting this morning to consider H.R. 5147, a bill sponsored by Congressman O'Neill, to amend the Federal Employees Health Benefits Act of 1959, to permit certain additional plans to come within the purview of such act during 1965.

(H.R. 5147 follows:)

[H.R. 5147, 89th Cong., 1st sess.]

A BILL To amend the Federal Employees Health Benefits Act of 1959 to permit until December 31, 1965, certain additional health benefits plans to come within the purview of such Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2(i) of the Federal Employees Health Benefits Act of 1959, as amended (73 Stat. 710, 77 Stat. 76; 5 U.S.C. 3001(i)), is amended by striking out "1963" and inserting in lieu thereof "1965".

Mr. DANIELS. The original law provided for the participation in the program of employee organizations which are national in scope, or in which membership is open to all employees of Government agencies who were eligible to enroll in a plan under the program, and which applied for approval of their plans to the Civil Service Commission prior to December 31, 1959. Subsequently, the law was amended to permit additional employee organization plans to become eligible for participation by making application before December 31, 1963.

The objective of the bill we have under consideration today is to again open the health benefits program through December 31, 1965, so as to permit still other additional employee organizations to apply to the Commission for approval of their plans.

Our first witness this morning is the Honorable Thomas P. O'Neill of the Eighth District of Massachusetts. He is a highly regarded and respected Member of this Congress, a hard-working Member of the Congress, and commands the respect of all his colleagues in the House, and we welcome you here this morning.

**STATEMENT OF HON. THOMAS P. O'NEILL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. O'NEILL. Thank you for the welcome. I am going to be very brief because I have a Rules Committee meeting this morning.

I am here for the purpose of introducing Kenneth Lyons, who is the president of the National Association of Government Employees. This man I have known for over 20 years as a neighbor.

When I came to Congress 14 years ago there were 54 different organizations in the Charleston Navy Yard which in those days had about 10,000 employees, and every time we wrote a letter to the Navy yard concerning a problem, we had to write to the 54 different organizations. At the present time they have one organization in the Navy yard which has the official sanction of the Government. This union has been in being over 16 years. They are a national organization in Federal installations and have over 100,000 members. I believe they are at the present time in 98 establishments.

In view of the fact they are one of the leading union organizations within the Federal Government, I believe they should have the same rights as the other organizations have as regard health and benefit plans.

With that, Mr. Chairman, I will introduce to you Mr. Kenneth Lyons, a man for whom I have the highest regard, a real leader within the Federal employees of the United States, a man who wants to do nothing but the best for the Government itself, and for those members who are in his union. I present Mr. Kenneth Lyons.

Mr. DANIELS. Mr. Lyons, you may proceed.

**STATEMENT OF KENNETH T. LYONS, PRESIDENT, NATIONAL
ASSOCIATION OF GOVERNMENT EMPLOYEES**

Mr. LYONS. I want to thank Mr. O'Neill for his kind remarks.

I have a brief statement that I submitted this morning. Unfortunately, we have other material that I will have to submit to all the members of the Post Office and Civil Service Committee and my office did not forward it to me. Whether it is failure to put the ZIP code on, I do not know.

The National Association of Government Employees was formerly known as the Federal Employees Veterans Association. It was founded in Philadelphia and in 1960 we changed our name to the National Association of Government Employees.

At one time only veterans could belong to the organization, but since 1960, both preference and nonpreference eligibles may be members of the association.

Of course, as Congressman O'Neill pointed up, the National Association of Government Employees is comprised of Federal employees only.

The National Association of Government Employees is most anxious to improve the welfare of its membership as it pertains to working conditions and as it pertains to their health and that of their immediate family.

When Congress enacted the Federal Employees Benefit Act of 1959, the National Association of Government Employees contacted insur-

ance companies in an effort to develop a plan that would provide maximum benefits, at a reasonable cost to the employee, of hospitalization and the payment of medical bills and medical care.

The various and sundry plans that were submitted to the National Association of Government Employees and me by many of the outstanding insurance companies were unsatisfactory in that they were not equal to or better than health plans already in existence.

The National Association of Government Employees, after a considerable amount of research, did not and could not come up with a comprehensive program within the time specified by section 2(i) of the Federal Employees Health Benefits Act of 1959 which would improve benefits already available to our membership. Therefore, National Association of Government Employees did not participate in the program.

Congress by Public Law 88-59 extended the time specified in the original act from 1959 to 1963, in an effort to allow another Government employee group to submit their health benefit program. This organization was the Mail Handlers Association.

This action of Congress stimulated and renewed our efforts to discover a better service and benefit plan than those in existence, whereby Federal employees could and would receive greater benefits at less cost to them and their families.

Congress has realized that to improve the Federal employee health benefit program innovations and novations are necessary. In order to provide for these improved plans, it is essential that Congress amend the existing law.

The National Association of Government Employees contacted the Metropolitan Life Insurance Co. and they submitted a plan which is quite unique and one that will be explained in detail by the representative, Mr. Ambrose Redmond, who is here with me today to explain the health benefit plan to the committee.

It is the opinion of the National Association of Government Employees that, in view of the constant increased cost of medical care, a plan devoid of a high-option and low-option contingency could, if properly administered, give greater and broader benefits to the participants at a much lower cost. At the present time, the Federal Government has a fixed cost for all plans they administer and at the present time the Federal Government is administering a Blue Cross and Blue Shield plan, an Insurance Industry Indemnity plan, National Postal Union plan, et cetera.

Thus the initiating of an improved plan, which we will call the National Association of Government Employees plan, will not in any way cause any additional cost to the Federal Government.

We believe that the National Association of Government Employees plan is quite unique. We have reviewed and studied all the present plans and their features and sifted out many of the pitfalls that exist in these plans.

We are positive that the committee will agree with the National Association of Government Employees that the Metropolitan Life Insurance plan will be most acceptable to the families of our Federal employees.

We believe that the U.S. Civil Service Commission will be in opposition to our plan, claiming that there are many other good plans

available for our Federal employees. But it is the National Association of Government Employees opinion that we, too, should be competitive with other employee organizations and have the right to have an improved plan of our own instituted and made available to our membership. Certainly, the U.S. Civil Service Commission should not disapprove our plan because it is new, because it is unique, and because our plan will have new innovations which could result in drastic changes beneficial to all concerned.

Without a doubt, yesterday's best is less than adequate today. The National Association of Government Employees is convinced that, if you were to question Federal employees concerning the various health plans that are available to them, that they in unison would claim that the majority of these plans are less than adequate. We are of the opinion that our Federal employees would be more than receptive to the plan that the Metropolitan Life Insurance made available to the National Association of Government Employees. Of course, we are all familiar with the Metropolitan Life Insurance Co. It is the largest insurance company in the world and we feel quite strongly that they can deliver the most effective coverage at the least possible net cost to the members of the National Association of Government Employees who are, of course, civilian Federal employees.

I am thankful to the committee for allowing me the opportunity and time to present the National Association of Government Employees views and I certainly hope that the committee will act most favorably upon H.R. 5147.

I would like to point out, too, that the association spent a considerable amount of time in reviewing various plans of insurance companies and we could have presented a number of plans before Congress within, shall we say, the statute of limitation of the prior bill. However, just to have another plan made available I did not think, nor did our association think, was the proper thing to do. We wanted to get the best, and I think at this time we do have the best possible plan for our membership and the Government.

This plan is devoid of any low option or any high option. This plan is one major plan for all Federal employees.

As I pointed out, unfortunately I do not have with me all the graphs and charts that spell this out in detail, but I will make them available for each and every member and send copies of it to the U.S. Civil Service Commission, who I would hope will change their minds concerning their stand of opposition to our request to be competitive with all of the other associations that presently have plans in the Federal Government.

I want to thank you for giving me this opportunity to appear before you.

Mr. DANIELS. How many members belong to your association?

Mr. LYONS. We have over 100,000. We have members in the Federal Aviation Agency, the Navy Department, the Department of Justice, Internal Revenue Service, and so forth.

Mr. DANIELS. Where are your installations located?

Mr. LYONS. They are all over the country and outside the country. FAA agency locals in Puerto Rico, Miami, Charleston, S.C., the Frankfort Arsenal in Pennsylvania, the Boston Naval Shipyard, the Portsmouth Naval Shipyard, the Philadelphia Naval Shipyard.

The Washington Traffic Control Center at Leesburg and at The Towers here are under the NAGE.

Mr. DANIELS. Your membership extends to these various installations in the different parts of the country.

Mr. LYONS. That is correct.

Mr. DANIELS. And it is to represent their approximately 100,000 members?

Mr. LYONS. That is correct.

Mr. DANIELS. I noted with interest the fact you could not get a comprehensive plan together prior to the cutoff date under the original act, or the extension that permitted these plans to be submitted before December 31, 1963.

Mr. LYONS. That is correct.

Mr. DANIELS. Any plans that you had under consideration were no different than prior plans, but now you think you have a better plan, a more unique plan?

Mr. LYONS. Absolutely.

The plans prior to 1963 that were made available to us by the majority of the insurance companies, we thought, were entirely inadequate. They did not prove to us to be any better than any in existence. This one is much better.

Mr. DANIELS. Have you submitted this plan to the Civil Service Commission for their approval?

Mr. LYONS. No; we have not. I had the opportunity of meeting with Mr. Ruddock, of the Civil Service Commission, approximately a year ago and I discussed this matter with him personally. I had representatives of our organization with me and an insurance consultant, and we discussed the various plans available, and he told us at that time that the Civil Service Commission would be in opposition to any additional plans because there were enough plans already available to Government employees.

We pointed out at that time that we believed that the plan we had was better than anything available to them, but the Commission's attitude was there were enough and they would be in opposition to this.

Mr. DANIELS. You did not submit the plan to them?

Mr. LYONS. No, we did not, Mr. Chairman; not in view of the fact they told us quite plainly they would be in opposition to any additional plans being proposed for Federal employees.

Mr. DANIELS. Can you tell us what some unique features of the plan are, to the best of your recollection?

Mr. LYONS. To the best of my recollection and knowledge, Mr. Chairman, one thing, the cost would be less than the present cost of the plans available to Federal employees.

No. 2, there would be no such thing as a low-option plan and a high-option plan. There would be one plan for everyone in the Federal service without any of these contingencies.

There would also be dental benefits in the plan. There would also be benefits in the plan, as I recall, that would provide for prescriptions to be paid for by the insurance company, which in many of the plans is not available to the Federal employee and his family.

Mr. CLEVENGER. Would you say after you have given the consideration you have to this question, it is a truism that the larger and more

representative the group, the better the benefits per premium dollar are that a person will receive?

Mr. LYONS. I think so. You mean if you have more participants in a plan you give them greater benefits?

Mr. CLEVINGER. Yes.

Mr. LYONS. I would say absolutely.

Mr. CLEVINGER. As a president of a large employees' union, how do you think we could bring about increasing the size of the groups participating in health plans?

Mr. LYONS. I do not quite understand your question.

Mr. CLEVINGER. I assume you and others are interested in achieving the most benefits for each Government employee per premium dollar that are obtainable.

Mr. LYONS. That is correct.

Mr. CLEVINGER. To do this, we should seek to increase the number of persons in the groups covered by the plan?

Mr. LYONS. That is correct.

Mr. CLEVINGER. Now, how do you propose we might go about doing this?

Mr. LYONS. Our proposal in effect, if passed by Congress, if we could be a participant in the program, that would be one of the ways this could be achieved.

Mr. CLEVINGER. Just how seriously do you propose we do this?

The effect of your proposal and the effect of reopening this would be to multiply groups rather than to increase the size of groups; is that not so?

Mr. LYONS. To multiply groups rather than to increase the size of groups?

Mr. CLEVINGER. Yes.

Mr. LYONS. No. In looking over all the plans now available to the Federal employees, I believe that we have come up with a unique plan much better than any available to the Federal employees, and when an open season came about the Federal employees would have a right to pick this plan as their health benefit plan.

I am convinced because of the various features of it that are beneficial to the employee and his family, he would select this plan. I think it makes it more competitive indeed for the insurance companies, and I think the more competition you put into this, you will see a lessening of rates and increased benefits.

Mr. CLEVINGER. Let me ask one other question.

What would you consider to be the ideal health benefit plan for a governmental employee?

Mr. LYONS. I think if we were to seek the ideal health benefit plan for Federal employees, that would be a complete subsidy by the Federal Government to give to the Federal employee a complete health benefit plan with no payment by the Federal employee.

Mr. CLEVINGER. I am talking of the benefits under the plan. What would be the ideal plan in terms of benefits?

Mr. LYONS. Free hospitalization to the Federal employee and his family.

Mr. CLEVINGER. Anything else?

Mr. LYONS. That would be it.

Mr. DANIELS. You say free hospitalization to the employee and his family without any limitation as to amount?

Mr. LYONS. Without any limitation as to the amount.

You are asking me the question, what would I believe to be the best possible plan for the Federal employee. I think if in the future we ever did get such a plan, I think within the years to come such a thing will happen for Federal employees in lieu of additional pay increases, and so forth. I think this will be a fringe benefit of the future.

Mr. CLEVINGER. Let me probe here if I may.

I am talking solely of the benefit, not the payment for the benefit, and I am using "benefit" in terms of perhaps its technical sense. If we are concerned with furnishing health care for a Government employee, would you agree that the ideal that we are seeking is that all of the health needs of a Government employee would be furnished on a prepayment basis, that his doctors' bills would be paid, his hospitalization would be paid, his dental care would be paid for and that of all his dependents?

Surely there could be no more than this that we would want under an ideal health benefit plan.

Mr. LYONS. That is correct.

Mr. CLEVINGER. Now, have you or your organization given any time to analyzing how close to the ideal your proposed plan comes compared to others, rather than comparing your plans with other plans?

If you accept what I said as an ideal, have you started to say we have achieved so much of our ideal by our plan and analyzed it in those terms?

Mr. LYONS. Let me answer by saying we went over all the plans available to Federal employees, and in certain respects, to make the plan more palatable, they would give more on one side of the sheet and a little less on the opposite side of the sheet, and each plan had to be weighed carefully. And the reason we did not come before Congress in the time limitation before was the fact that all the insurance company plans, if laid side by side, were practically identical, so it seemed rather ridiculous for us to come to Congress and say we want a National Association of Government Employees plan.

We went over the Metropolitan Insurance plan with no high or low option and tried to put into effect one good plan, whether a person was a GS-18 or a laborer. With that we get the most benefits with the least amount of money in our plan.

I certainly hope that Mr. Redmond will be here at 11:30. I think he can explain this much better than I, the pitfalls that have been taken out of the other plans and have been cleansed and put into ours.

As far as your questions concerning the ideal health benefit plan and what has our organization done about this are concerned, we have opened up and started in New England what we call medical clinics that we are participating in, getting doctors from the Massachusetts General Hospital. We are spending money for some of the health care of our own membership and their families. Federal employees and their families can go over to the clinic and get physical examinations for \$5. We are paying for many of the drugs, and so forth.

So here, maybe one of these plans in the future could be turned over to Congress and maybe that could be a fringe benefit in the future, the

setting up these clinics in and around Government agencies throughout the country. That would be a step in the right direction.

We found it has proven most successful because we have opticians, dentists, and the doctors available right in the clinic. We started this 2 years ago.

Mr. CLEVINGER. The problem there is you lose the choice of doctors.

Mr. LYONS. We have a referral list of some 38 doctors operating at the clinic. I know we received some calls from the medical society. They were quite upset. They thought we may have been practicing socialized medicine, but after we pointed out the association was also contributing money to pay for the doctors' bills as well as some of the health plans and the like, they agreed it was a marvelous idea.

Mr. CLEVINGER. I do not know what the words "socialized medicine" mean, so leave it out.

The benefit of a health insurance plan to the extent that doctors participate, you have the greater selection of doctors than the clinic plan. This is one of the advantages, it seems to me, of an insurance-based health plan.

I only ask these questions to see how far along the road you have gone to not start comparing plans, which I have always found an impossible job. It depends on the salesman you are talking to. They can put together any package you want.

If a person is unlucky enough, or unfortunate enough, to get sick during the month of August at high noon, he can get \$10,000 if he is struck by malaria.

For a Government employee now to try to determine what is a good plan, it is hard to do.

Mr. LYONS. I agree with you because of the various numbers of plans. I believe right now a Federal employee should consult an insurance consultant when he is making his selection for some of these various plans that are made available to them. That is what we had to do. I could not understand a great number of them, to be frank with you.

Mr. CLEVINGER. Where do you find a noninterested consultant? You find those who are selling plans with their own vested interests, you find the union and their representatives having their own plans, so where is a Government employee to go for an impartial analysis of what would be the best plan for him?

Presumably he could hire an independent insurance consultant at a cost far in excess of several years of care. Where does a person go right now for this impartial analysis? Does he go to you?

Mr. LYONS. No.

Mr. CLEVINGER. Would he go to your organization after your organization adopts a plan?

Mr. LYONS. Well, certainly what the Federal Government is doing right now, they are preparing material which is made available to the Federal employees for their review in their consideration of insurance plans.

Mr. CLEVINGER. For their individual review? The employee has to review this whole mass of material?

Mr. LYONS. That is correct.

Mr. CLEVINGER. But every Federal employee is not a knowledgeable person in insurance, and the employee organizations, when they take

on their own plans, cut off from the employee a service they can give them, which is an impartial analysis of the various plans available to them.

Mr. LYONS. When a man is elected to Congress to represent his people, he goes to Congress and does the best he can for them, and certainly the people depend on him to give them the proper information as it pertains to any bill in Congress.

Now, when the employees have an organization and elect representatives, the representatives of their organization also hire, I hope, good staff members to handle such things as insurance, and so forth.

We have a very capable staff of attorneys that went over every single plan made available for Federal employees, and, as I pointed out, we would not accept any of the insurance plans. We went over every single plan. I did not care personally what the name of the company was. I was interested in the best possible benefits for the members of our association, and again I wanted it even better than anything that was available to any Government employee organization.

We did not contact the Metropolitan Life Insurance Co. until after we had contacted many others, and then we went over all the other plans, and the Metropolitan made their presentation to our attorneys; our attorneys said this was the best possible plan.

I am dependent upon the staff we hire, that our association membership hires, to protect their best interests, and depend on them to protect the interests of our membership, as your constituents depend upon you to give them your best advice as it pertains to any bill in Congress.

I would tell them, our attorneys would tell them, we have gone over all these plans and we can assure you if the NAGE does get its plan passed by Congress, it is much better than any that are available for you, and we can explain why it is much better.

Mr. DANIELS. Mr. Lyons, I happened to be sitting on the committee when the law was amended a couple of years ago to submit additional plans prior to December 1, 1963, and the argument presented at that time, to the best of my recollection, to support that amendment was that the existing organizations were losing members and therefore they were not being placed on a competitive basis with other membership organizations. That, I think, was the major factor in the consideration of the committee and Congress in reopening the plan at that time.

Now, can you tell this committee if your organization has lost any significant members of your organization by virtue of the fact you do not have a health plan at the present time?

Mr. LYONS. I cannot say that, Mr. Chairman, because we have tripled our membership over the past year without any insurance program. As a matter of fact, I would have the FAA here testifying before you of the tremendous increase in their activity and the Department of the Army, and so forth.

I can say this, however, that there are many people that feel they cannot pay into our association that want the benefits of our association and the legal talent that goes along with our association, but they are caught in insurance plans and they cannot afford to belong to two organizations. That is one of the reasons, but certainly I

would not want Congress to pass an insurance benefit bill to help our organization increase our membership, and I certainly do not want to impress upon Congress to enact any legislation for the sole purpose of increasing the membership of the National Association of Government Employees.

The main reason the bill was introduced is the fact that I am positive we have the best health benefit plan available for Federal employees. There is no doubt in my mind that, if this bill passed, the National Association of Government Employees will increase its membership quite sharply upon its passage.

Mr. DANIELS. I was going to ask you that question but you answered it before I had the opportunity of asking you. You have mentioned that there are pitfalls in other health benefit plans sponsored by other employee organizations. Can you tell us what some of those pitfalls are?

Mr. LYONS. Mr. Chairman, there are pitfalls in some of the plans made available by insurance companies to Federal employees and all of this is on the graphs and charts that our consultant has prepared. I do not think any attempt to explain it on my part would do it justice.

I would appreciate refraining from answering that question until we have that material available for your committee.

Mr. DANIELS. Your proposed plan eliminates the low- and high-option plans.

Mr. LYONS. That is correct.

Mr. DANIELS. What type of a plan do you submit?

Mr. LYONS. It would eliminate any low and any high option, but it would incorporate the benefits that are available to the Federal employee and put it into one plan.

According to the insurance company it would reduce the cost of administration, and it would actually give additional benefits to the employees.

Mr. DANIELS. You stated that your policy would be cheaper to the employee. How much cheaper?

Mr. LYONS. As far as the cost is concerned, I think it was about a dollar or a dollar and a half over all.

Mr. DANIELS. How does that dollar or dollar and a half compare to the cost of other plans?

Mr. LYONS. It would be a dollar less per pay period than the other plans available.

Mr. DANIELS. A dollar less per pay period.

Mr. LYONS. Excuse me, not a pay period, per quarter; that is, every 3 months.

Mr. DANIELS. Your plan in addition to the customary and usual benefits also furnishes dental benefits and prescriptions for members and their families, which prescriptions are paid for by the insurance company?

Mr. LYONS. The prescriptions are paid for by the insurance company. There is a portion of the plan that has to do with dental care. I do not know all of the details of that, Mr. Chairman.

Mr. DANIELS. On the question of dental care, is such dental care furnished at a clinic?

Mr. LYONS. No.

Mr. DANIELS. May the employee go to any dentist of his own choosing?

Mr. LYONS. Yes, absolutely. In my explanation of the clinic I was pointing out to the Congressman that we have clinics of our own. It has nothing to do with Metropolitan Life Insurance or any insurance program. This is done by the association.

Mr. DANIELS. Thank you very much, Mr. Lyons.

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

Mr. DANIELS. Our next witness is Mr. Andrew E. Ruddock, Director, Bureau of Retirement and Insurance, U.S. Civil Service Commission.

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

Mr. RUDDOCK. Good morning, Mr. Chairman and members of the subcommittee. I appreciate this opportunity to appear today to present the views of the Civil Service Commission on this proposal to amend the Federal Employees Health Benefits Act. The bill would permit additional employee organizations to be considered for approval as carriers of health benefits plans if application is made to the Commission before December 31, 1965.

Chairman Macy's letter of June 7, 1965, to Chairman Murray of the full committee states the Commission's official position of strong opposition to this proposal. I believe it would be well to incorporate that letter in the record at this point.

(The letter follows:)

CIVIL SERVICE COMMISSION,
Washington, D.C., June 7, 1965.

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

DEAR MR. CHAIRMAN: This is in further reply to your request for Commission report on H.R. 5147, a bill to amend the Federal Employees' Health Benefits Act of 1959 to permit until December 31, 1965, certain additional health benefits plans to come within the purview of such act.

H.R. 5147 is identical in purpose and effect to H.R. 1819 which was enacted as Public Law 88-59, approved July 8, 1963. The Commission, on March 18, 1963, reported unfavorably on H.R. 1819 but because of considerations of equity your committee recommended to the Congress that H.R. 1819 be enacted. However, in so recommending, it took cognizance of the validity of the Commission's reasons for opposing enactment and in its report (No. 190, 88th Cong.) on H.R. 1819, your committee emphasized that its favorable action was not to be a precedent for similar action in the future and that organizations desiring to apply for approval as carriers of health benefits plans would have only this one opportunity to do so.

The two plans came into the health benefits program as a result of the enactment of H.R. 1819 do not offer anything appreciably different from what was offered by existing plans already available to the members of the unions sponsoring the new plans. Both new plans attracted enrollments from only a small number of their members. As I predicted in my testimony before your committee (p. 7 of hearing on H.R. 1819), the advantages attributed by advocates of H.R. 1819 to having a plan have not been realized by the unions sponsoring the two new plans.

There is no reason to believe that any new union-sponsored plans could or would offer anything unusual in the way of health benefits or premiums which would redound to the advantage of employees. No new plan can realistically expect to compete with existing plans and attract enrollment sufficient to rebound to the union's advantage. Most, if not all, of our reasons for objecting to enactment of H.R. 1819 are still valid today. The reasons include—

1. Each new plan adds to the already bewildering number from which employees may choose.

2. Neither the Government's nor the employees' interests are served by admitting new union plans to participation in the health benefits program.

3. Each new plan adds to the duties and responsibilities of employing agencies and the Commission and increases the administrative complexities and expense of operating the health benefits program.

For the reasons stated, the Commission strongly opposes enactment of H.R. 5147.

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. RUDDOCK. In considering this proposal the Commission found it helpful to review the original purpose of the 1959 health benefits legislation. The legislative history shows that Congress contemplated two Government-wide plans—one a service benefit plan, the other an indemnity benefit plan. Also, it was expected that there would be perhaps half a dozen employee organization plans and a similar number of comprehensive plans, about 15 in all. It has developed under the law, however, that the Commission has approved more than twice this number; of the existing 38 plans, 14 are employee organization plans.

In 1959, in redrafting the bill which became the health benefits law, your full committee realized the wisdom of limiting the number of union-sponsored plans and very carefully did so. To recognize the real contribution made by the organizations which had arranged group health insurance for their members, and to prevent hardship to the organizations and their members, particularly the members no longer in the Federal service, the law admitted as carriers under the new program only those union-sponsored plans which were in operation July 1, 1959. This assured that eligible plans would be restricted to a number which would not unreasonably complicate administration of the program. It assured further that participating union plans would have a minimum of 1 year's operating experience when the program went into effect in July 1960.

In addition, it amounted to a legislative expression of the policy that the health benefits law was not intended to be a recruitment aid or incentive for employee organization membership campaigns.

Later this policy was breached, despite Commission objection. The amendment enacted July 8, 1963, repealed the July 1, 1959, in-operation requirement and permitted newly formed employee organization plans to apply for approval as carriers before December 31, 1963. Two new plans came into the program as a result of this amendment. As the Commission had predicted, these plans offered no unusual advantages to employees in terms of health benefits or premium levels and they attracted only relatively small enrollments. One plan with a reported membership of 30,000, has an enrollment of 2,633. The other plan has enrolled only 1,529 out of its reported membership of 24,000.

Against this background, most, if not all, of the Commission's objections to the 1963 legislation are valid today and apply to this bill.

Employees already have a choice of every kind of health insurance plan. In fact, the variety of choices—38 plans with 57 options—is so great as to be confusing to many employees. Any new plans coming into the program simply add to the already bewildering number from which employees may choose.

New union plans could not possibly offer more health benefits for less money than do existing plans. Their admission to the program would thus not serve either the interests of the Government or of the employees.

Each new plan admitted would actually do a disservice by increasing the duties and responsibilities of employing agencies and the Commission, thus adding to the costs of program administration. This means diverting premium income—the Government's money and the employees' money—from use for health benefits to pay for added costs of administration. Any proposal which raises administrative costs with no real benefit to employees is unsound and should be rejected.

In April 1963, in reporting out H.R. 1819, the legislation which permitted admission of additional plans during 1963, your committee made the following statement:

The committee further emphasizes that this action is not to be 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 of health benefits plans will have only this one opportunity to do so.

The Commission is in complete agreement with this position and urges that favorable action not be taken on H.R. 5147.

I would be glad to try to answer any questions the Members of the Committee may have.

MR. DANIELS. Mr. Ruddock, the previous witness, Mr. Lyons, who represents the National Association of Government Employees, stated that the plan that his organization proposes is rather unique. It is one that has been submitted to his organization by one of the largest insurance companies in the world, or the largest insurance company in the world, the Metropolitan Life Insurance Co., and that it contains features which give greater benefits to the employees at a much lesser cost; a dollar cheaper a quarter. Do you have any comment about that statement?

MR. RUDDOCK. Mr. Chairman, I have the greatest respect for Mr. Lyons. I have the greatest respect for the Metropolitan Life Insurance Co. I do not, however, accept as valid any contention that any new plan can come into this or any other program and offer more in health benefits for the dollars that are available. I think it boils down simply to the fact that whatever we offer in health benefits, those benefits have a price tag. The price tag is the cost of the hospitalization, it is the cost of the doctor's services, it is the cost of the drugs, it is the cost of the services which the employees receive. Nobody has yet devised a way to get a dollar and 10 cents worth of benefits for a dollar. So whatever benefits we get we are going to have to pay for. We can vary the benefits which are available to the employee in terms of the percentage of premium dollar which goes into benefits only as we vary the pennies that are taken out of the dollar for administrative expenses, for taxes, and for the risk charge which is the profit of the carrier or the insurance company. But except as we vary those features, we are

not going to be able to get more for the dollar merely by putting together a different arrangement of benefits.

Mr. DANIELS. Mr. Lyons testified that a short time ago he came to the Commission office and sat down with you and other members of your staff to discuss this plan. Did you go into detail about the plan?

Mr. RUDDOCK. No, sir. We were discussing the principle of the deadline for organizations filing application. I did at that time ask Mr. Lyons if, in his opinion, his organization would be able to offer its members more in health benefits for the dollars available. He expressed then the opinion that they could. I disagreed with him then. I disagree with him this morning.

Mr. DANIELS. Up to this date, no plan such as has been proposed here this morning by Mr. Lyons has been submitted to your office for review; is that correct?

Mr. RUDDOCK. That is right.

Mr. DANIELS. Would you consider this legislation necessarily declaring an open season for Federal employees on membership in health plans?

Mr. RUDDOCK. I am not sure I understand the question, sir. If this legislation were passed, we would have until December of 1965 during which any existing employee organization could file with the Civil Service Commission an application to participate as a carrier. There is nothing in this legislation which would require the Commission to offer employees—Federal employees—an immediate opportunity to change plans or options. So the legislation does not require an open season in that sense. We have, however, timed the beginning of participation of the two new plans which came in under the 1963 amendment so that as they began to participate, Federal employees did have the opportunity to leave their existing plans and join the new plans.

This touches on a point which was made earlier this morning. Members for a new plan can only come from two sources. Either from new employees just being appointed to Federal service, or they have to come from employees who are currently enrolled in one of the existing plans. In the first 2 weeks in February of this year, 1965, we had an open season, an open enrollment period for Federal employees. Every employee who is eligible to participate in the health benefits program had the opportunity to change plans, if he chose to do that.

Out of 2,200,000 Federal employees who are enrolled in the various plans, approximately 45,000, or just about 2 percent changed plans. Only this small number were dissatisfied with their existing plan to the point that they thought they saw a plan which would be more attractive or which would be better suited to the needs of their own particular family. I think any circumstance in which 98 percent of enrolled employees indicate their satisfaction with what they have by remaining with it when they have this unlimited opportunity to change speaks well for the structures of the participating plans.

Mr. DANIELS. Mr. Ruddock, you stated that two new organizations came in under the reopening of the plan in 1963 by virtue of which one organization with a membership of 30,000 now has an enrollment of 2,633 members and under the other plan there was enrolled only 1,529 out of a reported membership of 24,000. Can you furnish this committee with the names of those two organizations?

Mr. RUDDOCK. Yes. The first of those two organizations is the Mail Handlers organization. They began to participate over a year ago. Employees have had two opportunities to join the Mail Handlers plan. They now have a total of 2,633 members. The second organization is the National Alliance of Postal Employees. They began to participate in the spring of this year. During the first 2 weeks in February employees had the opportunity to join that plan. One of the requirements of employee organization is that an employee to join the health plan must be or must become a member of the organization. So we have out of a reported membership of 24,000 in the National Alliance of Postal Employees 1,529 who chose to join the newly formed health plan of that organization.

Mr. DANIELS. Mr. Ruddock, I notice you were in the room while Mr. Lyons testified. Would you care to make any further comment on his testimony?

Mr. RUDDOCK. I would like only to repeat my own opinion, that while I respect his sincerity I do not accept at this point an allegation that a newly devised plan is going to offer Federal employees something better than is currently available to them.

Mr. DANIELS. We will now adjourn this hearing. The Chair will announce when future hearings will be held.

(Whereupon, at 11:20 a.m., the hearing adjourned subject to the call of the Chair.)

ADDITIONAL HEALTH BENEFITS PLANS

TUESDAY, AUGUST 24, 1965

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

The subcommittee met, pursuant to notice, at 10 a.m., in room 219, Cannon House Office Building, Hon. Dominick V. Daniels (chairman of the subcommittee) presiding.

Mr. DANIELS. The Subcommittee on Retirement, Insurance, and Health Benefits will come to order.

The meeting this morning is for the further consideration of H.R. 5147, a bill to amend the Federal Employees Health Benefits Act of 1959 to permit until December 31, 1965, to certain additional health benefits plans to come within the purview of such act.

The particular purpose of this hearing is to receive testimony from the Civil Service Commission and representatives of Government employee organizations.

Our first witness this morning is Mr. Kenneth T. Lyons, president of the National Association of Government Employees, to supplement his testimony given on June 8, 1965.

Mr. Lyons, you may proceed.

STATEMENT OF KENNETH T. LYONS, PRESIDENT, NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES; ACCOMPANIED BY AMBROSE J. REDMOND, JR., REPRESENTING METROPOLITAN LIFE INSURANCE CO.—Resumed

Mr. LYONS. Mr. Chairman and members of the subcommittee, at our last meeting you gave us—the National Association of Government Employees—the opportunity to go over our health benefit plan with representatives of the U.S. Civil Service Commission. This has been done and representatives of the Commission went over our health benefit plan, and I believe you have a copy of their report. The report of the Commission, although it may appear to be adverse, I am quite sure if you will review it you will find it is almost tantamount to an endorsement of the plan itself.

I brought with me today a representative of the Metropolitan Life Insurance Co. who has worked with our organization in preparing this health benefit plan and, with your permission, Mr. Chairman, I would appreciate it if he could point out to the committee the benefits of this plan to the Federal employees.

Mr. DANIELS. Is there anything further you desire to state before we call this representative of the Metropolitan Life Insurance Co.?

Mr. LYONS. Not at this time, Mr. Chairman.

Mr. DANIELS. Very well.

Mr. LYONS. Mr. Chairman, this is Mr. Ambrose J. Redmond, a representative of the Metropolitan Life Insurance Co.

Mr. DANIELS. Very well, Mr. Redmond.

Mr. REDMOND. Mr. Chairman and members of the subcommittee, we have for the past 2½ years been working with the National Association of Government Employees to develop a program of insurance which we feel is the strongest possible contract that can be offered to Federal Government employees at the least possible cost.

As Mr. Lyons mentioned, you have before you an analysis presented by the Civil Service Commission relative to the plan that we proposed. It is our feeling, as Mr. Lyons indicated, their adverse report nevertheless does highlight, in our mind, why we feel our plan is extremely strong and should therefore result in a favorable reaction to H.R. 5147 by this subcommittee.

I think it is interesting to note in relation to Mr. Ruddock's letter to you he brought out certain points he felt important and he also presented to you an analysis or a comparison of the proposed NAGE plan and two Government-wide plans, the service benefit plan and the indemnity benefit plan.

In the third paragraph of his letter, Mr. Ruddock points out that he does not see any unique advantages in the proposed National Association of Government Employees plan; he does say, however, that he thinks the NAGE plan is a strong plan. He specifically highlights four points, and I would like to go over them with you.

Point No. 1 is one option. We are suggesting a one option plan, a high option plan. The statistics submitted by the Civil Service Commission in the open season in February as well as in their latest fiscal year report indicated an overwhelming preference by Government employees for a high option plan. This is what we are offering.

Beyond that, Mr. Ruddock talks about this one option plan and suggests it is a good idea, and we agree. We have analyzed it and our analysis indicates a one option plan does result in economies to the carrier and to the organization accepting the program we are offering.

Mr. Ruddock talks about prescription drugs, and in this area our plan is doing every bit as good as any other plan offered.

Another area mentioned by Mr. Ruddock is dental care. He says our plan would cover in-hospital expenses for dental care and services of dentists only for repair of accidental injury to teeth. That is not true. This is highlighted on page 10 of our plan, item b. We are talking about medical expenses not covered and we point out we do cover dental service except two. We do not cover expenses necessary to correct damage caused by accidental injury sustained while insured; and we do not cover hospital expenses for room and board and hospital special services while a registered bed patient.

The fourth area he discusses is the area of cost. In this area he points out again the relationship of cost in our plan and the cost of the indemnity benefit plan and the service benefit plan. In both cases our plan costs less money. Mr. Ruddock says he does not feel the

difference in rates is substantial. Nevertheless, in his previous appearance he said the cost of our plan was \$1 a quarter less than that under the Government-wide service plan. Our plan is \$1 per quarter less than the Government-wide service plan and 66 cents per quarter less than the indemnity benefit plan.

Mr. Ruddock further suggests there is no guarantee that the rates we are quoting will hold. However, in a news release relating to the February open season he points out in the fourth contract year four-fifths of the programs in effect have a rate increase. But that was in the fifth contract year. We feel that the program and the rates we are offering for these benefits are in fact adequate rates to cover this coverage for an extended period of time, and by that I mean a number of years. True, we do not know where the costs of hospitalization are going, but we are all aware they are on the increase. It is our feeling the rates quoted here are sufficient to handle the risks involved.

Beyond this, what about our contract? Again, if you will look at Mr. Ruddock's comparison, he was pointing out the Civil Service Commission found our plan was not better. I would like to point out to you that if you analyze the comparison which they prepared—not that we prepared—you will note in every area our plan is as good and, specifically in the area of major medical, we have a \$75 deductible compared to the \$100 deductible under the service benefit plan; that we have an overall family deductible of \$150 in a calendar year compared to the \$200 family deductible. This represents a 25-percent lower deductible and there, again, this is for comparison.

It was not mentioned in this analysis that the maximum benefit under our proposed contract is \$40,000 compared to \$30,000 under the service-indemnity plans.

Furthermore, in the analysis of the news release relating to the open season in February there are certain points I would like to bring to your attention in relation to what is happening to the Federal employees health program. This is highlighted in this Civil Service Commission report. First, the large majority of Federal Government employees are switching over to the high option plan. That is what the NAGE plan is offering. Ninety percent of the Federal Government employees are choosing the high option plan.

It mentions that four-fifths of the programs had a rate increase in the fifth contract year. Further, 120,000 Government employees switched at the last open season and 28,000 new employees came in. That represents a little less than 150,000 employees, small percentage-wise but large in number.

Furthermore—and I think this is important—a smaller portion of Government employees, 70 percent as compared with 80 percent in previous periods, chose the Government-wide plans. The largest increase was made by the employee organization plans. This would indicate, perhaps, that the Government-wide plans are not necessarily doing the job they were intended to do.

Beyond this, our program, we feel, is the strongest possible contract, properly designed, properly underwritten, and effectively administered, that could be made available to any group anywhere.

I represent the Metropolitan Life Insurance Co. We are the largest insurance company in the world. We are a mutual company. We are the lowest net cost company in the insurance business. We in fact

underwrite the Federal Government life insurance program and administer it quarterly. We feel that the plan we have offered, which is outlined and highlighted here, is an extremely good one. We provide broad semiprivate room and board and hospital special service benefits for 1 year. We provide surgical allowances up to \$450. Our diagnostic X-ray and laboratory benefits cover first cost. We have no deductible. Our major medical has a \$75 deductible, not \$100. And we have \$40,000 maximum benefits, not \$30,000.

Our plan is available to all employees of the National Association of Government Employees and covers their expenses in any hospital in the United States or outside. We are not a service benefit organization. Under the service benefit contract if you go to a nonmember hospital you are limited to \$12 a day. We have no such thing as nonmember hospitals. We will respect any qualified hospital and consider it on that basis.

In conclusion, let me just say that Mr. Lyons' organization and myself, in discussing this with them in the development of this plan, feel that this is a contract stronger than any available to Federal Government employees. We further feel \$1 a quarter is a saving, as small as it might be, it is a saving. The rates were developed by our chief actuary, who also developed the rates for the Federal Government life insurance program. We feel the rates will hold for some period of time.

I would like to request that favorable consideration be given to H.R. 5147, and I thank you very much for the opportunity to speak this morning.

Mr. DANIELS. You have indicated that the plan proposed by the Metropolitan Life Insurance Co., would save \$1 per quarter?

Mr. REDMOND. \$1 per quarter. \$4 per year, in relation to the most popular plan, which is the service benefit plan and which has better than 50 percent of all employees.

Mr. DANIELS. Obviously you have seen the report of the U.S. Civil Service Commission because you made reference to the points they make. In point 4 of the Commission points out your plan would cost \$8.75; is that for a quarter?

Mr. REDMOND. These are the monthly rates.

Mr. DANIELS. That is the rate for self, and for self and family your plan would cost \$23.50. For the indemnity benefit plan the cost would be \$8.97 for self, a difference of only 22 cents; and for self and family it would be \$23.51, or a difference of only 1 penny.

Mr. REDMOND. That is correct. I indicated our plan was \$1 per quarter less than under the Government-wide service plan and 66 cents per quarter less than the Government-wide indemnity plan on self only. However, the largest net loss in enrollment in the open season in February in the relation to the Civil Service Commission's report itself was in the Government-wide indemnity plan.

Mr. DANIELS. Really, this plan that you offer is a one option plan and it is tantamount to the high-option plan under the existing plans; is that not true?

Mr. REDMOND. Yes.

Mr. DANIELS. So if an employee desires to make application for a low-option plan he would not have that choice?

Mr. REDMOND. He would not have that choice. I might point out almost 90 percent of all Federal Government employees have chosen the high-option plan. And in relation to the Civil Service Commission's letter to you, in their original discussion, at the original hearing, they indicated that the idea of a one-option plan should perhaps be considered. I think you can appreciate that, from the carrier's point of view, the one-option plan can result in administrative savings and this can have a direct effect on the net cost implications of the overall contract.

Mr. DANIELS. But if a person desires a low-option plan he would not have that choice under your program and he would have to pay a higher premium?

Mr. REDMOND. Yes, but he would have the option of not choosing the plan and choosing another plan.

Mr. DANIELS. Does the opportunity for an employee to choose a low-option plan at less cost make that option or the high option less desirable?

Mr. REDMOND. It is our feeling that a choice for a high option is for greater protection and that is the consideration rather than the factor of cost. In relation to the cost implications, again relating to the fact our plan is \$1 per quarter less, we feel this makes it attractive enough to those people who would perhaps choose a low-option plan.

Mr. DANIELS. Mr. Lyons, in his previous testimony before this committee, stressed the point that his plan would offer greater benefits in the area of dental care and prescriptions. Do you agree that your plan is only comparable to other plans now in existence?

Mr. REDMOND. I think it is better when you consider at what point would the employee and his dependent be eligible for benefits for prescriptions and drugs, and it is only after a deductible has been satisfied and our deductible is 25 percent lower than the most popular plan, the service benefit program. This means they would get benefits quicker under our plan in that area than under any other program, so I would say it is definitely stronger.

Mr. DANIELS. How much is the deductible under your plan?

Mr. REDMOND. \$75 in a calendar year.

Mr. DANIELS. How much is it under the indemnity plan?

Mr. REDMOND. Only \$50. Again I am pointing out to you that the indemnity plan we do not feel is as strong as that which we are offering or that which the service benefit plan is offering when you consider in the last enrollment the largest single loss was in the area of the indemnity plan. This was the one plan that lost more heavily than any other plan in effect for Government employees.

Mr. DANIELS. I would like to direct my next question to Mr. Lyons. Mr. Lyons, when were you first aware of the fact you had only until December 31, 1963, to apply for participation in the health benefits program?

Mr. LYONS. To be frank with you, Mr. Chairman, I believe it was 10 days after the end of the period that we presented to the U.S. Civil Service Commission a request to submit a plan. Unfortunately, we were unaware of the cutoff date and I take full responsibility for that. When we did go to the Civil Service Commission they informed us we were exactly 10 days too late.

Mr. DANIELS. And did you submit a plan at that time?

Mr. LYONS. At that time, no, we did not, Mr. Chairman, because, as you will recall from the last hearing before you, the Commission did not indicate any favorable response to the acceptance or review of any further plans. They informed us that the employees already had a sufficient number of plans.

Mr. DANIELS. When you appeared here on June 8 you indicated to the committee that the plan you proposed was unique and that it would be better than any plan now available. Will you state to the committee in what manner this plan is unique and far superior to any existing plan?

Mr. LYONS. Mr. Chairman, in going over the various plans that were available to Federal employees we broke down practically every plan and we met with various insurance companies and in going over the plans with the Metropolitan Life Insurance Co. we felt that this one-option plan would be the best. For one thing, it would cost the employees less money and we feel, as indicated by the testimony of Mr. Redmond, there are far greater benefits under this plan than under any plan presently available.

Mr. DANIELS. Then your indication that your plan is unique is based on the fact it is a one-option plan?

Mr. LYONS. That is one distinguishable feature.

Mr. DANIELS. Why does that make it better?

Mr. LYONS. I think even the Civil Service Commission will agree the cost to administer it would be less, and I am of the opinion that eventually they, too, will make the same suggestion; whether our plan is approved by this committee or not, I think the Commission will make that suggestion in the future.

Mr. DANIELS. If it would be cheaper to administer a one-option plan rather than a two-option plan, would not that be sufficient reason to believe that a one-option plan would be better?

Mr. LYONS. That is a possibility, yes.

Mr. DANIELS. Any questions?

Mr. BUCHANAN. When you say cheaper to administer do you mean cheaper for the Civil Service Commission—for the Government?

Mr. LYONS. No, I think for the insurance company involved it would be less to administer and, therefore, I think they would be more inclined to hold their rate level.

Mr. BUCHANAN. Would this result in a substantially lower rate?

Mr. LYONS. It would eventually, I think.

Mr. BUCHANAN. Thank you.

Mr. DANIELS. Thank you very much, gentlemen.

Mr. LYONS. Thank you.

(The following papers were submitted for the record by the witnesses:)

PROPOSED PLAN OF HEALTH BENEFITS FOR THE MEMBERS OF THE NATIONAL ASSOCIATION OF GOVERNMENT EMPLOYEES, JUNE 1965

(Submitted by Ambrose J. Redmond, Jr., supervisor, Metropolitan Life Insurance Co.)

ADVANTAGES OF THE NAGE PLAN

A. The NAGE plan is a broad comprehensive major medical plan intended to provide a maximum protection for NAGE employees and their families at the lowest possible net cost.

B. The NAGE plan is unique in that it offers only one high option plan. This has a threefold purpose:

1. The plan competes more than favorably with all high option plans available to all Government employees.
2. The one-option approach reduces substantially the cost of administration to NAGE and the carrier involved.
3. The Government employees have shown an overwhelming preference (90 to 10) for the high option plans.

C. The specific plan benefits have the advantage of providing:

1. Broad semiprivate room and board and hospital special service benefits for 365 days for any hospital confinement.
2. Surgical allowances up to \$450 under the basic benefits with supplemental surgical benefits on a reasonable and customary fee basis (no schedule).
3. Attending physicians' allowances of \$10 for the first day and \$5 for the next 364 days which are more than adequate in relation to current charges.
4. Diagnostic X-ray and laboratory benefits providing wide coverage, when such services are received other than on an inpatient basis with no deductible.
5. A nominal deductible of \$75 per individual with a \$150 maximum family deductible in a calendar year. This deductible is substantially less than the most popular plan available to Government employees.
6. A \$40,000 reinstatable major medical maximum which is more than liberal in relation to the popular Government-wide plans.
7. A very ample maternity benefit for normal delivery while providing full regular plan benefits for cesarean or complications.
8. A cost which is approximately \$1 per quarter less than that under the Government-wide service plan.

Gross monthly rates: Self only, \$8.75; self and family, \$23.50.

PROPOSED SCHEDULE OF INSURANCE FOR EMPLOYEES AND DEPENDENTS (AS DEFINED ON P. 13)

Hospital room and board: Semiprivate for 365 days.

Hospital special services: Unlimited amount.

Doctors in-hospital visits: \$10 for first day, \$5 for next 364 days.

Surgical operation: Up to \$450 depending upon type of operation.

Diagnostic X-ray and laboratory examinations: Up to \$50 depending upon type of service.

Medical expense insurance—extended coverage: \$75 deductible (\$150 family maximum). Plan pays 80 percent of remaining covered expenses. Up to \$20,000 for a calendar year. Up to \$40,000 for a lifetime.

Maternity benefits: Normal delivery, up to \$250.

Gross monthly rates: Self, \$8.75; self and family, \$23.50.

HOSPITAL EXPENSE INSURANCE (NONOCCUPATIONAL)

Payable for hospital confinement as a result of injuries or sicknesses.

Payable toward charges for room and board up to the semiprivate room rate for each day of hospital confinement. For any one period of confinement whether from one or more causes, or successive periods of confinement from the same or related cause(s), maximum payment 365 days.

Additional payments toward charges for anesthetics and their administration and other hospital special services (except those of doctors, special nurses, and services and supplies not related to medical care and treatment) received during period for which room and board benefits are paid.

Payable for different periods of hospital confinement commencing while insured and resulting from unrelated causes.

No minimum hours of confinement required for emergency care not later than day following an injury or if a surgical operation is performed in the hospital. Benefits are payable for all other confinements lasting more than 18 hours.

These benefits are not payable for pregnancy or resulting childbirth or complications; nor for room and board accommodations or any other services which are or may be obtained without cost in accordance with laws or regulations of any government. If a charge is made which the confined person is legally required to pay, any benefits under the plan's provisions will take into account only such charge. "Any government" includes the Federal, State, provincial, or local government, or any political subdivision, of the United States or Canada.

IN-HOSPITAL PHYSICIANS ATTENDANCE INSURANCE (NONOCCUPATIONAL)

Payable toward doctor's fees for visits during hospitalization as a result of injuries or sicknesses.

Payable only for visits made during days for which hospital room and board benefits are paid.

Payable up to an amount equal to \$5¹ times the number of days of confinement for which room and board benefits are paid to a maximum of \$1,830 if no surgical operation is performed.

If a surgical operation is performed, maximum payment will be \$5¹ times the number of days of confinement for which room and board benefits are paid preceding the operation up to a total of \$1,830.

Benefits are not payable if confinement is for pregnancy or resulting childbirth or complications; nor for visits which are or may be made without cost in accordance with laws or regulations of any government. If a charge is made which the confined person is legally required to pay, any benefits under the plan's provisions will take into account only such charge. "Any government" includes the Federal, State, Provincial, or local government, or any political subdivision, of the United States or Canada.

SURGICAL OPERATION INSURANCE (NONOCCUPATIONAL)

Payable for operations—regardless where performed—as a result of injuries or sicknesses.

Up to 150 percent of the amounts shown in the schedule payable toward surgeon's fees; \$450 maximum payment during a period of disability whether from one or more causes, or during successive periods of disability from the same or related causes.

No limit to the number of times benefits are payable for operations performed during successive periods of disability resulting from unrelated causes and occurring while employee is insured.

These benefits are not payable for pregnancy or resulting childbirth or complications; nor for surgical operations which are or may be performed without cost in accordance with laws or regulations of any government. If a charge is made which the person is legally required to pay, any benefits under the plan's provisions will take into account only such charge. "Any government" includes the Federal, State, Provincial, or local government, or any political subdivision, of the United States or Canada.

SCHEDULE OF SURGICAL OPERATIONS

Two or more procedures performed during the course of a single operation through the same incision, or in the same natural body orifice, or in the same operative field are to be considered as one procedure with a maximum payment equal to the maximum payment specified in the schedule for that one of such procedures for which the largest amount is payable, except where the schedule specifies otherwise.

General:	<i>Surgical operation</i>	<i>Maximum payment¹</i>
Accidental lacerations of skin structures, suture of face, neck, genitalia, and hands, all lacerations combined:		
1 inch or less	-----	\$15.00
More than 1 inch up to 2 inches	-----	20.00
Other body areas, all lacerations combined:		
1 inch or less	-----	7.50
More than 1 inch up to 2 inches	-----	10.00
Bronchoscopy:		
Diagnostic, with or without biopsy	-----	45.00
Operative removal of tumors or foreign bodies	-----	75.00
Cystoscopy:		
Diagnostic, with or without biopsy:		
Without ureteral catheterization	-----	25.00
With ureteral catheterization	-----	35.00

¹ Maximum payment will be 150 percent of the amounts shown.

¹ \$10 for the first day.

Surgical operation—Continued

General—Continued

Cystoscopy—Continued

Maximum
payment ¹

Operative:

Transurethral resection of bladder neck or bladder tumors
or crushing of bladder stones.....\$110.00

Fulguration of bladder tumors or removal of bladder stones
without crushing.....50.00

Cyst, excision of:

Pilonidal cyst.....90.00

Sebaceous cyst.....15.00

Mammary glands:

Excision of benign tumors or cysts:

Unilateral.....50.00

Bilateral.....75.00

Mastectomy:

Total.....100.00

Radical, with axillary anode dissection.....200.00

Skin abscess, superficial, incision and drainage:

One.....7.50

Each additional.....4.00

Maximum.....25.00

Thyroid gland:

Thyroidectomy, total or subtotal.....175.00

Thyroid lobectomy, hemithyroidectomy.....150.00

Excision of thyroid adenoma or cyst.....125.00

Tumors, benign, superficial:

Excision from face, neck, genitalia, hands, or feet:

One.....20.00

Each additional.....10.00

Excision from other body areas:

One.....10.00

Each additional.....5.00

Electrocauterization or fulguration, with or without curettage,
per day of such treatment:

One tumor, except plantar wart.....5.00

More than one tumor, or each plantar wart.....10.00

Musculoskeletal:

Amputations:

Finger, thumb, or toe (one or more phalanges):

One.....25.00

Each additional.....15.00

Thigh, through femur.....150.00

Dislocations:

Elbow.....Closed reduction \$40.00 Open reduction \$100.00

Shoulder.....35.00 125.00

Fractures, simple or compounded:

Ankle:

Malleolus of tibia or fibula.....50.00 100.00

Bimalleolar (Potts).....60.00 150.00

Clavicle.....30.00 100.00

Elbow, distal end of humerus or proximal end of

radius or ulna, one or more bones.....60.00 150.00

Femur (except knee).....120.00 240.00

Fibula (except ankle).....40.00 80.00

Finger, thumb, or toe:

One.....20.00 40.00

Each additional.....10.00 20.00

Humerus (except elbow).....75.00 150.00

Knee, distal end of femur or proximal end of tibia,

one or both bones.....75.00 150.00

Radius, including Colles' (except elbow).....50.00 100.00

Radius and ulna (except elbow).....70.00 140.00

¹ Maximum payment will be 150 percent of the amounts shown.

Surgical operation—Continued

Musculoskeletal—Continued		
Fractures, simple or compounded—Continued		
	Closed reduction	Open reduction
Ribs, one or more	\$20.00	-----
Tibia (except ankle and knee)	75.00	\$150.00
Tibia and fibula (except ankle)	100.00	200.00
Ulna (except elbow)	40.00	100.00
Closed reduction is correction of displacement by manipulation without incision including application of casts or traction and including debridement at fracture site. For closed reduction of a fracture with skeletal pinning and external fixation, the maximum amount is 1½ times the maximum amount for closed reduction.		
Open reduction is correction of displacement by manipulation and incision with or without skeletal traction or metallic fixation.		
Intervertebral disk, excision of:		Maximum payment ¹
Without spinal fusion		225.00
With spinal fusion		300.00
Tendons—Excision of ganglion		40.00
Suture of tendon laceration:		
One tendon		50.00
Each additional tendon		25.00
Eye, ear, nose, and throat:		
Chalazion, excision or curettage:		
Single		15.00
Multiple		25.00
Extraction of lens for cataract		200.00
Strabismus, operation for:		
1 eye		135.00
Both eyes		175.00
Each additional operation, one or both eyes		75.00
Fenestration operation for otosclerosis		300.00
Myringotomy or tympanotomy		15.00
Nasal polyps, removal of 1 or more, 1 or more stages:		
Unilateral		15.00
Bilateral		25.00
Nasal septum, submucous resection of		100.00
Tonsillectomy with or without adenoidectomy		40.00
Heart and blood vessels:		
Commissurotomy or valvotomy		300.00
Saphenous vein, long, ligation with or without retrograde injection or distal interruptions:		
Without stripping:		
Unilateral		75.00
Bilateral		110.00
With stripping on same or successive days:		
Unilateral		100.00
Bilateral		150.00
Chest:		
Lobectomy:		
Total, subtotal, or segmental		300.00
Wedge resection		225.00
Thoracotomy, for drainage of empyema:		
Without rib resection		50.00
With rib resection		100.00
Abdomen:		
Appendectomy, with or without incision and drainage of appendiceal abscess		110.00
Cholecystectomy, with or without exploration of common duct		175.00
Colon resection:		
Partial, with or without colostomy		250.00
Total		300.00

¹ Maximum payment will be 150 percent of the amounts shown.

Surgical operation—Continued

		Maximum payment ¹
Abdomen—Continued		
Gastrectomy, with or without vagotomy:		
Partial	-----	\$250.00
Total	-----	300.00
Herniotomy, inguinal or femoral:		
Single	-----	110.00
Bilateral	-----	150.00
Proctology and urology:		
Fistulectomy or fistulotomy:		
Single	-----	65.00
Multiple	-----	90.00
Fistulectomy or fistulotomy (single or multiple), with incision and drainage of ischiorectal abscess	-----	90.00
Hemorrhoidectomy, by excision, internal only or both internal and external:		
Without fistulectomy	-----	80.00
With fistulectomy	-----	100.00
Hydrocele or varicocele, excision of:		
Unilateral	-----	75.00
Bilateral	-----	100.00
Ischiorectal abscess, incision and drainage	-----	35.00
Nephrectomy or heminephrectomy	-----	225.00
Proctectomy, complete, combined abdominal—perineal procedure, one or more stages	-----	300.00
Proctectomy:		
Suprapubic, 1 or more stages	-----	250.00
Transurethral, 1 or more stages including control of postoperative bleeding	-----	200.00
Gynecology:		
Conization of cervix	-----	30.00
Cystocele, repair of	-----	100.00
Rectocele, repair of	-----	75.00
Cystocele and rectocele, repair of	-----	140.00
Dilation of cervix and curettage of uterus, nonpuerperal, with or without electrocauterization, conization, or polypectomy	-----	40.00
Electrocauterization of cervix, nonpuerperal	-----	15.00
Hysterectomy, with or without dilation and curettage:		
Complete (panhysterectomy), with or without adnexa	-----	180.00
Subtotal or supracervical, with or without adnexa	-----	150.00
Radical, for malignancy	-----	250.00
Salpingectomy or oophorectomy, or both, unilateral or bilateral	-----	125.00
Uterus, suspension of, any type, with or without dilation and curettage or surgery on tubes or ovaries	-----	125.00
Neurosurgery:		
Craniotomy (other than trephination only):		
Decompression, unilateral or bilateral	-----	175.00
Excision of brain cyst, neoplasm, or abscess	-----	300.00
Lumbar sympathectomy:		
Unilateral	-----	150.00
Bilateral	-----	225.00
Trephination:		
Drainage of subdural, epidural, or brain abscess or hematoma:		
Initial trephination	-----	150.00
Subsequent needling	-----	30.00
Pneumoventriculography	-----	100.00

¹ Maximum payment will be 150 percent of the amounts shown.

ADDITIONAL EMPLOYEE HEALTH BENEFIT PLANS

INSURANCE FOR DIAGNOSTIC X-RAY AND LABORATORY EXAMINATIONS
(NONOCCUPATIONAL)

Payable for X-ray and laboratory examinations made for the diagnosis of injuries or sicknesses.

Payable toward fees for the following examinations up to the indicated maximum amounts:

X-ray examinations:

Abdominal region:

	<i>Maximum payment</i>
Gastro-intestinal series—barium meal	\$25.00
Colon—barium enema	15.00
Gall bladder, dye method	15.00
Flat film	10.00

Kidney, ureter or bladder:

Dye method, intravenous	10.00
Dye method, retrograde pyelogram	20.00

Arm or leg	5.00
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Chest region:

Heart and lungs	10.00
Stereoscopic	15.00

Head, skull, sinuses, or lower jaw (except dental X-ray)	10.00
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Pelvis, hip, spine, or shoulder	10.00
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Ribs, one side	10.00
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Laboratory examinations:

Electrocardiogram:

With interpretation	10.00
Without interpretation	7.50

Sugar tolerance test, involving two or more blood sugar determinations and accompanying urinary sugar determinations	10.00
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All other laboratory examinations (except urine examination)	5.00
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Fifty dollars is the maximum amount payable for all examinations from any one accident and \$50 is the maximum amount payable for all examinations during any 12 consecutive months from sickness.

Not payable for examinations made during hospital confinement and for which a charge is made by the hospital, or if reimbursement for such examination is otherwise payable under the plan. Not payable for X-ray therapy treatment, urine examination, or examination in connection with dental work or treatment, or because of pregnancy or resulting childbirth or complications.

Not payable for any examinations which are or may be made without cost, in accordance with laws or regulations of any government. If a charge is made which the person is legally required to pay, any benefits under the plan's provisions will take into account only such charge. "Any government" includes the Federal, State, Provincial, or local government, or any political subdivision, of the United States or Canada.

MEDICAL EXPENSE INSURANCE—EXTENDED COVERAGE (NONOCCUPATIONAL)

Protection against expenses of medical care—in or out of hospital—resulting from unusual or severe illnesses or injuries of long or short duration. Total disability not required.

Payable for covered medical expenses incurred during a calendar year.

Benefits payable—From the total covered medical expenses, as outlined, for each calendar year is deducted—

(1) The total amount payable under the basic group plan, and

(2) \$75²

with the plan paying 80 percent of the remaining covered medical expenses to a maximum of—

(a) \$20,000 for any one calendar year, and

(b) \$40,000 for all injuries or sicknesses.

² One hundred and fifty dollars family maximum (for all members of the family). Any part, or all, of the initial amount of expenses for a calendar year arising from covered medical expenses incurred during the last 3 months of that year will be used to reduce the initial amount for the next calendar year.

COVERED MEDICAL EXPENSES

Any reasonable, necessary, and customary charges for the following medical services performed or prescribed by a licensed physician or surgeon:

Hospital services, other than room and board, required for medical or surgical care or treatment.

Services of doctors³ and surgeons, including specialists.

Services of registered graduate nurses except nurse residing in employee's home or who is a member of the immediate family.

Local professional ambulance service.

Oxygen and anesthetics, and their administration.

X-rays and other diagnostic laboratory procedures.

X-ray or radium treatments.

Blood transfusions, including cost of blood.

Drugs and medicines which may be purchased only upon a doctor's prescription.

Rental of iron lung or other durable equipment for therapeutic use.

Artificial limbs or other prosthetic appliances, except replacement.

MEDICAL EXPENSES NOT COVERED

Dental service except—

(a) Expenses necessary to correct damage caused by accidental injury sustained while insured, and

(b) Hospital expenses for room and board and hospital special services while a registered bed patient.

Surgery or treatment for cosmetic purposes except where necessary to correct damage caused by accidental injury sustained while insured.

Eye glasses, hearing aids, and examinations for prescription or fitting.

Routine health checkups.

Expenses from injury or sickness caused by an act of war.

Services which are or may be received without cost in accordance with laws or regulations of any government. If a charge is made which the person is legally required to pay, any benefits under the plan's provisions will take into account only such charge. "Any government" includes the Federal, State, provincial, or local government, or any political subdivision, of the United States or Canada.

Services for which the person receiving them is not required to make payment, or where payment is received as the result of legal action or settlement.

Also, expenses incurred before the effective date of the individual's insurance.

Maternity: Expenses incurred because of pregnancy (resulting childbirth, miscarriage, Caesarean section, prenatal or postnatal care) are not covered. However, any additional medical expenses incurred because of severe complications will not be excluded if they otherwise qualify as covered medical expenses.

OTHER PROVISIONS

Reinstatement—If at least \$1,000 benefits have been paid, the amount will not be included in determining the \$40,000 maximum on the covered person on and after the date Metropolitan accepts as satisfactory, evidence submitted of insurability of that person.

The plan will pay benefits for mental or nervous conditions. However, for psychiatric treatments or consultations received while the employee is not totally disabled so as to be prevented from working, or while a covered dependent is not confined in a hospital or similar institution, the plan will pay 50 percent of covered medical expenses to a maximum of \$500 in a calendar year.

Benefits will be determined separately for each person. However, if two or more covered members of a family should incur medical expenses as a result of

³ "Doctor" is a duly licensed doctor of medicine (M.D.) or a duly licensed doctor of osteopathy (D.O.). A duly licensed dentist or a duly licensed podiatrist (chiroprapist) when acting within the scope of his license, is considered a "doctor." Types of practitioners not specifically mentioned above are not considered "doctors" for the purposes of this plan.

the same accident, the deductible amount will be applied only once against such covered expenses during the calendar year in which the accident occurs, regardless of the number of family members injured.

MATERNITY BENEFITS

Payable for childbirth or complications

Normal delivery:

Amount of benefits

For hospital up to \$150.

For doctor up to \$100.

Cesarean section or operation for ectopic pregnancy:

For hospital—same benefits as for nonmaternity confinement.

For doctor up to \$150.

Miscarriage:

For hospital up to \$150.

For doctor up to \$50.

Payable for pregnancies existing on the effective date of the covered individual's insurance, but not for pregnancies existing at termination of insurance.

DEPENDENTS

Dependents include—

- (1) An employees' spouse.
- (2) Any unmarried child under 21 years of age of a male employee, of a widowed female employee or of a female employee whose husband is not an employee.

The term "child" includes any legally adopted child, any stepchild residing in the employee's household, any child supported solely by the employee and permanently residing in the household of which the employee is the head, and any child who, regardless of age, is incapable of self-support because of mental or physical incapacity which existed prior to his reaching the age of 21.

Dependents do not include—

- (1) Any person who is eligible for insurance as an employee; and
- (2) Any person who is in the armed forces of any country.

PROVISIONS APPLICABLE TO THE ENTIRE PLAN

Coordination of benefits with other benefits: Medical care benefits under this plan will be coordinated with nonoccupational medical care protection under any other plan for which any employer of the enrollee or any person in his family makes either (a) contributions toward premium or (b) deductions from pay or annuity. Benefits otherwise payable under this plan may be reduced so that, for expenses incurred in each calendar year while coverage is provided under this plan, the total benefits and service allowances under all plans will not exceed the reasonable and customary charges for items of necessary medical expense covered under any of the plans involved.

The plan limits to \$1,000 per calendar year the benefits for a person confined to a hospital on the effective date of his or her insurance. This limitation will no longer apply when the person has been free of confinement for 31 consecutive days.

Insurance will cease when the employee leaves his job for any reason other than retirement.

Mr. DANIELS. Our next witness is Mr. David F. Lawton, Deputy Director of the Bureau of Retirement and Insurance, U.S. Civil Service Commission.

Mr. Lawton.

STATEMENT OF DAVID F. LAWTON, DEPUTY DIRECTOR, BUREAU OF RETIREMENT AND INSURANCE, U.S. CIVIL SERVICE COMMISSION; ACCOMPANIED BY SOLOMON PAPPERMAN, CHIEF, CONTRACTS AND INSTRUCTIONS DIVISION, BUREAU OF RETIREMENT AND INSURANCE

Mr. LAWTON. Mr. Chairman and members of the subcommittee, I have with me this morning Mr. Solomon Papperman, Chief of the Contracts and Instructions Division of the Bureau of Retirement and Insurance.

I appreciate this opportunity to reiterate the Commission's views on this proposal to amend the Federal Employees Health Benefits Act so as to permit additional employee organizations to be considered for approval as carriers of health benefit plans. The Commission's strong opposition has been set forth in Chairman Macy's letter of June 7, 1965, to Chairman Murray of the full committee, which has been incorporated in the record, and in Mr. Ruddock's testimony before this subcommittee on June 8, 1965. I would, however, like to restate briefly the principal reasons for the Commission's opposition.

The 38 plans with 57 options—I would like to point out here that half of the plans have only one option—now participating in the program give employees a choice of every kind of health insurance plan. Adding new plans will add to the Federal employees' already bewildering choice and increase the cost of administration of the program without serving either the interests of the Government or of the employees.

Mr. Lyons submitted to us the plan his organization proposes to sponsor. As Mr. Ruddock stated in his letter to you dated July 13, 1965, the plan is only a variation of the numerous high options of plans already available to employees under the program; it is not unique, nor does it provide any broader coverage than the other plans. If the chairman agrees, it might be well to incorporate the letter in the record at this point.

Mr. DANIELS. Without objection, the letter of July 13, 1965, will be made a part of the record at this point.

(The letter referred to follows:)

U.S. CIVIL SERVICE COMMISSION,
BUREAU OF RETIREMENT AND INSURANCE,
Washington, D.C., July 13, 1965.

HON. DOMINICK V. DANIELS,
Chairman, Subcommittee on Retirement, Insurance and Health Benefits, Committee on Post Office and Civil Service, House of Representatives

DEAR MR. DANIELS: After the June 8, 1965, subcommittee hearing on H.R. 5147 you suggested that Mr. Kenneth T. Lyons, president of the National Association of Government Employees, furnish me for evaluation a copy of the health benefit plan his organization proposes to offer to its members if H.R. 5147 is enacted. Mr. Lyons met with me on June 9 and June 23 to discuss various aspects of the proposed plan. On June 29 he supplied me with a copy of the final version which he has submitted to your subcommittee.

Mr. Lyons stated in substance at the hearing that his organization did not avail itself of the opportunity for participation provided by H.R. 1819 because he was not satisfied with any of the plans submitted to him by various insurance companies, and that interest in participating in the program was renewed only after he found an underwriter with a unique plan providing broader benefits than other plans available to his members.

In my considered opinion, the proposed NAGE plan is not unique, nor does it provide broader coverage than other plans participating in the Federal employees health benefits program. This is not in derogation of the plan; it does provide good coverage which meets the requirements set forth in the act for the two Government-wide plans. It is, however, only a variation of the numerous high-option plans already available under the program and I find no single feature which would distinguish it as outstanding from among the other participating plans.

A detailed comparison of plans, benefit by benefit, is not feasible or meaningful because they all vary in structure. None pay all the expenses of medical care and where one may pay more for certain kinds of expenses, it will pay less for other kinds. Coinsurance provisions are applied to some expenses, especially those for care that is often elective on the part of the enrollee, to discourage overutilization. Deductibles are used for the same purpose as well as to eliminate the administrative cost of paying small bills. Plans vary largely by the way in which these controls are applied. If a person could anticipate exactly what illnesses he and his family would have and exactly what expenses would be incurred, he could determine in advance which plan would pay the most in benefits for those particular expenses and hence which plan was "the best." This, of course, is rarely possible and comparison, therefore, has to be made on the general overall coverage of the plans. For purposes of such a comparison, I am attaching a chart briefly summarizing (and without details) the major provisions of the NAGE plan and those of the two Government-wide plans already available to all employees.

As I recall, at the hearing Mr. Lyons specifically mentioned the following as unique or distinguishing features of his plan: it has only one option; it pays benefits for prescription drugs; it provides benefits for dental care; and it costs less than other available plans. I would like to comment briefly on these points:

1. One option: One option is not unique; although the Government-wide plans are required by the act to offer two options, three employee organization plans have only one option. If it is assumed, however, that only one option is desirable the answer would be to enact legislation limiting all plans to one option, not adding more plans.

2. Prescription drugs: Both the high and low options of the Government-wide plans and most of the high options of employee organization plans cover out-of-hospital prescription drugs. All plans and options cover in-hospital drugs.

3. Dental Care. The proposed NAGE plan would cover in-hospital expenses for dental care and services of dentists only for repair of accidental injury to teeth. Both Government-wide plans and most employee organization plans provide the same coverage plus coverage for the excision of impacted teeth.

4. Cost. Following is a comparison of NAGE's monthly premium rates with those of the Government-wide plans:

	Self	Self and family
NAGE plan.....	8.75	23.50
Indemnity benefit plan.....	8.97	23.51
Service benefit plan.....	9.14	23.83

There is no guarantee that any of the above rates will not change but it should be recognized that both Government-wide plans have built up prudent reserves which operate to stabilize their rates whereas there is no assurance that the rate for the NAGE plan would not have to be sharply increased in a year. In any case, the difference in rates is negligible. In fact, for a self and family enrollment, an employee's biweekly contribution for the NAGE plan would be exactly the same as for the indemnity benefit plan and only 15 cents less than for the service benefit plan.

If I can be of further assistance to the committee, please do not hesitate to let me know.

Sincerely yours,

ANDREW E. RUDDOCK, *Director.*

Brief summary of major benefit provisions of NAGE plan and two Government-wide plans (high option)

	NAGE plan	Service benefit plan	Indemnity benefit plan
Hospital charges:			
Room and board.....	In full for up to 365 days per confinement.	In full for up to 365 days per confinement.	In full for up to \$1,000 per calendar year. (Excess covered by major medical.)
Other hospital expenses.....	do.....	do.....	Covered by major medical.
Doctors' charges:			
Surgical.....	Per fee schedule, \$450 maximum.	Per fee schedule, ranges from \$300 to \$700, depending on area. ¹	Do.
In-hospital visits.....	\$10 first day; \$5 next 364 days.	Per fee schedule varying with area, averaging about \$15 first day, \$10 second day, \$5 thereafter. ¹	Do.
Home and office visits.....	Covered by major medical.	Covered by major medical.	Do.
Diagnostic X-ray and lab exams.	\$50 a year per fee schedule. (excess covered by major medical.)	Covered by major medical (\$20 deductible).	Do.
Major medical (covers above expenses not paid for by benefits shown above, plus other medical expenses, e.g., drugs and medicines, special nurses, etc.).	80 percent of expenses after \$75 deductible.	80 percent of expenses after \$100 deductible.	80 percent of expenses after \$50 deductible.
Maternity expenses (normal delivery).	Hospital, \$1.50; doctor, \$100.	Hospital, in full; doctor, fee schedule from \$87.50 to \$175 depending on area. ¹	Same as illness or injury.

¹ Participating doctors accept fee schedule allowance as payment for persons under stipulated income ceiling which vary by area.

Mr. LAWTON. A new employee organization plan cannot offer more benefits for less money. We know of no magic by which a plan can pay out more than it takes in and remain solvent. The employee organization plans under the program as well as the two Government-wide plans are all experience rated, which means that after provision for administrative expenses, taxes, and risk charges, that is, profit of the underwriter, all money paid to them in premiums is earmarked for the payment of benefits. Whatever benefits a new plan provides are going to have to be paid for. Except to the extent that a plan can save money on its retention, that is, the administrative charges, taxes, and risk charge, no arrangement of benefits is going to give its members any more for their premium dollars.

The plans already available give good, broad coverage of hospital and medical expenses, as does the proposed NAGE plan, but none of them, for good reason, cover all expenses. Except in the rare case where an employee can anticipate his or his family's illnesses and know exactly what expenses he will have, no employee can predict which variation of these broad coverage plans will be best for him.

I again urge in the interests of the Government and the employees that favorable action not be taken on H.R. 5147. I will be glad to answer any questions.

Mr. DANIELS. Mr. Lawton, in 1963 the full committee reported favorably on the legislation which became Public Law 88-59. At that time the Commission opposed the reopening for new plans. Is the situation any different with respect to the bill before us, H.R. 5147?

Mr. LAWTON. I think it is, Mr. Chairman. The Commission did oppose Public Law 88-59 for the same reason it opposes H.R. 5147. There is even less basis now than there was then for a reopening. At the time this committee approved Public Law 88-59 it stated the program was not intended to be a recruitment aid to organizations but it was not the committee's purpose to place one organization in unfair competition with another. It was to be a one-time opportunity.

I understand from Mr. Lyons' testimony that his objective in attempting to get a reopening now is not because of loss of membership but because they feel they can offer a better health benefit plan than any available now.

Mr. DANIELS. When was Public Law 88-59 signed by the President and when did it become effective?

Mr. LAWTON. As I recall, it was signed by the President on July 8, 1963, and it became effective at once. There was a deadline date in the law by which anyone who wished to come in had to file his application by December 31, 1963.

Mr. DANIELS. Was any notice given of that?

Mr. LAWTON. Yes. We issued a press release that got wide coverage. We also put a notice in the Federal Register.

Mr. DANIELS. And as a result, how many organizations made application for participation in the plan?

Mr. LAWTON. Altogether four, one of which—the Postal Mail Handlers—was able to participate in the 1963 open season. The others merely filed their intention to submit a plan to us later on. Two of them did, the National Postal Alliance and—what was the name of the other one?

Mr. PAPPERMAN. The National Association of Postal Supervisors. They did not come in. The National Association of Internal Revenue Employees filed an application but did not pursue it.

Mr. LAWTON. There was just one other?

Mr. PAPPERMAN. Two, the Postal Mail Handlers and the National Alliance of Postal Employees. They are both now participating in the program.

Mr. DANIELS. How many organizations participate now?

Mr. PAPPERMAN. Thirteen.

Mr. DANIELS. In your opening statement, Mr. Lawton, you say there are 38 plans with 57 options now participating in the program.

Mr. LAWTON. Yes.

Mr. DANIELS. Were they offered by the 13 organizations?

Mr. LAWTON. No. The 13 are included in the 38. Two of the others are Government-wide and others were local, with membership clustered around metropolitan centers.

Mr. DANIELS. Any questions?

Thank you, gentlemen. That concludes the hearing.

(Thereupon, the subcommittee, August 24, 1965, adjourned.)



THE JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION
PUBLISHED WEEKLY
CHICAGO, ILL., U.S.A.
Subscription price, Five Dollars Per Annum in Advance.
Single Copies, Fifteen Cents.
Entered as Second-Class Matter, October 3, 1917.
Postage paid at Chicago, Ill., and at additional mailing offices.
Acceptance for mailing at special rate of postage provided for in
Act of October 3, 1917, authorized on July 16, 1918.
Copyright, 1919, by American Medical Association
Published by the American Medical Association, 535 North Dearborn Street, Chicago, Ill.
Second-Class Postage Paid at Chicago, Ill.

