

## Public Law 86-724

## AN ACT

September 8, 1960  
[S. 2575]

To provide a health benefits program for certain retired employees of the Government.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Retired Federal Employees Health Benefits Act".*

Retired Federal  
Employees Health  
Benefits Act.

## DEFINITIONS

SEC. 2. As used in this Act—

(1) The terms "employee", "Government", "member of family", and "Commission" have the same meanings, when used in this Act as such terms have when used in the Federal Employees Health Benefits Act of 1959.

73 Stat. 708.  
5 USC 3001note.

(2) "Health benefits plan" means an insurance policy or contract, medical or hospital service arrangement, membership or subscription contract, or similar agreement provided by a carrier for a stated periodic premium or subscription charge for the purpose of providing, paying for, or reimbursing expenses for hospital care, surgical or medical diagnosis, care, and treatment, drugs and medicines, remedial care, or other medical supplies and services, or any combination of these.

(3) "Retired employee" means any person who would be an annuitant as that term is defined in the Federal Employees Health Benefits Act of 1959 if the contribution and enrollment provisions of that Act had been in effect on the date the person became an annuitant, but does not include any person who was a noncitizen whose permanent-duty station was outside a State of the United States or the District of Columbia on the day before he became an annuitant.

(4) "Carrier" means a voluntary association, corporation, partnership, or other nongovernmental organization which lawfully offers a health benefits plan.

## GOVERNMENT-WIDE PLAN

SEC. 3. (a) The Commission shall, without regard to section 3709 of the Revised Statutes or any other provision of law requiring competitive bidding, enter into a contract with a qualified carrier for one uniform Government-wide health benefits plan for retired employees. Such contract shall be for a period of at least one year and shall be automatically renewable in the absence of notice of termination by either party. The carrier shall, if the Commission so directs, cede reinsurance to such other companies which regularly issue group health insurance as may elect to participate or shall allocate its rights and obligations under the contract among such of its affiliates as may elect to participate in accordance with an equitable formula to be determined by the carrier and approved by the Commission. The contracting carrier, if an insurance company, shall be licensed to issue group health insurance in all the States of the United States and the District of Columbia and shall, in the most recent year for which data are available, have made at least 1 per centum of all group health insurance benefit payments in the United States.

41 USC 5.

(b) The contract under this Act shall contain a detailed statement of the benefits offered and shall include such maximums, limitations, exclusions, and other definitions of benefits as the Commission may deem necessary or desirable. No person may be excluded because of race, sex, health status, or age, and the contract may not deny or limit benefits because of any preexisting condition.

(c) The rates charged for the health benefits plan described in subsection (a) of this section shall reasonably and equitably reflect the cost of the benefits provided. Rates determined for the first term shall be adjusted for subsequent terms on the basis of experience. The Commission shall prescribe the extent to which reserves due to favorable experience may be retained by the carrier. Such reserves shall in any case be retained for the benefit of retired employees enrolled thereunder, and members of their families.

#### CONTRIBUTIONS

SEC. 4. (a) If a retired employee enrolls in the health benefits plan provided for by section 3 of this Act, the Government shall contribute toward his subscription charge such amounts as the Commission by regulation may from time to time prescribe. The amount so prescribed, if the employee is enrolled for self only, shall not be less than \$3.00 monthly or more than \$4.00 monthly. The amount to be prescribed for a retired employee enrolled for self and family shall be twice the contribution for one enrolled for self only. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

#### WITHHOLDING

SEC. 5. There shall be withheld from the annuity or compensation of each retired employee enrolled in the health benefits plan provided for under section 3 of this Act so much as is necessary, after deducting the contribution of the Government, to pay the total charge for his enrollment.

#### OTHER HEALTH BENEFITS PLANS

SEC. 6. (a) Subject to subsection (b) of this section, a retired employee who elects to obtain a health benefits plan, or to retain an existing health benefits plan, other than the plan provided for under section 3 of this Act, directly with a carrier, shall be paid a Government contribution to the cost of his health benefits plan which shall be equal in amount to the appropriate Government contribution established by the Commission pursuant to section 4(a) of this Act, but may not exceed the cost to him of the health benefits plan in which he is enrolled or which he retains or, if the plan combines health benefits with other benefits, shall not exceed the cost to him of the premium fixed by the carrier for the health benefits portion of the plan in which he is enrolled or which he retains. A retired employee may not receive a Government contribution for more than one plan, nor may a retired employee receive a Government contribution if he is covered under the enrollment of another employee or retired employee who is receiving a Government contribution toward his enrollment.

(b) A retired employee who enrolls in a plan shall be entitled to the Government contribution provided by this section only if the carrier of the plan (1) has been providing health benefits for at least one year and (2), if an insurance company, is licensed to issue indi-

vidual or group health insurance in all the States of the United States and the District of Columbia. Clause (2) of the immediately preceding sentence shall not apply to enrollment in a plan sponsored by an association or other organization more than 50 per centum of the members of which are Federal employees or former Federal employees.

(c) In addition, the Government shall contribute an amount, as prescribed by the Commission, up to 2 per centum of each contribution authorized by subsection (a) of this section to the Retired Employees Health Benefits Fund, for payment of expenses incurred by the Commission in administering this Act.

#### ELECTIONS

SEC. 7. Each retired employee shall, within such time after March 1, 1961, as the Commission shall prescribe, notify the Commission of his election (1) to enroll in the plan provided under section 3 of this Act, (2) to enroll in or retain another health benefits plan and receive Government contributions under section 6 of this Act, or (3) not to participate in the program offered under this Act. If the retired employee elects to enroll under clause (2) of this section, his election shall be accompanied by a certificate of the carrier certifying the fact of his enrollment and the cost to him of the health benefits plan, or of the health benefits portion of the plan.

#### RETIRED EMPLOYEES HEALTH BENEFITS FUND

SEC. 8. (a) The withholdings of retired employees under section 5 of this Act and the contributions of the Government under sections 4 and 6 of this Act shall be deposited in the Retired Employees Health Benefits Fund, hereinafter referred to as the "Fund", which is hereby created and which shall be administered by the Commission.

(b) The Fund shall be available without fiscal year limitation for all payments on account of the health benefits plan negotiated under section 3 of this Act, for payment of the Government's contribution provided for by section 6(a) of this Act to agencies of the Government which administer a retirement system for civilian employees of the Government, and for payment of expenses, not to exceed the Government's contributions authorized by sections 4(b) and 6(b) of this Act, incurred by the Commission in administering this Act.

(c) Any dividends or other refunds made by the carrier under section 3 of this Act shall be set aside in the Fund as a contingency reserve for the Government-wide plan. Such contingency reserve may be used to defray increases in future rates of or to reduce the retired employees' and the Government's contributions to, or to increase the health benefits provided by that plan, as the Commission may from time to time determine.

(d) The Secretary of the Treasury is authorized to invest and reinvest any of the moneys in the Fund in interest-bearing obligations of the United States for the purposes of the Fund. The interest on and the proceeds from the sale of any such obligations shall become a part of the Fund.

#### ADMINISTRATION

SEC. 9. (a) The Commission shall administer this Act and prescribe such regulations as are necessary to give full effect to the purposes of this Act.

(b) Such regulations shall fix minimum standards to be met by the carrier and the plan under section 3 of this Act, including extensions of coverage to be provided. The Commission may request all carriers to furnish such reasonable reports as the Commission determines to be

necessary to enable it to carry out its functions under this Act. The carrier shall furnish such reports when requested and permit the Commission and representatives of the General Accounting Office to examine such records of the carriers as may be necessary to carry out the purposes of this Act.

(c) The Commission's regulations may include, but are not limited to, the following:

- (1) exclusions of retired employees from coverage;
- (2) beginning and ending dates of coverage, and conditions of eligibility;
- (3) methods of filing the elections required by section 7 of this Act and other information;
- (4) methods of making contributions authorized by section 6, and withholdings required by section 5 of this Act;
- (5) changes in enrollment;
- (6) questions of dependency;
- (7) certificates and other information to be furnished to retired employees;
- (8) contributions and withholding during periods of suspension of annuity payments and in other extraordinary situations;
- (9) when, and under what conditions, an election not to participate in the programs offered under this Act may be withdrawn; and
- (10) under what conditions and to what extent the cost of a plan shall be considered a cost attributable to the retired employee.

(d) Each agency of the United States or the District of Columbia which administers a retirement system for annuitants shall keep such records, make such certifications, and furnish the Commission with such information and reports as may be necessary to enable the Commission to carry out its functions under this Act.

(e) There are hereby authorized to be expended from the Employees Life Insurance Fund, without regard to limitations on expenditures from that Fund, for any fiscal years from the date of enactment through the fiscal year ending June 30, 1962, inclusive, such sums as may be necessary to pay administrative expenses incurred by the Commission in carrying out the health benefits provisions of this Act. Reimbursements to the Employees Life Insurance Fund for sums so expended, together with interest at a rate to be determined by the Secretary of the Treasury, shall be made from the Retired Employees Health Benefits Fund which is hereby made available for this purpose.

#### APPROPRIATIONS

SEC. 10. The amounts authorized by this Act to be contributed by the Government shall be paid from annual appropriations which are hereby authorized to be made for such purpose.

#### ANNUAL REPORT

SEC. 11. The Commission shall transmit to the Congress annually a report concerning the operation of this Act.

#### EFFECTIVE DATE

SEC. 12. The health benefits program provided for by this Act shall take effect July 1, 1961. The contributions and withholdings provided for by this Act shall take effect on June 1, 1961, with respect to annuity or compensation accruing for periods beginning on and after that date.

Approved September 8, 1960.