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Health Benefits for Members of Congress

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Summary

Members of Congress and retired Members are entitled to participate in the Federal Employees Health Benefits Program (FEHBP) under the same rules as other federal employees. Members meeting minimum enrollment period requirements who are also eligible for an immediate annuity may continue to participate in the health benefit program when they retire. For an additional fee, incumbent Members can receive health care services from the Office of the Attending Physician in the U.S. Capitol; in addition, Members may purchase care from the military hospitals using their FEHBP benefit. Members must also pay the same payroll taxes as all other workers for Medicare Part A coverage.

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Members of Congress and retired Members are entitled to participate in the Federal Employees Health Benefits Program (FEHBP) under the same rules and receive the same benefits as other federal employees. FEHBP is administered by the Office of Personnel Management (OPM), which has oversight of the federal workforce. FEHBP covers about 8 million individuals, including federal employees, annuitants, Members of Congress, retired Members, and their eligible dependents. Approximately 85% of all federal employees who are eligible participate in FEHBP.¹

Federal Employees' Health Benefits

The federal government is the largest employer in the United States, and FEHBP is the largest employer-sponsored health insurance program. Below is a brief description of health benefit plan options, eligibility, and how premiums are financed.²

Plans and Options. FEHBP offers enrollees a choice of five government-wide fee-for-service plans and another five plans available to employees of certain small federal agencies (such as the Foreign Service). In total, there are about 300 different plan choices, including all regionally available options, as well as choices offered by plans for standard option, high option, and high-deductible plans. Most of these plans are HMOs. An enrollee's choice is between 5 and 15 options. FEHBP specifies three types of participating plans:

- **Government-wide**—fee-for-service plan that pays providers directly for services (this slot has always been filled by Blue Cross and Blue Shield),
- **Sponsored by employee organizations**—fee-for-service plans available to all people eligible for FEHBP, subject to annual membership dues, and
- **Comprehensive medical**—otherwise known as FEHBP health maintenance organizations (HMOs).

All FEHBP plans cover a range of benefits, including hospital, surgical, physician, mental health, prescription drug, emergency care, and “catastrophic” benefits. But there are variations in the amount the plans pay for each benefit (as reflected in coinsurance requirements and deductibles), the coverage of specific services, and the extent to which they protect enrollees from risk of “catastrophic” medical bills.

High-Deductible Plans with an HSA or HRA. In 2003, FEHBP began offering high-deductible plans coupled with tax-advantaged accounts that could be used to pay for qualified medical expenses. These plans are believed to help control costs by exposing enrollees to more risk for their health care expenditures. FEHBP first offered this arrangement by combining a consumer-driven health plan (CDHP) with a Health Reimbursement Arrangement (HRA). In 2005, FEHBP expanded this option to include a high-deductible health plan (HDHP) with either a Health Savings Account (HSA) or an HRA. Currently, both the employee organization plans and the

¹ Correspondence with FEHBP analyst August 4, 2007, and August 20, 2007, and FEHBP Congressional Relations Office, August 19, 2007.

² Please refer to CRS Report RS21974, *Federal Employees Health Benefits Program: Available Health Insurance Options*, by Hinda Chaikind, for a more detailed discussion of federal employees' and retirees' health insurance.

comprehensive medical plans offer CDHPs and HDHPs. While CDHPs and HDHPs are both high-deductible plans, there are major differences between them, which are described below.^{3,4}

Coverage of Supplemental Dental and Vision Benefits. Dental and vision benefits became available to federal employees, Members of Congress, retirees, annuitants, and dependents on December 31, 2006, through the Federal Employee Dental and Vision Benefits Enhancement Act of 2004, P.L. 108-496, enacted on December 23, 2004. This allowed OPM to establish the Federal Employees Dental and Vision Insurance Program (FEDVIP). Enrollees are responsible for 100% of the premiums. Employees eligible to enroll in the FEHBP program may enroll in FEDVIP whether or not they are actually enrolled in FEHBP.⁵

Eligibility and Participation. All federal employees are eligible for FEHBP unless they are excluded by law. There are special provisions for part-time, intermittent, and temporary appointments. New employees and employees with special situations, such as change in family status, have 60 days to elect FEHBP coverage and they may enroll or change from one plan to another during designated “open season” periods. FEHBP requires no medical examination or waiting period, and enrollees are not subject to pre-existing condition exclusion. A little over half of all FEHBP members and their dependents participate in one of the Blue Cross and Blue Shield federal employee plans.

At the time of retirement, Members and other federal employees receiving an immediate annuity⁶ have a one-time election to continue to participate in FEHBP as a retiree, provided they have been enrolled for at least five years before retirement (or if less, must have been enrolled from the last day in the period in which the employee became eligible to enroll in the plan up to the date on which the employee became an annuitant) and are eligible for an immediate annuity. Like active workers, retirees may enroll as individuals or may elect family coverage for themselves, their spouse, dependent children under age 22, and a dependent who is incapable of self-support because of a mental or physical disability that existed before age 22.

Financing. The federal government and enrollees jointly pay for the cost, or premiums, of the FEHBP plans. The Balanced Budget Act of 1997 (BBA 97, P.L. 105-33) established the current formula for determining the government’s contribution, which became effective January 1999. The government’s share is an amount equal to 72% of the average premium of all participating plans (weighted by the number of plan participants) but no more than 75% of the premium of any individual plan. This formula is applied separately to self only and family plans. Participants pay an average of 28%, but no less than 25% of premiums.

Current federal employees (not annuitants), including Members of Congress, are also eligible to participate in the voluntary federal Flexible Spending Accounts (FSA) program. The FSA is funded by employees from pre-taxed salary amounts; this reduces the employee’s taxable income. The health care FSA can be used to pay for certain qualified medical expenses that are not

³ Ibid.

⁴ For a full discussion of health care tax-advantaged accounts, refer to CRS Report RS21573, *Tax-Advantaged Accounts for Health Care Expenses: Side-by-Side Comparison*, by Bob Lyke and Chris L. Peterson.

⁵ For more details on FEDVIP, please refer to CRS Report RS22535, *Federal Employees Dental and Vision Insurance Program (FEDVIP)*, by Hinda Chaikind.

⁶ Individuals who retire with at least minimum retirement age plus 10 years of service and postpone receipt of an annuity can enroll in FEHBP and/or FEDVIP when they begin to receive their annuity.

reimbursed or covered by any other source. These expenses include coinsurance, copayments, deductibles, dental care, routine eye exams, glasses, hearing aids, as well as certain over-the-counter medical supplies that are not cosmetic in nature. Though similar to HSAs, FSAs are stand-alone accounts that are not restricted to any type of health plan, while HSAs are available only to employees who elect an HDHP. HSA balances roll over from year to year, whereas FSA money is lost if the beneficiary does not spend it within 2½ months after the end of the calendar year. Employees choosing to participate in a health care FSA must put at least \$250 and no more than \$5,000 per year into the account. Employees enrolled in an HSA may enroll in a limited expense health care FSA that can be used to cover qualified dental and vision care. The government does not make any contribution to the FSA.

During the annual FEHBP open season, an employee may make a new election amount to be set aside in the upcoming year for their FSA. Federal employees eligible for FEHBP (even those not currently enrolled) may elect a health care FSA.

Private Sector Comparability

For individual coverage, the employer's contribution in the private sector is generally more generous than the federal government's FEHBP contribution for its employees. According to the Department of Labor, private sector employers' share for coverage is 81% for individual coverage and 71% for family coverage (compared to FEHBP's payment of 72% of the average premium of all participating plans).⁷

FEHBP's family coverage includes all families of two or more, while private sector plans may have different premiums for family plans depending on the family size. Under FEHBP's family coverage, a family of two pays the same premium as a family of four.

Approximately three-fourths of all workers in private industry had no choice in medical insurance plan, either because they were not offered a plan (30%) or because they were offered only one plan (44%), while many FEHBP participants have the advantage of a wide choice of plans.⁸

The number and percentage of people covered by employment-based health insurance has been decreasing. In the private sector, coverage dropped from 69% in 2000 to 60% in 2007.⁹ In particular, retiree health coverage has been hit the hardest. Sixty-six percent of all large firms (with 200 or more workers) offered retiree health coverage in 1988, compared with 33% in 2007.¹⁰ FEHBP is available to federal retirees at the same cost and with the same benefits offered to active employees.

In terms of premium increases, the Government Accountability Office (GAO) found that starting in 2003, FEHBP premium rate of growth was generally slower than for other purchasers. According to GAO testimony, since 2003, the average growth rate of FEHBP premiums has been

⁷ U.S. Department of Labor, U.S. Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in Private Industry in the United States, August 2007*, p.18.

⁸ U.S. Department of Labor, U.S. Bureau of Labor Statistics, *Medical Plan Choice in Private Industry, 2005* at <http://www.bls.gov/opub/cwc/cm20050826ch01.htm>.

⁹ The Kaiser Family Foundation and Health Research And Educational Trust, *Employer Health 2007 Benefits Annual Survey*, p. 29.

¹⁰ *Ibid.*, p. 174.

7.3% compared with 10.5% for the employer-sponsored plans surveyed by the Kaiser Family Foundation/Health Research Educational Trust. Premium rate growth for the 10 largest FEHBP plans (based on enrollment), that accounted for about three-quarters of total enrollment, ranged from 0% to 15.5% for 2007.¹¹

Other Health Benefits for Members

In addition to the FEHBP, for an additional annual fee, current Members of Congress can receive certain services from the Office of the Attending Physician in the U.S. Capitol. The annual fee for Members in 2007 is \$491. Dependent (family) care is not included and other services not covered include surgery, maternity care, dental care, or eyeglasses. Prescriptions may be written, but not filled by this office, except for starter doses and emergencies. The Office of the Attending Physician maintains one main office in the Capitol building and has five other health stations in various locations.¹²

Incumbent Members of Congress are authorized to receive medical and emergency dental care in military treatment facilities. There is no charge for outpatient care if provided in the National Capital Region. For inpatient care, Members are billed at full reimbursement based on rates set by the Department of Defense. FEHBP insurance may cover these expenses after a deductible or copayment is met. Members pay out of pocket for expenses not covered by FEHBP or other insurance. Dependents of Members are not eligible for care in military hospitals.

Medicare

Members and other workers must also pay tax on their wages for Medicare Hospital Insurance (HI, or Medicare Part A) coverage. Workers and their employers each pay 1.45% of earnings. Individuals must have at least 40 quarters of Medicare-covered employment to be eligible for Medicare HI.¹³ Enrollment in Medicare Part B, Supplementary Medicare Insurance (SMI), and Medicare Part D, prescription drug coverage (available since 2006), is voluntary, and qualified individuals choosing to enroll are required to pay a monthly premium. Generally, individuals who do not enroll in Part B or D during their initial eligibility period are subject to a penalty. However, for Part B, individuals covered by an FEHBP plan either through their own or a spouse's active employment (not annuitant coverage), may wait until either they or their spouse retires to enroll without incurring a delayed enrollment penalty. If an individual maintains FEHBP coverage and at a later date decides to enroll in Part D, there is no late enrollment penalty.

¹¹ Government Accountability Office, *Federal Employees Benefits Program, Premiums Continue to Rise, but Rate of Growth Has Recently Slowed*, Statement of John E. Dicken, GAO-07-873T, May 18, 2007.

¹² For background information on the Office of the Attending Physician, see CRS Report RS20305, *The Office of Attending Physician in the U.S. Congress*, by Mildred Amer.

¹³ For a full discussion of wage taxes, refer to CRS Report 94-28, *Social Security and Medicare Taxes and Premiums: Fact Sheet*, by Dawn Nuschler.

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