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TO: NATIONAL COUNCIL SSMA OFFICERS AND EXECUTIVE
COMMITTEE

RE: Legislative Report #15

CORRECTION: Legis. Report #14 mistakenly reported that the hearing on Fraud and Abuse in SSI was held by Chairman Bunning and the House Social Security Subcommittee; it was held by Chairman Shaw and the Human Resources Subcommittee, another subcommittee of Ways and Means, which has jurisdiction over SSI.

PRESIDENT'S MESSAGE RE PUBLIC SERVICE RECOGNITION WEEK, 1998:

"This week we salute the millions of Americans across our country who devote their time and talents to public service.

"Public service is among the most noble -- and demanding -- of vocations. Throughout my years in government, I have been privileged to know and work with extraordinary men and women who have recognized both the responsibilities of public service and the opportunities it offers to improve the quality of life for others.

"Day in and day out, in a variety of settings and at every level of government, these quiet heroes work to give their fellow citizens the tools and opportunities to make the most of their lives. Providing vital family, health, and educational services, improving transportation and water quality, defending our freedom and preserving our environment, each day public employees meet the needs of a dynamic and diverse population. They have succeeded in making government work better and cost less, in forging effective partnerships at all levels of government, and in honoring the trust placed in them by their fellow citizens.

"On behalf of a grateful nation, I salute America's public employees for the hope and help you bring to individuals, families, and communities every day. You have dedicated your skills and energy to fulfill America's bright promise for all our people, and you have rightly earned the respect and lasting appreciation of all those you have served.

"Best wishes for a memorable observance.

(Signed) Bill Clinton"

STATUS BUDGET/APPROPRIATIONS PROCESS:

House disagreements continue regarding the budget resolution. Budget Chairman Kasich wants to make further cuts than those necessitated by the five-year budget agreement, despite projected budget surpluses. His spending plan would probably eliminate the previously-targeted Commerce, Education and Energy Departments. Others continue arguing over possible tax cuts. The House floor debate on the overall budget is now expected during May. Meanwhile the Senate passed version, overseen by Senate Budget Chairman Domenici, adheres to the five-year caps. Senate Appropriations subcommittees should know by May 15th the amounts they have to divy up among the programs in their various jurisdictions, leaving the House lagging behind for the second year in a row.

In the aftermath of Comm. Apfel's testimony before Chairman Porter and the House Labor/HHS/Education Subcommittee regarding SSA's FY 99 budget request, I am fielding a number of requests for information and NC views from both House and Senate appropriations staff regarding resource allocations within SSA, disability reengineering, and OHA backlogs. I am following up with those. Ron Niesing has written to Chairman Porter, thanking him for the concerns he raised about the need for a balanced approach to service management and the problems which result from too narrow a focus on specific service goals.

SOME PENDING ISSUES AFFECTING FEDERAL EMPLOYEES:

PAY:

The supervisory overtime cap would be raised so that all supervisors under Grade 15 would receive true time and a half, effective January, 2000, if a bill developed by Rep. Tom Davis of Va. were to be enacted. Following his commitment to NCSSMA in February, Davis now has a "discussion draft" bill circulating to potential supporters in order to obtain a bipartisan group of his colleagues as original co-sponsors when the bill is formally introduced. His decision to raise the cap to Grade 15 is based on his desire to correct the inequity in as broad a way as possible, given the widespread problems at various pay levels in a number of federal agencies. The effective date was set beyond 1999 in order to give agencies the opportunity to plan their budget needs accordingly. **We are working to help Rep. Davis and his staff to advance this bill in every way we can.** To the extent that I have been provided information by SSMA members regarding possible support by their legislators on this issue, I will follow up to request their co-sponsorship. As soon as the proposal is formally introduced as a numbered bill in Congress, we will distribute further information for SSMA member assistance through the grassroots network.

Prospects for an **FY 99 pay raise** beyond the approximate 3% included in the President's budget remain uncertain. There is interest among appropriators on the Treasury/Postal/General Government Subcommittees -- from a few Members of both parties, in both the House and Senate -- in providing a greater increase; however, this would necessitate cooperation among nearly all of the appropriations committees to fund a larger raise (as different agencies fall under different bills) or would result in agencies having to

"absorb" the additional cost, which could create RIF risks since most agency budgets are already significantly pared down under the near-freeze funding levels directed by the five-year budget agreement.

FEHBP:

Experimental drugs/procedures

In April, OPM alerted FEHBP plans that they may not refuse to pay for experimental drugs or treatments which have been approved by the FDA, including those evaluated via FDA's "fast track" process. If such treatments are medically necessary and have FDA approval, insurance plans must pay for them as they would for other treatments covered by the health plan contract. (OPM FEHB Letter No. 1998-015; 4/2/98)

Medical Savings Accounts

Questions abound about MSAs and whether they would benefit federal enrollees if FEHBP included an MSA option. I confess to being (still) confused. The latest development has been that, contrary to previous estimates that establishing an MSA option would save the government money, it could instead increase the government's FEHBP costs. This should be a dead issue for the remainder of this Congress. Next year, we will have to analyze specific proposals as they are introduced to determine NCSSMA's position.

Long-term care

Nothing new on this since my report on the hearing held a month ago. OPM is considering setting up a program in which federal employees could enroll fully at their own expense; it is expected that if the pool of enrollees were large, premiums would be significantly less than individuals would pay for comparable benefits outside such a federal program. This is still a hypothetical, however NARFE is lobbying for inclusion of federal annuitants if such a program were offered. One insurer predicted that under FEHBP, these premiums could be \$500 to \$2000 per year depending on age -- purely speculative at this point.

Military coverage

The question about whether to open FEHBP to military dependents and to military retirees and their dependents continues to be debated. Hearings were held in April by the Civil Service Subcommittee. Witnesses were mainly advocates for these military groups arguing that health care for them currently is inadequate and that the government has a viable means to fulfill its promises to them by extending FEHBP. They suggest that the risk pools for the new entrants could be kept separate so as not to affect premium costs for current enrollees. However, it appears that two or more congressional committees have jurisdiction of such a proposal, and perhaps mainly for that reason, further action is not expected in this Congress.

RETIREMENT:

FERS Open Season

Reliable reports are that the Administration has not abandoned its opposition to the July -

Dec. 1998 open season enacted last year. However, with both House and Senate civil service authorizers now favoring the open season, and with the poor likelihood that any bill to which a repeal could be attached will move through the House and Senate prior to July 1, odds are great that the open season will occur. OPM announced on March 30 that it was planning to administer the retirement transfer program in the absence of a successful appeal before July.

Disability retirement

OPM published in the Federal Register on April 8 final, uniform rules for applying for disability retirement under both CSRS and FERS. (www.access.gpo.gov -- click on Documents in GPO WAIS Database to search the April 8 edition of the Fed. Register under "Office of Personnel Management"). Employees will now be able to file for disability retirement directly with the agencies for which they work.

Buy-outs

I still get the odd question about whether SSA will again offer buyouts -- to which I can only reply that they did not seek authority from the 105th Congress to do so. Only the Defense Dept., Agriculture Dept, NASA and the CIA currently have buyout authority. Congress may reauthorize them for IRS because of the massive restructuring expected there in the aftermath of the IRS reform bill passed by the House and pending before the Senate. The Administration is seeking a permanent authority for agencies to offer them when and as needed without having to go through Congress, but that is still in the proposal stage. Whether OPM will be able to move any of its personnel proposals (see below) this year is uncertain. And even if governmentwide buyout authority were granted, whether SSA would use them is unknown.

"Windfall" penalty and "public pension offset"

There's nothing new on these. NARFE continues its efforts to see them modified, but prospects are not improved. In fact, GAO, in a report for the House Social Security Subcommittee, has found that many federal, state and local employees have received more in SS benefits than they were entitled to because of errors or inaccuracies in the amount of government pension that SSA credits them with receiving. GAO recommends that SSA, OPM and IRS better coordinate information sharing.

Retirement "reform" proposal

Chairman Mica of the House Civil Service Subcommittee included in recommendations to the Budget Committee a **proposed new Civil Service investment option**, separate from the thrift plan, to replace the defined benefit portion of the federal retirement plans with a (federal budget saving) defined contribution to a plan like the Thrift Savings Plan -- a CS Investment Account, from which annuities could be drawn only until past contributions and earnings were exhausted (rather than permanent payments as under the current defined benefit portion.) The proposal, seeming to come out of the blue, is controversial, has not been the subject of any congressional hearings or analysis, and will not survive in final legislation this year even if it should be placed in the House budget resolution (which I

discussed earlier in this report).

CPI Changes

A series of changes in the Consumer Price Index -- first to update the "market basket" of products used, then to more accurately reflect rents and hospital charges, and finally, in April, to account for consumers' responding to rising prices of some items by shifting to lower-cost substitutes --- will together reduce CPI by eight-tenths of a percentage point. Remember all the hubub last year over proposals to modify the formula to reduce it by about 1% because it "overstates" inflation, and the frustration of Senator Moynihan and others because they could not get the Democrats and Republicans to "hold hands" and go forward together to make it happen? Well, now it's happened, and all anyone had to do (after twisting arms at BLS) was ignore the little changes as they came along so that CPI has been reduced seemingly without anyone having to take much heat. Little overt attention has been paid here -- though there was some purely factual newspaper coverage of the changes and a brief mention of the positive impact for the SS trust funds, since annual benefit increases will be reduced, at one of the hearings held last week.

GOVERNMENT PERFORMANCE AND RESULTS ACT:

While legislation is pending before the Senate which would require agencies to revise and re-submit their strategic plans later this year, some key congressional committees and leaders have completed an evaluation of the "Performance Plans" which agencies had to submit by last February as step two in the GPRA process. In contrast to its relatively high standing when Congress graded strategic plans (SSA's strategic plan received a 68%; the top score was Transportation with 75%) SSA came in at 17% -- next to last -- on its performance plan (top score was Transportation with 71%; low was GSA with 14%). Most agencies had a better correlation between the two scores.

Performance plans were assessed based on:

- 1) How clear and measurable agencies' goals were.
- 2) How well agencies described the strategies they would use to meet the goals.
- 3) How credible agencies' performance information was, or whether agencies recognized they would have trouble collecting data upon which to measure performance; and
- 4) How easy the performance plan was to read and understand.

NCSSMA has been asked by the House Government Management and Information Technology Subcommittee of Government Reform to comment on SSA's performance plan to to make recommendations for improving it.

COMMENTS ON FAMILY FRIENDLY POLICIES SOUGHT:

Rep. Frank Wolf of Va. has requested of federal unions, management, and professional associations, information on the degree to which federal agencies are offering their employees opportunities for flex time, telecommuting, and other options. I have forwarded the letter to Ron Niesing so that he can determine whether NCSSMA wishes to comment.

PROPOSED PERSONNEL FLEXIBILITIES:

Next week I will briefly outline the major components of OPM's "HRM Proposals" on which NCSSMA had an opportunity to comment early in April. Federal unions are invited to share their views with OPM next week, and representatives of the Coalition for Effective Change are once again invited to attend. Shortly after that, we should have a modified proposal and a better idea what OPM's strategy for advancing parts of the package. I will also include an overview of DOD's proposal for a demonstration project for 35,000 civilian employees for which they expect congressional approval this year.

End