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TO: NATIONAL COUNCIL SSMA OFFICERS AND EXECUTIVE
COMMITTEE

RE: Legislative Report #30

It is not the case that things are at a standstill on Capitol Hill, although you might have that impression from the media's frenzied focus on the anticipation/receipt/release/aftermath of the Starr report last week. However, while routine work continues, no headway is expected on legislative issues other than must-pass regular funding and emergency funding measures - - so there is still little to report by way of "news" on the federal employee front. Additional civil service hearings are not being scheduled for the remaining days of the 105th Congress. As fall activities pick up this week in terms of meetings with the Coalition for Effective Change, NPR, and OPM, I will have more information on what is going on behind the scenes on the civil service front.

Meanwhile, appropriations committees are efficiently ticking through the work remaining to complete in some manner the funding process for FY 99, which begins October 1. The House has passed 11 of the 13 bills, the Senate has passed 10, several House-Senate conferences are or will be underway this week.

Federal Employee Pay and Benefits: Conference on the Treasury/General Government bill which contains the **federal pay raise** (expected to be on average 3.6%, composed of both a national and a locality component) may be completed by the end of the week.

The Washington Post reported yesterday, however, that **federal health care premiums** may eat up that raise. Due to increased costs for prescription drugs, reduced reserves in the FEHBP trust fund, and an aging federal workforce, premiums will rise an average of 10.2 percent next year, the largest increase since 1989. OPM calculates that the increase to federal employees will be 7.4 percent on average. OPM Director Janice La Chance is quoted as suggesting you use the open season to consider "picking a lower priced plan." (Does it make anyone out there feel better to know that, as an aging self-employed person, my Preferred Provider health insurance premium increased by 35% this year and my prescription co-pays were quadrupled. If I had family coverage, the premium increase alone would have been over \$250/month.)

The Congressional Budget Office released a report **comparing federal to private sector**

compensation packages (OPM's comprehensive study on the same question is still underway). CBO found, generally, that total compensation for employees at higher grades is lower in the federal government because the pay gap is real, but that federal retirement, insurance and leave/holiday benefits considered together constituted a package of higher value than those of large private companies. Federal health and life insurance benefits were not always better for working employees, but federal retirees fare better in those areas. The CBO study is part of background information that Chairman Mica of the Civil Service Subcommittee is gathering as he pursues initiatives to modify federal benefits. I will obtain a copy of the full report for the Executive Committee; we can be certain that during the next Congress we will be formulating positions on proposals to modify specific benefits, to alter the mix of benefits, and to reduce the degree of choice federal employees now have.

SSA Administrative FY 99 Budget Prospects: The Senate Appropriations Committee has completed work on the **Labor/HHS/Education funding bill**, containing SSA's administrative budget, but that bill has not yet been scheduled for Senate floor consideration. Neither has the House counterpart made it to a floor vote. Staff I speak with are no more optimistic than I am that this bill will be passed, fully conferenced, enacted by Congress, presented to the President and signed. If a Continuing Resolution must be enacted to fund SSA and the other agencies/programs under this bill (when Congress recesses until January), funding levels may be set at FY 98 level, or at the level of either the House or Senate bill (usually at the lower of those two, if this option is taken). There is uncertainty about how a CR might be worded.

SSA's administrative funding level for FY 98 was set at \$6.409 B; the request for FY 99 is \$6.448 B. Although the House Committee cut the request by \$69 M, **the Senate Committee increased its recommendation for SSA's administrative budget to a total of \$6.462 B -- \$14 M higher than the request.**

The Senate has met SSA's request for \$227 M "to process continuing reviews and redeterminations of the disability and non-disability eligibility factors of entitlement for individuals receiving SSI on the basis of their disability." The House bill contains only \$177 for SSI CDRs and has not allowed the request for \$50 M from the special CDR fund for SSI redeterminations. **IF** this bill reaches the stage of a formal House-Senate conference, the House would have to recede to the Senate on this issue for SSA to obtain the additional funds. That may prove problematic because House appropriators have been unable to obtain the authorizing Committee's (Ways and Means/SS Subcommittee) agreement to allow money from the special CDR authorization to be used for other purposes. (My contacts with staff on this issue suggest that Chairman Bunning feels strongly that to open the special CDR funding to any other workload sets a bad precedent, and that he is not likely to change his mind.)

Elsewhere, \$7 M of the Senate total is designated to increase research and demonstration projects above the \$30 M requested by SSA:

"This amount will support SSA's efforts, as an independent agency, to focus on research on long-range solvency issues, the impact of demographic changes on future workloads, and development of effective return-to-work strategies for disabled beneficiaries.

"Sufficient funds are provided to carry out a multistate demonstration testing the feasibility and efficacy of providing one-stop shopping for health care benefits to low-income Medicare beneficiaries. In the five pilot States, low-income seniors would apply for Medicare and Medicaid beneficiary benefits at Social Security offices. Currently, only about one-half of the poor elderly that qualify for these Medicaid benefits receive them. This demonstration will show whether a single application process can lower these barriers to affordable health care for the most vulnerable senior citizens.

"In addition, the Committee has included funds to conduct a demonstration that would identify potential Medicare buy-in eligibles during the recalculation of benefits for widowed spouses, and provide the appropriate State agencies with periodic listings of potential eligibles for their followup. This demonstration seeks to improve State responsiveness to critical shifts in the economic resources of aging Social Security beneficiaries."

The Senate report goes on to list other areas for research, including barriers to employment of the disabled (loss of health insurance the unemployment insurance program, etc.)

In addition, \$36 M of the Senate total is designated as an increase above the requested level of funds for payment to the Social Security trust funds for the SSI Program's share of SSA's base administrative expenses.

Now, doing a little quick math, it becomes clear that although the Senate has recommended an overall LAE level above the Administration's request, that increase is only \$14 M, whereas the Senate bill directs the spending of an additional \$44 M (\$7 M into R&D plus \$36 M more to repay trust funds for SSI administrative expenses). Therefore, the Senate must not fund \$30 M in requested funds for regular LAE accounts. Most of this appears to be in elimination of \$19 M SSA had requested for "claimant representative payments." These administrative costs associated with charging attorney's fees were also eliminated in the House Committee bill.

FYI: Other Senate report language which may be of interest:

* "The Committee supports SSA's unique cooperative training program with the Association of Administrative Law Judges, Inc., which is recognized by State bar associations for continuing legal education credits. The Committee believes this will improve SSA's ability to meet its performance goals and encourages SSA to continue and expand its support of this program and to increase ALJ participation."

* "The Committee recognizes that many victims of domestic violence find it necessary to

relocate and establish new lives in order to avoid further instances of abuse. The Committee urges the Administrator to consider ways to more expeditiously respond to the requests of victims of domestic violence to change their Social Security numbers so that victims can establish new identities."

End