SEC. ___. EXTENSION OF ELIGIBILITY TO CONTINUE FEDERAL EMPLOYEE HEALTH BENEFITS FOR CERTAIN FORMER EMPLOYEES OF THE DEPARTMENT OF DEFENSE.

Subparagraph (B) of section 8905a(d)(4) of title 5, United States Code, is amended—

(1) by striking "December 31, 2016" each place it appears and inserting "December 31, 2018"; and

(2) in clause (ii), by striking "February 1, 2017" and inserting "February 1, 2019".

[Please note: The "Changes to Existing Law" section below sets out in red-line format how the legislative text would amend existing law.]

Section-by-Section Analysis

This proposal would further extend the amendment to the Federal Employees Health Benefits Program (FEHBP) enabled through section 346 of the National Defense Authorization Act (NDAA) for Fiscal Year 1993 (P.L. 102-484) allowing the Department of Defense (DoD) to pay the government's share and administrative fees for Temporary Continuation of Coverage (TCC) health insurance premiums for former employees enrolled in TCC based on a separation due to reduction in force (RIF) as described in 5 U.S.C. 8905a(d)(4). Extensions of the subsidized premium payment exceptions, referred to as "subsidized TCC," had been made in subsequent NDAAs (Fiscal Years 1995, 1996, 1999, 2003, 2006 and 2012). The current extension in P.L. 112-81, Section 151, will expire on December 31, 2016, or will expire on February 1, 2017, if a specific notice of the separation is given to the individual before December 31, 2016.

TCC enables Federal employees who separate or are separated from Federal service to continue their FEHB coverage for up to 18 months. The continued coverage may also be extended to health insurance coverage for family members of employees who were enrolled in FEHB with family coverage prior to the separation. While the coverage remains the same, the costs incurred by the former employees are substantially higher than the premium costs for active or retired employee as there is no Government contribution towards the premiums for TCC. In addition to paying both the employee and government shares of the premium, the former employee must also pay a two percent administrative cost. Essentially, the full cost of the TCC coverage may triple the amount of the FEHB premiums for former employees.

Payment of the government portion of the TCC FEHB premium and the two percent administrative fee for those separated by RIF has eased a tremendous financial hardship on former DoD employees who lost their jobs primarily due to reduction-in-force. This payment has, in many cases, enabled families to continue health coverage that they would otherwise not have been able to afford. Health care coverage for families continues to be at the forefront of

national concern, discussion, and debate. The current heightened awareness of this essential benefit lends credibility to the request to enable DoD to continue payment of the health premium for former employees who, through no fault of their own, have been affected by workforce reshaping in the DoD.

Budget Implications: The DoD will incur a continued direct cost to pay the government and administrative portions of the TCC premium payment for eligible former employees. Estimated potential cost by service is reflected below as a high side average. The projections below are based on average monthly government premiums for Blue Cross and Blue Shield (BC/BS) Service Benefit Plan, Basic and High Self and Family Coverage. BC/BS premiums are typically used as a standard to represent a perspective of premium cost for the more than 200 plans available under the FEHB program. Using 2017 premium rates the monthly average represented is $1058 per former employee, to include the two percent administrative fee to fund subsidized TCC. The 18 month limitation on continued coverage under TCC is also used with the $1058 average per month per former employee to derive an estimate of $19,044 per employee as a maximum, or high side cost. An annual 10 percent increase in cost is assumed given the current climate of rising health care premiums and anticipated higher increases in upcoming years. The resources reflected in the table below are funded within the fiscal year (FY) 2017 President's Budget.

RESOURCE REQUIREMENTS ($MILLIONS)								
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**
Army	$2.6	$2.6				Operation and Maintenance, Army	04	436
Navy	$0.4	$0.4				Operation and Maintenance, Navy	04	4C0P
AF	$1.1	$1.1				Operation and Maintenance, Air Force	04	042A
OSD/Defense Agencies	$1.6	$1.6				Operation and Maintenance, Defense-Wide	04	4GTN
Total	$5.7	$5.7						

NUMBER OF PERSONNEL AFFECTED								
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Appropriation To**	**Budget Activity**	**Dash-1 Line Item**
Army	134	134				Operation and Maintenance, Army	04	436
Navy	23	23				Operation and Maintenance, Navy	04	4C0P
AF	58	58				Operation and Maintenance, Air Force	04	042A
OSD/Defense	86	86				Operation and	04	4GTN

Agencies						Maintenance, Defense-Wide		
Total	301	301						

Changes to Existing Law: This proposal would make the following changes to section 8905a(d)(4) of title 5, United States Code:

§ 8905a. Continued coverage

* * * * * * *

(d)(1)(A) *****

* * * * * * *

(4)(A) If the basis for continued coverage under this section is an involuntary separation from a position, or a voluntary separation from a surplus position, in or under the Department of Defense due to a reduction in force—

(i) the individual shall be liable for not more than the employee contributions referred to in paragraph (1)(A)(i); and

(ii) the agency which last employed the individual shall pay the remaining portion of the amount required under paragraph (1)(A).

(B) This paragraph shall apply with respect to any individual whose continued coverage is based on a separation occurring on or after the date of enactment of this paragraph and before—

(i) ~~December 31, 2016~~December 31, 2018; or

(ii) ~~February 1, 2017~~February 1, 2019, if specific notice of such separation was given to such individual before ~~December 31, 2016~~December 31, 2018.

(C) For the purpose of this paragraph, “surplus position” means a position which is identified in pre-reduction-in-force planning as no longer required, and which is expected to be eliminated under formal reduction-in-force procedures.