



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 9, 2004

S. 2409

A bill to provide for continued health benefits coverage for certain federal employees, and for other purposes

*As ordered reported by the Senate Committee on Governmental Affairs
on July 21, 2004*

SUMMARY

S. 2409 would increase health insurance benefits for reservists in the Armed Forces who are also federal employees, when those reservists are called to active duty for longer than 18 months. Specifically, it would extend the time period when reservists on active duty can remain enrolled in the Federal Employees Health Benefits (FEHB) program from 18 months to 24 months. Furthermore, it would extend for the same period the authority for federal agencies to pay both the employee's share and the agency's share of the FEHB premium for reservists on active duty. Finally, the bill would extend life insurance benefits to federal employees who are also reservists and are deployed for periods longer than 12 months.

CBO estimates that enacting S. 2409 would increase direct spending on life insurance benefits for the deployed reservists by \$1 million in 2005, \$2 million over the 2005-2009 period, and \$4 million over the 2005-2014 period. In addition, CBO estimates that implementing the bill would increase spending by federal agencies for the FEHB program by \$4 million in 2005 and \$17 million over the 2005-2009 period, assuming appropriation of the estimated amounts.

S. 2409 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2409 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 600 (income security).

ESTIMATED BUDGETARY IMPACT OF S. 2409

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
CHANGES IN DIRECT SPENDING ^a						
Estimated Budget Authority	0	1	*	*	*	*
Estimated Outlays	0	1	*	*	*	*
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	4	4	3	3	3
Estimated Outlays	0	4	4	3	3	3

NOTE: * = less than \$500,000.

a. CBO estimates that enacting S. 2409 would also raise direct spending by less than \$500,000 each year over the 2010-2014 period.

BASIS OF ESTIMATE

This estimate assumes that S. 2409 is enacted before the end of December 2004 and that appropriations are increased by the estimated amounts.

Direct Spending

Section 2 of H.R. 2409 would extend life insurance coverage provided by the Federal Employees' Group Life Insurance (FEGLI) program for certain federal employees who are also reservists and are called to active duty. Current law provides up to 12 months of FEGLI coverage for federal employees in the reserves who are placed on leave from their jobs because of a call to active duty. The bill would extend FEGLI coverage among those reservists who are serving in Iraq or Afghanistan for an additional 12 months, making them eligible for a total of 24 months of FEGLI coverage while on active duty.

FEGLI provides group term life insurance to approximately 4 million federal employees and retirees. FEGLI premiums, which amounted to nearly \$3 billion in 2003, are paid in part by the program's participants and partly by employing federal agencies (retirees pay the entire premium). Federal employees who are covered by FEGLI while on active duty in the reserves are not required to pay their share of FEGLI premiums. Because premiums are not

paid for those individuals, the cost of providing this coverage must be included in premium rates levied on the program's other participants.

By extending the period of time for which reservists employed by the federal government are eligible to receive FEGLI coverage, this provision would increase the program's costs, as well as its premium rates. Based on information provided by the Department of Defense (DoD), CBO estimates that more than 17,000 reservists who work for the federal government will serve in Iraq and Afghanistan next year, and that about 20 percent will have been on active duty longer than 12 months. We estimate that extending FEGLI coverage to this group would increase the program's costs by about \$1 million in 2005. After 2005, CBO assumes the number of reservists deployed in Iraq and Afghanistan will decline and premiums paid by other FEGLI participants would increase, resulting in a net increase in the program's costs of less than \$500,000 annually. Cumulatively, CBO estimates that enacting this provision would increase direct spending for the FEGLI program by \$2 million over the 2005-2009 period and \$4 million over the 2005-2014 period. Over the long term, higher premiums collected from both participants and federal agencies would cover these additional costs.

Spending Subject to Appropriation

Under current law, reservists in the Armed Forces who are employed by the federal government and are involuntarily called to active duty for a contingency operation can continue their enrollment in the FEHB program for up to 18 months. Additionally, federal agencies may pay both the employee's share and the agency's share of the FEHB premium while the reservist is on active duty. Under S. 2409, reservists who are deployed for longer than 18 months would be able to continue their enrollment for up to 24 months and agencies would be able to pay the entire FEHB premium for that period. Those changes would affect those reservists called to active duty on or after March 1, 2003.

Based on information from DoD, CBO estimates that this authority would affect about 750 reservists working for the federal government at an estimated cost of \$5,200 per reservist in 2005. CBO assumes for this estimate that all government agencies would use the authority to pay the full FEHB premium for two years. Assuming a declining number of reservist mobilizations over the 2005-2009 period, CBO estimates that implementing this provision would cost about \$4 million in 2005 and \$17 million over the 2005-2009 period. Those amounts would be paid from agencies' future appropriations.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2409 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On May 17, 2004 CBO transmitted an estimate for H.R. 4200, the National Defense Authorization Act for Fiscal Year 2005, as reported by the House Committee on Armed Services on May 14, 2004. Section 1101 of H.R. 4200 is almost identical to section 1 of S. 2409. The only difference is the effective date of the provision—September 14, 2001, for H.R. 4200 as opposed to March 1, 2003, for S. 2409. According to DoD, reservists were not called to serve for longer than 18 months until March 2003; thus, CBO does not estimate any difference in costs because of the differing effective dates. In addition, H.R. 4200 does not contain any provisions relating to the FEGLI program, while S. 2409 does.

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