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STUDY BY THE STAFF OF THE U.S.

General Accounting Office

Eligibility Of Civil Service Annuitants, Survivors, and Employees for Medicare

In January 1983, Federal employees began paying the Medicare hospital insurance tax of 1.3 percent on the first \$35,700 of their wages and thus become eligible for Medicare hospital insurance based on their Federal employment.

This study shows that, as of December 1981, about 81 percent of the Civil Service annuitants, survivors, and employees age 65 and older were eligible for Medicare hospital insurance benefits. About 79 percent of those eligible were eligible on their own account and not as a dependent of another person. Individuals who were eligible on their own account had earned fewer quarters and had paid less in hospital insurance taxes than a random sample of all Medicare beneficiaries who were eligible on their own account.



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PREFACE

In January 1983, Federal employees began paying the Medicare hospital insurance tax of 1.3 percent on the first \$35,700 of their wages. Both the tax rate and the amount of wages subject to the tax will change in the future. Employees can then use their qualified Federal employment as a basis for determining eligibility for Medicare hospital insurance benefits (part A). This change was contained in section 278 of the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248).

In August 1982, we provided the House and Senate Conference Committees' staffs with information regarding the number of Civil Service annuitants, survivors, and employees eligible for part A and how they became eligible for Medicare either as a dependent of a wage earner or as a wage earner principally in non-Federal employment covered by the social security system. We obtained this information from our survey which began in 1981 on the potential impact of making Medicare a secondary payer to the Federal Employees Health Benefits Program (FEHBP). Under the existing system, for individuals eligible for both programs, Medicare is the primary payer and FEHBP is the secondary payer.

The information we presented to the staffs and information developed subsequent to the briefing are contained in this study. Additional information pertaining to Postal Service employees, annuitants, and survivors was added at the request of the Senate Committee on Finance. The study draws no conclusions and makes no recommendations. The tables and the text are designed to describe the data obtained. Briefly, we found that as of December 1981:

1. About 81 percent of the Civil Service employees, annuitants, and survivors age 65 and older were also eligible for Medicare part A.
2. About 79 percent of the annuitants and survivors eligible for part A were eligible on their own account and not as a dependent of another individual.
3. Civil Service annuitants and survivors who were eligible for part A on their own account had fewer years of social security covered earnings and paid less hospital insurance tax than a random sample of Medicare part A beneficiaries who were eligible on their own account. Civil Service annuitants who were enrolled in both programs averaged 9.2 years of social security covered earnings and \$102 in hospital insurance taxes paid compared to 18.2 years and \$289 for the sample of all Medicare part A beneficiaries.

4. Depending on the age group, between 13 and 82 percent of active Civil Service employees were fully insured for Medicare part A as of December 1981. Most of these individuals should have begun paying the hospital insurance tax in January 1983.

The tables provide a great amount of information. To help the reader understand this information, we have

- included with the tables one or more comments on the information provided and
- discussed the content of the tables in a brief narrative preceding each table.

The information presented in the tables was developed by (1) matching computerized enrollment files obtained from the Health Care Financing Administration and the Office of Personnel Management and (2) obtaining and analyzing earnings information from the Social Security Administration. (See app. I for a detailed explanation of the methodology used in carrying out this study.)



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ABBREVIATIONS

CPDF	current personnel data file
CSA	Civil Service annuitant
FEHBP	Federal Employees Health Benefits Program
HCFA	Health Care Financing Administration
OPM	Office of Personnel Management

CHAPTER 1

INTRODUCTION

In February 1982, the President submitted to the Congress a number of proposed legislative changes and regulatory initiatives designed to reduce Federal outlays or increase revenues for Medicare in fiscal year 1983. Included in these proposals was the requirement that Federal civilian employees begin paying the hospital insurance portion of the social security tax as of January 1, 1983. Federal workers would then become eligible for the hospital insurance portion of Medicare based on their Federal employment. Federal revenues were estimated to increase \$619 million by adopting this proposal.

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) requires that Federal employees pay the hospital insurance tax beginning January 1, 1983. Initially, Federal employees will pay 1.3 percent on the first \$35,700 of their wages. Both the tax rate and the amount of wages subject to the tax will change in the future.

THE MEDICARE PROGRAM

The Medicare program was established by the 1965 amendments to the Social Security Act (42 U.S.C. 1395) to provide health insurance for people age 65 and older. The Social Security Amendments of 1972 (Public Law 92-603) extended Medicare coverage to individuals under 65 who have been receiving social security or railroad retirement disability benefits for at least 24 consecutive months or who have end-stage renal disease.

Medicare provides two forms of protection:

- Medicare part A (hospital insurance benefits) covers inpatient hospital services and posthospital care in extended-care facilities or in the patients' homes. The program is financed primarily by the hospital insurance tax collected from employees, employers, and the self-employed.
- Medicare part B (supplementary medical insurance benefits) is a voluntary program which reimburses part of the cost of physicians' services and a number of other medical and hospital services. The program is financed by premium payments from enrollees and by general revenues from the U.S. Treasury.

The Health Care Financing Administration (HCFA), within the Department of Health and Human Services, administers the Medicare program. HCFA contracts with public or private agencies to process Medicare claims and make payments on behalf of the Government.

Part A benefits in fiscal year 1982 were about \$33.7 billion. About 28.4 million people were covered under part A. The vast majority are entitled to cash social security or railroad retirement benefits. Also included are a small number of people who are not entitled to cash benefits, but have enrolled in part B and have elected to purchase part A coverage. As of July 1, 1982, the cost was \$113 a month.

Part B benefits in fiscal year 1982 were about \$14.8 billion. About 28.2 million people elected to enroll in part B.

THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

The Federal Employees Health Benefits Act of 1959 (Public Law 86-382) established the Federal Employees Health Benefits Program (FEHBP). Since July 1, 1960, FEHBP has provided health insurance to Government employees and annuitants and to their dependents or survivors.

Health insurance protection can be selected from one of many plans which participate in the program. The health insurance plans differ in their coverage of medical services and some are limited to certain locations in the country. This contrasts with the Medicare program which has the same eligibility requirements and benefit structure countrywide.

The cost of FEHBP is shared by the employee and the Government (as an employer). The actual amount paid depends on the plan selected and there is a limit on the amount of the Government contribution. The Office of Personnel Management (OPM) is responsible for administering FEHBP.

In fiscal year 1982, FEHBP provided health insurance protection to about 3.7 million enrollees and 6.3 million dependents through 119 various health plans. Fiscal year 1982 expenditures were about \$4.7 billion.

COORDINATION OF MEDICARE AND FEHBP

If health care expenses are incurred and covered under both Medicare and FEHBP, Medicare pays the expenses first. In 1965, when Medicare was enacted, it was intended that Medicare benefits would be paid without regard to any other benefits that

might be payable under other health insurance plans. The FEHBP plans have antiduplication provisions in their contracts with OPM to prevent benefit payments which exceed total medical expenses. The plans' method of paying benefits for persons covered under Medicare results in the plans paying up to 100 percent of the remaining covered expenses.

The question of the appropriate relationship between Medicare and FEHBP has been a matter of debate for the past 10 years. The Social Security Amendments of 1972 required the Government to provide health insurance plans under FEHBP that would supplement Medicare benefits. The intent was to provide Federal employees and annuitants covered by both programs an option under FEHBP which would (1) provide better coordination for benefits not paid in full by Medicare and (2) reduce the premiums of FEHBP. This requirement was repealed by section 103 of Public Law 94-182 as of December 31, 1975.

During consideration of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), there were several proposals for making Medicare a second payer to FEHBP for people entitled to benefits under both programs; however, none of the proposals were adopted. One of the rationales for these proposals was that Civil Service retirees who qualify for social security benefits and thus Medicare part A do so on the basis of much shorter or part-time periods of social security covered employment than do other retirees.

PREVIOUS ESTIMATES OF THE NUMBER OF PERSONS ELIGIBLE FOR MEDICARE AND FEHBP

During our study we found two other estimates of the number of persons eligible for Medicare and FEHBP.

In 1975 the Civil Service Commission (now called OPM) estimated that about 258,000 FEHBP enrollees and 150,000 dependents would be eligible for Medicare part A as of June 1976. The 258,000 enrollees represented about 50 percent of the enrollees age 65 and older.

In 1981 the Congressional Research Service estimated that about 728,000 persons age 65 and older were eligible for both programs. This estimate assumed that 80 percent of the FEHBP beneficiaries were also eligible for Medicare part A.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our primary objectives in this study were to develop information regarding (1) the number of people eligible for both Medicare part A and FEHBP and (2) the social security earnings history of people eligible for both programs.

Regarding the first objective, we selected a 5-percent random sample of persons eligible for Medicare part A and/or part B as of December 1981 from the enrollment file maintained by HCFA. This sample was matched against active Civil Service annuitant and survivor cases to determine the number of eligible persons for Medicare. We also matched our 5-percent sample against active Civil Service employees to determine the number of those eligible for Medicare. The information on Civil Service annuitants, survivors, and employees was obtained from OPM. Our study was limited to persons retired under or covered by the Civil Service retirement system, and it did not include persons covered by other Federal retirement systems. For persons eligible for Medicare we determined if they were eligible on their own account or as a dependent of another person.

Concerning the second objective, we obtained information from the Social Security Administration regarding the covered earnings histories for individuals who were eligible for Medicare on their own account. We also obtained for comparative purposes the covered earnings histories for a random sample of Medicare beneficiaries eligible on their own account.

Our analysis included calculating the average number of social security quarters earned since 1947, the number of years of social security earnings since 1951, and the number of years in which the amount earned was less than 50 percent of the maximum amount subject to the social security tax and an estimate of the hospital insurance taxes paid.

(See app. I for a more detailed discussion of our methodology.)

CHAPTER 2

THE NUMBERS AND WHAT THEY MEAN

The data presented on the tables in this chapter can be classified into four categories. The first category (tables 1, 1A, 2, and 2A) shows (1) the number of Civil Service annuitants and survivors who were eligible for Medicare part A as of December 1981 and were either enrolled or not enrolled in FEHBP and (2) whether Medicare eligibility was based on their own account or as a dependent of a wage earner under the social security system.

The second category of tables (tables 3, 3A, 4, and 5) features an analysis of the social security earnings records and quarters of coverage earned by Civil Service annuitants and survivors who were eligible for Medicare part A as a primary social security beneficiary as compared with the earnings records and quarters of coverage for a random sample of all Medicare beneficiaries who were eligible as a primary social security beneficiary. As a general rule, 40 quarters of coverage as a wage earner or as self-employed under the social security system are required to become eligible for Medicare for persons born after 1928; however, the number of required quarters is reduced progressively for individuals born in 1928 or before. For example, a worker reaching age 65 in 1981 would require only 27 quarters of coverage to be eligible for Medicare.

Also, historically an individual has not had to pay social security taxes on very high earnings to obtain credit for a quarter of coverage. Before 1977 a person could receive credit for a quarter of coverage if he or she paid social security taxes on \$50 or more in wages. For 1978, a quarter of coverage (up to a total of four) was earned for each \$250 of covered wages in a calendar year. After 1978, the \$250 earnings criterion has been automatically increased annually to account for increases in the average wage. For self-employed income, before 1978 a person needed \$100 or more of such income to receive credit for a quarter of coverage provided there was at least \$400 in net earnings from self-employment in a taxable year. For 1978 and after, the income tests for quarters of coverage for the self-employed are the same as for wage earners, except that the self-employed were still required to have at least \$400 in net earnings in a taxable year to obtain any quarters for that year.

The third category of tables (tables 6, 6A, 7, and 7A) includes, among other data, information on Civil Service annuitants and active employees who have already earned enough quarters of social security coverage to be entitled to Medicare part A, but as of December 31, 1981, were not yet eligible because they had not attained age 65.

The fourth category (tables 8, 9, and 10) includes miscellaneous information on (1) the number of Civil Service annuitants and survivors under age 65 who are eligible for Medicare part A because of a disability or end-stage renal disease, (2) the numbers of Civil Service annuitants and survivors age 65 and older who have elected to enroll in the Medicare part B program to help pay their medical claims, and (3) an estimate of the number of spouses age 65 and older of Civil Service annuitants who were eligible for Medicare part A as of December 1981.

Table 1 shows the total number of Civil Service annuitants and survivors who were under age 65 or 65 and older as of December 1981, including Postal Service annuitants and survivors. Individuals who were age 65 and older are grouped by whether or not they were enrolled in FEHBP. Table 1 also includes our estimate of the number of individuals within each group who were eligible for Medicare part A as of December 1981. Table 1A shows the same information for Postal Service annuitants and survivors only.

TABLE 1
NUMBER OF CIVIL SERVICE ANNUITANTS
AND SURVIVORS AS OF DECEMBER 1981

	<u>Under 65</u>	<u>65 and older</u>	<u>Total</u>
	----- (000 omitted) -----		
Annuitants	580	764	1,344
Survivors	<u>158</u>	<u>269</u>	<u>427</u>
Total	<u>738</u>	<u>1,033</u>	<u>1,771</u>
Less, not enrolled in FEHBP	<u>167</u>	<u>344</u>	<u>a/511</u>
Enrolled in FEHBP	<u>571</u>	<u>689</u>	<u>1,260</u>
Also eligible for Medicare part A	(b)	<u>543</u>	
Percent enrolled in FEHBP, also eligible for Medicare part A		<u>78.8</u>	
Not enrolled in FEHBP		344	
But eligible for Medicare part A		<u>297</u>	
Percent not enrolled in FEHBP, but eli- gible for Medicare part A		<u>86.3</u>	
Total eligible for Medicare part A		840	
Percent of total survi- vors and annuitants eligible for Medicare part A		<u>81.3</u>	

a/Included 129,000 individuals enrolled in the Retired Employee Health Benefits Program. The balance is presumably persons who are not eligible for FEHBP or who elected not to enroll in the program.

b/See table 8 for the number of individuals under age 65 that are eligible for part A by virtue of a disability or end-stage renal disease.

Table 1 shows that about 81 percent of the 1,033,000 Civil Service annuitants and survivors age 65 and older were eligible for Medicare part A. The percentage ranged from 78.8 percent for the persons also enrolled in FEHBP and thus entitled to benefits under both programs, to 86.3 percent for those not enrolled in FEHBP and thus eligible for Medicare part A only.

TABLE 1A
NUMBER OF POSTAL SERVICE ANNUITANTS
AND SURVIVORS AS OF DECEMBER 1981

	<u>Under 65</u>	<u>65 and older</u>	<u>Total</u>
	----- (000 omitted) -----		
Annuitants	118	181	299
Survivors	<u>37</u>	<u>80</u>	<u>117</u>
Total	<u>155</u>	<u>261</u>	<u>416</u>
Less, not enrolled in FEHBP		<u>78</u>	
Enrolled in FEHBP		<u>183</u>	
Also eligible for Medicare part A		<u>153</u>	
Percent enrolled in FEHBP also eligible for Medicare part A		<u>83.6</u>	
Not enrolled in FEHBP		78	
But eligible for Medicare part A		<u>72</u>	
Percent not enrolled in FEHBP, but eligible for Medicare part A		<u>92.3</u>	
Total eligible for Medicare part A		225	
Percent of total survi- vors and annuitants eligible for Medicare part A		<u>86.2</u>	

Table 1A shows that about 86 percent of the Postal Service annuitants and survivors who were 65 and older were eligible for part A. This is a slightly higher percentage than Civil Service annuitants and survivors as a whole.

Individuals can become eligible for Medicare based on earnings and quarters of coverage under their own account or as a dependent of another wage earner. Table 2 shows the basis for Medicare part A entitlement for the Civil Service annuitants and survivors who were found eligible. The data are grouped by the persons enrolled in FEHBP and those not enrolled in FEHBP. Similar data are shown for the Postal Service annuitants and survivors in table 2A.

TABLE 2
BASIS FOR ENTITLEMENT TO MEDICARE
PART A FOR CIVIL SERVICE ANNUITANTS AND
SURVIVORS AGE 65 AND OLDER

Eligible for part A and enrolled in FEHBP (note a)	<u>Annuitants</u> (000 omitted)	<u>Per- cent</u>	<u>Survivors</u> (000 omitted)	<u>Per- cent</u>	<u>Total</u> (000 omitted)	<u>Per- cent</u>
Under own account	348	82	81	68	429	79
As a dependent	<u>76</u>	<u>18</u>	<u>38</u>	<u>32</u>	<u>114</u>	<u>21</u>
Total	<u>424</u>	<u>100</u>	<u>119</u>	<u>100</u>	<u>543</u>	<u>100</u>
Eligible for part A, but not enrolled in FEHBP (note a)						
Under own account	160	84	75	70	235	79
As a dependent	<u>30</u>	<u>16</u>	<u>32</u>	<u>30</u>	<u>62</u>	<u>21</u>
Total	<u>190</u>	<u>100</u>	<u>107</u>	<u>100</u>	<u>297</u>	<u>100</u>
Total Civil Service annuitants and survivors eligible for part A (note a)						
Under own account	508	83	156	69	664	79
As a dependent	<u>106</u>	<u>17</u>	<u>70</u>	<u>31</u>	<u>176</u>	<u>21</u>
Total	<u>614</u>	<u>100</u>	<u>226</u>	<u>100</u>	<u>840</u>	<u>100</u>

a/Excludes part A eligibility due to a disability or end-stage renal disease.

Table 2 shows that about 79 percent of the Civil Service annuitants and survivors that we estimate are eligible for Medicare part A were eligible under their own account as a wage earner under the social security or railroad retirement systems.

TABLE 2A

BASIS FOR ENTITLEMENT TO MEDICARE

PART A FOR POSTAL SERVICE ANNUITANTS

AND SURVIVORS AGE 65 AND OLDER

Eligible for part A and enrolled in FEHBP (note a)	<u>Annuitants</u> (000 omitted)	Per- cent	<u>Survivors</u> (000 omitted)	Per- cent	<u>Total</u> (000 omitted)	Per- cent
Under own account	96	82	27	75	123	80
As a dependent	<u>21</u>	<u>18</u>	<u>9</u>	<u>25</u>	<u>30</u>	<u>20</u>
Total	<u>117</u>	<u>100</u>	<u>36</u>	<u>100</u>	<u>153</u>	<u>100</u>
Eligible for part A, but not enrolled in FEHBP (note a)						
Under own account	32	84	25	76	57	80
As a dependent	<u>6</u>	<u>16</u>	<u>8</u>	<u>24</u>	<u>14</u>	<u>20</u>
Total	<u>38</u>	<u>100</u>	<u>33</u>	<u>100</u>	<u>71</u>	<u>100</u>
Total Postal Serv- ice annuitants and survivors eligible for part A (note a)						
Under own account	128	83	52	75	180	80
As a dependent	<u>27</u>	<u>17</u>	<u>17</u>	<u>25</u>	<u>44</u>	<u>20</u>
Total	<u>155</u>	<u>100</u>	<u>69</u>	<u>100</u>	<u>224</u>	<u>100</u>

a/Excludes part A eligibility due to a disability or end-stage renal disease.

Table 2A shows that about four of every five Postal Service annuitants and survivors who were eligible for part A were eligible under their own account which is essentially the same as for Civil Service annuitants and survivors as a whole.

Table 3 provides information regarding the number of quarters of social security coverage earned and the average health insurance taxes paid since 1966 when the tax began for persons who were eligible for part A because they were a social security primary beneficiary and age 65 and older. Railroad retirement primary beneficiaries were not included in the analysis. The information is presented by groups of individuals eligible for part A as a social security primary beneficiary.

- Group 1: A random sample of all part A beneficiaries who were eligible as a social security primary beneficiary. This group is presented for comparison purposes and excludes persons born before 1903 that were grandfathered into the program and those who became eligible under special transitional provisions for individuals born in 1903 or later who required only three quarters of coverage for each succeeding year. Active or retired Federal employees were not eligible for this special transitional entitlement to part A if they were or could have been covered under FEHBP.
- Group 2: Civil Service annuitants eligible for part A and enrolled in FEHBP.
- Group 3: Civil Service annuitants eligible for part A and not enrolled in FEHBP.
- Group 4: Civil Service survivors eligible for part A and enrolled in FEHBP.
- Group 5: Civil Service survivors eligible for part A and not enrolled in FEHBP.

Table 3A shows similar data for Postal Service annuitants and survivors which had been included in the total on table 3. Groups 2 through 5 represent Postal Service annuitants and survivors instead of all Civil Service annuitants and survivors.

TABLE 3

QUARTERS OF COVERAGE TO BECOME ELIGIBLE

FOR MEDICARE PART A UNDER OWN ACCOUNT

	<u>Average quarters earned since 1947</u>	<u>Number of years with earnings since 1951</u>	<u>Years earn- ing less than 50 percent of the maximum</u>	<u>Average health insurance tax paid</u>
Group 1		<u>Random sample of all persons eligible on own account</u>		
	74.1	18.2	6.6	\$289
Group 2		<u>Civil Service annuitants eligible for part A and enrolled in FEHBP</u>		
	34.9	9.2	5.5	\$102
Group 3		<u>Civil Service annuitants eligible for part A, but not enrolled in FEHBP</u>		
	48.4	12.6	5.2	\$186
Group 4		<u>Civil Service survivors eligible for part A and enrolled in FEHBP</u>		
	54.2	14.3	8.1	\$141
Group 5		<u>Civil Service survivors eligible for part A, but not enrolled in FEHBP</u>		
	50.4	13.0	6.8	\$123

Table 3 shows that, on the average, the sample of all part A beneficiaries earned 74.1 quarters of coverage and paid \$289 in hospital insurance taxes compared to 34.9 quarters and \$102 for Civil Service annuitants who were eligible for part A and enrolled in FEHBP.

Table 3 also shows for the various groups, a comparison of the total years with reported earnings since 1951 and the years where the reported earnings were less than 50 percent of the maximum wages subject to social security taxes. These earnings apply to persons at least 35 years of age in 1951.

The maximum wages subject to taxes were \$3,600 for 1951-54, \$4,200 for 1955-58, and \$4,800 for 1959-1965. For 1966 and later the maximum wages subject to the tax are shown on table 5.

TABLE 3A

QUARTERS OF COVERAGE TO BECOME ELIGIBLE

FOR MEDICARE PART A UNDER OWN ACCOUNT

FOR POSTAL SERVICE ANNUITANTS AND SURVIVORS

<u>Average quarters earned since 1947</u>	<u>Number of years with earnings since 1951</u>	<u>Years earn- ing less than 50 percent of the maximum</u>	<u>Average health insurance tax paid</u>
Group 1	<u>Random sample of all persons eligible on own account</u>		
74.1	18.2	6.6	\$289
Group 2	<u>Postal Service annuitants eligible for part A and enrolled in FEHBP</u>		
40.2	10.7	7.1	\$108
Group 3	<u>Postal Service annuitants eligible for part A, but not enrolled in FEHBP</u>		
49.1	13.0	6.7	\$147
Group 4	<u>Postal Service survivors eligible for part A and enrolled in FEHBP</u>		
57.4	15.1	8.8	\$155
Group 5	<u>Postal Service survivors eligible for part A, but not enrolled in FEHBP</u>		
50.0	12.9	6.7	\$125

Table 3A shows that, on the average, the sample of part A beneficiaries earned 74.1 quarters of coverage and paid \$289 in hospital insurance taxes compared to 40.2 quarters and \$108 for Postal Service annuitants who were eligible for part A and enrolled in FEHBP.

Table 4 (pp. 18 and 19) provides information similar to that presented in table 3, but segregates the data within groups by the minimum number of quarters of coverage required to become eligible for Medicare part A. Males comprised most of the annuitants. Those who required 6 to 10 quarters of coverage are age 85 and older as of December 1981. The age range for 11 through 15 quarters is from 80 to 84, 16 through 20 quarters is from 75 to 79, and 21 through 27 quarters is from 65 to 74.

TABLE 4

QUARTERS OF COVERAGE TO BECOME ELIGIBLE

FOR MEDICARE PART A UNDER OWN ACCOUNT

BY MINIMUM REQUIRED

<u>Minimum number of quarters required</u>	<u>Average number of quarters earned since 1947</u>	<u>Percent of sample</u>	<u>Average health insurance tax paid</u>
Group 1	<u>Random sample of part A beneficiaries eligible on own account</u>		
	(estimated size of universe - 20 million)		
6 to 10	40.8	13	\$ 35
11 to 15	59.2	13	86
16 to 20	70.8	21	166
21 to 27	<u>87.1</u>	<u>53</u>	<u>449</u>
	74.1	<u>100</u>	\$289
Group 2	<u>Civil Service annuitants eligible for part A and enrolled in FEHBP</u>		
	(estimated size of universe - 338,000)		
6 to 10	20.7	5	\$ 32
11 to 15	25.3	9	52
16 to 20	29.5	17	67
21 to 27	<u>38.4</u>	<u>69</u>	<u>121</u>
	34.9	<u>100</u>	\$102
Group 3	<u>Civil Service annuitants eligible for part A, but not enrolled in FEHBP</u>		
	(estimated size of universe - 147,000)		
6 to 10	28.2	15	\$ 29
11 to 15	41.5	13	71
16 to 20	48.5	19	133
21 to 27	<u>55.9</u>	<u>53</u>	<u>280</u>
	48.4	<u>100</u>	\$186

<u>Minimum number of quarters required</u>	<u>Average number of quarters earned since 1947</u>	<u>Percent of sample</u>	<u>Average health insurance tax paid</u>
Group 4	<u>Civil Service survivors eligible for part A and enrolled in FEHBP</u>		
	(estimated size of universe - 77,000)		
6 to 10	31.0	11	\$ 19
11 to 15	43.7	17	40
16 to 20	55.0	27	102
21 to 27	<u>63.4</u>	<u>45</u>	<u>232</u>
	54.2	<u>100</u>	\$141
Group 5	<u>Civil Service survivors eligible for Part A, but not enrolled in FEHBP</u>		
	(estimated size of universe - 62,000)		
6 to 10	30.6	28	\$ 16
11 to 15	47.4	24	52
16 to 20	58.5	22	128
21 to 27	<u>67.5</u>	<u>26</u>	<u>299</u>
	50.4	<u>100</u>	\$123

Table 4 shows that older individuals required and earned fewer quarters of social security coverage to become eligible for Medicare part A and paid less in health insurance taxes.

The basic purpose of table 5 is to help explain why the older individuals on table 4 are shown as paying relatively low hospital insurance taxes as compared with the groups ages 65 to 74.

Individuals began paying the hospital insurance tax in 1966. The tax is a percentage of social security covered wages up to the maximum taxable each year. Over the years the percentage and the maximum amount subject to the tax have changed. Table 5 shows the maximum wage subject to the tax, the tax rate, and the maximum tax for 1966 to 1983.

TABLE 5
MAXIMUM HOSPITAL INSURANCE TAX
PAYABLE 1966-1983

<u>Year</u>	<u>Maximum wages subject to tax</u>	<u>Hospital insurance tax rate (percent)</u>	<u>Maximum tax</u>
1966	\$ 6,600	0.35	\$ 23.10
1967	6,600	0.50	33.00
1968	7,800	0.60	46.80
1969	7,800	0.60	46.80
1970	7,800	0.60	46.80
1971	7,800	0.60	46.80
1972	9,000	0.60	54.00
1973	10,800	1.00	108.00
1974	13,200	0.90	118.80
1975	14,100	0.90	126.90
1976	15,300	0.90	137.70
1977	16,500	0.90	148.50
1978	17,700	1.00	177.00
1979	22,900	1.05	240.45
1980	25,900	1.05	271.95
1981	29,700	1.30	386.10
1982	32,400	1.30	421.20
1983	35,700	1.30	464.10

Table 5 shows that, since Medicare part A is primarily financed on a "pay as you go" basis, the amount of taxes needed to support it, as health costs and beneficiaries have increased over the years, has increased significantly.

Individuals can earn the minimum number of quarters of coverage required to become entitled to Medicare part A before they reach age 65. We selected random samples of Civil Service annuitants ages 55 to 64 and active Civil Service employees ages 25 to 34, 35 to 44, 45 to 54, and 55 to 64 to determine how many individuals had already earned enough quarters of coverage to be entitled to Medicare part A when they reach age 65.

Table 6 presents the results of our analysis for the Civil Service annuitants and table 7 presents the results for active Civil Service employees. The data for the active employees age 65 and older were developed from matching the active employee file against the Medicare enrollment file.

Tables 6A and 7A present similar information for Postal Service annuitants and employees, respectively.

TABLE 6
CIVIL SERVICE ANNUITANTS AGES 55 TO 64,
AS OF DECEMBER 1981, HAVING ENOUGH
QUARTERS TO BE ENTITLED TO MEDICARE PART A

<u>Age</u>	<u>Total in sample</u>	<u>Cases with enough quarters</u>	<u>Percent with enough quarters</u>
64	1,164	558	48
63	1,214	586	48
62	1,157	487	42
61	1,109	456	41
60	1,002	387	39
59	885	334	38
58	727	258	35
57	701	246	35
56	595	224	38
55	<u>382</u>	<u>133</u>	35
Total	<u>8,936</u>	<u>3,669</u>	41

Average minimum quarters required	31.4
Average quarters of coverage earned since 1947	55.6
Average number of years of earnings since 1951	14.6
Average number of years where earnings were less than 50 percent of the maximum taxable	7.9
Average estimated hospital insurance taxes paid	\$215.00

Table 6 shows that 41 percent of our sample of Civil Service annuitants ages 55 to 64 had earned at least the minimum number of quarters to be entitled to Medicare part A when they reach age 65.

TABLE 6A
POSTAL SERVICE ANNUITANTS AGES 55 TO 64
AS OF DECEMBER 1981, HAVING ENOUGH
QUARTERS TO BE ENTITLED TO MEDICARE PART A

<u>Age</u>	<u>Total in sample</u>	<u>Cases with enough quarters</u>	<u>Percent with enough quarters</u>
64	277	156	56
63	313	170	54
62	244	119	49
61	220	106	48
60	204	96	47
59	173	83	48
58	153	60	39
57	135	56	41
56	129	61	47
55	<u>75</u>	<u>32</u>	43
Total	<u>1,923</u>	<u>939</u>	49

Average minimum quarters required	31.3
Average quarters of coverage earned since 1947	59.8
Average number of years of earnings since 1951	15.5
Average number of years where earnings were less than 50 percent of the maximum taxable	9.6
Average estimated hospital insurance taxes paid	\$193.00

Table 6A shows that 49 percent of our sample of Postal Service annuitants ages 55 to 64 had earned at least the minimum number of quarters required to be entitled to part A when they reach age 65.

TABLE 7

ACTIVE CIVIL SERVICE EMPLOYEES HAVING

ENOUGH QUARTERS TO BE ENTITLED TO MEDICARE PART A

AS OF DECEMBER 1981

	Age Group				
	<u>25 to</u> <u>34</u>	<u>35 to</u> <u>44</u>	<u>45 to</u> <u>54</u>	<u>55 to</u> <u>64</u>	<u>65 and</u> <u>older</u>
Universe (number of workers in thousands)	699	619	625	405	42
Percent fully insured	13	39	53	62	82
For those workers who were fully insured:					
Average quarters earned since 1947	47.8	59.2	68.5	66.9	63.2
Average number of years of earnings since 1951	14.2	18.1	19.0	16.7	15.8
Average number of years where earnings were less than 50 percent of the maximum taxable	9.9	10.4	8.5	6.2	6.1
Average estimated hospital insurance taxes paid	\$569	\$429	\$267	\$170	\$219

Table 7 shows that the percentage of active Federal employees covered by the Civil Service Retirement System who were fully insured for part A ranged from 13 percent for the 25 to 34 group to 62 percent for the 55 to 64 group and 82 percent for the 65 and older group who were still working.

TABLE 7A

ACTIVE POSTAL SERVICE EMPLOYEES HAVING ENOUGH

QUARTERS TO BE ENTITLED TO MEDICARE PART A

AS OF DECEMBER 1981

	Age Group				
	<u>25 to</u> <u>34</u>	<u>35 to</u> <u>44</u>	<u>45 to</u> <u>54</u>	<u>55 to</u> <u>64</u>	<u>65 and</u> <u>older</u>
Universe (number of workers in thousands)	176	142	163	127	13
Percent fully insured	15	43	61	65	82
For those workers who were fully insured:					
Average quarters earned since 1947	47.2	58.7	68.8	69.9	67.5
Average number of years of earnings since 1951	13.9	17.4	18.6	17.0	16.6
Average number of years where earnings were less than 50 percent of the maximum taxable	9.7	10.1	8.8	7.2	7.7
Average estimated hospital insurance taxes paid	\$544	\$381	\$224	\$155	\$176

Table 7A shows that the percentage of active Postal Service employees covered by the Civil Service Retirement System who were fully insured for Medicare part A ranged from 15 percent for the 25 to 34 age group to 65 percent for the 55 to 64 age group and 82 percent for the 65 and over age group who were still working.

Individuals under age 65 can be eligible for Medicare part A if they have been disabled for 2 years under the social security definition of a disability and have received social security or railroad retirement disability benefits or they have end-stage renal disease. Table 8 shows the number of Civil Service annuitants and survivors under age 65 eligible for part A because of a disability or end-stage renal disease.

TABLE 8

NUMBER OF CIVIL SERVICE ANNUITANTS

AND SURVIVORS UNDER AGE 65, AS OF DECEMBER 1981,

WHO WERE ELIGIBLE FOR MEDICARE PART A BY

VIRTUE OF A DISABILITY OR END-STAGE RENAL DISEASE

	<u>Annuitants</u>	<u>Survivors</u>	<u>Total</u>
	<u>—————(000 omitted)—————</u>		
Enrolled in FEHBP	468	103	571
Eligible for Medicare part A due to a dis- ability or end-stage renal disease	11	4	15
Percent enrolled in FEHBP who were also eligible for Medicare part A	2	4	3
Not enrolled in FEHBP	112	55	167
Eligible for Medicare part A due to a dis- ability or end-stage renal disease	4	2	6
Percent not enrolled in FEHBP but eligible for Medicare part A	3	4	4

Table 8 shows that about 3 to 4 percent of the Civil Service annuitants and survivors under age 65 were eligible for Medicare part A.

Medicare part B is a voluntary program in which nearly any one 65 and older can enroll. Table 9 shows the number of Civil Service annuitants and survivors who were enrolled in Medicare part B. The information is grouped by persons enrolled in FEHBP and those not enrolled in FEHBP.

TABLE 9
NUMBER OF CIVIL SERVICE ANNUITANTS AND
SURVIVORS AGE 65 AND OLDER, AS OF
DECEMBER 1981, WHO WERE ENROLLED IN MEDICARE PART B

	<u>Annuitants</u>	<u>Survivors</u>	<u>Total</u>
	(000 omitted)		
Enrolled in FEHBP	544	145	689
Enrolled in Medicare part B	374	111	485
Percent enrolled in FEHBP and Medicare part B	69	77	70
Not enrolled in FEHBP	220	124	344
Enrolled in Medicare part B	186	108	294
Percent not enrolled in FEHBP but enrolled in Medicare part B	85	87	85
Total Civil Service annuitants and survivors aged 65 and older	764	269	1,033
Total enrolled in Medicare part B	560	219	779
Percent of total Civil Service annuitants and survivors aged 65 and older who were enrolled in part B	73	81	75

Table 9 shows that over 7 of every 10 annuitants and over 8 of every 10 survivors age 65 and older were enrolled in Medicare part B.

Spouses of Civil Service annuitants can be eligible for Medicare part A based on their own work history or as a dependent. We were interested in knowing how many spouses were eligible for Medicare part A. Table 10 provides the total number of spouses age 65 and older enrolled/not enrolled in FEHBP and an estimate of the number also eligible for Medicare part A. See appendix I, page 33, for a discussion of how these numbers were derived.

TABLE 10
SPOUSES OF CIVIL SERVICE ANNUITANTS, AS OF
DECEMBER 1981, WHO WERE ELIGIBLE FOR MEDICARE PART A

	<u>Enrolled in</u> <u>FEHBP</u>	<u>Not enrolled</u> <u>in FEHBP</u>	<u>Total</u>
	(000 omitted)		
Total spouses	246	74	320
Eligible for Medicare part A	142	37	179
Percent eligible for Medicare part A	58	50	56

Table 10 shows that of the 320,000 spouses of Civil Service annuitants, about 56 percent were eligible for Medicare part A.

OBJECTIVES, SCOPE, AND METHODOLOGY

In November 1981, we initiated a survey of the potential impact of making Medicare a secondary payer to FEHBP. Our objectives were to provide the Congress with information regarding

- the number of people eligible for both Medicare and FEHBP,
- the social security earnings history of people eligible for both programs,
- the kind of FEHBP benefits elected by people eligible for both programs,
- the use of medical services by people eligible for both programs compared to the rest of the Medicare and FEHBP populations, and
- the probable cost impact of such a proposal.

In August we briefed the staffs of the House and Senate Conference Committees working on the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248). We presented the results of our work on the first two objectives. We did not complete work on the remaining three objectives because the enactment of section 278 of the legislation makes the proposal to make Medicare a secondary payer to FEHBP moot.

DATA BASE DEVELOPMENT

We began our study by identifying three computerized data bases which could be used to determine how many Civil Service employees, retirees, and survivors were eligible for Medicare. The first data base was the Medicare master identification record file which is maintained by HCFA. This file contains Medicare enrollment and termination data for about 33 million active and inactive enrollees. We selected a 5-percent random sample of individuals eligible for Medicare part A and/or part B as of December 1981.

The other two files were maintained by OPM. The Civil Service annuitant (CSA) file contains data on active and inactive annuitant and survivor cases. We created a separate data base of all active annuitant and all active survivor cases as of December 1981. The CSA file also contains information on the

spouses of annuitants if the annuitant elects a survivor benefit. For the active annuitant cases, where sufficient identifying information on the spouse was available, we created a separate data base for the spouses.

The current personnel data file (CPDF) is also maintained by OPM and contains information on nearly all current Federal employees of the executive branch, including the Postal Service, and of certain agencies in the legislative and judicial branches. We created a data base of current Federal employees as of October 1981, which was the latest data available at the time.

DATA BASE MATCHING

We determined the number of Civil Service employees, retirees, and survivors eligible for Medicare by matching our 5-percent Medicare sample against the annuitant, survivor, spouse, and current Federal employee data bases. Computer programs developed by us were used to perform the matching. Name, date of birth, address, sex, and social security number were the data elements used in the matching process. The CPDF did not contain address data, and therefore, this field was not used in the matching for this group of matches. The computer program finds potential matches and assigns a point score depending on the number and exactness of data element matches to reflect the quality of the match.

We used information contained in the CSA file to separate the potential matches into people enrolled in FEHBP and people not enrolled in FEHBP. The CPDF did not contain information on FEHBP enrollment, and therefore, these potential matches were not separated.

The potential matches were validated to determine a cutoff point score above which a match would be considered good. A perfect match on all data elements received a score of 2,500. We validated the potential matches by examining the raw data from a random sample of 900 potential matches for each group of matches. The cutoff point scores (ranging from 1,419 to 1,682) were determined for each group of matches and those below the point score were eliminated from further analysis. The following shows the number of valid matches for each group.

<u>Match group</u>	<u>Number found 5-percent Medicare sample</u>
Annuitants enrolled in FEHBP	23,017
Annuitants not enrolled in FEHBP	9,929
Survivors enrolled in FEHBP	6,453
Survivors not enrolled in FEHBP	5,626
Spouses enrolled in FEHBP	7,826
Spouses not enrolled in FEHBP	1,998
Current Federal employees	1,865

DATA ANALYSIS

Our original 5-percent sample of Medicare beneficiaries included individuals eligible for Medicare part A and part B, part A only, and part B only. We excluded from most of our further analysis the matches where the individual was eligible for part B only. We did this because part B is a voluntary program in which virtually anyone age 65 and older can enroll. Table 9 shows data on the number of annuitants and survivors age 65 and older eligible for part B.

The 5-percent sample also included individuals eligible for Medicare part A based on a disability or end-stage renal disease. We also excluded these matches from most of our analysis. Table 8 shows the number of annuitants and survivors under age 65 eligible for Medicare part A because of a disability or end-stage renal disease.

After eliminating the cases discussed above from our matches we projected the number of annuitants and survivors eligible for Medicare part A because of retirement (age 65 and older). We calculated sampling errors for these estimates at the 95-percent confidence level and found them to be negligible (less than 1 percent).

The Medicare account number contains information which can be used to determine if the individual is eligible for Medicare part A on his or her own account or as a dependent of someone else. We analyzed this information for each of our matches. The results were used to project to the universe of Civil Service annuitants and survivors age 65 and older the number of individuals eligible on their own account.

We then analyzed the social security covered earnings histories of the matches where the individual was eligible for Medicare part A under his or her own account as a primary social security beneficiary. Some individuals were eligible under their own account as a railroad retirement beneficiary and were not included in this analysis. We also analyzed the earnings histories of a random sample of all Medicare beneficiaries eligible for Medicare part A on their own account as a primary social security beneficiary. This information was obtained for comparative purposes.

The earnings information was obtained from the Social Security Administration. The earnings obtained included data on

--total earnings from 1937 to 1950,

--earned quarters of social security coverage from 1947 to 1950, and

--annual earnings and earned quarters of coverage since 1951.

For each match and sample case we calculated the total quarters of coverage earned since 1947, the number of years of earnings since 1951, and the number of years since 1951 where an individual earned less than 50 percent of the maximum amount subject to the social security payroll tax. We also estimated the amount of hospital insurance taxes paid by each individual by applying the applicable tax rate to each year of earnings since 1966--the first year of the hospital insurance tax.

We were also interested in knowing how many current Civil Service employees and annuitants under age 65 had earned enough quarters of coverage to be entitled to Medicare part A benefits once they reach age 65. We selected random samples of annuitants ages 55 to 64 from the CSA file and current Civil Service employees in four age groups from CPDF. We obtained and analyzed the earnings histories for these individuals in the same manner we did for the matches and the sample of all Medicare part A beneficiaries above. We calculated sampling errors at the 95-percent confidence level for our estimates of the number of current Civil Service and Postal Service employees who are fully insured. For all estimates the sampling error was less than + or - 3 percent.

In obtaining the earnings information we did not receive information for each case we requested nor did we receive the correct information for certain individuals. We eliminated the cases from further analysis when this occurred.

The following shows the number of cases included in our analysis of the earnings information.

<u>Group</u>	<u>Number included in analysis</u>
Annuitants enrolled in FEHBP	16,841
Annuitants not enrolled in FEHBP	7,308
Survivors enrolled in FEHBP	3,831
Survivors not enrolled in FEHBP	3,099
Sample of Medicare part A beneficiaries eligible under their own account	35,089
Sample of annuitants ages 55 to 64	3,669
Sample of current Civil Service employees ages:	
25 to 34	670
35 to 44	1,946
45 to 54	2,561
55 to 64	2,787
Current Civil Service employees age 65 and older	1,492

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