



# U.S. POSTAL REFORM IN THE 115<sup>TH</sup> CONGRESS

**NARFE strongly opposes provisions of leading postal reform bills in both the House and Senate that would require current postal retirees to pay additional premiums for mostly duplicative health insurance coverage through Medicare or lose their earned retiree health benefits.**

## **Legislative Background**

In January 2017, then-Chairman of the House Oversight and Government Reform Committee Jason Chaffetz, R-UT, introduced H.R. 756, the Postal Reform Act of 2017, with bipartisan support. The committee held a hearing on the bill in February 2017 and approved the bill in a March markup. The bill was also referred to House Committee on Ways and Means and the House Committee on Energy and Commerce, due to the mandatory Medicare provisions that NARFE opposes. Neither committee has considered the bill or waived jurisdiction. In March 2018, Sen. Thomas R. Carper, D-DE, introduced the Senate version of the bill, S. 2629. The bill bypassed the committee process through a Rule XIV waiver.

## **Key Issue for NARFE – Mandatory Medicare Enrollment for Postal Retirees**

NARFE opposes provisions in both H.R. 756 and S. 2629 that would require current postal retirees and their family members to enroll in Medicare Part B or forfeit the Federal Employees Health Benefits (FEHB) Program coverage they earned as a benefit of long years of employment.

For those not currently enrolled – about 76,000 individuals – this would require an additional \$134 per month, or more, in Medicare premiums per enrollee, on top of their FEHB premiums. While FEHB premiums vary by plan, monthly premiums for the popular Blue Cross Blue Shield Standard plan in 2018 are \$245.18 for self-only coverage, \$558.59 for self-plus-one coverage, and \$589.23 for self and family coverage. For a postal retiree and spouse already paying \$6,700 per year for their federal health benefits, the mandatory Medicare requirement would add another \$3,200 in premiums per year, bringing their annual health insurance premium costs up to nearly \$10,000 while living on a fixed income.

NARFE objects to the mandatory Medicare provisions for current postal retirees on two basic grounds: 1) it changes the bargain regarding health benefits for postal retirees after they retired, setting a dangerous precedent for all federal retirees; and 2) it imposes a deeply paternalistic government requirement by removing choice for postal retirees with regard to their health insurance coverage, at significant additional premium cost.

It is worth noting that H.R. 756 and S. 2926 have two provisions that make them notably better than previous iterations. First, those postal retirees forced to enroll in Medicare as a condition of continuing their FEHB coverage would be automatically enrolled, which would avoid complete loss of all health insurance coverage for individuals who fail to enroll affirmatively. Second, those postal retirees forced to enroll would pay less than full Medicare Part B premiums during the first three years of coverage, paying only 25, 50 and 75 percent of the premium in years one, two and three, respectively. In addition, the Senate bill includes various exemptions for those who derive no benefit from Medicare enrollment whatsoever. While these provisions are a welcome improvement, they not enough to garner NARFE's support for the overall bill.

NARFE suggests a simple alternative that would preserve choice for current postal retirees and result in substantial savings for USPS: maintain automatic enrollment of current postal retirees into Medicare, but provide them with a short opt-out window. Without this option, the bill sets the dangerous precedent of

changing retiree benefits in retirement and replaces the individual postal retiree's choice of health insurance with a paternalistic government requirement.

Many lawmakers also object to costs of the mandatory Medicare provisions of H.R. 756/S. 2629, as they come at a significant cost to Medicare, and therefore to taxpayers, to the tune of \$10.7 billion over 10 years, according to the Congressional Budget Office estimate for H.R. 756.<sup>1</sup>

### **Prefunding Requirement and USPS**

In order to improve USPS finances in the near term, and to allow investments for the long-term, NARFE supports eliminating or modifying the requirement to prefund at 100 percent its future retiree health care liabilities. The Postal Accountability and Enhancement Act (PAEA) of 2006 mandated annual prefunding payments by USPS into the Retiree Health Benefits Fund (RHBF) over a 10-year budget window from fiscal years 2007-2016, which ranged from \$5.4 to \$5.8 billion. Congress designed this scheme to allow USPS a refund for \$27 billion in overpayments for its share of former veterans' retirement benefits without creating a budget cost for the bill. No other federal agency or private-sector company fully prefunds its retiree health benefits.

USPS has not made a prefunding payment to the U.S. Treasury since 2010. At the end of the 10-year payment schedule in 2016, the Office of Personnel Management (OPM) revalued the RHBF unfunded liability to \$56.9 billion and assessed an annual amortization payment of \$955 million through fiscal year 2056 to cover the unfunded liability.<sup>2</sup> USPS continues to default on mandatory health and retirement payments even with the 10-year budget window closed.

Although USPS has not made these payments, the liability remains current on its balance sheet. This liability and the continued amortization payments are driving cost-cutting strategies at USPS, and prohibiting investments that could expand business and save money over the long term.

### **NARFE's Position on Additional Issues**

***Six-Day Delivery.*** NARFE supports maintaining six days of mail delivery throughout the United States. This modest delivery standard, or a more demanding one, has existed since at least 1888. Toward that end, NARFE supports H.Res. 15, in support of six-day delivery, and continuing to mandate six-day delivery through the appropriations process.

***To-the-door Delivery.*** NARFE supports maintaining curbside and to-the-door delivery, opposing a transition to cluster box delivery. This is of particular concern to NARFE members, as most are retired and some may not have the ability to walk several blocks to retrieve their mail, and they shouldn't have to. NARFE supports H.Res. 28, in support of to-the-door delivery.

***Maintaining Service Standards.*** NARFE supports efforts to preserve high service and delivery standards. Lowering the quality of service is not the way to improve the USPS business model. Toward that end, NARFE supports H.Res. 31, in support of restoring service standards.

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<sup>1</sup> Congressional Budget Office Cost Estimate, H.R. 756, the Postal Reform Act of 2017. Available at: <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr756.pdf>. Tables 2 & 4; Pp. 5, 9-10.

<sup>2</sup> Financial Analysis of United States Postal Service Financial Results and 10-K Statement FY 2017, pp. 11, available at: <https://www.prc.gov/sites/default/files/reports/PRC%20FY2017%20FINANCIAL%20REPORT%20FINAL.pdf> (accessed April 17, 2018)