



U.S. POSTAL REFORM IN THE 116TH CONGRESS

NARFE opposes provisions of previous legislation to reform the United States Postal Service (USPS) 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.

Recent Legislative History (115th Congress)

Leading postal reform bills in the House and Senate during the 115th Congress, H.R. 756/H.R. 6076/S. 2629, did not gain the support necessary to win approval in either chamber. However, these bills represent a starting point for postal reform efforts in the 116th Congress. NARFE's views on additional postal issues are at the end of this brief.

Key Issue for NARFE – Mandatory Medicare Enrollment for Postal Retirees

NARFE opposes provisions contained in the leading bills from the 115th Congress 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 \$135.50 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 2019 are \$243.17 for self-only coverage, \$555.83 for self-plus-one coverage, and \$581.13 for self-and-family coverage. For a postal retiree and spouse already paying \$6,670 per year for their federal health benefits, the mandatory Medicare requirement would add another \$3,240 in premiums per year, bringing their annual health insurance premium costs 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 cost.

It is worth noting that H.R. 756/H.R. 6076/S. 2926 (115th Congress) contained 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 included various exemptions for those who derive no benefit from Medicare enrollment whatsoever. While these provisions were a welcome improvement, they were not enough to garner NARFE's support for the bills.

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 legislation 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 the mandatory Medicare provisions, based on the significant cost to Medicare, and therefore to taxpayers, to the tune of \$10.7 billion over 10 years, according to the Congressional Budget Office.¹

Prefunding Requirement and USPS

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.² 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, prohibiting investments that could expand business and save money over the long term and driving the conversation regarding mandatory Medicare coverage. The overly burdensome prefunding requirement must be reevaluated.

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. 54 (116th Congress), 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. 23 (116th Congress), 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. 60 (116th Congress), in support of restoring service standards.

Privatizing the Postal Service. NARFE supports universal postal service provided independent of profit motivations. Toward that end, NARFE supports H.Res. 33 (116th Congress), expressing the position that USPS remain an independent establishment of the federal government and not be subject to privatization.

¹ 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.

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