

## **U.S. POSTAL REFORM IN THE 117<sup>TH</sup> CONGRESS**

*NARFE supports postal reform efforts aimed at improving the financial situation of the United States Postal Service (USPS) so it can provide universal public services for the American people.*

*However, NARFE has concerns that, as currently written, the Postal Service Reform Act of 2021, H.R. 3076/S. 1720, could cause FEHB premiums to increase for both current and retired federal employees. Any reform of the USPS must not come at the expense of the health benefits of federal employees and retirees.*

*NARFE sincerely appreciates improvements made to the Medicare integration provisions from previous postal reform bills that were included in H.R. 3076/S. 1720, allowing postal retirees the option to enroll in Medicare instead of forcing it as a condition of retaining their federal health insurance.*

### **H.R. 3076 and S. 1720, the Postal Service Reform Act of 2021**

#### **FEHB Concerns**

The Postal Service Reform Act of 2021, H.R. 3076/S. 1720, risks increasing premiums for federal employees and retirees enrolled in Federal Employees Health Benefits (FEHB) program plans.

The bill would create a new Postal Service Health Benefits (PSHB) program for USPS employees and retirees starting in January 2023. PSHB plans would be required to provide “actuarially equivalent” coverage to current FEHB plans, such that they would cover the equivalent amount of expected costs.

With some exceptions, all postal employees and Medicare-covered postal retirees would be covered by PSHB plans. Notably, the bill provides current postal retirees age 65 and older a new opportunity to enroll in Medicare Part B without any late penalty. NARFE has long advocated for this preservation of choice as it relates to Medicare coverage, and we appreciate the inclusion of this provision in the bill.

However, postal retirees without Medicare would remain in FEHB and not move into the new PSHB program. Such retirees are a costly cohort to insure, as older individuals incur higher health care costs, on average, and FEHB plans are responsible for all their covered health care costs. In contrast, if a retiree is covered by Medicare Parts A and B, Medicare has primary responsibility for health care costs, and the FEHB plan has secondary responsibility, lowering costs to FEHB plans. As such, the bill cherry-picks individuals who are less costly to insure and shifts them to a new PSHB, while leaving individuals who are more costly to insure in FEHB. This could cause FEHB premiums, which are based on the cost to insure, to increase. We are also concerned that the added administrative costs incurred by the Office of Personnel Management (OPM) to manage

the PSHB, a duplicative program to FEHB, could also be passed on to enrollees via premiums.

### **Requested Actions**

NARFE urges Congress to obtain analysis from OPM and CBO regarding the effect on FEHB premiums prior to any further action on the bill. OPM, which administers the FEHB program, would also administer the new PSHB program, and it is the only entity with access to the full data needed to analyze the impact of this change on premiums. If analysis shows any adverse effect on FEHB premiums, the bill should be amended to prevent it.

If Congress permits the creation of a new PSHB program through this legislation, NARFE requests the PSHB retain all postal employees and retirees, rather than singling out and excluding retirees without Medicare. Congress should be very wary of opening the door to the type of cherry-picking allowed by this bill, which sets a dangerous precedent for the future of the FEHB program.

NARFE urges lawmakers to oppose any further movement on this bill until a full analysis of the legislation's effect on the entire FEHB program is complete. If these concerns are not adequately addressed, NARFE will urge opposition to this or any other bill that undermines the earned health benefits of our nation's current and former public servants.

### **Medicare Integration for Postal Retirees**

NARFE supports improvements to Medicare integration provisions of previous postal reform bills that preserve choice for current postal retirees regarding whether to enroll in Medicare Part B. Previously, NARFE opposed a requirement that current postal retirees enroll in Medicare even though they previously declined it upon turning 65.

Notably, the bill allows current postal retirees who are not enrolled in Medicare to remain so. It also provides a new opportunity for those age 65 and older to enroll in Medicare Part B without any late penalty, which allows them to purchase additional (Part B) insurance at standard rates should they choose to do so. Postal retirees under age 65 would have a choice whether to enroll in an FEHB or PSHB plan, and they would only be required to enroll in Medicare (once eligible) if they choose to enroll in a PSHB plan at that time.

While these changes may appear modest, they preserve key principles regarding retiree health benefits. It preserves the choice for current postal retirees as to whether to enroll in Medicare Part B. By doing so, the improvements ensure that the bill does not add a new condition and new costs (additional Part B premiums) to the continued receipt of earned retiree health benefits. The changes also avoid a dangerous precedent for other federal employees and retirees – that the federal government could renege on promised retirement benefits after retirement.

While there are benefits to having both Part B and federal retiree health insurance – fewer out-of-pocket costs from co-pays and deductibles for most plans – it is currently the retiree’s choice as to whether to accept that trade-off. Under this bill, it will remain so.

## **Prefunding Requirement**

To improve USPS finances in the near term, and to allow investments for the long term, NARFE supports eliminating the requirement to prefund at 100 percent its future retiree health care liabilities. Notably, NARFE supports the USPS Fairness Act, H.R. 695/S. 145, which would repeal the prefunding requirement. The Postal Service Reform Act would also repeal the prefunding requirement.

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 through 2016, which ranged from \$5.4 to \$5.8 billion. No other federal agency or private-sector company fully prefunds its retiree health benefits.

Although USPS has not made these payments since 2010, the liability remains current on its balance sheet and is steering cost-cutting strategies, prohibiting investment and driving the conversation on Medicare coverage. The overly burdensome prefunding requirement must be repealed.

## **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 has existed since at least 1888. Toward that end, NARFE supports H.Res. 114 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 many 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. 109 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 a means to improve the USPS business model. Toward that end, NARFE supports H.Res. 119 in support of restoring service standards.

***Privatizing the Postal Service.*** NARFE supports universal postal service that is provided independent of profit motivations. Toward that end, NARFE supports H.Res. 47 expressing the position that USPS remain an independent establishment of the federal government and not be subject to privatization.