



U.S. POSTAL REFORM IN THE 114TH CONGRESS

This issue brief presents background information on the Postal Service and NARFE's position on key issues related to reform of the U.S. Postal Service.

Background

In July 2016, the House Oversight and Government Reform Committee approved H.R. 5714, the Postal Reform Act of 2016, by a voice vote, with bipartisan support. In the Senate, S. 2051, the Improving Postal Operations, Service and Transparency Act (iPost), was introduced by Senator Carper, D-DE, the ranking member of the Senate Homeland Security and Governmental Affairs Committee, and has the bipartisan support of three Republican and two Democratic co-sponsors. **NARFE opposes both bills as explained below.**

Prefunding Requirement & USPS Finances

In FY15, USPS's controllable operating income was \$1.188 billion.¹ Yet, its FY15 books show a \$5.06 billion net loss on paper, primarily due to its \$5.70 billion prefunding obligation.² In FY16, USPS' controllable income was \$1.257 billion in the first quarter, and \$576 million in the second quarter, but saw, on paper, a net income of only \$304 million in the first quarter, and a net loss of \$2.040 billion in the second – again, due largely to its prefunding obligation.³

The annual prefunding payments (over the ten-year budget window of fiscal years 2007 to 2016) ranging from \$5.4 to \$5.8 billion by USPS into the Retiree Health Benefits Fund were mandated by the Postal Accountability and Enhancement Act of 2006. This scheme was designed 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, nor been forced to, since 2010. Even though USPS has not made these payments, the liability remains current on its balance sheet. This liability is driving cost-cutting strategies at USPS, and prohibiting investments that could expand business and save money over the long-term, despite the fact that USPS is incurring operating profits.

Key Issues for NARFE

NARFE opposes both H.R. 5714 and S. 2051 due to their requirements that current postal retirees enroll in Medicare or lose their retiree health benefits. NARFE also opposes S. 2051 due to its cuts to federal workers' compensation benefits.

Mandatory Medicare Enrollment for Postal Retirees

NARFE opposes provisions in both H.R. 5714 and S. 2051 that would require current postal retirees and their family members to enroll in Medicare Part B or forfeit the Federal Employees Health Benefits Program (FEHBP) 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 \$121.80 per month, or more, in Medicare premiums.

¹ 2015 United States Postal Service Annual Report and Comprehensive Statement, pp. 20-23, available at: <http://about.usps.com/who-we-are/financials/annual-reports/fy2015.pdf> (accessed May 10, 2016).

² Other items not under the control of USPS include non-cash expenses related to changes in the federal workers' compensation program, including fluctuations in expenses due to changes in discount rates, and the amortization of its portion of the Federal Employees Retirement System (FERS) using governmentwide, rather than postal-specific, assumptions. These two items account for a loss of \$809 million and \$241 million, respectively.

³ "U.S. Postal Service Reports Fiscal Year 2016 First Quarter Results," available at: https://about.usps.com/news/national-releases/2016/pr16_006.htm; "U.S. Postal Service Reports Fiscal Year 2016 Second Quarter Results," available at: https://about.usps.com/news/national-releases/2016/pr16_038.htm.



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NARFE objects to these provisions for current retirees on two basic grounds: (i) it changes the bargain regarding health benefits for postal retirees after they have retired, setting a dangerous precedent; and (ii) it removes choice for postal retirees with regard to their health insurance coverage.

H.R. 5714 has two provisions that make its version notably better than S. 2051. First, those postal retirees forced to enroll in Medicare as a condition of continuing their FEHBP coverage would be automatically enrolled, to avoid complete loss of all health insurance coverage for individuals who would fail to enroll affirmatively. Second, those postal retirees forced to enroll would pay less than full Medicare Part B premiums for the first three years of coverage, paying only 25, 50 and 75 percent of the standard premium in years one, two and three, respectively. However, these provisions are not enough to garner NARFE's support.

NARFE suggests a simple alternative that would preserve both choice for current postal retirees and substantial savings for the U.S. Postal Service: maintain automatic enrollment of current postal retirees into Medicare Part B, but provide them with a short opt-out window of 60 or 90 days. Without this option, the bill breaks a promise regarding postal retiree health benefits and replaces the individual postal retiree's choice of health insurance with a paternalistic government requirement, at significant cost to the Medicare program.

Arbitrary Reductions in Federal Employee Workers' Compensation Benefits

NARFE opposes proposals such as sections 502 and 503 of S. 2051, which would: (i) reduce the basic injured federal workers' compensation benefit by 25-33 percent for workers at retirement age; and (ii) eliminate the supplemental benefit for injured workers with children or other dependents.

When the changes proposed by S. 2051 were analyzed by the GAO (GAO-13-108), it found that they would reduce the retirement age compensation of injured federal workers substantially below what it would have been had they not been injured and been able to work a full career⁴ – the standard by which workers' compensation should be measured.

NARFE's Position on Additional Issues

NARFE also maintains the following positions regarding postal reform policies:

- **Prefunding Requirement.** NARFE supports an elimination of USPS's burdensome and extraordinary prefunding requirement for retiree health benefits.
- **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. 12, in support of six day delivery, and continuing to mandate six-day delivery through the appropriations process, as in S. 1742.
- **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 of them 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 and S. 1742, 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. Towards this end, NARFE supports H. Res. 54, in support of restoring service standards, and H.R. 784 and S. 1742 requiring USPS to maintain service standards.

⁴ U.S. Government Accountability Office, Federal Employees' Compensation Act, Analysis of Proposed Program Changes. (GAO-13-108), available at <http://www.gao.gov/assets/650/649716.pdf>.