

May 24, 2021

Committee on Homeland Security and Governmental Affairs
U.S. Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Peters, Ranking Member Portman and members of the Senate
Committee on Homeland Security and Governmental Affairs:

I write to share the views and concerns of the National Active and Retired Federal Employees Association (NARFE) regarding the recently introduced Postal Service Reform Act of 2021, S. 1720. Provisions in the legislation would have an acute effect on the Federal Employees Health Benefits (FEHB) program, and further analysis should be conducted before the committee takes any next steps. Without changes to address our key concerns, NARFE would urge opposition to the bill.

NARFE represents the interests of both federal and postal employees and retirees. Postal retirees make up a substantial portion of NARFE's 170,000 members. As stewards of our members' health and financial well-being, our views focus on the legislation's effect on the earned health benefits of the entire federal and postal community.

While this bill is styled as postal reform legislation, it implicates substantially the FEHB program, which serves more than 8 million federal and postal employees and retirees and their families. The bill would also have a significant impact on the Medicare program. In fact, the first half of the bill focuses entirely on changes to FEHB (creating an entirely new parallel program to it) and is designed around the concept of "Medicare integration" for postal retirees.

NARFE appreciates the efforts the committee has taken to ensure choice for postal retirees regarding enrollment in Medicare Part B, a longstanding concern we have had with postal reform. The improvements included in this bill are critical to honoring commitments made to postal retirees in exchange for long careers of service.

However, we are concerned that the current structure and language of the bill could result in increased premiums for federal employees and retirees enrolled in FEHB plans. Further, we are worried that some postal retirees will be forced to change health insurance plan carriers, potentially losing access to their current doctors/providers. We hope to continue to work with the committee to address these issues prior to any markup. If these concerns are not addressed adequately, NARFE would urge opposition to this or any other bill that undermines the earned health benefits of our nation's current and former public servants.

Background on NARFE

NARFE is a nonprofit, nonpartisan membership association. Our 170,000 members live in every congressional district across the country and consist of both retired and current federal workers from all branches and levels of the federal government, including the U.S. Postal Service. Federal benefits and retirement plans are unique, complex and subject to change. NARFE provides federal workers and retirees with the clear, reliable and accessible counsel they need to make critical decisions regarding their benefits.

Since NARFE's founding in 1921, the association's mission has been to defend and advance the earned pay and benefits of America's civil servants. Federal and postal workers dedicate their careers to the betterment of our country, and in return they ask their government to hold up its end of the bargain – keeping the promises made when they were hired, including their compensation package. NARFE honors the service of federal employees by helping ensure that they have a secure future.

Federal employees, including U.S. Postal Service employees, earn pensions and retiree health insurance benefits, in addition to their pay, in exchange for years of hard work. They rightfully expect the U.S. government to live up to its promises. NARFE is here to make sure it does.

FEHB Concerns

NARFE is concerned that the current structure and language of the bill could result in increased premiums for federal employees and retirees enrolled in FEHB plans. Specifically, the bill would separate postal employees and Medicare-covered postal retirees from FEHB and move them into a new Postal Service Health Benefits (PSHB) program, but postal retirees without Medicare would remain in the FEHB program. In doing so, the bill allows the Postal Service to cherry-pick individuals who are less costly to insure and leaves individuals who are more costly to insure in the federal population. This could cause FEHB premiums, which are based on the cost to insure, to increase.

This is troubling on two levels. Firstly, USPS has, for years, supported Medicare integration for its retirees. But now, as the proposal moves through the legislative process, the Postal Service is seeking to avoid its full financial obligation to those retirees who choose not to enroll in Medicare and their impact on the overall risk pool. If Congress allows USPS to have its own health insurance risk pool, the Postal Service should assume responsibility for all of its employees and retirees. Secondly, moving forward with such cherry picking sets a dangerous precedent for future changes to the FEHB program. As the committee with jurisdiction over not only the Postal Service but also the FEHB program, we urge caution in taking this path.

We are encouraged that the bill includes language that ostensibly addresses this issue. But we do not believe the language makes clear that FEHB plan premiums (and the government and enrollee contributions to such premiums) will be based only on the cost of insuring federal employees and retirees (and family members), and that PSHB plans will be based only on the cost of insuring postal employees and retirees (and family

members), regardless of whether enrolled in the FEHB or PSHB plan coverage for each carrier. We are also skeptical that the language works with how FEHB/PSHB plan premiums are determined (based on the cost of insuring plan participants).

Furthermore, the Office of Personnel Management (OPM), which administers the FEHB program and would also administer the PSHB program, has not provided any technical feedback on the language of the bill yet, nor has it provided an analysis of how the bill would affect FEHB plan premiums. Both should be prerequisites to further action on this legislation.

We recognize that the committee does not intend to pass a bill that would increase FEHB premiums for federal employees and retirees, and NARFE appreciates the opportunity to continue working together to address these concerns. We urge the chairman, ranking member and members of the committee to commit to amending the bill, as necessary and prior to markup, to protect the FEHB program by preventing the PSHB from cherry-picking a lower-cost risk pool and by ensuring that FEHB premiums will not increase, all things being equal, as a result of this bill.

Views Related to Postal Retirees

Medicare Integration

NARFE appreciates improvements from 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 previous proposal that required current postal retirees to pay additional premiums for mostly duplicative health insurance coverage through Medicare – or else lose their earned retiree health benefits.

Notably, this 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 (as of 1/1/23) to enroll in Medicare Part B without penalty, which allows them to purchase additional (Part B) insurance should they choose to do so. Postal retirees under age 65 (as of 1/1/23) would have in the option of enrolling in an FEHB or PSHB plan, and they would only be required to enroll in Medicare if they choose to enroll in a PSHB plan.

While these changes may appear modest, they preserve key principles regarding retiree health benefits. They maintain the choice current postal retirees have 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 setting a dangerous precedent for other federal employees and retirees – that the federal government could renege on promised retirement benefits after employees retire.

Without the flexibility provided by the new provisions of the bill, a 90-year-old postal retiree and his or her spouse, living on a fixed income and already paying \$7,301 per year for their popular Blue Cross Blue Shield standard plan, would be forced to pay

another \$3,564 a year in Part B premiums to keep that coverage – close to \$11,000 in premiums. That is a significant expense, especially when those additional costs, previously declined, now must be absorbed.

While there are benefits to having both Part B and federal retiree health insurance – fewer out-of-pocket costs from copays 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. We thank Senators Peters and Portman for incorporating these improvements.

Preserving Existing Health Insurance Coverage for Postal Retirees

Under the bill, the PSHB program should include all plans with at least 1,500 postal employees and retirees. With several important exceptions, the general rule would require all postal employees and annuitants to enroll in a PSHB plan. One exception allows postal employees currently enrolled in plans not offered under the PSHB to stay in their current FEHB plan. They would only be required to enroll in a PSHB plan if they switch plans. Unfortunately, this exception does not apply to current postal retirees. NARFE urges the committee to provide the same flexibility to postal retirees as it does to similar postal employees. Doing so would ensure that these retirees are not forced to switch to a new plan that does not cover health care from their current providers/doctors.

Repeal of the Prefunding Mandate

NARFE supports the bill’s repeal of the burdensome mandate to prefund future retiree health benefits. No other federal agency or private-sector company fully prefunds its retiree health benefits. Yet, the Postal Accountability and Enhancement Act (PAEA) of 2006 mandated specific, annual prefunding payments by USPS into the Retiree Health Benefits Fund (RHBF) over a 10-year period (2007-2016), followed by continued payments to fully cover the remaining liability for retiree health benefits as far as 75 years into the future.

Even though the Postal Service has not made all the required payments, the liability remains current on its balance sheet and is steering cost-cutting strategies and prohibiting investments, while simultaneously driving and limiting options for legislative reforms. The mandate has failed to serve its purpose of protecting health benefits. Rather, the requirement to prefund benefits for future retirees has threatened the benefits of current retirees via past legislative efforts to mandate Medicare Part B coverage for current postal retirees (rather than preserve choice).

It is important to note that even with the repeal of the prefunding mandate, the Postal Service would maintain its obligation to fund postal retiree health benefits. After using funds currently in the RHBF, the Postal Service would return to pay-as-you-go funding, similar to other federal agencies and businesses in the private sector. The repeal alone will not solve all of the Postal Service’s financial problems, but it is an important first step. It would rescind an unnecessary and unreasonable mandate, providing the agency with the breathing room to implement other reforms.

Conclusion

We understand the committee's desire to act quickly to put the U.S. Postal Service on the right track. NARFE's postal retiree members, most of whom had long careers working for USPS, care deeply about maintaining a strong and vibrant public postal service that meets the needs of American citizens. They believe, as does NARFE, that reliable mail delivery is an inherently governmental function. They want the U.S. Postal Service not only to survive, but to thrive, as does NARFE. As such, we support the intent to provide the financial relief the U.S. Postal Service needs to operate effectively.

But financial relief should not be provided at the expense of federal employees and retirees, or current postal retirees. We appreciate improvements made to preserve choice for current postal retirees. However, questions and concerns remain regarding the impact of this bill on the health benefits of federal employees and retirees covered by FEHB. We look forward to working with committee leadership and members on a path forward that both provides financial relief to the U.S. Postal Service and protects the integrity of the FEHB program, which successfully provides quality and affordable health insurance to more than 8 million Americans.

Thank you for the consideration of our views. If you have any questions or concerns, please contact NARFE Staff Vice President for Policy and Programs Jessica Klement at jklement@narfe.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Thomas', with a stylized flourish at the end.

Ken Thomas
National President