

February 14, 2022

Sent via e-mail to members of the United States Senate

Dear Senator:

In advance of consideration of H.R. 3076, the Postal Service Reform Act of 2022, I write to share the views of the National Active and Retired Federal Employees Association (NARFE) in support of the bill.

Notably, I write to express support for: (i) modifications, approved by the House, that would prevent unintended increases to Federal Employees Health Benefits (FEHB) plan premiums for all federal employees and retirees; (ii) modifications to provisions of postal bills from prior Congresses to preserve choice for current postal retirees regarding whether to enroll in Medicare Part B as a condition of continued receipt of their earned postal retiree health benefits; (iii) the bill's repeal of the burdensome mandate to prefund future postal retiree health benefits; and (iv) the bill's codification of mail delivery six days per week.

Postal retirees make up a substantial portion of NARFE's membership. These postal retiree members, most of whom had long careers working for the Postal Service, 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. This bill will provide financial relief to the Postal Service that will improve its ability to remain a public entity providing a crucial service to the American people.

The bill does so primarily by reducing the Postal Service's cost burden for providing retiree health benefits, which postal employees earn through their service. That burden is reduced by improving the integration between postal retiree health insurance and the Medicare program. For the Postal Service to realize the cost savings from this integration, the bill splits postal employees and retirees from FEHB into a new, parallel Postal Service Health Benefits (PSHB) program.

While NARFE would prefer the FEHB risk pool remain unified, we do not oppose this general construct, and recognize this option is the most politically viable path to providing the Postal Service financial relief. Furthermore, the language of the current bill addresses the concerns NARFE has raised in the past regarding the PSHB and Medicare integration provisions of the bill.

First, NARFE appreciates recent amendments to the bill in the House that will prevent unintended average cost increases for FEHB plans. NARFE expressed concerns that the bill's provisions to move most postal employees and retirees to the new PSHB but leave some postal retirees – those without Medicare coverage – in FEHB could result in increased premiums for FEHB plans. Actuarial analysis confirmed those concerns, and

in response, the language was amended to move all postal employees and retirees into the new PSHB. Updated analysis has shown this change will result in reduced premiums, all else equal, for both FEHB and PSHB plans.

Second, NARFE strongly supports provisions to exempt current postal retirees from Medicare enrollment requirements, instead applying such requirements prospectively. These provisions preserve choice for current postal retirees regarding whether to enroll in Medicare Part B, as they no longer add a condition to the continued receipt of their earned retiree health benefits. Previous postal reform bills would have required payment of additional premiums for this mostly duplicative health insurance coverage.

The Medicare integration construct also provides several benefits. First, integration with Medicare Part D would bring cost savings to PSHB plans, as will increased enrollment in Part B, which would grow over time. Second, the Medicare opt-in provisions for those age 65 and older also would provide postal retirees with a new opportunity to enroll in Medicare Part B without penalty, which would allow them to purchase additional (Part B) insurance should they choose to do so. With critical improvements incorporated into the bill, the Medicare integration construct preserves choice for postal retirees while reducing the cost of health insurance for all postal employees and retirees.

Third, NARFE also supports the repeal of the burdensome mandate to prefund future postal 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 has led to cost-cutting strategies and limited investments. The mandate has failed to serve its purpose of protecting health benefits.

In fact, rather than protecting health benefits, the requirement has threatened them by undermining the financial stability of the Postal Service. 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. The repeal alone will not solve all of the Postal Service's financial problems, but it is an important first step.

Finally, NARFE supports the bill's provisions to codify the requirement that the Postal Service deliver mail six days per week, as it does today. While this requirement is typically written into annual appropriations bills, its inclusion in this bill will avoid the need to mandate the policy's continuation from one year to the next. In so doing, it will provide assurance to businesses and households dependent on the consistent delivery schedule.

Conclusion

The Postal Service distributes mail to every address in America. Its universal service provides essential communication and transportation infrastructure for our national

economy. Yet it has faced more than a decade of financial challenges as it operates under a restrictive legislative framework that needs reform.

Previous iterations of leading postal bills in this and past Congresses, while well-intentioned reform efforts, did not adequately protect the earned benefits of both postal retirees (due to a new requirement to enroll in Medicare after retirement) and non-postal federal employees and retirees (as an altered health insurance risk pool threatened unintended increases in health insurance premiums in the FEHB program). But the version before the Senate now has addressed these issues, protecting the interests of postal retirees and non-postal federal employees and retirees while also providing substantial financial relief to the Postal Service.

For these reasons, NARFE is grateful for the modifications from previous bills and encourages senators to support the current bill.

Thank you for the consideration of our views. If you have any questions or concerns, please contact NARFE's Staff Vice President for Policy and Programs, John Hatton, at jhatton@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