



U.S. POSTAL REFORM IN THE 115TH CONGRESS

In January 2017, House Oversight and Government Reform Committee Chairman Jason Chaffetz, R-UT, introduced H.R. 756, the Postal Reform Act of 2017, with bipartisan support. The committee held a hearing on the bill in February and approved the bill in a March 16th markup. A Senate version of the bill has not been introduced in the 115th Congress. In the 114th Congress, S. 2051 was sponsored by Sen. Thomas R. Carper, D-DE. NARFE opposes both bills, as explained below.

Prefunding Requirement and USPS Finances Background

In fiscal year (FY) 2015, 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 \$610 million, but it saw a net loss of \$5.6 billion, again, largely due to its prefunding obligation.³

The Postal Accountability and Enhancement Act of 2006 mandated annual prefunding payments by USPS into the Retiree Health Benefits Fund 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, nor has it been forced to, since 2010. Although 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 reporting an operating profit.

Key Issues for NARFE

NARFE opposes H.R. 756 because of its requirement that current postal retirees enroll in Medicare or lose their retiree health benefits. In addition to this provision, NARFE opposed S. 2051 (114th Congress) due to its cuts to injured federal workers' compensation benefits.

Mandatory Medicare Enrollment for Postal Retirees

NARFE opposes provisions in both H.R. 756 and S. 2051 (114th Congress) that would require current postal retirees and their family members to enroll in Medicare Part B or forfeit the Federal Employees Health Benefits 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 \$134 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 Results," available at: https://about.usps.com/news/national-releases/2016/pr16_092.htm.



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

H.R. 756 has two provisions that make it 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, 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 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 choice for current postal retirees and result in substantial savings for USPS: 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. This would incur significant cost to the Medicare program, to the tune of \$10.7 billion, according to the Congressional Budget Office estimate for the bill.

Arbitrary Reductions in Federal Employee Workers' Compensation Benefits

NARFE opposed proposals such as sections 502 and 503 of S. 2051, which would have reduced the injured federal workers' basic compensation benefit by 25-33 percent for workers at retirement age, and eliminated the supplemental benefit for injured workers with children or other dependents.

When the changes proposed by S. 2051 were analyzed by the Government Accountability Office (GAO-13-108), GAO found that the retirement age compensation of injured federal workers would be substantially reduced, below the level it would have been if the workers had not been injured and had been able to work a full career⁴. This is 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. 15, 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. 28 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. 31, in support of restoring 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>.