

February 23, 2021

Committee on Oversight and Reform  
2157 Rayburn House Office Building  
Washington, DC 20515

Dear Chairwoman Maloney, Ranking Member Comer and members of the House Committee on Oversight and Reform:

Thank you for holding this important hearing, “Legislative Proposals to Put the Postal Service on Sustainable Financial Footing,” to examine solutions to the financial challenges of the U.S. Postal Service (USPS). I write to share the views of the National Active and Retired Federal Employees Association (NARFE) in advance of the hearing and for the hearing record.

Postal retirees make up a substantial portion of NARFE’s membership. These 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.

As stewards of our members’ health and financial wellbeing, NARFE’s primary concern regarding previous legislative efforts to reform USPS has been the inclusion of provisions that would require current postal retirees to pay additional premiums for mostly duplicative health insurance coverage through Medicare – or else lose their earned retiree health benefits.

NARFE strongly supports the improvements to the Medicare integration provisions that the committee has incorporated into its discussion draft of postal reform legislation circulated in advance of the hearing. The new provisions preserve choice for current postal retirees regarding whether to enroll in Medicare Part B by no longer adding a condition to the continued receipt of their earned retiree health benefits after they have retired. The opt-in provisions for those age 65 and older provide postal retirees with a new opportunity to enroll in Medicare Part B without penalty, which allows them to purchase additional (Part B) insurance should they choose to do so. With these critical improvements, the Medicare integration construct of the discussion draft preserves choice for postal retirees while reducing the cost of health insurance for all postal employees and retirees.

NARFE also supports the repeal of the burdensome mandate to prefund future postal retiree health benefits. Rather than protecting health benefits, the requirement has threatened them by undermining the financial stability of the Postal Service, leading to cost-reduction measures targeting those benefits.

Together, the changes to the Medicare integration provisions and the repeal of the prefunding mandate significantly improve upon past postal reform bills. Furthermore, the discussion draft as written would provide much-needed financial relief to the U.S. Postal Service. NARFE urges members of Congress to maintain these improvements. We look forward to reviewing the final bill and hope to support the committee's postal reform bill once it is introduced.

## **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.

Postal Service employees earned valuable pension and retiree health 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 end of the bargain. NARFE is here to make sure it does.

## **The Need for Postal Reform**

Due to a number of factors, from a decline in first class mail resulting from expanded internet use to a burdensome mandate to prefund future retiree health benefits, the Postal Service's financial condition has weakened over the past decade. This financial trouble puts USPS at risk of having insufficient cash on hand to conduct operations in the foreseeable future. With the threat of insolvency continually on the horizon and limits on the agency's ability to use debt-financing for needed investments, Postal Service operations have been hampered by austerity budgeting focused more on cost cutting than growth.

More than a decade of financial challenges has led to a slow but steady decline in service standards, threatening the reliability of essential postal services for the country. Americans rely on the Postal Service to deliver life-saving prescription medications and essential goods and communications. Degraded service standards lead to increasing delays in delivery. In some cases, delivery delayed is delivery denied, as it could force individuals to forego delivery in the future or receive medications and goods too late to use for critical needs. An erosion of public trust in the Postal Service could pose an even greater challenge to its long-term success, as distrust could cause additional declines in revenue.

Despite its challenges, the Postal Service continues to serve the American people. It delivers more than [472 million mail pieces every day](#), including more than 181 million pieces of first-class mail. The men and women of USPS continue their service through a global pandemic, ensuring that the nation remains connected and that individuals quarantining or isolating in response to COVID-19 receive goods and communications without leaving their home. They have done so at significant personal risk, as tens of thousands of postal workers have tested positive for coronavirus. Amid an extremely challenging year, the women and men of the Postal Service have exemplified public service and reminded us of the importance of their work.

Yet their shining example does not solve the long-standing financial challenges of the agency. Congress provided USPS with short-term financial relief via COVID-19 legislation, but it has been unable to reach consensus on a longer-term solution. Meanwhile, the Postal Service continues to operate under the same basic legislative framework that it has since 2006. It is past time for Congress to develop and pass postal reform legislation to provide a framework that allows the Postal Service to succeed. I thank this committee for its efforts in attempting to do so and look forward to working with you as the process moves forward.

## **Medicare Integration**

The Medicare integration construct of the discussion draft circulated in advance of this hearing includes new, critical protections for current postal retirees compared to previous postal reform bills. Notably, the discussion draft would *not require* current postal retirees to enroll in Medicare Part B as a condition of maintaining their earned postal retiree health benefits. Instead, it provides postal service annuitants (and eligible family members) age 65 and older (as of January 1, 2023) who are not enrolled in Medicare Part B with a three-month window in which they will be able to enroll without incurring a late enrollment penalty. Postal annuitants (and eligible family members) age 55 to 64 (as of January 1, 2023), would be automatically enrolled in Part B at age 65, but they would have a three-month window to opt out of Part B coverage.

While these changes may appear modest, they preserve key principles regarding retiree health benefits. It preserves the choice for postal retirees as to whether to enroll in Medicare Part B or not. 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.

Without the flexibility provided by the new provisions of the discussion draft, 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 living on a fixed income.



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 the discussion draft, it will remain so.

The new improvements to the Medicare construct eliminate previous fatal flaws and provide additional benefits for many postal retirees. First, for those age 65 and older who were not enrolled in Medicare Part B, the bill provides an opportunity to enroll without penalty. Some postal retirees may be happy to take advantage of the chance to purchase additional insurance, which, when combined with their postal retiree health benefits, limit out-of-pocket expenses. Second, as more participants enroll in Medicare Part B, the cost of coverage for postal retiree health benefit plans will decline, as those plans become secondary payers when retirees are covered by both Medicare and their postal retiree plan. These reduced costs of coverage will result in lower premiums for all postal employees and retirees. Third, the integration of Medicare Part D should also reduce costs for postal health benefit plans, further lowering premiums.

The Medicare integration construct of the discussion draft ensures that the U.S. government upholds its bargain to postal retirees – they will continue to receive, without additional conditions imposed, the valuable retiree health benefits that they earned in exchange for years of diligent work. The construct would also provide needed financial relief to the Postal Service and should lower health insurance costs for many postal retirees. For these reasons, NARFE supports the updated discussion draft.

## **Repeal of the Prefunding Mandate**

NARFE also supports the discussion draft’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 breathing room for other reforms.

## **NARFE's Position on Additional Issues**

- **Six-Day Delivery.** NARFE supports maintaining six days of mail delivery throughout the United States. This 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 most are retired and some may not have the ability to walk several blocks to retrieve their mail – nor should they be required 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 the way to improve the Postal Service's business model. As such, NARFE supports H.Res. 119 in support of restoring service standards.
- **Privatizing the Postal Service.** NARFE supports universal postal service provided independent of profit motivations. Toward that end, NARFE supports H.Res. 47, which expresses the position that USPS should remain an independent establishment of the federal government and not be subject to privatization.

## **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.

Past efforts focused on reducing the Postal Service's liabilities for retiree health benefits through a Medicare requirement that threatened to change the bargain for postal retirees after retirement, setting a dangerous precedent for all federal and postal retirees. But this committee has made important improvements to the Medicare integration provisions to preserve choice regarding the health benefits for current postal retirees. The simple, but critical, changes to the construct of Medicare integration apply the mandate to enroll in Medicare prospectively, and provide flexibility for current retirees (to either opt in or opt out of the requirement, depending on age). NARFE is grateful for the modifications and looks forward to working with committee leaders to support much-needed legislative reforms for the Postal Service.

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 Jessica Klement at [jklement@narfe.org](mailto: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