

# Understanding Medicare integration under postal reform



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**T**hanks to the bipartisan bill H.R. 3076 that advanced through the House of Representatives Committee on Oversight and Reform in May, there is genuine hope for success in achieving some of our most important legislative priorities (see story on page 6). The bill includes three important provisions: a reform of the Federal Employees Health Benefits (FEHB) Program that would allow the Postal Service and its employees and retirees to maximize savings on health insurance costs via integration with Medicare on a prospective basis; a repeal of the retiree health pre-funding mandate (as provided by the USPS Fairness

Act); and a provision to make six-day delivery of mail and packages a statutory obligation (currently, it is enforced by an appropriations bill that must be renewed annually).

**This month, I want to focus on what we have done to shape the FEHB and Medicare provisions to protect the interests of our members, both active and retired.** The health care reforms outlined in H.R. 3076 would lower the cost of health insurance under FEHB for active and retired postal employees alike, which would help both the Postal Service and its current and former employees. This would improve the Postal Service's net income and make the billions in funds deposited in our retiree health fund last longer (before the Postal Service returns to the pay-as-you-go system of funding retiree health premiums that existed before 2007).

The bill would place most postal participants in FEHB into one insurance pool (separate from other federal employees and annuitants) and require most existing FEHB insurers to offer postal and non-postal versions of their plans. Most active postal employees (those under age 64 as of Jan. 1, 2023) would automatically be enrolled in the new postal plans in 2023, which will include automatic enrollment in Medicare Part A (hospital services) and Part B (medical services) once they retire and reach age 65. Current annuitants and employees aged 64 or older (as of Jan. 1, 2023) may decide whether or not to enroll in Medicare, and can therefore choose to remain in non-postal plans if they decline Medicare. Fortunately, the cost of these non-postal plans would not rise as a result of this reform. Annuitants who choose to enroll in the postal plans would automatically be enrolled in Medicare Parts A and B.

Having future annuitants enrolled in Medicare would reduce the cost of FEHB premiums for all participants in the postal pool,

as Medicare is the primary payer of health bills for those 65 and older; FEHB plans cover only the costs of deductibles and copays. H.R. 3076 also would lower the cost of postal FEHB plans by requiring such plans to take advantage of Medicare Part D subsidies for health plans that provide prescription drug benefits—subsidies that are available to company health plans in the private sector.

Of course, about 8 out of 10 retired letter carriers already choose to enroll in Medicare Parts A and B when they become eligible, so the proposed changes in the FEHB Program will not be especially dramatic. All the major plans will remain available, including the market-dominant Blue Cross Blue Shield plan and the NALC Health Benefit Plan.

**We have worked hard with allies in Congress to shape the legislation in ways that address employees and annuitants who are in special circumstances.** First, in the rare event that no postal plan is available to a participant (in highly rural places, for example), he or she can enroll in a non-postal FEHB plan. Second, if a postal employee's current health plan does not offer a postal version of that plan, he or she can stay in that non-postal plan. However, if the employee ever switches plans, he or she may choose any of the postal plans. Third, if a future annuitant lives abroad or in a place where there are no Medicare providers, enrollment in a non-postal plan will be available. Similarly, if a future annuitant has coverage from Veterans Affairs or the Indian Health Service and therefore does not need Medicare, he or she may enroll in a non-postal FEHB plan. Finally, the bill includes a one-time opportunity for post-age-65 annuitants who chose not to enroll in Medicare Part B at age 65 to do so, with no late enrollment penalty, by choosing a postal plan in FEHB. This will be a great benefit for annuitants who regret not having enrolled in Part B at age 65, since the penalties are very stiff (raising Part B premiums 10 percent for each year after age 65).

Enacting H.R. 3076 is going to be hard work. There is a long way to go. The bill must be considered by two other House committees that share jurisdiction over the Medicare program (Ways and Means as well as Energy and Commerce), go to the House floor for a vote and then pass the Senate, where it must withstand possible filibusters. Thanks to the work of our committee's chairwoman, Rep. Carolyn Maloney (D-NY), and its ranking member, Rep. James Comer (R-KY), who together co-sponsored H.R. 3076, we are off to a good bipartisan start—the bill won the unanimous support of committee Democrats and Republicans.

As we move forward, we must mobilize active and retired letter carriers alike to push their representatives in Washington to work together to finally make postal reform a reality after a decade and a half of struggle. Watch this space.