



# *E-NAPUS Legislative Newsletter*

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FEHBP Targeted?

## Postal Health Care in the Crosshair

Last week, the *E-NAPUS Legislative Newsletter* summarized the February 28 USPS letter, in which the Board of Governors laid down their “markers” on postal reform. One item that captured the attention of NAPUS members and other postal employees was the USPS request for a Congressional green light to negotiate more fully over employee benefits. About 40% of compensation is attributable to benefits. The three major contributors to benefits are paid leave, retirement, and health coverage. In part, the USPS believes that it could reduce benefit costs by collectively bargaining with the unions over health coverage. Currently, the USPS negotiates only over its contribution towards the premium on behalf of its active postal employees. Postmasters, supervisors and most other managerial employees are not able to bargain over the contribution towards premium, but they receive the same USPS contribution as craft employees.

The FEHBP is the largest employer-sponsored group health insurance program in the world, covering approximately 8 million individuals. In 1959, Congress created the FEHBP as a comprehensive health insurance program for federal employees and annuitants. Chapter 89 of Title 5 of the U.S. Code establishes the FEHBP, and the formula for calculating the employer contribution for federal workers and federal and postal retirees. The law also defines the eligibility requirement for retirees (postal and federal), establishes the broad benefit package for participants, and directs the federal government’s Office of Personnel Management to negotiate individual plan costs. The statute delegates to the participating plans the specific benefit design, subject to Office of Personnel Management (OPM) approval. The Postal Reform Act of 1970 authorized the USPS to negotiate with its unions over premiums and provided the continued right for its employees to participate in the FEHBP (Chapter 10 of Title 39 of the U.S. Code). Every fall, postal employees and retirees shop among the many health plans, including HMOs. A number of postal employee association sponsored plans, market their plans during this “open season.” OPM administers the entire program, including negotiating the total premium for each plan (combined government and employee contribution) and any change in individual plan benefits. Historically, OPM has held premium increases under the increases experienced by the private sector – no small feat.

Nevertheless, Postal Headquarters has complained that “exploding” health insurance costs, particularly the costs associated with postal retirees is a major factor in postage increases. PMG Potter and the Postal Board of Governors have testified before Congress and the President’s Commission on the U.S. Postal Service in support of subjecting all employee benefits, even those presently guaranteed by law, to collective bargaining. In the late 1980s and early 1990s, the USPS explored the possibility of creating a negotiated postal-

only health plan. There were a number of reasons that the idea lacked traction. For one thing, it would have required the agency to prefund its unfunded retiree health liability – \$11.4 billion at the time. This issue is less of an obstacle now, since Congress and the Administration see USPS prepaying its liability through the CSRS escrow account. At the time, Congress feared that removing the postal population from the FEHBP would risk the stability of the entire program. In addition, Federal employee and retiree groups dreaded the impact that the proposal could have on non-postal employee premiums.

Even with the passing of 15 years, the idea of a negotiated postal health plan remains problematic with postal employees. To ratchet down health costs, Postal Headquarters has to believe that it can design a frugal health benefit package, tighten plan eligibility requirements, and convince employee associations to negotiate over retiree health benefits. Moreover, the USPS must believe that it can administer the plan cheaper than OPM. In the real world, there are only two ways to drive down health costs in a group health plan – cut benefits or increase the employee contributions – neither option is popular with employees. In addition, the dynamic of placing retiree health benefits on the negotiating table along with active employee wages and benefits, would force unions to trade-off one group of members for another. Regrettably, retirees would be at a distinct disadvantage, since at the end of the day, retirees do not have the opportunity to vote on a National Agreement.

Active Postmasters are concerned with this scenario, because our members, as a whole, tend to be closer to retirement age than craft employees are. Consequently, the fallout from exposing retirees would hit postmasters first. Beyond the affect that creating a negotiate health plan would have on the retiree population and those near retirement, a large pool of enrollees with different eligibility requirements or benefits than currently provided under the FEHBP, the plan would result in the de facto removal of the entire postal population from the FEHBP. On the other hand, if removal were not contemplated, it would be an administrative nightmare to require FEHBP plans to monitor a distinct postal and federal population, with different benefit packages and different eligibility requirements.

So, is the USPS serious about including negotiated health benefits in a postal reform bill? It appears to be a non-starter with employee groups and their retirees. OPM has yet to weigh-in. Conventional wisdom declares that without employee support for Postal reform, legislation will not move. So, judge for yourself.

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## Premium Conversion Bill Introduced

On Tuesday, Sen. John Warner (R-VA) and Rep. Tom Davis (R-VA) introduced identical bills to enable federal and military retirees to pay their health insurance premiums on a pre-tax basis. S. 484 and H.R. 994 would provide retired Postmasters with the same tax-preferred opportunity to contribute their portion of the FEHBP premium as their employed counterparts. It is estimated that the legislation would yield about \$434 in tax savings for federal and postal retirees. Presently, 1 Senator has cosponsored S. 484, and 12 Representatives have sponsored H.R. 994. In the Senate and the House of Representatives, the bill has received broad bipartisan support since its initial introduction in the 106th Congress. During the last Congress, the Senate bill had 57 co-sponsors and the House bill garnered 342 co-sponsors.

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