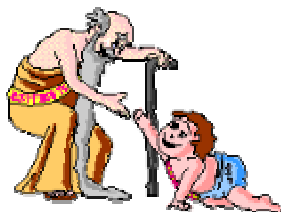




E-NAPUS Legislative Newsletter

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New Year Resolution for 2005

New Year resolutions tend to be easy to make, yet are just as easy to break. Nonetheless, the dawn of a new year provides us an incentive to start again. We strive to accomplish what in the past we could not. The key to making a successful resolution is having the confidence to work towards the goal and to understand that resolutions are a process, not a solitary effort.

Successful legislative and political New Year resolutions require similar skills as the ones you would make for yourself.

- Be strongly committed to the legislative or political goal.
- Be able to cope with legislative and political hurdles as they emerge.
- Be able to track movement throughout the entire legislative process.

2005 Resolution – Enact Beneficial and Meaningful Postal Reform

The operational and financial challenges that confront the USPS are not getting any better. First class mail volume is continuing to slide. In 2005, for the first time in postal history, the volume of standard mail will exceed that of first class. This phenomenon is a combination of technological advances in communications and mailers seeking cheaper alternatives. A significant postage rate hike would likely accelerate the migration out of first class mail and potentially out of the Postal Service entirely. Moreover, the shrinking revenue derived from the shifting mail mix would make it more costly to deliver mail to each delivery point and to provide the comprehensive postal services to every American, placing universal mail service in serious jeopardy.

In 2006, we must be **committed** to a postal reform that recognizes the shifting dynamics of the postal market, while at the same time protect the universal services upon which American citizens and businesses depend. If the past is any indication, enactment of such reform will not be a “walk through the park.” Powerful interests that seek to undermine the USPS’ ability to thrive continue to erect obstacles to stall meaningful reform, or worse, to hijack reform to benefit themselves. Postmasters can **cope** with such hurdles because we will be well armed and well informed to combat such efforts. Finally, NAPUS will be **tracking** and providing input as the postal reform winds its way through the Congress and to the White House.

This is the final
E-NAPUS
Legislative
Newsletter of
2004.

See you in 2005!

Medicare and the Postal Service

Beginning in January 2006, Americans eligible for Medicare Part A and B will be able to purchase prescription drug coverage through Medicare Part D. Beneficiaries who choose to enroll in Part D would pay a monthly premium that varies by drug plan, but should average about \$35/month. Generally, in 2006,



after meeting a \$250 deductible, Part D participants would pay a 25% coinsurance for the covered drug expense up to \$2,250. The retiree would pay 100% drug costs over \$2,250; but if the retiree's costs exceed \$3,600, Part D would cover 95% of the expenses over that amount.

Obviously, FEHBP prescription drug coverage is better than Medicare Part D. The FEHBP drug deductible is less or none at all, coverage is more generous, and an enrollee is not required to pay a separate premium. Therefore, postal annuitants would not enroll in the new Part D.

The Part D statute – Public Law 108-173 – enables employers who provide retiree drug plans that are equivalent to or better than the Part D benefit to claim a subsidy for each Medicare-eligible participant who could have enrolled in Part D, but did not. The employer subsidy is about 28% of the drug cost benefits between \$250 and \$5,000 per eligible participant. (The Center for Medicare and Medicaid Services estimates that the average value of this subsidy will be \$611 per Medicare beneficiary.)

The USPS contributes approximately 72% of the average FEHBP premium on behalf of each postal annuitant. This is an employer expense, covered by postage, not by the federal Treasury. Therefore, the USPS is entitled to the 28% prescription drug subsidy.

However, in these times of an exploding federal budget deficit, it will be noteworthy whether the "Postal cash-cow" will be milked of this modest subsidy by federal budget cutters to help reduce the deficit. Clearly, the amount of money to which the USPS is entitled would help to stabilize rates and enhance Postal operations. In addition, accounting rules permit the USPS to reduce its unfunded FEHBP Retiree Liability resulting from the Part D subsidy immediately. For the USPS, it means that the agency would be able to adjust its FEHBP unfunded liability to reflect a subsidy that would not occur until next year.

As NAPUS monitors the development of the Fiscal Year 2006 federal budget, we will be looking carefully at the treatment of the Postal Service regarding Medicare Part D and other fiscal items that could potentially affect the USPS and postmaster benefits.

A Postal Leader Passes

NAPS President Vincent Palladino died on Monday, December 20 and he was laid to rest today, on Christmas Eve.

I knew Vinny for over 20 years. When I first came to Capitol Hill in the early 1980s, he led New York postal supervisors into the congressional office in which I plied my trade. During my years as a staff member of the House Post Office and Civil Service Committee, he helped to crystallize my appreciation of the hard and, sometimes thankless work conducted by managerial and supervisory USPS personnel. I was always looked forward to his testimony. As fellow New Yorkers, we always were able to communicate clearly – that is, without auditory aids – and with appropriate animation. Over the many years, he was always comfortable sharing his views with me, and demonstrated devotion to his family, pride for our mutual hometown, and loyalty to the institution for which he dedicated so many years of his life. The entire postal community will greatly miss him.

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