



e-NAPUS Legislative Newsletter

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2005 – Progress, Patience and Persistence



Happy New Year!

Braving tourist crowds, I visited some of my old NY haunts with my sons. While in the *Big Apple*, we took the graffiti-laden Number 7 Train, which passes by Shea Stadium, to Manhattan. We strolled down 7th Avenue from Times Square to Herald Square, and then walked along 34th Street to 5th Avenue, shadowed by the Empire State Building. Finally, we navigated through teeming crowds up 5th Avenue; past the austere New York City Public Library, the bedecked Rockefeller Center, the inviting Tiffany's Jewelry, and the captivating FAO Schwarz Toy Store. Then we returned to my parents.

When you think about it, the number of postal-reliant businesses, publishers, financial institutions, and plain old citizens that we passed in those four-plus hours is astounding. All you have to do in Manhattan is look north, south, east, west, and of course, UP to contemplate the considerable impact that the USPS has on our economy. Every office-occupied business, street vendor, public institution, and apartment dweller depends on the agency to deliver messages and merchandise. In 2005, the alliance of postal employee organizations and the business community successfully communicated this message to U.S. policy-makers. The result was overwhelming Congressional support for postal legislation, evidenced by a 410-20 House vote for H.R. 22. Although Senate action has been delayed by Sen. Kit Bond's (R-MO) objection to terminology used in S. 662, the postal community and key Senators remain optimistic that the Senate bill will vote on the bill in early 2006. Indeed, in the 1st Term of the 109th Congress, for the first time in more than 3 decades, the House passed, and the Senate is poised to pass a major postal bill. This is progress. Patience and persistence are two hallmarks of successful legislative efforts. These traits were displayed – and continue to be practiced – by NAPUS, other postal reform advocates, and key postal legislators.

In 2005, postal reform promoters could have been cowed into retreat. In fact, just a few months ago, the USPS Board of Governors sent Capitol Hill a letter, interpreted by most postal observers as counterproductive. The letter concluded with the observation that the pending postal legislation was worse than current law. Fortunately, the USPS seems to be rethinking its legislative negativism and distancing itself from the letter's initial interpretation.

There are those who wrongly continue to believe that the USPS can *transform* itself into viability – that is without legislative relief. Indeed, the recent upbeat *2005 USPS Annual Report* provides some fodder for this view. The USPS has retired its debt; employment is down to 1985 levels; and the USPS is exhibiting extraordinary productivity. However, this silver lining is less than paper thin. Most likely, the 2004 increase in First Class volume, was due to election year mail. In part, debt retirement was the result of PL 108-18, which



permitted the USPS to use CSRS overpayments (\$3.1 billion per year) to stabilize postage and to pay down its debt. However, USPS has lost access to these funds, which helped to solidify the agency's fiscal condition. Only enactment of legislation would permit the USPS to reclaim the funds. .

The just-released *USPS November Financial and Operating Statement* reveals some troubling news. While total mail volume increased by 0.6%, First Class volume was down 3.8%, as compared to the same period last year. Year-to-date, First Class mail dropped 3.7%. The trend of Standard Mail replacing First Class mail will have a huge significance for the future of the USPS and its universal service obligation. Mailers fear the effect the mail migration will have on the 2007 Rate Case and its allocation of postal overhead costs.

While the USPS heralds the significant reduction in postal employment, there is growing concern of understaffing and patchy deployment of postal personnel. Postmasters are advising their Districts of the difficulty of servicing high volume and high growth areas with inadequate staffing. NAPUS Officers have been meeting with Postal Headquarters on this issue. The news media has picked up on late mail deliveries as symptomatic of staffing problems. As Congress gears up for Postal oversight hearings, this issue will be sure to command attention. The combination of the January 8 rate increase, the impending 2007 rate case, and perceived service issues alters the texture of postal reform.

The clock is ticking on postal viability. The most effective and enduring strategy to guarantee a vibrant and universal USPS is legislative action. It is our hope that 2006 will usher in an innovative and dynamic postal era.

New FEHBP Plans May Hurt Retirees

A recent Government Accountability Office (GAO) report found that enrollees in the newly created Federal Employees Health Benefit Program (FEHBP) consumer-directed health plans tend to be younger and healthier than those in the more traditional health plans. This phenomenon, known as *adverse-selection*, could have a harmful impact on federal and postal retirees, who tend to enroll in the more traditional plans.

Health insurance is based upon pooled risk. That is, if you assemble a diverse group of individuals (e.g., young and old) in a health plan, healthy enrollees will offset the medical costs of the less healthy ones. About 90% of the FEHBP premium is based on the medical costs of its participants. So, when healthy enrollees leave a plan, the premium for the remaining participants rise. Thus, the plan loses the financial benefit of insuring healthy individuals. Consumer-directed health plans tend to be attractive to a young and fit population, because they are less expensive. They are characterized by high-deductibles and health savings accounts. These plans are beginning to siphon-off healthy enrollees from the traditional FEHBP plans. The GAO documented that the average enrollee age in the consumer-directed plans is about 15 years younger than in the traditional plans. In addition, excluding Medicare-aged FEHBP participants, 73% of consumer-directed enrollees rated their health as "excellent" or "very good," as compared to 53% of the FEHBP average.

Although the number consumer-directed plan enrollees is small, its growth bears watching. NAPUS will communicate its concern to Capitol Hill about the potential impact that the consumer-directed plans have on FEHBP retirees.

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