



President Bush  
Displaying FY 2008  
Budget Proposal with  
Treasury Secretary  
Henry Paulson

## FY 2008 Budget Targets FEHBP

On Monday, President Bush sent Congress his Fiscal Year 2008 budget proposal. The federal fiscal year begins on October 1. Within seconds of receipt, Congressional leaders declared the budget dead on arrival. The President's financial package included 2 "hits" to the federal/postal workforce – both would impact the Federal Employees Health Benefits Program (FEHBP). One proposal would "tenure-test" retiree FEHBP premiums, and the second would authorize Blue Cross to establish a 3<sup>rd</sup> FEHBP option. Presumably, these two suggestions would help reduce the deficit. NAPUS opposes both of these proposals and will urge Congress to reject them.

Tenure-testing FEHBP premiums would adjust retiree contributions based on years of federal employment. For example, a 10-year postal veteran would be entitled to the current 72% government premium contribution. However, the government would contribute only half that amount for retirees with 5 years of service. (Federal retirees may enroll in the FEHBP if they have participated in the program for 5 uninterrupted years preceding retirement.) The full employer contribution of 72% would be phased-in for annuitants with 5 to 10 years. No doubt, Postmasters would pass the tenure-test. Nonetheless, much like means-testing, tenure-testing would create a dangerous precedent for a number of earned benefits for which postal and federal employees are currently entitled. Moreover, it is unclear how much money this proposal would save, since a small number of federal employees retire with less than 10 years of service. Finally, it is important to note that tenure-testing the FEHBP employer contribution is not a new proposal for NAPUS. In fact, in 2003, the USPS made this suggestion to the President's Commission on the Postal Service. The Commission did not include the USPS request in its final report to the President, and neither did Public Law 109-435, the Postal Accountability and Enhancement Act.

Current law authorizes the FEHBP Service Benefit Plan (aka Blue Cross Blue Shield) to offer only two benefit options. Consequently, the Blues put forward their *Basic Option* and their *Standard Option*. Over the past few years, the Administration has attempted to promote medical savings accounts (MSA) in the FEHBP, without much success. Although, APWU, GEHA and the Mail Handlers sponsor FEHBP plans akin to medical savings accounts, the employee organization-sponsored health plans have not attracted enrollees in the numbers that the Administration seeks. As a result, the Administration seeks to exploit the Blue Cross brand to seduce federal and postal employees to join a less-than-comprehensive and less costly plan. NAPUS strongly believes that there is already considerable choice within the FEHBP and that authorizing a Blue Cross MSA would lead to higher FEHBP premiums for other program participants, especially retirees.

Congress has begun the pick though the President's financial plan at series of

hearings before the House and Senate Budget Committees. NAPUS is attentive to the potential budget landmines that may be set off as Congress attempts to craft its own Budget. For example, Congress has adopted “pay-as-you-go” (PAYGO). These rules mean that any new expenditure, including tax cuts, must be offset – dollar-for-dollar – with either a spending cut or a tax increase. In addition, Congress has articulated the desire to reduce the current federal deficit. Both PAYGO and deficit reduction could place earned Postmaster benefits and the Postal Service budget in jeopardy. Consequently, NAPUS will be vigilant in monitoring the entire process, which stretches from early February through the fall. Moreover, at the upcoming NAPUS Leadership Conference, we will be highlighting the risks ahead.

## NAPUS Fights for Retirement Equity

On Thursday, NAPUS Legislative Staffer Cora Lee Martins participated in a major strategy session to jump start meaningful reform of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). The meeting, hosted by NARFE, comprised members of the CARE Coalition (Coalition for Assuring Retirement Equity). As part of our efforts, NAPUS will be focusing on new Members of Congress and member of the two Congressional Committees that have jurisdiction over the GPO and the WEP. Currently, three bills are pending before either the House Ways and Means Committee, or the Senate Finance Committee. Rep. Howard Berman (D-CA) introduced H.R. 82 and Sen. Diane Feinstein (D-CA) introduced S. 206. Both of these bills would repeal the GPO and WEP. Rep. Barney Frank (D-MA) sponsored H.R. 726, which would lessen the impact of the WEP. In addition, within the next few weeks, NAPUS anticipates that Sen. Mikulski (D-MD) will introduce legislation to modify both the GPO and the WEP.

## Emerging Threat in State Capitols

NAPUS is actively opposing a growing number of anti-postal bills than have been introduced at the state level. These measures, which create “do not mail registries”, would seriously undermine postal services and displace countless employees in postal-impacted companies. We believe that the authors of these measures are oblivious to the disastrous impact that these measure would have on the American public and affordable universal mail service.

Generally, the bills would instruct a state agency to establish a “Do Not Mail Registry,” in which states residents may add their names and addresses. Unless the resident has an established relationship with the company, the company would be prohibited from mailing unsolicited material to the resident. The respective state would be able to levy fines against violators. This legislative initiative, incited by a number of vocal environmental groups and privacy advocates, would result in a major reduction in mail volume and USPS revenue. This would seriously undercut the financial capability of the USPS to maintain the postal infrastructure, which provides universal mail service. Moreover, NAPUS believes that the authors of the measures are unaware of this impact and are educating them of the harm to mail service to their constituents.

Do Not Mail Registry bills are pending in Connecticut, Hawaii, Maryland, Michigan, Missouri, New York, Texas and Washington.

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