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Unresolved Budget Issues Plague Congress

On October 1, Fiscal Year 2008 will begin. Nonetheless, the Congress has yet to enact any of FY 2008 appropriations bills. Therefore, next week, Congress will be taking up a 5-week "Continuing Resolution" to keep the government in operation. The failure to pass appropriations bills can be attributed to two factors. First, Senate rules prevent speedy consideration of anything other than non-controversial bills. Second, President Bush has threatened to veto any bills that exceed his budget limits. So, with the Iraq War siphoning-off federal dollars, there is little room for other priorities. This budget situation is reminiscent of the Reagan-era, where the military buildup supplanted other budget priorities and put pressure on federal benefit programs, including federal and postal employee retirement, and health insurance. Moreover, in the 1980's the political clamor for a "balanced-budget amendment" to the U.S. Constitution made life miserable. Today, the combination of the war and very tight Congressional budget rules (PAYGO) provide little daylight for issues important to many federal and postal employees.

Another fiscal issue that is percolating below the surface is the debate over raising the ceiling on the national debt to almost \$10 TRILLION. Presently, the borrowing limit for the federal government is \$8.965 TRILLION. Treasury Secretary Henry Paulson notified Congress, in a September 19 letter that the debt limit would be reached on October 1. The House of Representatives already passed legislation to raise the debt limit, as part of the FY 2008 Budget Resolution. However, the Senate has yet to pass legislation raising the debt. Since 2002, the debt limit has increased by \$3 TRILLION. Indeed, the war in the Middle East is wreaking havoc with budget projections, necessitating federal borrowing. In the past, the U.S. Treasury has dipped temporarily into the CSRS Trust Fund and the Thrift Savings Plan "G Fund" until Congress raises the debt limit. Postmasters should rest assured that the borrowed funds are not in jeopardy, since the U.S. Treasury must repay into the Funds the money it borrowed, plus interest.

On Tuesday, Senate Budget Committee Chair Kent Conrad (D-ND) and Ranking Republican Judd Gregg (R-NH) proposed the creation of a 16-member bipartisan task force to review the financial condition of the federal government and make recommendations relating to federal entitlement programs (e.g., Social Security, Medicare, the federal employee retirement systems, etc.). The proposal would require that the task force report its findings to the President by December 9, 2008. Postmasters may recall that 12 years ago, former Senators Bob Kerrey (D-NE) and John Danforth (R-MO) co-chaired a similar commission, and presented their recommendations to President Bill Clinton. The 270-page document continues to occupy $\frac{3}{4}$ of an inch on my bookcase.



PMG Ben Franklin
Discusses Postal Issues
With Government Relations
Director Bob Levi
Discussing Postal Issues
at NAPUS Convention

FEHBP Premium Conversion Legislation and 2008 Premium Impact

On Thursday, the House Committee on Oversight and Government Reform approved H.R. 1110, legislation to permit federal, postal, and military retirees to pay their Federal Employees Health Benefits Program (FEHBP) premiums with pre-tax dollars. Under current law, active employees pay their premium, as part of a tax-favored "salary reduction agreement." Rep. Tom Davis (R-VA) introduced H.R. 1110. The Committee's approval of the legislation does not necessarily mean smooth-sailing ahead, because H.R. 1110 is also pending before the House Ways and Means Committee. The reason why the Ways and Means Committee is considering H.R. 1110 is that the bill amends the tax code by extending a tax preference to retirees; and tax issues fall under the jurisdiction of the Ways and Means Committee. NAPUS is working with other organization representing the federal, postal and military community to urge the tax-writing committee to send H.R. 1110 to the House floor.

Last week, the Office of Personnel Management (OPM) announced that the average 2008 FEHBP premium increase will be 2.1%. According to OPM, this is the second consecutive year in which the average FEHBP premium increase has been about 2%. Ironically, this year's 2.1% adjustment will probably reflect the overall inflation rate for the past 12 months – or it may be slightly under the inflation rate. The modest increase in health premiums should help the USPS contain its labor costs, since it has projected premium increases that exceed inflation. While the limited increase may be good for the USPS and OPM, it may not necessarily be good for all FEHBP beneficiaries.

Scratching slightly below the surface discloses significant beneficiary contribution increases among FEHBP plans that are populated with older and sicker beneficiaries. For example, a 14% postal employee contribution increase characterizes the postal the Blue Cross Blue Shield Standard (BCBS) Option (the largest FEHBP plan) and an 8.5% increase will impact postal retirees. The premium increases among comprehensive plans such as Blue Cross can be attributed to the gradual proliferation of "high deductible health plans" (HDHP) in the FEHBP. These plans are partnered with a health savings account and provide benefits for family medical costs, only if they exceed \$3000. HDHPs tend to attract young and healthy FEHBP participants, and deter older and sicker ones. This phenomenon is known as "risk selection" and it undermines the concept of group insurance. In 2008, there will be 32 HDHPs, representing a growth of 29 in the course of a year. Currently, 9,000 FEHBP beneficiaries participate in HDHPs and 19,000 are enrolled in consumer-driven health plans, which operate much like HDHPs.

The aforesaid BCBS premium increase differential, between employee and retirees, reflects that recent union collective-bargaining yielded a new formula, which increased the postal employee contribution; the formula for retiree premium contributions are defined in Chapter 89 of Title 5, United States Code, and has not changed. Other FEHB plans premiums will reflect percentage premium increase differentials, as well. Nonetheless, active postal employees will continue to contribute less than retirees participating in the same FEHBP plan.

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