



# *eNAPUS Legislative & Political Bulletin*

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Happy  
Thanksgiving

## Senate Finally Talking Turkey on Health Care

One of the most legislatively charged and politically consequential issues is now front-and-center in the U.S. Senate. On Wednesday evening, the Senate Democratic Leadership unveiled its contribution to health care reform. The Leadership's goal was to cobble together the Senate Health, Education, Labor and Pensions Committee-approved bill, with the bill that the Senate Finance Committee passed. The Congressional Budget Office (CBO) estimates that the resultant legislation would have a ten-year cost of \$849 billion, and would reduce the budget deficit by \$127 billion over that same ten-year period.

While Democrats applauded its Leadership's work, GOP Senators were not complimentary. As a result, Republicans plan to erect procedural obstacles to passage. Thus far, the bipartisan Senate leadership has not reached an agreement to take up the health bill. So, the first legislative test will occur on Saturday night, when the Senate will vote to invoke "cloture" on a motion to take up the health bill. The Democrats need to muster 60 votes for cloture. It appears that all 40 GOP Senators will vote NO, meaning that the Democrats must garner the support of all 58 members of its caucus, plus Senators Joseph Lieberman and Bernie Sanders – both Independents. The spotlight is on Sens. Lieberman (I-CT), Ben Nelson (D-NE), Mary Landrieu (D-LA) and Blanche Lincoln (D-AR); to varying degrees, all have objections to the "public option" included in the bill. Assuming that cloture is invoked, the Senate would begin debate for up to 30 hours, on the motion to proceed to consider the health bill. The vote on the motion to proceed would take place late Sunday and requires 50 votes (if 50-50, the Vice President would break the tie). The nitty-gritty of amending the bill will occur after the Thanksgiving break.

As referenced in past *eNAPUS Legislative & Political Bulletins* the integrity and the affordability of the Federal Employees Health Benefits Program (FEHBP) are of immense importance to Postmasters. As drafted, the Democratic Leadership bill does NOT include two provisions that NAPUS vigorously opposed during Finance Committee consideration of the legislation. The measure does not include a proposal by Sen. Charles Grassley (R-IA) to phase-out the FEHBP, nor does it include a proposal offered by Sen. Ron Wyden (D-OR) to open FEHBP to non-federal/postal employees. Nevertheless, it is likely that one or both of these ideas may be resurrected on the Senate floor. Although Sen. Grassley's staff has indicated that the Senator will not offer his amendment to eliminate the FEHBP, another Senator may take up the issue. In addition, it is foreseeable that Sen. Wyden will offer his amendment to open the FEHBP. Postmasters should begin calling their Senators to oppose both proposals.

One of the most vexing aspects of the health care reform is how to finance the initiative. In a large part, the Senate approach would tax health plans that are deemed to be "excessively" generous, so-called Cadillac plans. The calculus

used to determine a employer-provided plan's value is the combination of the health insurance plan's total premium (employee and employer share), the premium of any additional employer-sponsored health benefit plans (e.g., dental and vision), and Flexible Spending Account contributions. Should the value of the plan exceed the legally established threshold, the excess value would be taxed at 40%. The tax would be levied against the insurer. Under the bill, the excise tax would begin in 2013 and impose the levy on insurance plans costing more than \$23,000 for families and \$8,500 for individuals. In subsequent years, the threshold would be adjusted by the consumer price index plus 1 %. CBO projects that that tax would raise \$149.1 billion.

FEHBP may not be hit by the excise tax at the outset, but, within a few years, many plans would be subject to it. FEHBP plans are not Cadillac plans; the plans provide a modest benefit package. Rather, the FEHBP would be subjected to the tax as the result of health-related costs rising faster than CPI. It is important to note that being considered "Cadillac" stems from health inflation, not the plan's actual benefit package. Although the Senate plan provides a threshold adjustment to compensate plans with a high concentration of retirees, it is unclear how that adjustment will provide relief for FEHBP plans. In order to fall below the threshold, it is likely that impacted FEHBP plans will elect to strip away benefits to reduce the value of the plan. Postmasters should contact their Senators to oppose imposing a surtax on FEHBP plans.

## Senate Governmental Affairs Panel Conducts Kessler Confirmation Hearing

On Thursday afternoon, the Senate Homeland Security and Governmental Affairs Committee held a confirmation hearing for USPS Governor Alan Kessler, who President Obama recently re-nominated to the Board of Governors. Kessler's term expires in December.

In his testimony, Governor Kessler acknowledged the USPS' dire financial situation; however, he also referenced the strides that postal employees are making to help address the crisis. In response to a question posed by Postal Subcommittee Chairman Tom Carper, Governor Kessler stated that he wants to "have a hand in returning the Postal Service to solid financial health."

Kessler also asked for Congressional support to permanently fix the unfair budgetary treatment that the Postal Service suffers from as the result of a highly aggressive prefunding schedule for retirement health benefits. In addition, he restated the Postal Service's desire to reduce the frequency of mail delivery from 6 to 5 days a week. The Governor claimed that it was the "only pragmatic structural change" that could reduce postal costs. He cited cost savings of \$3.4 billion, but also recognized a potential loss in mail volume. Kessler went to say that he was supportive of 6-day delivery for "those who absolutely need it"; he stated that there could be a charge for the service.

Chairman Carper also asked about concern that has been raised with regard to high labor costs, totaling approximately 80% of the budget. Governor Kessler pointed out the size of the postal labor force has been reduced dramatically, since he first came on the Board, and that the USPS reduced 114 million work hours over the past year. Interestingly, Kessler did not mention the provision included in S. 1507 that would change the arbitration process. In fact, Kessler stated that he would not be looking for legislative changes in this area.



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