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Senate Democrats Focus on FEHBP as Potential Vehicle for “Public Option”

On Tuesday, a group of Democratic Senators (5 liberal and 5 moderate) negotiated a plan, creating an Office of Personnel Management (OPM)-administered private health insurance system. Also, the accord enables individuals between the ages of 55 and 64 to buy into Medicare. The group-of-ten began their deliberations on December 4. Although the specifics of the deal have yet to be revealed, Senate Majority Leader Harry Reid (D-NV) applauded it. Prior to presenting it to the Senate, Senator Reid requested that Congressional Budget Office (CBO) provide a cost estimate. CBO is expected to respond by the middle of next week. Both components of the proposal may have major implications for the FEHBP, and the administration of all federal benefit programs. Presently, OPM governs postal and federal employee and retiree benefit programs, including the Federal Employees Health Benefits.

It appears that a possible Senate version of a “public option” will be supplanted by a proposed OPM-administered health program. At this point it is unclear what this means. For example, it is unknown who would be eligible to participate in the new program, and what additional OPM resources would be available to administer it. Wednesday’s edition of the *Congressional Quarterly* (CQ) reported a Senate aide as saying that insurers offering plans within the FEHBP would be required to make those plans available nationwide if at least two health insurers do not provide national plans independently. Currently, the only national plan that does not charge a membership fee, either through annual dues or associate membership, is Blue Cross Blue Shield. So, OPM would have to entice another nationwide insurance carrier to offer a plan. If OPM is unsuccessful and CQ is accurate, it would be destabilizing for OPM to terminate employee organization-sponsored plans that refused to participate in the new Senate proposal. In addition, the number of uninsured, projected at 46 million, could overwhelm OPM’s capacity to manage the new program and undermine its capability of administering existing federal benefit programs. Finally, it is unstated how the new program would be segregated, functionally and financially, from the FEHBP. NAPUS has long objected to any proposal to open up FEHBP that did not create separate risk-pools for the federal population and the non-federal population. To do otherwise, would unfairly force current FEHBP participants to subsidize the newly insured population.

The new proposal also permits 55-64 aged individuals to purchase Medicare coverage. It is unclear how these new enrollees would affect Medicare Part A payroll taxes and Medicare Part B premiums. Moreover, depending on the premium and benefit package, pre-Medicare-eligible FEHBP participants could decide to participate and this could impact FEHBP premiums.

More information on the proposal should be available by the end of next week.

Senate Health Excise Tax Will Hit FEHBP Participants

As reported in prior *eNAPUS Legislative and Political Bulletins* and *NAPUS Gazettes*, the Senate health care financing mechanism would have a financial impact on FEHBP enrollees. The plan imposes a new insurer fee, based on total premium revenue, and levies a 40% exercise tax on "Cadillac" health plans.

The Association of Federal Health Organizations (AFHO) estimates that FEHBP annual premiums would increase by \$103 to \$159 if the fee were in effect this year. Beginning in 2013, a 40% excise tax would be levied on the value of health plans that exceed \$23,000 for family coverage and \$8,500 for single coverage. The total value includes the FEHBP premium, as well as federally-sponsored dental and vision benefits, and flexible spending accounts. The \$23,000 and \$8,500 ceilings would be indexed to inflation plus 1%, which trails the average historic increase in FEHBP premiums by approximately 5%. According to AFHO analysis, beginning in 2015, self-only FEHBP plans covering about half of enrollees in self-only plans would be subject to the tax; the report does not identify the impact on family plans. The direct affect on FEHBP enrollees would be a significant reduction in the FEHBP benefit package, thereby enabling health plan values to fall under the threshold.

NAPUS will continue to urge Senators to oppose this highly regressive excise tax, which reduces FEHBP coverage.

Congress Urges PRC to Monitor USPS

On Thursday, the House passed the Conference Report on HR 3288, the Consolidated Appropriation Act of FY 2010. The legislation includes language urging the Postal Regulatory Commission (PRC) to continue its constructive oversight of the USPS. Senate is expected to take up the bill over the weekend.

Congress urged the PRC to start proceedings relating to the effect of postal closings on service levels, costs and communities. Additionally, the Congress directed the PRC to "examine whether Postal Service actions, including notification and appeal procedures, are in accord with applicable law." This directive dovetails with NAPUS' actions before the PRC regarding the USPS' misuse of its "temporary emergency suspension authority."

The Conference Report also references the dire financial situation confronting the USPS, acknowledging relief from the onerous requirement that the USPS prefund a significant portion of its future retiree health benefits. Consequently, Congress urged the USPS to coordinate with the Administration to develop a "fiscally responsible" legislative proposal that would provide a "limited measure of relief" from the pre-funding requirement. The Report asked the USPS and the White House to calculate whether, in fact, the USPS contributions would *overfund* the health liability; review options to permit the USPS to modify its payment schedule; and to evaluate the Congressional Budget Office's absurd view that decreasing the payment schedule would reduce the USPS' incentive to cut costs. NAPUS commends the Appropriations Chairmen, Senator Inouye and Representative Obey, as well as Appropriations Subcommittee Chairmen, Senator Durbin and Representative Serrano, for including the postal language in the Conference Report. These instructions are consistent with NAPUS' legislative strategy that Congress reconsider the USPS prefunding schedule.

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