

QUESTIONS AND ANSWERS ON THE POSTAL REFORM ACT OF 2022

Q 1: What are the major provisions of the Postal Reform Act of 2022?

A: The bill has four primary pillars: 1) ending the crippling retiree health benefit pre-funding mandate, 2) providing for prospective Medicare integration, 3) adding transparency to USPS service issues, and 4) guaranteeing six-day delivery.

Q2: Does the bill have bi-partisan support?

A: Yes. The Postal Reform Act passed in the House on February 8 with

Q3: How will the bill protect the Post Office for future generations?

A: The Bill is estimated to save the USPS at least \$45 billion over the next ten years. It will guarantee six-day delivery. In addition, it will ensure that letter mail, flats and packages remain combined into one postal network, helping to capture package growth in the future.

Pre-Funding Mandate

Q4: What is the “Pre-Funding Mandate” and how does it impact the Postal Service?

A: The Postal Accountability and Enhancement Act (PAEA) of 2006 required that the Postal Service “pre-fund” 100 percent of its retiree health benefit liabilities, 75 years into the future, at a cost of \$5.5 billion a year over the first ten years. The USPS now “owes” the government over \$35 billion of the unpaid portion of this legal obligation. The draconian pre-funding mandate is a large reason why the Postal Service slowed service and curtailed hours of operation, closed processing plants, increased subcontracting, and severely reduced staffing. It also hurt the Postal Service’s financial ability to upgrade buildings and infrastructure, and purchase a new vehicle fleet.

Q5: How does this legislation address the pre-funding mandate?

A: The Postal Reform Act will completely repeal this unfair law and absolve the USPS of the portion of the “mandate” that they were unable to pay. Retiree health care costs will return to the “pay as you go” system that was in place before the 2006 PAEA and was being successfully met by the USPS year after year. Repeal of this mandate has been a major legislative goal of the APWU.

Medicare Integration

Q6: How does “Medicare Integration” work?

A: With Medicare Integration future retirees, when Medicare eligible at age 65, will remain in the Federal Employee Health Benefit Program (FEHBP) in retirement. They will also be required to be enrolled in Medicare Parts A and B. Retiree health coverage will then become a combination of Medicare and FEHBP. The provisions of Medicare Integration will become effective on January 1, 2025.

Q7: If I am already retired will this obligation apply to me?

A: No. Medicare Integration will be applied only on a prospective basis. However, if a current postal retiree over age 65 with FEHBP who has not already joined Medicare B and now wishes to join will have a one-time opportunity to do so and have the “late enrollment” penalty waived.

Q8: Will current and retired employees remain in FEHBP?

A: Yes. The pending legislation keeps all postal workers in the Federal Employee Benefits Health Program. All workers will be able to keep their current plans and avail themselves of the annual open season if workers wish to choose other options within FEHBP.

Q9: Why does the Postal Reform Act established a “postal employee” program within FEHPB?

A: The only way to capture the savings of Medicare Integration for the individual employee and the Postal Service is to establish a postal group within FEHBP. The Postal Service will have no authority in

administering the plans which will be run by FEHBP with the existing Office of Personnel Management (OPM) oversight.

Q10: If I am 65 or older (Medicare eligible age) and still an active postal employee will I be required to obtain Medicare Part B to maintain my FEHBP health insurance

A: No. The provision will apply only after a postal worker retires.

Q11: If I am retired but have not reached the Medicare Eligibility age of 65, will I have to enroll in Medicare Parts A and B to maintain my health insurance?

A: No.

Q12: Under this proposed bill, if I am an active USPS employee and currently under the age of 65, will I be required to have Medicare Parts A and B when I retire from USPS?

A: Yes. Medicare Integration means enrolling in Medicare Parts A and B when you turn 65 in order to maintain your FEHBP coverage.

However, if you are at least 64 as of January 1, 2025, this would not apply to you.

Q13. If I am retired and “Medicare Eligible” but live abroad, or receive health care from the Indian Health Service, or the Veterans Administration (VA), will I be required to enroll in Medicare?

A: No, the proposed bill includes these exemptions from the Medicare requirement.

Q14: Will this pending legislation affect my prescription drug costs?

A : Yes. The Postal Reform Act allows the various FEHBP plans to take advantage of special Medicare D discounts for postal workers that many private employers use. These discounts lower the cost of prescription drugs to the recipients.

Q15: How does Medicare Integration help postal workers?

A : With Medicare Integration, Medicare becomes the primary provider, FEHBP becomes the secondary provider. FEHBP picks up

what Medicare does not cover, and thus eliminates out of pocket expenses such as co-pays and deductibles. In addition, with Medicare as the primary provider, the FEHBP plans save money which in turn helps to mitigate future costs of the FEHBP plans. For these reasons approximately 80% of APWU postal retirees voluntarily join Medicare B, finding it beneficial to health and personal finances.

Q16: How does Medicare Integration help the public Postal Service?

A: Medicare Integration also reduces the FEHBP health insurance premiums paid by the USPS for its employees and retirees because Medicare will pick up more of the cost of retirees' health care. Maximizing participants' use of Medicare will eventually reduce health insurance costs relative to what they would have been without Medicare Integration. Postal employees and the Postal Service have long paid into Medicare, paying over \$34 billion in Medicare payroll contributions since 1983. Postal employees, retirees, and the Postal Service will receive the full benefits of these contributions to use through Medicare Integration.

Non-Postal Services

Q17. Will the bill allow USPS to offer additional products and services?

A: Yes. Similar to popular passport services the Postal Service provides for the State Department, the bill specifically allows the USPS to work with State, Local, and Tribal governments to provide public services which in turn will help USPS bring in additional revenue.

Postal Service Transparency

Q18: How will this bill increase transparency?

A: The Postal Reform Act requires USPS to set up a public "dashboard" on their website, which will publish weekly performance data. This data will allow the public to monitor any service failures, identify mail slowdowns and pinpoint zip codes experiencing consistent diminished service performance. These tools will also allow the public and the union to determine specific areas across the

country in need of additional improvements, such as hiring more employees or improving transportation routes.

Q19. Will the bill undermine our union rights?

A: No. Unlike some “postal reform” bills over the last few years, this legislation does not attack collective bargaining rights, the right to dues check-off or the right to official grievance union time.

Q20. How does the bill become law?

A: The bill needs to be passed by the full House of Representatives and Senate before it can be signed into law by President Biden. Given the strong bi-partisan support of the bill, the passage of this bill is promising. The bill may undergo amendments prior to being signed into law. APWU will continue to monitor its progress and fight against any proposed changes which would weaken the bill.