What every letter carrier needs to know about the POSTAL SERVICE HEALTH BENEFITS PROGRAM

On April 6, 2022, President Joe Biden signed the Postal Service Reform Act into law, repealing USPS's unfair pre-funding mandate, ensuring six-day delivery and creating the Postal Service Health Benefits (PSHB) Program within the existing Federal Employees Health Benefits (FEHB) Program. These accomplishments benefit the long-term financial stability of the Postal Service, which in turn benefits letter carriers. It's important for letter carriers to understand why the legislation was created, what it accomplished and how that has led to the creation of the PSHB Program, as well as what it means for them.

Most visibly, the legislation ended the requirement to pre-fund retiree health benefits decades in advance. This mandate had cost the agency an average of $5.2 billion annually since going into effect in 2007 and was responsible for approximately 84 percent of USPS losses until the 2022 reform was passed. The Postal Service was the only federal agency or private company required to meet this burden to such an extent.

The bill also codified six-day mail delivery into the law. Though the vast majority of postal funding is independent of Congress's appropriations process, since 1983, Congress had to maintain six-day delivery on a yearly basis by including language protecting six-day delivery in its annual appropriations bills. The Postal Service Reform Act says that six-day mail delivery is the law and no longer is at risk of being removed through the often-contentious annual process.

The final major component of the law is the creation of the PSHB Program inside FEHB to increase the level of integration with Medicare, into which the Postal Service and its employees have paid billions in payroll taxes. But the creation of the PSHB Program doesn't solely affect retirees or soon-to-be retirees, it affects all letter carriers and their families. And that has left many confused.

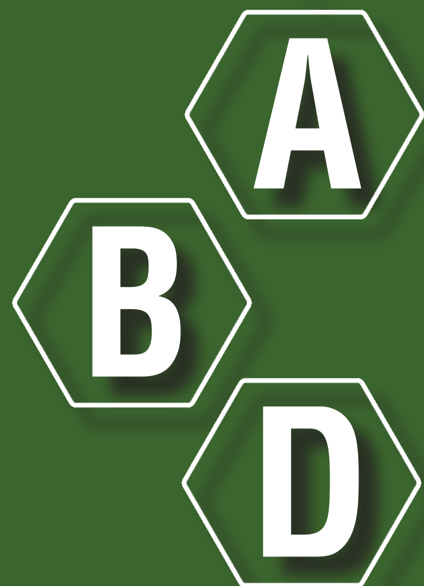
"We will do everything in our power to educate our members," NALC President Brian L. Renfroe said on the "You Are the Current Resident" podcast released Nov. 19. "But I think it's important that we begin with a basic understanding of what's going to take place, and how that will affect everyone."

Understanding Medicare (even for those who don't need it yet)

The new law is designed to integrate postal employees into Medicare to a greater extent than in the past, which should result in more savings for USPS and many letter carriers.

For those who don't know, Medicare is a federal health insurance program primarily covering people who are retired and 65 years or older. It is divided into three parts that cover specific services:

- **Medicare Part A** (hospital insurance) covers inpatient hospital stays, care in a skilled nursing facility, hospice care and some home health care. Typically, there is no premium for Medicare Part A once a retiree becomes eligible.
- **Medicare Part B** (medical insurance) covers certain doctors' services, outpatient care, medical supplies and preventive services. Typically, there is a premium for this coverage.



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- **Medicare Part D** (prescription drug coverage) helps cover the cost of prescription drugs (including many recommended shots or vaccines).

Letter carriers, like almost all private and public employees in the country, pay taxes on their earnings toward Medicare, which is then available to them when they retire and reach the age threshold. Most postal retirees opt in to Medicare Part A, as there are often little or no premiums for it. Approximately 80 percent opt in to Medicare Part B, with monthly premiums at about $170 a month currently. They also continue their FEHB plan into retirement. As a result, when they are retired, these 80 percent rarely pay out-of-pocket medical expenses because Medicare becomes the primary payer, and whatever is left is paid for by the FEHB plan, including medical care or hospitalization.

The law will increase savings for the Postal Service in the approximately 20 percent of postal retirees who are eligible but do not opt in to Medicare now, even though they've paid for those benefits their entire careers. That percentage will decrease as current and future employees retire.

Medicare is set up to give those who turn 65 an initial enrollment period (IEP). This period lasts for seven months, starting three months before the person turns 65, and ending three months after the month the person turns 65. That IEP is extended for a person still receiving health care through a job or a spouse's job until they no longer receive that coverage.

If a person chooses not to enroll at that point, there is a 10 percent late-enrollment penalty on the premium if the person enrolls later. It applies for each 12-month period a person delays enrollment. As time goes on, that penalty can get prohibitively expensive. For example, if a retiree waits 10 years to enroll, the penalty will be 100 percent of the premium, meaning the premium will cost twice as much as someone who opted in at 65. Without such a late-enrollment penalty, seniors would have an incentive to defer enrollment until they got sick—undermining the financial viability of the Medicare insurance pool.

And that is where the law aims to create savings for postal retirees, but their experience will vary depending on letter carriers' ages and employment status.

For active letter carriers under the age of 64

For Plan Year 2025, which will follow the Open Season beginning in the fall of 2024, every active letter carrier will need to enroll in a new health benefit plan under the PSHB Program. The new PSHB plans will still be under the FEHB umbrella and likely will be largely identical to the previous FEHB plans, but they will be available only to Postal Service employees and their families.

"The plans will be the same in terms of the benefits, but by separating them, what we have is a set of plans where postal folks only are enrolled," Renfroe said.

For example, if a letter carrier has the NALC Health Benefit Plan's High

Option Plan and wants to stay in that plan, during Open Season in the fall of 2024, the carrier will simply enroll in the NALC HBP's High Option Plan in the PSHB Program. (We are legally required to say that this is contingent on the High Option Plan being approved for both FEHB and PSHB). The benefits will most likely be the same, at least initially. As the years go on, there may be improvements to the postal-only plans not seen in the FEHB plans, as Medicare takes on a higher share of the costs of members' health care, which should allow the plan providers to lower premiums and add more value.

After the 2024 Open Season this fall, once postal employees retire and are age 65 or older, they will be required to enroll in Medicare Parts A and B, with two exceptions:

- If they live in a location where there are no Medicare providers, such as in a foreign country.
- If they get their health insurance from another source, such as through the Department of Veterans Affairs or through a spouse's health insurance coverage.

President Renfroe encouraged all members to remain alert this year as program details become available.

For retirees and active letter carriers 64 and older

Like the previous group, during the fall 2024 Open Season, retired letter carriers of any age and active carriers who are 64 or older will also have to enroll in a new health benefit plan within the PSHB Program. However, such carriers will not be required to enroll in Medicare Parts A and B when eligible, though they may choose to do so.

In addition, the new law provides retirees aged 65 or older who have not so far enrolled in Medicare Part B a chance to enroll without penalty. There will be a special one-time-only Medicare Special Enrollment Period for eligible postal seniors this spring. If they enroll, the Postal Service will pay for the rest of their lives any annual penalties on the premium for not enrolling during their initial enrollment period. This will be a chance for many retirees to opt in to Medicare Part B at a period later in their lives when they might need it more, without having had to pay the premiums earlier when they might not have needed it, or a penalty for opting in later.

"That'll be a one-time opportunity," President Renfroe said. "If you're in that circumstance, then I encourage you to do your research and be prepared when that time comes. And we'll be sure to get a lot of information out to you."

Examples

Here are a few hypothetical examples to help letter carriers better understand the process.

- **Example 1.** Louise Simonson is 62 years old and an active letter carrier. She has the NALC HBP's High Option Plan for her health care under FEHB. During the Open Season in November and December of 2024, she goes on LiteBlue and elects the NALC HBP's High Option Plan under the PSHB Program. When Simonson turns

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65, she retires from USPS. She is required to enroll in Medicare Parts A and B and elects to keep her NALC coverage. She pays no out-of-pocket costs for medical costs or hospitalization.

- **Example 2.** Chris Claremont is 70 years old and a retired letter carrier. He opted in to Medicare Part A when he was 65 but did not opt in to Medicare Part B. During the special Open Season in spring 2024, he opts in to Medicare Part B, with the penalty of adding 50 percent to his Medicare Part B premium because he enrolled five years late. But the Postal Service covers the penalty, so Claremont needs to pay only the normal Medicare Part B premium going forward.
- **Example 3.** Larry Hama is 67 years old and an active letter carrier. He has Blue Cross Blue Shield for his health care under FEHB. During the Open Season in November and December of 2024, he elects for the Blue Cross Blue Shield plan under the PSHB. When Hama retires from USPS, he can decide whether to opt in to Medicare Parts A and B.
- **Example 4.** Jo Duffy is 62 years old and a retired letter carrier. She has the NALC HBP's High Option Plan for her health care under FEHB. During the Open Season in November and December of 2024, she elects for the NALC HBP's High Option Plan under the PSHB. When Duffy turns 65, she can decide whether to opt in to Medicare Parts A and B.

More information to come

The president promised to continue to inform NALC members as they make required decisions about the new PSHB Program. "We will do mailings that will be specific to the circumstances of a lot of our members," Renfroe said. "We'll have this in the magazine. We'll have this on our website. I would expect we do another podcast on it when we get closer."

In addition to the above choices, there is a behind-the-scenes change that will benefit the Postal Service and letter carriers. The law requires all PSHB Program insurance plans to make internal changes to qualify for funding from Medicare Part D that effectively lowers the costs of PSHB drug benefits for Medicare-eligible annuitants. Neither employees nor retirees will have to take any action for this change to go into effect.

NALC has been at the forefront of trying to strengthen and preserve letter carriers' employer, the United States Postal Service. That's why letter carriers took a leadership role in pushing for the passage of the Postal Service Reform Act. A strong Postal Service serves the American public and it better serves its employees.

The result of all this, President Renfroe said, is that over time the Postal Service will benefit financially by saving billions of dollars in retiree health costs, and the resulting increase in financial stability will benefit postal employees as well as postal customers. PR