

DELIVERING FOR AMERICA

What you need to know about the United States Postal Service® Plan to achieve financial sustainability and service excellence

MEDICARE INTEGRATION AND THE PRE-FUNDING MANDATE

To help restore the Postal Service™ to financial stability, we request Congress to legislate two important changes:

1. Fully integrate Postal Service retiree health plans with Medicare.
2. Eliminate the retiree health benefit pre-funding obligations imposed by the Postal Accountability and Enhancement Act (PAEA) of 2006, which requires us to pre-fund retiree health benefits for all employees.

WHY?

- Both provisions were foundational reforms in the Postal Service Reform Act (HR 3076) recently passed on a bipartisan basis by the House Committee on Oversight and Reform (COR).
- Integrating the Federal health benefits plans our retirees and employees participate in with Medicare would benefit USPS and reduce costs for our retirees and employees.
- Integration would save USPS \$4 billion per year and is an essential part of our plan to become financially sustainable.
- Integration with Medicare is an essentially universal practice among private sector employers who still offer retiree health benefits, as well as state and local governments.
- Both elements – Medicare integration and repealing the prefunding mandate – have union support.
- Our proposal would not cause our retiree health benefits to become underfunded or place them in financial jeopardy, nor would it reduce benefits received by our retirees.
- Integration is a top priority and prefunding repeal is an important complement; however, both need to be done together to put USPS on a financially sustainable path.

DID YOU KNOW?

- ✓ **The Postal Service is the only organization subject to extensive prefunding mandates.**
- ✓ **Despite USPS and its employees paying more than \$34 billion in Medicare taxes since 1983, many Postal Service retirees never draw on Medicare benefits.**
- ✓ **Medicare integration is essential to resolving USPS financial issues.**
- ✓ **13 cents of every revenue dollar we earn is expensed on healthcare.**
- ✓ **As of September 30, 2020, the Postal Service has defaulted upon \$51.9 billion of payments due to the Postal Service Retiree Health Benefits Fund (PSRHBF).**

WANT TO LEARN MORE ABOUT THE PLAN?

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MYTH: Most of the Postal Service's Delivering for America plan requires Congressional action for its financial benefits to be realized.

FACT: Only two elements of our holistic Plan require Congressional action. For Medicare, we request integrating the Federal health plans our retirees and employees participate in with Medicare; we also request elimination of the prefunding mandate. If passed, this legislation would generate more than \$40 billion in cost savings over the next 10 years. The self-help cost management and revenue generating strategies outlined in the Plan, none of which require Congressional action, are projected to yield more than \$58 billion in financial benefits.

MYTH: Requiring Postal Service retirees to enroll in Medicare will limit their healthcare benefits.

FACT: Currently, Postal Service retirees can voluntarily enroll in Medicare to receive its benefits. The Postal Service conducted numerous "life event" scenario calculations and found that those who did not voluntarily enroll (about 25% of retirees) may be left with significant coverage gaps. Integrating Postal-sponsored benefits with Medicare will eliminate many of these coverage gaps. Retirees would have Medicare as the primary payer of retiree healthcare claims and the Postal Service as the secondary payer, ensuring supplementary coverage.

MYTH: These changes will benefit the Postal Service balance sheet at the expense of our retirees.

FACT: The Postal Service's proposal, which was recently passed on a bipartisan basis by the House Committee on Oversight and Reform (COR), is respectful of workers at various stages in their retirement planning – active employees, pre-Medicare retirees, and Medicare-eligible retirees. As health insurance premium costs are spread among active and retired employees, as well as the Postal Service as an employer, the lower cost of retiree coverage will favorably impact premiums for the organization and our retirees and 644,000 active employees.

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