

Proposed Changes to USPS Health Benefits in the Postal Service Reform Act of 2022

February 11, 2022

The Postal Service Reform Act of 2022 (PSRA; H.R. 3076) includes a number of provisions that would alter the authority and operations of the U.S. Postal Service (USPS) and the Postal Regulatory Commission. Section 101 of the PSRA includes reforms intended to reduce USPS's future retiree health liability by requiring eligible postal retirees to enroll in Medicare Part B and by providing retiree drug coverage through Medicare Part D. This Insight provides an overview of how Section 101 of the PSRA would change USPS worker and retiree health benefits.

USPS Health Benefits

Similar to most other federal agencies, the USPS offers health care benefits to its employees, retirees, and their dependents through the [Federal Employees Health Benefits Program \(FEHB\)](#), which is administered by the Office of Personnel Management (OPM). Although USPS health benefits are provided through FEHB, the USPS is governed by arrangements that are unique within the federal government in regard to its funding of these benefits.

For non-postal federal *employees*, the amount the federal government contributes to premiums is determined according to a [statutory formula](#) and is paid out of the employing agencies' appropriations for salaries. For USPS *employees*, the USPS contribution to premiums is determined through collective bargaining agreements and is paid out of USPS revenues. Although different methods are used to determine federal government/USPS premium contribution amounts, contributions are [generally the same in 2022](#).

The amount of government contribution for postal and non-postal *retirees* is determined using the [same formula](#) as for non-postal employees. In most federal agencies, the government contribution to *retiree* health benefits is paid [by OPM](#) through an appropriated entitlement. The USPS pays the government share of USPS *retiree* health benefits and, since 2017, has done so using the Postal Service Retiree Health Benefits Fund (PSRHBF). (The PSRHBF is related to the USPS prefunding obligation for retiree health care costs, which is addressed by [Section 102 of the PSRA](#).)

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IN11856

Medicare

Medicare is comprised of four parts. Part A (Hospital Insurance) covers inpatient hospital, skilled nursing, hospice, and some home health services; Part B (Supplementary Medical Insurance) covers a range of medical services, including physician and outpatient hospital services; and, Part D, which is provided through private insurance plans, covers outpatient prescription drugs. (Medicare beneficiaries enrolled in both Part A and Part B may elect to receive their coverage through a private Medicare Advantage [Part C] plan.)

Most Medicare beneficiaries do not pay a premium for Part A and enroll when first eligible. Because Parts B and D carry premiums, enrollment in these parts is optional, but the majority of beneficiaries choose to enroll. The various parts of Medicare have different funding sources—Part A is primarily funded through dedicated payroll taxes, while Parts B and D are primarily funded through beneficiary premiums and federal general revenues.

When a retiree enrolled in Medicare also has FEHB coverage, Medicare pays claims for services first and FEHB pays second. Federal retirees, including postal retirees, may continue their FEHB coverage into retirement and pay the same FEHB premium amounts as current employees. Some federal retirees with FEHB, including about 24% of postal retirees, choose not to enroll in Medicare Part B, because it can duplicate some FEHB benefits and requires paying an additional premium. Because FEHB drug coverage is considered creditable, federal retirees with FEHB do not need to enroll in Medicare Part D.

Postal Service Health Benefits Program

The PSRA Section 101 would require the establishment of the Postal Service Health Benefits Program (PSHB), which would be administered by OPM and would provide health insurance to USPS employees, retirees, and their dependents instead of FEHB starting in 2025.

Under the PSHB, USPS employees and retirees would be able to enroll in self-only, self-plus-one, or family coverage. If a USPS employee/retiree were enrolled in FEHB in 2024 and did not select a PSHB plan in 2025, OPM would automatically enroll the individual in a plan offered by the individual's FEHB insurer or, if not available, in the lowest-cost, non-high deductible, nationwide PSHB plan that does not charge a membership fee.

The PSHB would generally be structured similarly to FEHB. OPM would contract with insurers to offer plans, and the plans would need to meet specified statutory FEHB requirements. To the greatest extent practicable, the PSHB would also be required to include plans offered by each FEHB insurer that had a plan that enrolled at least 1,500 USPS employees or retirees in January 2023. (It also would include plans offered by other insurers determined appropriate by OPM.) In 2025, insurers with plans in PSHB and FEHB would be required to ensure that their PSHB and FEHB plans have equivalent benefits and cost-sharing requirements, with certain exceptions, including the drug coverage of Medicare-eligible retirees (see below).

PSHB premiums would be determined separately from FEHB premiums. As such, PSHB insurers would determine premiums based on the amount of health care expected to be used by USPS employees, retirees, and their dependents. The USPS contribution toward annuitant premiums would be calculated using the same statutory formula currently used under FEHB but would be based solely on PSHB plan premiums.

The PSRA would require all Medicare-eligible USPS annuitants and their Medicare-eligible covered family members to enroll in Medicare Part B in order to maintain their USPS health coverage. Those who, as of January 1, 2025, are current annuitants and current employees aged 64 and over, those with

Department of Veterans Affairs (VA) or Indian Health Service (IHS) coverage, or those residing abroad would not be subject to this requirement. The bill would provide for a six-month special enrollment period, starting April 2024, during which Medicare-eligible postal annuitants or family members could enroll in Part B; any [late-enrollment penalties](#) incurred by individuals enrolling during this period would be paid for by the USPS. Prescription drug coverage for all Medicare-eligible annuitants (both current and future) would be provided through a [Medicare Part D Employer-Group Waiver Plan](#) (EGWP).

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