COALITION FOR A
21st CENTURY
POSTAL SERVICE

HR 756 is a Responsible Approach to Financially Stabilizing USPS And Should Be Approved on the House Floor

The Postal Service Reform Act of 2017, HR 756, offers a responsible, bipartisan approach to financially stabilizing one of the nation's fundamental assets, the Postal Service, which is in dire financial straits. HR 756 does not resort to a bailout; on the contrary, it strengthens the bulwark against a bailout, and keeps the Postal Service self-sustaining. This bill received a ringing affirmation in an overwhelming bipartisan voice vote, with but a lone dissenter, in the Oversight and Government Reform Committee on March 16. It should be brought to the House Floor, and approved, as quickly as possible.

Mailers of every kind and every size, and their suppliers, broadly represented by the Coalition for a 21st Century Postal Service (C21), with collective sales at $1.4 trillion annually and some 7.5 million jobs located in every state and all congressional districts, find this bill's approach both sensible and constructive because:

- The Postal Service receives no taxpayer funds; it is supported entirely by the purchase of postage and fees for services. HR 756 will assure that does not change;

- HR 756's core financial provisions require the integration of postal retirees into Medicare, and a one-time increase in postal rates of 2.15%. These two provisions will assure the elimination of virtually confiscatory multi-billion-dollar annual payments by USPS to prefund postal retirees' health costs, while fully continuing retiree health care. By itself, this step will relieve a huge portion of the liabilities imperiling postal solvency;

- A financially stressed mailing community (the paper, printing, periodical and catalog industries, among others, have been badly damaged over the past decade) will nonetheless reluctantly accept the one-time increase in rates, provided that Medicare integration occurs and the increase remains no higher than 2.15%;

    - These same stressed industries face a reevaluation and possibly fundamental change to the postal rate setting system this year. Unless this bill or something like it is enacted, mailers could face utterly unaffordable double-digit increases, driving far more mail out of the system and imperiling USPS as we know it.

- HR 756 would sustain USPS solvency, and put it on a sound financial track, without one dollar of taxpayer funding. With resolution of the retiree health prefunding overhang, it removes some $30 billion in USPS future liabilities. In other words, it moves the Treasury much farther from a bailout; and

- Sustaining USPS, without resort to a bailout, would achieve a significant goal of all concerned stakeholders, including the Congress. Notwithstanding a rate increase that is undesirable and downright painful to many in the industry, it is willing to kick in this share to preserve this still indispensable communications, distribution and transactional national asset.

Detailed Medicare Integration Points

Medicare integration makes sense, despite a 10-year cost to Medicare of approximately $9.8 billion, and net federal cost of $6.6 billion (after offsetting for reduced FEHBP spending and higher premiums to Medicare) because:

- USPS and its workers have collectively paid more than $30 billion – nearly $1 billion just in FY ’15 -- in Medicare taxes since 1983, and yet some 27% (~ 77,000 retirees) still are not enrolled in Part B alone. In other words, much of that $30 billion has been a functional gift to the Treasury; postal workers have not received the same benefits as other Americans, despite paying the same taxes;
- Virtually all USPS funds used to provide payroll and employee benefits come from the mailing industry. Since federal workers became eligible for Medicare and postal workers have been eligible for the Federal Employees Health Benefit Program, mailers have supplied funding for both benefits for much of the USPS workforce. When a worker elects not to receive Medicare, mailers are required to fund a benefit that is not being provided—in essence being charged twice for that worker’s health benefit;
- The money generated by the 2.15% increase will be approximately $1.1 billion annually, i.e., more than an offset alone for the additional Medicare outlays. (This assumes CBO does not again use its puzzling “dynamic scoring” approach to USPS and automatically, and with no evidence, discount the $1.1 billion by 50% on the assumption USPS will no longer cut costs. USPS says even with these additional dollars, it cannot afford not to continue reducing costs.);
- USPS is off-budget. However, if this bill were scored on the basis of the unified federal budget, encompassing all federal spending, whether on- or off-budget, the savings to USPS would much more than offset the additional outlays from Medicare;
- With Medicare integration, the assets currently in the Postal Service Retiree Health Benefits Fund (more than $50 billion) would cover some 96% of accrued liabilities;
- Medicare integration would put USPS on the same footing as nearly all private sector, and state and local governments, which require annuitants to enroll in Medicare;
- It would result in a less than 1/10 of 1% increase in Medicare outlays, and a less than 2/10 of 1% increase in the number of recipients; and
- The cost shifts to USPS from its inability to require enrolling in Medicare amount annually to some $5,000.00 per annuitant for those not in Part A (9% of postal

annuitants), and $4200.00 per annuitant for those not in Part B (27%). That is unaffordable for a USPS in dire financial straits.

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