

## Postal Service Reform Act of 2022

The Postal Service Reform Act of 2022 creates a new Postal Service Health Benefits (PSHB) program within the Federal Employees Health Benefits (FEHB) program starting in January 2025. All postal employees and postal annuitants will be offered their earned health benefits through the PSHB program at that time.

The PSHB is designed to provide plans that mirror current FEHB plans but with different rates to reflect a separate, postal-only risk pool and cost savings accrued from increased Medicare integration.

Actuarial analysis of the new PSHB program found that it should lower average costs of coverage, and, therefore, plan premiums, for both PSHB and FEHB program plans, benefitting postal and nonpostal enrollees. As such, PSHB plans should provide the same coverage to postal employees and retirees, but with lower premiums.

In total, the Congressional Budget Office (CBO) estimated that there would be reduced spending on premiums for nonpostal annuitants by \$668 million over 10 years and reduced spending on premiums for nonpostal federal employees by \$827 million over 10 years. These figures represent aggregate reductions in government contributions due to lower overall premiums, of which enrollees pay a share. CBO also estimates significant reduced spending for postal employee and annuitant premiums (\$2.98 billion and \$2.73 billion, respectively).

In contrast to past postal reform bills, this law does **not** impose new requirements on current postal annuitants (those who are annuitants as of January 1, 2025) to enroll in Medicare Part B. However, current postal employees under age 64 as of January 1, 2025, will be required to enroll in Medicare Part B once both eligible for Medicare (age 65) and retired (as a postal annuitant). For current postal annuitants, the law does waive late enrollment penalties for Medicare-eligible postal annuitants if they decide to enroll in Part B during a new, six-month special enrollment period (beginning April 1, 2024).

### **NARFE Advocacy Related to the Bill**

NARFE's advocacy for the postal bill focused on preserving choice for current postal retirees regarding Medicare Part B enrollment and ensuring that the bill did not adversely impact health benefit premiums for those covered by FEHB (both nonpostal and postal employees and retirees). NARFE only supported the bill after Congress addressed those key concerns from previous versions of the legislation; those concerns likely would not have been addressed without NARFE's advocacy and eventual support for the bill. While NARFE prefers a unified risk pool (for nonpostal and postal workers and retirees), this bill should provide net benefits for enrollees in both FEHB and the new PSHB, and it furthers the NARFE-supported goals of providing financial relief to the Postal Service, as well as upholding quality, universal mail service standards to the American people.

## **PSHB Program Plans and Requirements**

In January 2025, the PSHB program will begin providing plans parallel to FEHB plans. PSHB is only available to postal workers and annuitants, along with their covered family members; these individuals will no longer be able to enroll in the parallel FEHB plans.

Just like FEHB, the PSHB will be operated by the Office of Personnel Management (OPM) and plans will be required to offer “equivalent . . . benefits and cost-sharing requirements” as provided by each carrier’s FEHB plans, except as needed to integrate with Medicare Part D prescription drug coverage. Part D integration will allow PSHB plans to offer similar or better prescription drug coverage while providing a source of cost savings for the PSHB plans that will help reduce premiums, all else being equal. With this limited exception, health benefit plans from carriers in the PSHB will be subject to the same requirements and continuation of coverage rules as those in FEHB. More information on Part D (prescription drug coverage) integration is discussed below.

The PSHB program must, “to the greatest extent practicable,” include plans with equivalent benefits to FEHB plans containing 1,500 or more postal workers or annuitants as of January 2023. OPM may exempt certain health maintenance organization (HMO) plans from this requirement, and the PSHB will be permitted to include plans offered by other carriers as deemed appropriate by OPM. PSHB plans must include Self Only, Self Plus One, and Self and Family plan options.

## **Medicare Part B Enrollment Requirements and Exceptions**

In the future, the new law will require eligible postal annuitants and their eligible family members to enroll in Medicare Part B as a condition of coverage. However, thanks to NARFE’s advocacy, there are important exceptions to this requirement.

First, anyone who is a postal annuitant as of January 1, 2025, is not required to enroll in Medicare Part B as a condition of receiving health benefits through the PSHB program. Any family members of such a postal annuitant are also exempt from the Part B enrollment requirement.

Second, postal employees who are at least age 64 as of January 1, 2025, will not be required to enroll in Medicare Part B when they retire (as a postal annuitant) as a condition of receiving health benefits through the PSHB program. Any family members of such a postal employee are also exempt from the Part B enrollment requirement.

Third, a postal annuitant or family member who can demonstrate that s/he resides outside the United States will not be required to enroll in Medicare Part B as a condition of receiving health benefits through the PSHB program.

Finally, a postal service annuitant or family members is not required to enroll in Medicare Part B if the annuitant or family member is enrolled in health benefits

provided by the Department of Veterans Affairs or eligible for health services from the Indian Health Service.

### **Medicare Part B Special Enrollment Period**

Eligible<sup>1</sup> postal annuitants and family members not enrolled in Medicare Part B as of January 1, 2024 will be eligible for a six-month, penalty free, Special Enrollment Period (SEP) to enroll in Medicare Part B, beginning April 1, 2024. While the SEP is available to those interested in the option, there is no requirement to enroll in Part B. However, those who do take advantage of this SEP will not have to pay the late enrollment penalty, which increases premiums by 10 percent for each 12-month period they could have been enrolled in Part B but did not sign up. Instead, the Postal Service will cover the penalty. Annuitants who decide to enroll will still have to pay the Medicare Part B monthly premium. OPM and the Social Security Administration will determine who is eligible for the SEP and inform those who meet the requirements.

### **Medicare Coordination**

The legislation requires PSHB plans to provide benefits for Medicare-covered individuals based on a benefits coordination method approved by OPM. This provides OPM the authority to ensure that PSHB plans work appropriately with Medicare coverage.

### **Medicare Part D Integration**

The new law will integrate PSHB plans and Medicare Part D, allowing PSHB plans to offer prescription drug coverage through an Employer Group Waiver Plan (EGWP). Specifically, per the law, OPM must require each PSHB plan to provide prescription drug benefits to any Postal Service annuitant and family member who is eligible for Medicare Part D, through either a Part D prescription drug plan (PDP) or contracts between PSHB and a PDP sponsor.

Under this construct, Medicare-eligible participants who enroll in a PSHB plan would be automatically enrolled in a group Part D plan that coordinates with the PSHB plan. Prescription drug benefits not covered by Medicare could be provided by the PSHB plan's wraparound coverage. These provisions are intended to provide cost savings for the plan while providing the same prescription drug coverage to enrollees. It will not require PSHB enrollees to sign up for a separate Part D plan (or pay Part D plan premiums).

Some individuals may be subject to income-based premium surcharges for the Part D enrollment. These Income Related Monthly Adjustment Amounts ([IRMAA](#)) currently range from \$12.40 (annual income above \$91,000 for an individual, \$182,000 for a

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<sup>1</sup> If eligible for premium-free Medicare Part A, which is provided to those age 65 or older if you worked 10 years in Medicare-covered employment or were a federal/postal employee as of January 1, 1983.

married couple) to \$77.60 per month (annual income above \$500,000 for an individual, \$750,000 for a married couple).

Savings from the Part D integration should offset all or some of this extra cost. It is still unclear whether plans will offer reimbursements for these amounts.

Ultimately, the Part D integration may not be particularly noticeable to enrollees, as coverage should stay the same. But it should lower the costs of providing the same prescription drug coverage through cost savings accrued via Medicare.

### **Health Benefits Education Program**

The Postal Service Reform Act of 2022 requires the United States Postal Service (USPS) to create a Health Benefits Education Program to inform postal workers and annuitants of PSHB and its requirements. USPS will notify Postal Service annuitants and employees about the PSHB program, providing a description of the health care options available under PSHB, the enrollment provisions, and the requirement that Postal Service annuitants and their family members enroll in Medicare, along with applicable exceptions.

The following activities are required for the education program:

Educational activities for annuitants and employees of the Postal Service to raise awareness of the availability of program plans and requirements for enrolling in such plans, including requirements to be entitled to Medicare Part A and enroll in Medicare Part B; distribution of fair and impartial information concerning enrollment in such plans; facilitation of enrollment in such plans; and provision of information in a manner that is culturally and linguistically appropriate to the needs of the population being served by the program plans.

### **Automatic Enrollment for Nonenrollees**

Any eligible postal worker or annuitant who has an FEHB plan in 2024 and fails to enroll in a PSHB plan during Open Season for 2025 will be automatically enrolled in a plan offered by the health carrier that they were enrolled in during 2024. If that carrier has more than one program plan or option, the worker or annuitant will be automatically enrolled in the plan and option that provides coverage of equivalent benefits and cost sharing. If the carrier does not offer a program plan, then the worker or annuitant will be automatically enrolled in the lowest-cost nationwide plan option within PSHB that is not a high deductible health plan and does not charge an association or membership fee.

This provision is designed to prevent total loss of coverage and match individuals with the appropriate PSHB plan to limit any change in actual coverage.

## Frequently Asked Questions

### **What agency will be responsible for the administration of the Postal Service Health Benefits (PSHB) program? USPS or OPM?**

OPM will administer the PSHB.

### **I retired from USPS in 2014 at age 66. I kept my FEHB plan and now am in the process of signing up for Medicare Part B. If I go ahead and sign up now for Medicare Part B, including the penalty, will the waiver of penalties be retroactive for me and allow me to pay Medicare Part B premiums at the entry level rate? Might I be reimbursed for any penalty payments I make until the law goes into effect?**

The start date mentioned in the bill for the PSHB program is January 1, 2025. The determination of who is eligible for the Medicare Special Enrollment Period will be made as of January 1, 2024, with the SEP beginning on April 1, 2024, as per the language in the bill. Therefore, if you enroll before January 1, 2024, you will exclude yourself from eligibility for the SEP. It will not be beneficial to you to enroll at this point, and you would not be reimbursed for late enrollment penalties already paid.

### **What if I decide to move abroad? Will I have to pay for Medicare?**

No. Those residing outside of the United States do not have to pay for Medicare. There is a specific exception made for those who can demonstrate that they reside abroad.

### **I am already enrolled in Medicare and paying a late enrollment penalty. If I cancel my enrollment now, will I be permitted to enroll again during the Special Enrollment Period without a penalty?**

The bill language makes no mention of this type of scenario, though it does not specifically preclude it. NARFE strongly urges members to avoid making coverage decisions until further information is available. The date for determining whether individuals are eligible for the special enrollment period is January 1, 2024. So now would not be the time to drop Medicare coverage.

OPM and the Social Security Administration will determine who is eligible for the Medicare SEP, and eligibility should not be assumed before more information is known.

### **Will the Postal Service pay the Medicare premium Income Related Monthly Adjusted Amount (IRMAA) for affected postal retirees?**

The Postal Service is not required to pay the IRMAA. The bill only requires the Postal Service to cover the cost of the Medicare late enrollment penalty. However, it is still

unclear whether any funds will be made available to cover IRMAA costs. If made available, coverage may differ on a plan-by-plan basis.