

**NAPS QUESTIONS FROM 2014 LTS
POSTAL SERVICE's RHB PROPOSAL**

1. If USPS pulls out of federal insurance pool, what are the possibilities the USPS "could" down the road, dump retirees or employees on Affordable Care Act?

Response: The Postal Service's current legislative proposal regarding health care includes staying in the FEHBP.

2. Any chance down the road OPM does not administer plan and USPS has to pay administrator, how does this affect our savings?

Response: The Postal Service does not propose withdrawal from the FEHBP. Under the Postal Service's current healthcare proposal (and pending legislation), the Postal Service plans will remain within FEHBP and continue to be administered by OPM. We do not anticipate any such withdrawal from FEHBP that would require us to pay a separate plan administrator.

3. I am retired with Medicare A & B and BlueCross BlueShield. When will we see the savings?

Response: Under the Postal Service's proposal and pending legislation, Medicare would be the primary insurer and the FEHBP plan would be the secondary insurer. As a result, the FEHBP plan will experience fewer and less costly claims. This will result in reduced FEHBP plan premiums, lowering premium costs for retirees, current employees, and the Postal Service. As far as a timeline, current pending legislation contemplates that the Postal Service's health benefit program would go into effect in plan year 2016.

4. Age Limits?

- Current employees- do they need to join Medicare A & B and have the option of part B?
- Are plans changing so it would be a choice of self and spouse, not self and family?

Response: Current employees will not be required to change plans or enroll in Medicare Parts A & B until they retire. Once you are retired and when you become Medicare-eligible (age 65), you will be required to enroll in Medicare Parts A & B. The type of plan options will not change from the current structure under FEHBP; there will be a self-only and a self and family option. Any change in the type of options available is subject to legislative determination.

5. My question deals with issues of today, not with future planning:

- I am retired from USPS 2002 at 68 years of age. I had 43 years 11 months in the USPS with 4 years in the Marine Corps. My question deals with the fact that when I became eligible for Medicare A, it paid for my hospital bills. Yet in my retirement with Medicare, my health plan payments for retirees is the same amount as a retiree who has not yet become eligible for Medicare A. Why are my monthly payments not lowered since the plan no longer pays my hospital bills? Why isn't the 72 billion dollars of overpayment to the CSRS for Postal retirees being given back to the USPS to get out of debt?

Response: The Postal Service's health care proposal is meant to correct that imbalance and allow the Postal Service and its employees and retirees to reap the full benefit of Medicare Savings. Under the Postal Service's proposal, you would be required to sign up for both Medicare Parts A & B. Our proposal would make Medicare the primary insurer and your FEHBP plan the secondary insurer. This would reduce the number and costs of claims paid by the FEHBP plan and would reduce the premiums you and the Postal Service pay for your FEHBP plan.

With regard to the CSRS funding issue, there has been extensive congressional discussion and review concerning whether the Postal Service overfunded CSRS or FERS and, if so, the amount of money involved. Current pending legislation would require OPM to return any potential FERS funding surplus up to \$6 billion to the Postal Service upon request of the Postmaster General, for the specific purpose of paying off other outstanding Postal Service liabilities.

6. Will the active and retired postal employees, if they are in a plan that is not one of the 16 plans, be forced to take Medicare?

Response: If you are a current employee, you will not be required to enroll in one of the segregated Postal plans or enroll in Medicare prior to retirement. However, when you retire from the Postal Service, you must join one of the plans in the segregated pool and enroll in Medicare once eligible in order to receive health benefit coverage from the Postal Service as a retiree. If you are a current annuitant, you will not be required to join a different plan or enroll in Medicare if you are currently enrolled in a plan that is not part of the segregated pool.

7. The cost of my retiree health benefits with BlueCross BlueShield for family coverage is approximately \$300.00 per month. With the new proposed integrating with Medicare the savings would be approximately 10% per month which equals approximately \$30.00 per month. The cost of part (b) is \$104.90, so will I pay approximately \$74.90 per month?

Response: The savings referenced in the question will apply to the FEHBP plan premiums, not to the cost of Medicare Part B coverage. (In other words, the Medicare B premium of \$104.90 will not be reduced; instead, we anticipate up to a 10% reduction in your FEHBP plan premium.) Further, the savings may vary depending upon the plan. Additionally, if you are enrolling in Medicare for the first time, you will have better benefits, and generally will recover 100% of your costs for medical claims by reducing your exposure to out-of-pocket costs for the deductibles, copays and coinsurance features of your current FEHBP plan.

8. How would inclusion of postal retirees in Medicare Part D affect the future liability of the Medicare system?

Response: The inclusion of postal retirees in a Medicare Part D Employer Group Waiver Plan (EGWP) will have very little impact on the future liability (or solvency) of the Medicare system. To put this in perspective, full integration of the Postal Service's health plans with Medicare will amount to a yearly increase in Medicare claims cost of less than one day's claims from the Medicare trust fund. In addition, there are offsets to the Medicare claims costs (and therefore the liability) through additional Part B contributions that new Medicare Part B participants will pay, and discounts negotiated with the pharmaceutical manufacturers under the Affordable Care Act.

9. Could the additional costs to Medicare cause Medicare to become unsustainable?

Response: No. Again, full integration of the Postal Service's health plans as contemplated in our proposal will amount to an increase in Medicare claims cost of less than one day's claims – it will not cause Medicare to become unsustainable. The Postal Service and its employees are the second largest contributor to Medicare and have paid over \$27 billion into the Medicare fund. Despite such a massive contribution to Medicare, we have not been able to receive maximum benefit from it. The Postal Service's proposal would ensure that Postal Service employees and retirees receive the maximum benefit of Medicare savings.

10. Will there be FSA for retirees?

Response: There are currently no plans to establish Flexible Spending Accounts for retirees.

11. What are the reduced costs?

Response: Under the Postal Service's proposal, Medicare would be the primary insurer for participants and the FEHBP plans would be the secondary insurers. As a result, the FEHBP plan will experience fewer and less costly claims. This will result in reduced FEHBP plan premiums, which will be distributed in a blended rate structure that will lower costs across the board. Additionally, adoption of the Postal Service's proposal for establishment of an Employer Group Waiver Plan (EGWP) will reduce prescription medication costs, without any premiums or additional costs to enrollees. Adoption of the Postal Service's proposal will reduce the Postal Service's unfunded liability for retiree health care from approximately \$46.9 billion to about \$3 billion.

12. How will I save money?

Response: The amount of money you will save depends upon how much medical expense you incur. Integration of Medicare and the FEHBP plans will make it unlikely that a retiree enrolled in Medicare will incur significant out-of-pocket expenses for costly medical treatments; Medicare and the FEHBP plan will combine to provide full-dollar coverage in most instances.

The bottom line is this: If you are a current employee, you will save money in the form of lower FEHBP premiums. If you are a retiree enrolled in one of the segregated Postal plans, you will be required to enroll in Medicare Parts A & B if you have not already done so, which will cost an additional \$104.90 monthly (the Part B premium). However, you will also have a lower FEHBP premium, and you will recover more of the cost through the improved coverage you will enjoy through coverage under both Medicare and your FEHBP plan (very few if any out-of-pocket expenses).

13. Everything sounds good. What's the catch?

Response: There is no "catch" to the Postal Service's health care proposal. Properly integrating our health care with Medicare is the *only* way to reduce our retiree health benefits liability and make retiree health care sustainable for the future.

14. As people move into Medicare, will their FEHB premium go down since it is now the supplemental plan?

Response: Under the Postal Service's proposal, Medicare would be the primary insurer and the FEHBP plan would be the secondary insurer. As a result, the FEHBP plan will experience fewer and less costly claims. This will result in reduced FEHBP plan premiums, lowering costs across the board. This would benefit current employees, retirees, and the Postal Service.

15. What is the impact to current retirees who have been retired for several years?

Response: The Postal Service's proposal provides that if you are a current annuitant enrolled in one of the segregated (Medicare integrated) FEHBP plans, you will not be required to change plans. If you are Medicare eligible and not enrolled in Medicare Parts A & B, you will be required to enroll (at the time you are eligible according to your age). If you are over 65, you will not incur a late-enrollment penalty. Your spouse and eligible dependents will continue to receive coverage through the Self and Family option. If your spouse receives coverage through your plan, he or she will be required to enroll in Medicare Parts A & B upon eligibility in order to continue receiving coverage. If you wish to change plans, you must a plan within pool of segregated plans.

If you are a current annuitant not enrolled in one of the segregated plans, you will not be required to change plans. You will not be required to enroll in Medicare Parts A & B if you are not already enrolled. Your spouse and eligible dependents will continue receiving coverage through the Self and Family option. You may opt into one of the plans in the pool of segregated plans. If you do so, you will be required to enroll in Medicare Parts A & B once you are eligible and you must stay within the pool of segregated plans (you may not opt out of the pool of segregated plans).

16. Will there be an increase of out of pocket expenses, such as being forced to sign up for Medicare part B, will they incur any penalties?

Response: There is no premium or additional cost to the individual for signing up for Medicare Part A. As of 2013, most Postal Service retirees would pay \$104.90 per month for Medicare Part B. The Postal Service's proposal includes a waiver of penalties associated with signing up for Part B after the retiree reaches 65 years of age.

17. With all these new retirees on Part B won't Part B cost go up?

Response: Currently, 76% of Postal Service retirees eligible for participation in Medicare Part B have signed up and pay for this coverage. The additional cost of Part B participation of the rest of Postal Service retirees will have a very minimal impact on the Medicare fund. The Postal Service does not control the process of setting the premiums for participation in Medicare Part B.

18. I have BlueCross BlueShield and pay full premiums. Please explain why now retirees who have Medicare which becomes their primary insurance, we (retirees) don't get reduction to our premium (USPS) now?

Response: Under FEHBP today, Medicare-eligible postal annuitants are *not* required to enroll in Medicare. If a Medicare-eligible annuitant does not enroll in Medicare, the FEHBP plan in which he or she is enrolled is *not* integrated with Medicare. While many of our Medicare eligible annuitants are enrolled in Medicare Parts A & B, about 10% are not enrolled in Part A, and 24% are not enrolled in Part B. The plans in FEHBP factor in some of the Medicare savings from those retirees who are enrolled when setting premium levels, but they also account for the fact

that many retirees receive all of their healthcare coverage from their FEHBP plan, and none from Medicare. This means that despite being the second-largest contributor into Medicare in the country, the USPS and its annuitants do not realize the full benefit from Medicare savings. (Those retirees that are enrolled in Medicare essentially subsidize the others who are eligible but refuse to enroll.)

19. Please don't require us to take part D. I have a supplement from one of my medicine company. If I took Part D I would lose this supplement. If I lost this supplement it would cost me hundreds of dollars.

Response: The Postal Service's proposal does not require retirees to actively enroll in Medicare Part D. Rather, the proposal seeks a Medicare Part D Employee Group Waiver Plan (EGWP) that would not cost enrollees any additional premium, would operate with no visible change to enrollees, and would reduce the cost of prescription medication.

20. According to my recent retirement statement my healthcare plan will cost me 280.00 per month (BCBS family basic). You stated approximately 10% savings = \$28.00 per month. Medicare is currently \$105.00 per month for part B. ("A" currently free; "D" will be free with waiver).

The way it looks to me, my cost will increase \$77.00 per month or \$924.00 per year. Not counting my spouses' extra Medicare B costs of \$1260.00 per year. So the costs are just being shifted to the employee. True or False?

Response: This is not a "cost shift," to the employee, but a mechanism for the Postal Service and its employees and retirees to take advantage of Medicare savings that we have previously been unable to access. Medicare integration is a virtually universal practice in the private sector, and makes perfect sense for an aging population that is all-but-guaranteed to incur greater medical expenses in the later years of life.

While the net monthly cost of health insurance for retirees may increase as a result of the Part B premium, discussion about cost should not end there. As individuals age, especially during the years after retirement, the likelihood of experiencing at least one, and maybe more, serious health event (which could include a hospital stay, extensive treatment, surgery, and other costly procedures/treatments) before death increases significantly for all of us. The reality is that even one event involving complex treatment and or surgery with extensive follow-up care and treatment can cost hundreds of thousands of dollars, even up to seven figures in cost.

Under the Postal Service's proposal, retirees enrolled in Medicare and their FEHBP plan will in almost all circumstances receive full-dollar coverage for their medical expenses. In the alternative, a retiree not enrolled in Medicare would have to pay for any medical expenses not covered by his or her FEHBP plan during a catastrophic health event. The question to consider when evaluating the Postal Service's proposal is the costs that would not be covered without the Medicare-integration approach, and whether the net monthly increase for the Medicare premium is worse than receiving a bill for five or six figures (for expenses not covered by insurance).

21. Will the Affordable Care Act and its requirements affect this legislation proposal?

Response: No.

22. In relation to Medicare integration, the cost of care is constant. From what I understand, FEHB pays primary and Medicare picks up the difference.

Response: We are unsure as to what you mean by “the cost of care is constant.” Under the Postal Service’s proposal, Medicare would be the primary insurer and the FEHBP plan would be the secondary insurer. This would reduce the number and cost of claims processed by the FEHBP pan and would reduce the premiums paid by plan participants and the Postal Service.

23. Once integration happens, with Medicare being the primary payer and my USPS insurance being secondary, will this cause my insurance rates to drop?

Response: Yes. Under the Postal Service’s proposal, Medicare would be the primary insurer and the FEHBP plan would be the secondary insurer. This would reduce the number and cost of claims processed by the FEHBP plan and would reduce the premiums paid by plan participants and the Postal Service. We anticipate up to a 10% reduction in the cost of the FEHBP healthcare premium as a result of integration with Medicare.

24. Since costs are constant, would the integrated plan put more liability on Medicare, causing Medicare costs to go up, causing Medicare insurance premiums to go up, taking more from our paychecks each payday (which would only affect working employees)?

Response: Currently, about 90% of eligible Postal Service retirees are enrolled in Medicare Part A, and 76% of eligible Postal Service retirees are enrolled in Medicare Part B. The additional cost of Medicare participation for the remainder of Postal Service retirees will have a very minimal impact on the Medicare fund (the equivalent of approximately half a day’s claims). The Postal Service is the second largest entity paying into the Medicare fund, with over \$27 billion paid by Postal Service employees and the Postal Service over the last 30 years. Postal Service retirees should receive the benefit for which we have been paying.

25. I pay \$981.76 per year in Medicare premiums retirees pay \$1,248.00 per year in Medicare. Is there going to be an option to have only self and spouse vs. self and family?

Response: At this time, the type of plan options will not change from the current structure under FEHBP. Since the Office of Personnel Management (OPM) administers FEHBP plans, we adhere to the options OPM allows. If OPM modifies these options in the future, we will adopt such changes. The Postal Service does not oppose the type of change included in this question.

26. Are there any plans to raise the level of Labor reps in the field? Also are there any plans to increase staff in levels for labor reps in the field?

Response: There are no current plans to increase grade-levels of Labor Relations employees, or to increase the numbers of Labor Relations employees.

27. How much does the USPS Health care plan save the USPS?

Response: The proposal has the potential to save the USPS billions of dollars. Integration with Medicare A & B will bring significant savings by making, effectively, the Medicare Trust Fund the primary payer of our eligible retirees’ health care costs. This drives down the claims costs paid by the insurance plans (who now become the secondary payers), which translates to a decrease in the cost of insurance premiums. Additionally, integrating the segregated plans with

Medicare Part D through Employer Group Waiver Plans (EGWPs), which provide pharmaceutical subsidies and discounts, has the potential to cut our unfunded liability in half. Both the USPS Inspector General (OIG) and the Government Accountability Office (GAO) have stated that integrating our health care with Medicare A, B, & D will generate large financial savings for the USPS. All told, these changes will reduce the Postal Service's unfunded retiree health benefits liability by \$43.9 billion. (Our remaining unfunded liability would be reduced to \$3 billion.)

28. It appears the health care program will simply shift health care costs to Medicare. True?

Response: This is correct, in that the Postal Service's proposal will result in Medicare bearing a greater portion of retirees' healthcare costs as a result of full integration with the segregated postal plans. There is a large and growing cost to USPS due to retirees not enrolling in Medicare A and B. Postal employees and the USPS have contributed over \$27 billion into the Medicare trust fund, yet 10% of retirees are not enrolled in Medicare Part A (which has no premium for retirees) and 24% of retirees are not enrolled in Medicare Part B. These cost shifts from Medicare to USPS increase the retiree health care liability.

Requiring our retirees to enroll in Medicare will enable us to virtually eliminate our unfunded retiree health care liability. This is the way nearly all private sector health care plans as well as those of many state and local governments work. Most importantly, integrating with Medicare will enable us to keep our promise of lifetime health care for our retirees.

29. Will there be any surprises with Health Plans similar to what people experience with the Affordable Care Act?

Response: We do not anticipate any "surprises" similar to the implementation of the Affordable Act. The Postal Service has not proposed moving outside of FEHBP; OPM will continue to administer the postal health plans. Adoption of the Postal Service's proposal includes integration of FEHBP plans in the segregated pool with Medicare Parts A & B. Integration of Medicare and employer-related health benefits is not uncommon outside of government employment, and should not be a difficult transition to make.

30. Will Health Plans under the new program provide equal care and benefits as the current FEHBP?

Response: The Postal Service's proposal does not include any changes to benefits provided by any FEHBP plans. In fact, the pending legislation requires that the benefit levels of the segregated plans are actuarially equivalent to those offered by current FEHBP plans. By making Medicare the primary insurer and the FEHBP plan the secondary insurer, retirees receive the benefit of coverage that would virtually remove the need for out-of-pocket costs for health care in retirement.

31. Once enrolled in Medicare A & B, will the FEHB Plan I enroll in be a lower cost coverage package since the FEHB plan will have less costs to cover?

Response: We anticipate that that the insurance premiums of the segregated postal plans within FEHBP will decrease as a result of integration with Medicare. Whether you should enroll in a higher or lower cost option regarding the FEHBP plan you select in retirement from among those in the pool of segregated Medicare-integrated plans is a personal decision that should be made based on careful consideration of your needs.

32. Will Mr. Tulino's presentation be available for NAPS to put on its website?

Response: Mr. Tulino has provided NAPS with information concerning the Postal Service's proposal for NAPS's use.