



NALC FACT SHEET

Department of Legislative and Political Affairs — National Association of Letter Carriers, AFL-CIO

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USPS Eligibility for Employer Subsidies under the Medicare Modernization Act

In 2003, Congress enacted the Medicare Modernization Act (MMA) to provide prescription drug coverage (Medicare Part D) to retired Americans covered by Medicare. In the MMA, Congress also took action to encourage the continued availability of affordable employer-sponsored retiree drug coverage by creating a Medicare-eligible drug subsidy. This subsidy is payable to any employer that sponsors a health plan that provides prescription drug coverage at or above specified levels. [See Section 1860D-22 (a)(1) of the MMA or 42 USC 1395w-132.]

The Postal Service qualifies for this subsidy through the direct payments it makes for employer premium costs of the Federal Employment Health Benefit Plan (FEHBP) managed by the Office of Personnel Management (OPM). These costs, which cover prescription drug benefits for nearly 350,000 Medicare-eligible postal retirees, are funded by postage rate payers.

In 2006, the Bush Administration refused the Postal Service's request for payment of the subsidy citing a decision of the OPM to forgo the subsidy on the grounds that it made little sense for taxpayers to subsidize FEHBP drug benefits already purchased with taxpayer funds. However, the Postal Service and its retiree health benefits are not funded by taxpayer dollars. All of the Postal Service's revenues are generated by postage charged for its services.

The decision wrongfully denied the Postal Service and its rate-payers nearly \$250 million annually in funds that Congress intended for all drug benefit sponsors.

NALC calls on Congress to Mandate Payment of MMA subsidies to the USPS

Congress should direct the Bush Administration to make payment of the MMA employer subsidies to the Postal Service retroactively to 2006 and prospectively in the future. These funds have already been authorized by law and directing their payment will not increase the budget deficit.

This action might be taken by either reducing the Postal Service's annual payment to the OPM for FEHBP costs or by transferring the funds to the Postal Retiree Health Benefit Fund recently created by the Postal Accountability and Enhancement Act of 2006.

In the last Congress, a bipartisan group of 59 Members of the House of Representatives and the bipartisan leadership of the Senate Homeland Security and Governmental Affairs Committee and the Senate Finance Committee called on the Administration to accept the Postal Service's application for the MMA employer subsidies. A far larger group is expected to support this position in the 110th Congress.

For further information, please contact the NALC office of Legislative and Political Affairs 202-662-2833.