



H.R. 3076, Postal Service Reform Act of 2021

As ordered reported by the House Committee on Oversight and Reform on May 13, 2021

H.R. 3076 would make several changes to the operations of the Postal Service (USPS) and establish new enrollment procedures and benefit programs for USPS employees and annuitants. USPS cash flows are recorded in the Postal Service Fund and are classified as off-budget; the cash flows of other accounts affected by H.R. 3076 are classified as on-budget. For this estimate, CBO assumes that H.R. 3076 will be enacted near the end of fiscal year 2021.

Changes in Direct Spending

Effects on Health Benefit Programs

Title I of H.R. 3076 would require the Office of Personnel Management to establish a Postal Service Health Benefits (PSHB) program for USPS employees, annuitants, and their dependents. The bill would establish special enrollment procedures for postal annuitants enrolling in Medicare and would require all eligible annuitants who participate in the PSHB program to enroll in Medicare Part B. Certain postal workers and annuitants could choose to remain in the Federal Employees Health Benefits (FEHB) program. PSHB plans would be required to participate in Medicare Part D and would receive payments and discounts related to prescription drugs.

Medicare. Because H.R. 3076 would require Medicare-eligible annuitants participating in the PSHB program to be enrolled in Medicare Part B, CBO expects that more USPS retirees would choose to enroll in Part B than do so under current law. The legislation also would require PSHB plans to participate in Medicare Part D, and those plans would receive payments and discounts related to prescription drugs. As a result, CBO estimates, the bill would increase Medicare spending by \$5.6 billion over the 2021-2031 period.

Postal Service Health Benefits Program. CBO assumes that under the legislation, health insurance premiums under the PSHB and FEHB programs would be calculated separately based on the expected health care costs of annuitants, workers, and dependents enrolled in each program. CBO anticipates that calculating premiums that way would reduce the payments that USPS makes to cover its share of health insurance premiums. CBO also expects that PSHB premiums would be lower than those for FEHB plans because Medicare would cover most of the health care costs for Medicare-eligible enrollees in PSHB plans. CBO estimates that USPS spending on health insurance premiums for active workers and their dependents would decrease by roughly \$2.5 billion over the 2021-2031 period; those amounts are recorded as off-budget.

CBO also estimates that federal spending for health insurance premiums for USPS annuitants and their dependents would decrease by \$2.5 billion over that same period; those amounts are recorded as on-budget.

Federal Employees Health Benefits Program. CBO expects that under H.R. 3076, spending for the FEHB program would increase initially but decline over the 2021-2031 period. That initial rise would stem from the transfer of Medicare-enrolled USPS annuitants and dependents from the FEHB program into the PSHB program. Because Medicare covers most of their health care spending, FEHB plans have lower costs associated with those enrollees. FEHB premiums would rise slightly after those enrollees moved to the PSHB program, CBO expects. Over time, as USPS workers and annuitants enroll in a PSHB plan rather than in an FEHB plan, CBO expects that FEHB premiums would decrease because non-USPS enrollees in FEHB would have lower expected health care costs, on average, than enrollees joining the PSHB program. The federal government's share of payments for health insurance premiums for non-USPS annuitants is recorded as on-budget direct spending. CBO estimates that spending for such annuitants would decrease by \$61 million over the 2021-2031 period.

Effects on Postal Service Operations

Postal Service Health Coverage. H.R. 3076 would rescind the requirement that USPS make annual prefunding payments to the Postal Service Retiree Health Benefits Fund (PSRHBF) and cancel existing liabilities. USPS has not made such payments in recent years and CBO does not anticipate that the agency will do so going forward; thus, rescinding the requirement would have no effect on spending. Instead, beginning in fiscal year 2025, USPS would be required to pay into the PSRHBF the difference between its contributions to premiums for annuitants and the net claims costs for those annuitants. CBO estimates that the cost to USPS would be \$2.8 billion over the 2021-2031 period. Those payments are recorded as off-budget direct spending by USPS and as on-budget offsetting receipts in the PSRHBF. As discussed above, Medicare would cover most of the health care costs for Medicare-eligible people enrolling in PSHB plans. As a result, CBO estimates, USPS spending on health insurance premiums for active workers and their dependents would decrease by \$2.5 billion over the 2021-2031 period. On net, off-budget spending by USPS resulting from the bill's health care provisions would increase by \$332 million over the 2021-2031 period.

Postal Service Operations. H.R. 3076 would change the funding mechanism for the Postal Regulatory Commission (PRC) by establishing a permanent authorization of payments out of the Postal Service Fund, which under current law receives annual appropriations. CBO estimates that the provision would increase off-budget direct spending by about \$208 million

over the 2021-2031 period. The bill also would impose various reporting and operational requirements on USPS and the PRC. CBO estimates that meeting those requirements would cost about \$11 million over the 2021-2031 period. Taken together, the operational changes in the bill would increase off-budget direct spending by \$219 million over the period.

CBO estimates that costs to USPS and receipts from reimbursements would be fully offset over the 2021-2031 period; thus, off-budget direct spending would net to zero over that period. As a result, CBO expects that increases to direct spending over the period would be offset by spending cuts of \$552 million in 2031, the year that CBO estimates the Postal Service Fund will exhaust its borrowing authority and reserves.

Finally, the bill would authorize USPS to charge fees to provide services to federal agencies and to state, local, and tribal governments. That program might increase USPS revenues, but it also would add to costs. CBO does not have enough information to estimate the costs of such new ventures.

Changes in Spending Subject to Appropriation

CBO expects that under H.R. 3076, spending for the FEHB program would increase initially but decline over the 2021-2031 period. Federal agencies contribute a share of enrollees' health insurance premiums out of their annual appropriations; such spending is recorded as discretionary. CBO estimates that on-budget federal spending for non-USPS workers and their dependents would decrease by \$51 million over the period. Such spending would be subject to appropriation.

Under H.R. 3076, the PRC's operating expenses would be funded from the Postal Service Fund without further appropriation. Assuming appropriation action consistent with that new funding structure, CBO estimates that the bill would reduce discretionary spending by \$90 million over the 2021-2026 period. Additionally, the bill would merge the PRC's Office of the Inspector General with the USPS Office of Inspector General. CBO expects that provision would not significantly change spending subject to appropriation.

Uncertainty

Under H.R. 3076, the budgetary effects of the changes to health programs would depend on the number of postal workers and annuitants who chose to enroll in PSHB plans and how many chose to enroll in Medicare. If their decisions differed from those CBO has assumed, the bill's budgetary effects could be different as well. Additionally, it is unclear how some

policies in the bill would be implemented. For this estimate, CBO assumed that the new PSHB program would become available in 2024 and that FEHB and PSHB premiums would be based only on those programs' enrollees. Finally, CBO assumed that the agencies would enroll people in Medicare only if they met Medicare's eligibility requirements under current law. If agencies implemented H.R. 3076 in ways that differ from CBO's assumptions, the bill could have different budgetary effects.

Mandates

CBO has determined that H.R. 3076 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

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Estimated Budgetary Effects

	By Fiscal Year, Millions of Dollars											2021- 2026	2021- 2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Changes in Direct Spending													
TITLE I—Postal Service Financial Reforms^a													
Medicare (On-budget)													
Part B Outlays (Net of Part B premiums)	0	0	0	85	135	174	222	281	350	429	517	394	2,194
Part D Outlays	0	0	0	215	339	376	415	493	457	543	591	929	3,428
Postal Service Health Benefits													
Payments for premiums for USPS employees (Off-budget)	0	0	0	-195	-221	-251	-284	-321	-361	-404	-448	-666	-2,484
Payments for premiums for USPS annuitants from PSRHBF (On-budget)	0	0	0	-109	-146	-191	-244	-307	-380	-464	-558	-446	-2,400
Federal Share of USPS annuitant premium payments (On-budget)	0	0	0	-12	-13	-14	-14	-13	-11	-8	-2	-39	-87
USPS Payments to PSRHBF													
On-budget offsetting receipts	0	0	0	0	-109	-228	-356	-496	-518	-541	-569	-337	-2,817
Off-budget outlays	0	0	0	0	109	228	356	496	518	541	569	337	2,817
Federal Employees Health Benefits Program													
Payments for premiums for non-USPS annuitants (On-budget)	0	0	0	117	127	84	38	-14	-72	-135	-205	328	-61
Title II—Postal Service Operational Reforms													
Postal Service Regulatory Commission (Off-budget)	0	18	18	19	20	20	21	22	23	23	24	95	208
Other Costs (Off-budget)	0	2	1	1	1	1	1	1	1	1	1	6	11
Operational changes to maintain Postal Service Fund balance (Off-budget)	0	0	0	0	0	0	0	0	0	0	-552	0	-552
Total Changes in Direct Spending	0	20	19	120	243	199	154	142	6	-14	-632	601	257
<i>Estimated On-Budget Direct Spending</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>295</i>	<i>333</i>	<i>202</i>	<i>60</i>	<i>-56</i>	<i>-175</i>	<i>-176</i>	<i>-226</i>	<i>830</i>	<i>257</i>
<i>Estimated Off-Budget Direct Spending</i>	<i>0</i>	<i>20</i>	<i>19</i>	<i>-175</i>	<i>-91</i>	<i>-2</i>	<i>94</i>	<i>198</i>	<i>181</i>	<i>161</i>	<i>-406</i>	<i>-229</i>	<i>*</i>
Changes in Spending Subject to Appropriation													
FEHB payments for premiums for non-USPS employees (on-budget)													
Estimated Authorization	0	0	0	144	156	103	46	-17	-85	-159	-239	403	-51
Estimated Outlays	0	0	0	144	156	103	46	-17	-85	-159	-239	403	-51
Postal Service Regulatory Commission (Off-budget)													
Estimated Authorization	0	-18	-18	-19	-20	-20	-21	-22	-23	-23	-24	-95	-208
Estimated Outlays	0	-18	-18	-19	-20	-20	-21	-22	-23	-23	-24	-95	-208
Total Changes													
Estimated Authorization	0	-18	-18	125	136	83	25	-39	-108	-182	-263	308	-259
Estimated Outlays	0	-18	-18	125	136	83	25	-39	-108	-182	-263	308	-259

Components may not sum to totals because of rounding; estimated budget authority equals outlays; * = between zero to \$500,000.

Estimates relative to CBO's July 2021 baseline.

FEHB = Federal Employees Health Benefits; PSRHBF = Postal Service Retiree Health Benefits Fund; USPS = Postal Service.

a. For several provisions in H.R. 3076 it is unclear how agencies would implement policies. For this estimate, CBO assumed that changes to federal health care programs would take effect on January 1, 2024. CBO assumed standard risk-pooling methodologies and current-law Medicare entitlement and eligibility criteria. If agencies implemented the legislation in another way, effects on federal spending could differ from those shown here.