CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

February 28, 2022

Honorable Rick Scott
United States Senate
Washington, DC 20510

Re: *Additional Information Concerning the Budgetary Effects of H.R. 3076, the Postal Service Reform Act of 2022*

Dear Senator:

This letter addresses several questions you posed concerning the Congressional Budget Office's assessment of the budgetary effects of H.R. 3076, which CBO transmitted on February 4, 2022.[1]

What are the budgetary effects and costs to the Medicare program of H.R. 3076 over the next 20 years?

CBO's estimate for H.R. 3076 was made relative to its July 2021 baseline budgetary projections, which cover the 2022-2031 period. CBO estimated that the bill would decrease on-budget direct spending by $73 million and increase total spending under Medicare by $5.5 billion over that period. Because baseline projections do not extend beyond the 2022-2031 period, CBO cannot provide point estimates for years after 2031. However, CBO's cost estimates generally include information about whether a piece of legislation would raise on-budget deficits over the long term: CBO estimates that enacting H.R. 3076 would increase on-budget deficits by $5 billion or more in at least one of the four 10-year periods beginning in 2032. We have not determined whether that threshold would be reached during the decade 2032 to 2041.

Under the legislation, most new annuitants retiring from the Postal Service (USPS) would be required to enroll in Medicare Part B (Medical Insurance) to receive benefits under the newly created Postal Service Health Benefits

1. See Congressional Budget Office, estimated budgetary effects of Rules Committee Print 117-32 for H.R. 3076, the Postal Service Reform Act of 2022 (February 4, 2022), www.cbo.gov/publication/57821.

(PSHB) program; most current annuitants and some active employees would be exempt from the requirement to enroll in Part B.

Because of the bill's requirements, CBO expects that in the decades after 2031, a growing percentage of USPS annuitants would enroll in Part B. If an annuitant enrolled both in Part B and in a PSHB plan, Medicare would be the primary payer for covered Part B services, and the PSHB plan would cover some of that enrollee's cost-sharing requirements. Medicare's spending on Part B benefits and USPS's spending on cost sharing for those benefits would increase as more annuitants enrolled in Part B. Because Medicare spending is classified as on-budget, the anticipated gradual increase in Part B enrollment would increase on-budget deficits.

H.R. 3076 also would require the Postal Service to make certain payments for annuitants' health benefits. The extent to which USPS continues to make those contributions after 2031, and how they would be recorded in the budget, would affect on-budget deficits. CBO projects that by 2031, under current law, USPS will exhaust its borrowing authority and reserves and that the Postal Service Retiree Health Benefit Fund (PSRHBF) will be exhausted as well. From that point forward, it is unclear how USPS would decide to finance its ongoing obligations—including those for annuitants' health benefits—and whether those obligations would be financed from the Postal Service Fund or from the PSRHBF. In the past, USPS has elected not to make required payments to the PSRHBF.

USPS cash flows are recorded in the Postal Service Fund and classified as off-budget; PSRHBF cash flows are classified as on-budget. Although CBO expects that payments for annuitants' health benefits will continue after 2031, CBO cannot anticipate whether those payments will be classified as on- or off-budget. In either case, however, CBO estimates that the legislation would increase the on-budget deficit by $5 billion or more in at least one of the four decades beginning in 2032.

What is the effect of the legislation on the Medicare Hospital Insurance Trust Fund?

Most people age 65 or older are entitled to benefits under Medicare Part A (Hospital Insurance) if they have worked and paid Medicare taxes for an adequate number of quarters; nearly all Medicare-eligible USPS annuitants are already covered. Because entitlement to Part A is related primarily to a person's age and employment history, CBO estimates that the legislation's Medicare requirements would not increase the number of people receiving benefits under Part A; therefore, the agency estimates that H.R. 3076 would not result in additional spending from the Hospital Insurance Trust Fund.

What is the effect on Medicare premiums in Part B and Part D?

CBO has not done a complete analysis to determine whether there would be an effect on the monthly Part B premium, but our preliminary analysis suggests that the legislation is unlikely to have an effect. CBO does not expect that Part D (Drug Coverage) premiums would change under H.R. 3076.

Monthly premiums for Part B are set by the Secretary of Health and Human Services to finance one-quarter of the expected average monthly Part B spending for all enrollees age 65 or over, rounded to the nearest multiple of 10 cents. To cause a change under H.R. 3076, the group of new enrollees would need to be large enough and their health care costs would need to be sufficiently different from current averages to affect that average.

CBO projects that under current law, Part B enrollment will increase from 64 million people in 2025—the year that H.R. 3076 would begin requiring certain USPS annuitants to enroll in Part B—to 73 million in 2031. CBO estimates that under the legislation enrollment in Part B would increase by between 13,000 and 40,000 people over that same period, or less than 0.1 percent of the program's total enrollment. It is unlikely that an increase of that magnitude would affect the monthly Part B premium.

H.R. 3076 would require PSHB plans to deliver prescription drug benefits using an Employer Group Waiver Plan under Medicare Part D. Part D premiums are based on the national average monthly bid amount, as calculated by the Centers for Medicare & Medicaid Services using information from applicable plan bids. Because Employer Group Waiver Plans are excluded from that calculation, CBO estimates that the legislation's requirements would not affect Part D premiums.

I hope this information is helpful to you. If you have any questions, please contact me.

Sincerely,

Phillip L. Swagel
Director

cc:

Honorable Ron Wyden
Chairman
Senate Committee on Finance

Honorable Mike Crapo
Ranking Member

Honorable Gary Peters
Chairman
Senate Committee on Homeland Security and Governmental Affairs

Honorable Rob Portman
Ranking Member

Honorable Bernie Sanders
Chairman
Senate Committee on the Budget

Honorable Lindsey Graham
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Honorable Cathy McMorris Rodgers
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Honorable James Comer
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House Committee on Ways and Means

Honorable Kevin Brady
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Honorable John Yarmuth
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Honorable Jason Smith
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