



Leadership Council of Aging Organizations

Barbara B. Kennelly, Chair

April 13, 2011

United States Senate
Washington, DC 20510

Dear Senator:

The undersigned members of the Leadership Council of Aging Organizations (LCAO) are opposed to the House Budget Resolution for Fiscal Year 2012 that was passed by the House Budget Committee on April 6, 2011. This Budget Resolution does nothing to address the underlying cause of increasing health care costs, but it would privatize the Medicare program and shift significant costs to beneficiaries, as well as block grant the Medicaid program and shift even more costs onto consumers and the states. The cuts to Medicaid and other programs that provide essential services for low-income and frail vulnerable people total about \$2.9 trillion over 10 years, at least two-thirds of the proposed cuts. The Budget Resolution also establishes a new trigger mechanism that would force the development of proposals to cut Social Security benefits and then expedite them through the Congress by using "fast track" legislative procedure. We urge you to oppose proposals that privatize Medicare and dramatically increase costs to seniors, drastically cut and block grant Medicaid, repeal the Affordable Care Act and decimate discretionary programs for seniors in need of help to make ends meet. Of particular concern are the following provisions in the House Budget Resolution:

Privatizing Medicare and Shifting Enormous Costs to Beneficiaries

The budget resolution would eliminate the current Medicare program and replace it with a defined contribution, "premium support" or "voucher" program that would significantly raise health care costs for people with Medicare and reduce the current guaranteed benefit package. Such systems provide a capped payment that Medicare consumers would use to purchase insurance from private insurance companies. But the amount of the voucher would not reflect the growth in health care costs overall, leaving Medicare consumers vastly underinsured. The Congressional Budget Office (CBO) found that, instead of covering three-quarters of seniors' health care expenses as it does today, Medicare would eventually cover only one-third of expenses. Seniors would pay two-thirds of the costs out-of-pocket. People with Medicare are unable to shoulder the burden of a deficit crisis they did not create. In 2010, half of Medicare consumers' household incomes were below \$20,000, and the situation is not projected to improve substantially for future Medicare consumers. According to recent analysis, half of the next generation of Medicare consumers will have incomes below \$26,400.

Block Granting Medicaid and Dramatically Reducing Federal Medicaid Funding

Though it is not often recognized, Medicaid plays an essential role in providing care and financial stability to older Americans and their families. The proposed Budget Resolution would transform Medicaid into a block grant program and cut federal funding by \$1.4 trillion over ten years. According to CBO, the proposal would cut Medicaid by 35 percent in 2022 and 49 percent in 2030.

Older adults and people with disabilities account for two-thirds of all Medicaid spending, and Medicaid pays for about 62 percent of long-term services and supports in the nation. There are limited financing options currently available to pay for long-term services and supports, and many of these individuals have already exhausted all of their own resources before turning to the joint federal-state Medicaid program as a last resort to help meet their long-term care needs. At this point, Medicaid becomes a lifeline for these individuals -- providing either nursing home care or the services they need to stay in their homes and out of institutions. Every individual is one health care event away from needing long-term services and supports. Under this budget proposal, individuals would have to pay more and receive less coverage and fewer services.

Rolling Back Domestic Discretionary Funding for Programs to Benefit Older Adults The Budget Resolution proposes to roll back domestic discretionary funding to 2008 levels, erasing all the recent investments made in programs that have been historically underfunded given the demand and the exponential growth in the senior population that has just begun. Over the next 10 years, \$1.6 trillion in cuts will seriously undermine Older Americans Act programs, Section 202 senior housing, energy assistance, senior transportation services, job training and placement opportunities, nutrition assistance and health care for older adults and their families.

Raising the Age of Eligibility for Medicare

The budget resolution proposes to increase the age of Medicare eligibility from 65 to 67 by 2033. According to the Kaiser Family Foundation, raising the age of Medicare eligibility shifts costs to consumers and private employers who would have to pay higher premiums due to the introduction of a comparatively higher cost population into non-Medicare insurance risk pools. Because the Budget Resolution also repeals provisions of the Affordable Care Act that extend coverage to people without insurance, it is likely that people who no longer qualify for Medicare at age 65 would be uninsured.

Repealing the Affordable Care Act

The House Budget Resolution repeals the Affordable Care Act (ACA), which reduced the rate of growth in Medicare per capita spending by half (from 4 percent to 2 percent) without shifting greater costs to consumers, and would increase the life of the Medicare trust fund by 12 additional years. Repealing the ACA would reopen the prescription drug coverage gap, and eliminate a wide range of Medicare and Medicaid improvements for seniors.

Turning the Supplemental Nutrition Assistance Program ("SNAP") into a Block Grant and Imposing a Work Requirement

SNAP plays a vital role in feeding millions of hungry Americans, including two and half million older Americans. Block granting the program or imposing work requirements as the House Budget Resolution assumes would make this program less responsive in future downturns, and without clear work requirement exemptions for the elderly and disabled would stop these individuals from receiving assistance. For most 65+ recipients, it would not be feasible to return to work.

Imposing a Work Requirement for Section 8 Rental Assistance

With more than 50 percent of all federally-assisted housing units having at least one resident over age 62 or with disabilities, it is not clear how work requirements would apply to these individuals. We oppose denying rental assistance to those who are unable to work.

Changing Procedures for Considering Social Security Legislation

Although the House Budget Resolution proposes no direct changes to Social Security, it includes procedural changes for the consideration of Social Security legislation that can be interpreted as laying the groundwork for future benefit reductions.

LCAO strongly opposes the proposed "trigger mechanism" that is released in any year when the Social Security trustees project an actuarial deficit in the trust fund over the 75-year outlook period. The trustees would be required to develop proposals to remedy the deficit and make recommendations to the President, who would submit legislation to Congress by December 1 of that year. The House and Senate would then consider the legislation under an expedited, or fast track, procedure. Using fast track procedures for consideration of potentially hostile Social Security legislation is unprecedented in the history of budget resolutions. Too many people depend on Social Security to let its future be determined by shorts cuts in the legislative process.

The Leadership Council of Aging Organizations urges you to oppose the House Budget Resolution for Fiscal Year 2012 because of the drastic changes it would make to programs of importance to older Americans today and in the future. These changes would shift health care costs to the elderly and decrease the availability of much-needed services. We recognize the need to make responsible decisions about reducing the deficit, and we are eager to work with you to find smarter, more efficient ways to respond to budgetary problems.

Sincerely,

AFL-CIO
AFSCME Retirees
Alliance for Aging Research
Alliance for Retired Americans
Alzheimer's Foundation of America
American Federation of Teachers
American Public Health Association
American Society of Consultant Pharmacists

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Catholic Health Association of the United States
Center for Medicare Advocacy
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Families USA
International Union, United Auto Workers (UAW)
LeadingAge
Medicare Rights Center
National Academy of Elder Law Attorneys
National Alliance for Caregiving
National Association of Area Agencies on Aging
National Association of Nutrition and Aging Services Programs (NANASP)
National Association of Professional Geriatric Care Managers
National Association of State Long-Term Care Ombudsman Programs
National Caucus and Center on Black Aged, Inc.
National Committee to Preserve Social Security and Medicare
The National Consumer Voice for Quality Long-Term Care
National Council On Aging
National Hispanic Council on Aging (NHCOA)
National Senior Citizens Law Center
National Senior Corps Association
OWL – The Voice of Midlife and Older Women
PHI – Quality Care through Quality Jobs
Service Employees International Union
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Wider Opportunities for Women
Women’s Institute for a Secure Retirement