



William (Larry) Minnix, Jr., Chair

April 26, 2012
United States House of Representatives
Washington, DC 20515

Dear Representative:

The Leadership Council of Aging Organizations (LCAO), a broad-based coalition of national non-profit organizations that represent over 60 million older adults, opposes the House Budget Resolution for Fiscal Year 2013, H. Con. Res. 112, which was passed by the U.S. House of Representatives on March 29, 2012. LCAO does not believe that the House Budget Resolution should be used as a model for future budgets nor as a framework for future discussions about deficit reduction and systematic reforms.

This Budget Resolution does nothing to address the underlying cause of increasing health care costs, but it would largely privatize the Medicare program and significantly increase 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 older adults and others amounts to over \$3 trillion, about 62 percent of the Resolution's proposed cuts.

The Budget Resolution also proposes 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, cut and block grant Medicaid, repeal the Affordable Care Act and decimate discretionary programs for seniors in need of help to make ends meet and to remain as independent as possible in their homes and communities.

Of particular concern are the following provisions in the House Budget Resolution:

Converting Medicare into a Voucher Program and Shifting Enormous Costs to Beneficiaries

Beginning in 2023, the Budget Resolution would lead to the elimination of 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 people with Medicare would use to purchase insurance from private insurance companies or Original Medicare. However, due to an artificial cap on Medicare spending that is set lower than the growth rate of costs in the health care sector overall, it is likely that over time the value of the voucher would decrease, leaving Medicare beneficiaries vastly underinsured and with access to fewer health care providers. People with Medicare are unable to shoulder the burden of a deficit crisis they did not create. Half of people with Medicare have incomes below \$22,000, and the situation is not projected to improve substantially for future Medicare consumers. In addition, Medicare households already spend on average 15 percent of their incomes on health care costs, three times as much as the non-Medicare population.

In addition, though the House Budget Resolution includes Original Medicare as an option for purchase, it is unlikely it would remain a sustainable choice. Private Medicare plans are likely to attract healthier beneficiaries (as is currently the case), while those in poorer health would remain in Original Medicare. As a result, Original Medicare would cover high numbers of sicker individuals in need of more expensive care, meaning beneficiaries who chose original Medicare would face higher out of pocket costs, and the option would become less financially viable over time. Furthermore, these changes would also affect current Medicare beneficiaries. As fewer younger and healthier beneficiaries enrolled in original Medicare and the number of people over which costs were spread declined, costs and premiums for beneficiaries already enrolled in Original Medicare when these changes took place would begin to rise.

Block Granting Medicaid and Dramatically Reducing Federal Medicaid Funding

Though it is not often recognized, Medicaid plays an essential role in providing health care, long-term services and supports and economic security for older Americans and their families. The proposed Budget Resolution would transform Medicaid into a block grant program and cut federal funding by over \$800 billion over ten years. A block grant would be likely to eliminate vital quality of care protections for nursing home residents, including annual inspections to ensure that Medicare and Medicaid standards are met.

The program also pays Medicare premiums for almost 5 million beneficiaries who cannot afford them. A block grant could also jeopardize preventing unaffordable cost sharing and prohibit forcing children to pay for their parent's long-term care.

Older adults and people with disabilities with Medicare account for over one-third 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. Under this budget proposal, many so-called "optional" Medicaid services, such as vital home- and community-based long-term services and supports which help older adults and people with disabilities live with dignity in their homes and communities, would have to be cut due to lack of funding. Further, Medicaid is the primary source of funding for over 3.2 million direct-care worker jobs in the U.S. Congressional Budget Office (CBO) notes "even with significant efficiency gains, the magnitude of the reduction in spending ... means that states would need to increase their spending on these programs, make considerable cutbacks in them, or both. Cutbacks might involve reduced eligibility for Medicaid and the Children's Health Insurance Program (CHIP), coverage of fewer services, lower payments to providers, or increased cost-sharing by beneficiaries—all of which would reduce access to care."

Rolling Back Domestic Discretionary Funding for Programs to Benefit Older Adults Not only does the Budget Resolution propose to roll back domestic discretionary funding to 2008 levels, but it abandons the austere spending caps Congress *already agreed to* last summer in favor of even deeper cuts. In an effort to reduce the deficit, Congress promised to cap Fiscal Year 2013 discretionary spending at \$1.047 trillion. The Budget Resolution ignores the months of negotiations that established the cap in favor of an additional \$20 billion cut. The cuts proposed under the Budget Resolution are so stark that in 10 years, funding for non-defense discretionary spending would shrink by \$800 billion **more than if sequestration takes effect**. Cuts of this magnitude will essentially eradicate the long-term social services and supports system that older adults rely on at home and in the community. Valuable services, such as those provided under the Older Americans Act and senior volunteer programs administered by the Corporation for National and Community Service, would be ill-equipped to protect older adults against hunger, isolation, ill health, neglect, abuse, and unemployment under this Budget Resolution.

LCAO also opposes the proposed repeal of the Social Services Block Grant (SSBG). Despite years of static funding, SSBG continues to be vital to the aging network, as over one third of SSBG funds provide services to older adults, including home-based services, protections against abuse, neglect, nutrition service and adult day care transportation.

Raising the Age of Eligibility for Medicare

The Budget Resolution proposes to gradually increase the age of Medicare eligibility from 65 to 67 beginning in 2023. 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). The ACA increases the life of the Medicare trust fund by 8 additional years without shifting greater costs to consumers. Repealing the ACA would reopen the prescription drug coverage gap, reinstate cost-sharing for life saving preventive services and eliminate a wide range of Medicare and Medicaid improvements for seniors including programs that allow people to receive care at home and in their communities.

Many Seniors Would Lose Their Housing

HUD affordable housing programs, which seniors rely on disproportionately, suffered severe cuts in Fiscal Year 2011 and Fiscal Year 2012. Congress eliminated funding for new development of Section 202 Supportive Housing for the Elderly despite the increase in homelessness among the senior population. Section 202 properties with project-based Section 8 contracts are facing short-funding of contracts inhibiting their ability to address operational needs such as routine maintenance and repair, and property upgrades to increase efficiency.

The Fiscal Year 2013 House budget would go far beyond agreed upon cuts and further balance the budget on the backs of the poorest and most vulnerable. On March 21, HUD Secretary Shaun Donovan estimated that the House Budget proposal to impose an additional 22 percent cut to discretionary programs would result in approximately one million households at risk of losing their housing including 585,000 from Housing Choice Voucher Program, 425,000 from Project-Based Voucher Program, and 110,000 to 180,000 from homeless assistance programs. Seniors rely heavily on all of these programs. Secretary Donovan also estimated tens of thousands of new affordable housing units would not be built and 17,000 jobs would be lost due to Community Development Block Grant (CDBG) and HOME Investment Partnerships Program cuts.

Turning the Supplemental Nutrition Assistance Program ("SNAP") into a Block Grant

SNAP plays a vital role in feeding millions of hungry Americans, including 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. The proposed \$133 billion cut in the SNAP program would also greatly affect older adult SNAP beneficiaries who rely on this program to help meet their nutritional needs.

Changing Procedures for Considering Social Security Legislation

Although the House Budget Resolution proposes no direct changes to Social Security, it proposes 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 activated 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 controversial Social Security legislation is unprecedented in the recent history of budget resolutions. Too many people depend on Social Security to let its future be determined by shorts cuts in the legislative process.

Again, the LCAO voices its grave concerns about the House Budget Resolution for Fiscal Year 2013 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 (including increasing revenues) to respond to budgetary problems in a more balanced manner.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. Minnix, Jr.", written in a cursive style.

William L. Minnix, Jr.
President and CEO
Chair, LCAO