

LEADERSHIP COUNCIL  
*of*  
AGING ORGANIZATIONS

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February 3, 2005

The Honorable George W. Bush  
The White House  
Washington, D.C. 20500

Dear President Bush:

On behalf of the members of the Leadership Council of Aging Organizations (LCAO), we wish you well as you begin your second term. Given that you campaigned on issues critical to older Americans, we write to share our goals and concerns with respect to budget policy.

Views reflected in the attached document should not be considered exhaustive of the interests of LCAO members, collectively or individually. Rather, while the individual interests of LCAO members go well beyond those set forth in these pages, the effort herein represents the common ground among our nearly four-dozen member national organizations and the more than 40 million senior citizens whose interests we represent.

Of principal concern to LCAO members are plans affecting Social Security and Medicaid. LCAO strongly opposes replacing any part of Social Security with individual accounts and considers such a move a threat to the program's long-term solvency. We also oppose any attempt to end the guarantee of Medicaid for eligible individuals by cutting program funding, or capping, or block granting the program.

We have a golden opportunity to prepare now for the enormous number of baby boomers who will need economic, health, and long-term care protection as they age. Toward accomplishing these mutual goals, the LCAO requests and hopes that you will consider the recommendations to follow on health care, Social Security, Older Americans Act, and housing proposals and funding levels for these critical programs.

With a growing senior population, we offer these suggestions for a plan which will answer the human needs of our population and tap the talents of our senior population as a resource for the nation. We count among our membership organizations which serve seniors, advocate for their interests, and put their talents to use for communities across the country. While we count among our members millions of Americans, our interests are those of the entire nation.

We look forward to the opportunity to work with you to achieve shared goals.

Sincerely,

*Dan Adcock*

Dan Adcock  
LCAO Budget Committee  
Co-Chairman

*Alan Lopatin*

Alan Lopatin  
LCAO Budget Committee  
Co-Chairman

## COMMUNITY SERVICES

### Older Americans Act (OAA) (Function 500)

**LCAO Position:** The LCAO supports an increase to at least \$2.1 billion in FY 2006 for all OAA programs to account for inflation and address the growing senior population and demand for services. This represents an increase of at least 10 percent for all titles of the Older Americans Act, which fund critical programs and services for older adults, including congregate and home delivered meals, senior centers, home and community-based care, Long-Term Care Ombudsmen, community service employment, legal services, services for Native Americans and Native Hawaiians, research and training, and the new family caregiver support service program.

An increasing number of Americans have a range of needs and require assistance with activities of daily living. Currently more than 7 million Americans are the primary caregivers for family members with long-term care needs. By expanding existing services for caregivers that include respite, counseling, training and adult day care, the nation acknowledges the substantial contribution of family caregivers.

Higher funding levels are needed to adequately address the needs of vulnerable and at-risk older people, in particular the nearly 10 million older persons, mostly women, who live alone. Older Americans Act programs enhance the ability of older Americans to remain independent in their homes and communities as long as possible, avoiding premature institutionalization.

These funds, and the services they make possible, are expanded by leveraging state and local government funding, as well as private sector, foundation, participant and volunteer contributions. Yet, over the last several years many of these programs have been flat funded, or have received moderate increases that have not kept pace with inflation or need. Slight increases in funding over the past two years have been almost entirely offset by congressionally mandated across-the-board spending cuts. Inadequate funding, coupled with a growing population of individuals eligible for services, has resulted in waiting lists for many supportive services.

## **Social Services Block Grant (SSBG) (Function 500)**

The LCAO supports FY 2006 SSBG funding of at least \$2.8 billion, reflecting the authorization level of SSBG before the Transportation Equity Act of the 21<sup>st</sup> Century (TEA 21) reduced the authorization level. The committee also supports the preservation of state ability to transfer 10 percent of TANF funds into SSBG.

These funds provide a wide array of community-based programs and services to older adults and to people with disabilities, children and families. Programs most frequently supported by SSBG for older adults include home care, protective services to prevent neglect and abuse, congregate and home-delivered meals, adult day care, and transportation. Since its inception in 1975, communities nationwide have depended on the flexibility of SSBG funds to address service gaps and to support independent living of older adults. Without an adequate level of funding, critically needed services will have to be cut back for seniors who are in greatest economic and social need.

## **Senior Volunteer Programs (Function 500)**

The LCAO appreciates your past support for increasing funding for the National Senior Service Corps and supports a FY 2006 funding level of \$239 million, which represents approximately a 10 percent increase over FY 2005 funding levels. LCAO supports increasing funding for the Retired and Senior Volunteer Program (RSVP) to \$65 million; the Senior Companion Program (SCP) to \$51 million and the Foster Grandparent Program (FGP) to \$123 million in fiscal year 2006. LCAO supports providing \$20 million for a new Silver Scholarship Program to award seniors working in both mentorship activities and long-term care activities a \$1000 transferable education award which could be used by their children and grandchildren in exchange for a significant contribution of time -- at least 500 hours per year in volunteer activity.

## **Low Income Home Energy Assistance Program (LIHEAP) (Function 600)**

The LCAO supports a level of funding for LIHEAP that ensures that all vulnerable low-income seniors get the help they need to pay their energy bills. LIHEAP funding should take into consideration the current or expected market conditions for fuel, and provide some certainty that the money will be available to those in need. Increases in fuel prices in recent years have put an enormous burden on those that are on the margin, and LIHEAP funding, whether it is through the

regular authorization or through emergency contingency fund should be adequate to help low-income families.

### **Medicaid Eligibility for Home and Community-based Services (Function 550)**

The LCAO supports efforts to address the institutional bias in Medicaid by expanding states' flexibility to provide home and community-based services through the Medicaid program. Older people and adults with disabilities overwhelmingly prefer to remain in their own home and should be able to choose to receive services and supports in the least restrictive setting appropriate for their needs. Home and community-based services enable older people and adults with disabilities to maintain their ties to family and community and are often more cost effective than institutional care. We support home and community-based services that respond to consumers' preferences as well as their needs, and believe such services should be more widely available to the Medicaid population.

### **Section 202 Supportive Housing for the Elderly Program, Service Coordinator Program (Function 370)**

The LCAO supports the funding of Section 202 Housing for the Elderly and related programs at a level of \$760 million for FY 2006 for development and project rental assistance contracts. The LCAO supports an additional \$250 million for preservation needs including rehabilitation, modernization, and retrofitting of elderly housing facilities. LCAO also supports funding at least at current levels for the conversion of existing Section 202 housing stock to assisted living facilities and an appropriation of \$75 million to support the service coordinator and congregate service programs (an increase from the FY 2005 level of \$50 million). Finally, the LCAO supports expansion of the Section 811 Housing Options for Persons with Disabilities program.

### **Issue: Legal Services Corporation (LSC) (Function 750)**

The LCAO supports the work of the Legal Services Corporation and its services to low-income older Americans. The LCAO supports an appropriation of not less than \$400 million for the LSC for FY 2006.

### **Issue: Transportation Services (Function 400)**

The LCAO supports significant increases in the appropriation levels for Section 5310 - Elderly and Disabled Transportation (to \$155 million) and Section 5311 -

Rural Transportation (to \$410 million) in FY 2006 under the Federal Transit Act. These programs are underfunded and need to grow.

## **INCOME SECURITY**

### **Social Security Solvency (Function 650)**

The LCAO strongly opposes replacing any part of Social Security with individual accounts. We urge the administration to move away from its' support for individual accounts funded with Social Security dollars and to work with stakeholder groups to develop equitable and responsible options to ensure Social Security's continued long-term solvency.

Social Security is a fundamentally sound program. The shortfall that the program is projected to face after 2042, can be corrected with responsible changes in revenue sources and/or benefits. Drastic changes such as diverting payroll taxes into personal retirement accounts, as President Bush suggests would significantly worsen the system's long-term financing, expose Social Security benefits to unnecessary risks, and diminish Social Security's role as the guaranteed, life-long, inflation proof foundation of retirement security.

Not only are carve-outs harmful to Social Security, they are fiscally irresponsible, as well. Given the large and sustained budget deficits predicted over the next decade, diverting Social Security revenues into individual accounts while continuing to pay benefits would require either incurring significant amounts of new government debt or major spending cuts in the rest of the budget. The American people deserve to know where the money to fund these accounts will be found.

### **Social Security Administrative Budget**

The Social Security Administration directly serves 47 million beneficiaries each year. In addition, it comes in contact with countless other Americans who are applying for benefits, asking questions on behalf of family members or seeking other information and services.

Given that enormous responsibility, and the ongoing need to eliminate the continuing backlog of disability cases, it is critical that SSA be provided with resources adequate to meet its administrative needs. The members of the LCAO

urge you to fully fund Commissioner Barnhart's request for SSA's administrative budget.

### **Pensions and Retirement Savings (Function 600)**

While the LCAO supports the creation of public policies to extend pension coverage and retirement savings opportunities, we believe that given the scarcity of budget resources and the bleak budgetary outlook, those opportunities should be carefully targeted towards the millions of Americans who do not have pensions or the ability to take advantage of current retirement savings options. In particular, priority should be given to addressing the needs of lower and moderate income and part-time workers, rather than creating new tax-preferred savings vehicles for more affluent Americans.

The members of the LCAO are particularly concerned about the reintroduction of the Retirement Savings Accounts, Employer Retirement Savings Accounts, and Lifetime Savings Accounts proposed in the FY 2004 budget. Rather than creating new savings, they would likely result in the transfer of existing savings and enable wealthy individuals to shelter large amounts of personal savings. They could also destroy some of the incentives for businesses to establish and maintain retirement savings plans.

The LCAO also urges you to encourage the Treasury Department to develop regulations that provide older and long-term employees with adequate safeguards and give workers the option of having their benefits calculated under the old system when their employers convert their pension plans to cash balance plans.

### **Supplemental Security Income (Function 600)**

The Supplemental Security Income (SSI) program provides basic safety net protection to 6.6 million needy aged, blind and disabled adults and children. Improvements to the program are greatly needed and should include: increasing the federal benefit standard to at least the poverty level; modernizing the administration of the program to better reach eligible seniors; increasing the indexing and resource limits; ending the policy of counting in-kind support and maintenance as income; and other reforms.

The LCAO strongly supports increased funding for SSA to modernize the program by enacting these reforms and allow it to better meet the needs of the poorest elderly and disabled individuals.

## HEALTH

### Medicaid (Function 550)

The LCAO believes it is a priority that Medicaid be maintained as an entitlement. Its budget should not be cut to finance other initiatives.

Medicaid is the essential safety net program for seniors and Medicare beneficiaries with disabilities living in our communities.

While we represent the aging community, Medicaid is a cross-generation program. Medicaid is the source of health care to about 25 million children who are the future of our nation, its economy and productivity. Medicaid's costs have been growing because health care costs have been growing and because traditional health insurance is becoming more and more unaffordable for Americans with low incomes. A person working full-time at minimum wage for a year would earn roughly the cost of a family health insurance policy — and still need to meet substantial deductibles and co-payments. The LCAO understand the concern of Federal and state budget officers over the growth of Medicaid costs. We ask you to consider that if it is difficult for these large volume purchasers to meet these health care bills, how can low-income individuals, acting alone, possibly manage?

Therefore, the LCAO urges the Administration to work with the States, providers, and consumers to find ways to help make the Medicaid program more efficient. From group buying, improved anti-fraud efforts, common billing codes and systems, to the sharing of 'best practices,' the Medicaid program can be made better. We support thoughtful efforts at improvement.

Just cutting the program, capping it, or 'block-granting' it at a lower funding level will not make the program better. Federal cuts will just shift costs to the states, many of which are bound by balanced budget amendments and have therefore been making multi-year cuts in the program. Federally-driven cuts will just shift more costs to the sickest and most vulnerable in our society, increase the number of uninsured (which the Institute of Medicine has shown increases the number of unnecessary and premature deaths), reduce the quality of care, and hurt the economies of State and local governments.



On the issue of quality of care, about 1.5 million Medicare beneficiaries are in nursing homes. These are preponderantly single or widowed women, over age 80, seventy percent of whom have some form of cognitive illness or memory loss. They are not able to live alone (even if they may still have a home). They tend to be very low income and cannot begin to afford the yearly cost of \$50,000 to \$70,000 for nursing home care. Medicaid pays for the cost of about 60 percent of those people. When nursing home payments are reduced and staffing is cut, quality suffers—bed sore incidence rises. Cutting, capping, or ending the Medicaid entitlement will be devastating and deadly to this kind of population.

### **Medicare (Function 570)**

The LCAO urge that you recommend to the Congress to take action to obtain cost savings in Medicare's payment for pharmaceuticals. Savings in this sector will slow the rate of inflation in Part D premiums, deductibles, co-pays, and the growth of the 'donut hole.' According to the Congressional Budget Office (CBO), the 'donut hole' is scheduled to rise from \$2,850 in 2006 to \$5066 in 2013. This type of drug inflation and deterioration in the value of the benefit is a major reason why many beneficiaries have been disappointed in the new law. Effective re-importation, negotiation of drug prices similar to the method used by the Department of Veterans' Affairs (VA), and consideration of therapeutic equivalence should all be considered by Congress as ways to save money in the new program. In the long run, it is essential that the public know which pharmaceuticals and medical devices and procedures work and which ones are not effective. We are pleased that the recent Omnibus Appropriations law includes \$15 million for clinical effectiveness studies in FY 2005. The law authorized \$50 million in FY 2004 and 'such sums as may be necessary' thereafter. The LCAO believes a much larger investment in this sector will pay off in long-term savings and better health care quality, and we urge a major increase in clinical effectiveness studies.

Under Title VIII of the MMA, seven years before 45 percent of total Medicare spending comes from general revenues, Congress is to be warned and in the sixth year before the 45 percent trigger is reached, Congress is supposed to consider legislation to keep this level from being reached. The trigger can only be avoided by cutting benefits, payments to providers, raising the eligibility age, or raising payroll taxes. It is likely that the seven year warning will occur in about 15 months, if not sooner. We believe that this title of the new law will be unworkable, cause nothing but confusion and fear. By the nature of modern medicine, Parts B and D of Medicare (which are funded largely by general revenue) will always grow faster

than Part A (funded largely by dedicated payroll taxes), and the 45 percent trigger will always be in danger of being exceeded. For these reasons, the LCAO urges you to suggest to Congress that they repeal this portion of Title VIII of the MMA.

If cuts in Medicare spending are required for other reasons, we urge that costs not be further shifted to beneficiaries. Medicare, even with the new drug benefit, only covers about 60 percent of total beneficiary medical costs: it provides little help for long term care and little or no help for vision, hearing, and other services.

According to CMS data, a 65 year old with average health will pay 37.2 percent of the average Social Security check in Medicare deductibles, co-pays, and premiums in 2006. By 2078, the cost of those out-of-pocket deductibles, co-pays, and premiums will equal an astounding 97 percent of the average Social Security check. Almost half of these increases are due to the high rate of prescription drug inflation and are a testament to the need to slow that inflation. These figures are also an overwhelming argument against Medicare cost cutting, in your FY 2006 budget, which further shifts costs to beneficiaries.

### **Medicare Premiums (Function 570)**

The LCAO urges you to recommend to Congress to adopt legislation which will protect Social Security income from being reduced by increases in the Part D premiums (similar to the protection available against Part B premium increases larger than Social Security COLA increases).

### **Beneficiary Counseling and Assistance (Function 550)**

We thank you and the Congress for the increase in funding for the State Health Insurance assistance and counseling Program (SHIP) to \$31.7 million in FY 2005. We believe that the experience with the start-up of the Medicare discount card, widespread health literacy problems, the inability of many older retirees to deal with internet and electronic forms of information, and the many new choices added to Medicare by the MMA will require the stable funding of an even larger amount for SHIPs, Area Agencies on Aging, state Medicaid counseling operations, and other forms of face-to-face, locally-based counseling services. The start-up of the new MMA prescription drug benefit in the fall and spring of 2005-2006 is likely to be particularly difficult, with a very limited time for enrollment of the nation's 6.4 million Medicare-Medicaid dual eligibles. It is essential that staffing of counseling and assistance offices be increased over the next 11 months. In the S. 1 version of the MMA, the Senate had originally proposed \$1 per beneficiary for SHIPs. We

urge that your FY 2006 budget increase the SHIP funding level to at least achieve that level of assistance per beneficiary.

### **Older Workers and Health Care: The Medicare Buy-in Option (Function 570)**

We are concerned about the deterioration of health insurance options available to older, pre-Medicare workers (the 55-64 population), and urge you to suggest to the Congress to permit these individuals to buy into Medicare at an appropriately adjusted premium.

## **TAX POLICY**

In September 2004, new Congressional Budget Office (CBO) figures showed that the total, on-budget federal deficit in 2003 was \$536 billion. The projected deficit for 2004 was \$574 billion, with average projected deficits in excess of one half trillion dollars each year through 2010.

The specter of these deficits leaves stark choices in view of the current needs of seniors and the baby boom retirement which will begin in 2008: suffer continuous cuts in vital programs, mortgage the future of the next generation, or close the deficits by enhancing the revenue stream. LCAO believes that the least painful and most fair choice is to close the deficit. This can best be accomplished by revisiting and selectively repealing several of the tax cuts adopted over the past four years. Additionally, new tax cuts that increase the deficit and are not targeted to those most in need should be rejected.

Finally, LCAO urges you to oppose proposals to tax the value of an employee or retiree's health insurance benefit as if it were income and to increase the taxation of Social Security benefits.

**The Leadership Council of Aging Organizations is a coalition of national non-profit organizations concerned with the well-being of America's older population and committed to representing their interests in the policy-making arena.**