



Leadership Council of Aging Organizations

James P. Firman, Chair

December 13, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

The Leadership Council of Aging Organizations (LCAO) is a coalition of 68 national nonprofit organizations concerned with the well-being of America's older population and committed to representing their interests in the policy-making arena.

As the budget process moves forward, we believe the nation can and should reduce the deficit over time through a balanced approach that includes budget savings from increases in revenue and thoughtful, targeted reductions in spending when and where necessary, without increasing poverty or income inequality. Any budget agreement should be developed with the overarching goal of building economic security for older Americans and their families, strengthening the middle class, and promoting job growth. Given our nation's significant fiscal challenges and difficult budget choices, a universal, across-the-board extension of the 2001 and 2003 tax cuts should be rejected. We particularly have very serious reservations about the affordability and fairness of extending tax cuts for the highest income individuals.

Medicare and Medicaid

We have grave concerns about the level and nature of Medicare and Medicaid cuts being considered as part of a deficit reduction agreement. The focus should be on reducing the rate of increase in federal health spending by addressing the systemic causes of health care inflation, not shifting costs onto consumers, jeopardizing access to needed care, or singling out Medicare and Medicaid. The essential structure and integrity of the programs must be maintained.

Medicare cuts being considered would be on top of the \$716 billion in spending reductions over 10 years enacted in 2010, and per person growth rates in Medicare spending have been consistently below those for private insurance. Shifting additional costs onto Medicare beneficiaries does not take into account three key facts: (1) The vast majority of beneficiaries have low or modest incomes; (2) the Medicare benefit package is NOT overly generous; and (3) Medicare beneficiaries already pay significant out-of-pocket costs. Half of all people with Medicare live on incomes of less than \$22,000 per year – just under 200% of the federal poverty level. Median out-of-pocket costs for individual Medicare beneficiaries as a share of income increased from about 12 percent in 1997 to an estimated 19 percent in 2011, and are projected to increase to 26 percent in 2020 under current law. On average, in 2010, Medicare households spent 15 percent of their incomes on health care, while non-Medicare households spent about 5 percent.

Medicaid is a critical program for millions of low-income seniors. It is the principal payer for seniors' long-term care, paying for 62 percent of spending. Medicaid also pays Medicare premiums for low-income beneficiaries, who otherwise would not be able to afford Medicare, through the Qualified Medicare Beneficiary (QMB) and Specified Low-Income Medicare Beneficiary (SLMB) programs. Assistance with cost sharing is also provided under the QMB program. Federal Medicaid cuts would jeopardize access to these essential services and supports for our nation's most vulnerable older Americans.

Social Security

We urge you to reject the proposal to use the Chained CPI for calculating the annual cost-of-living adjustment (COLA) used to adjust benefits paid to Social Security and Supplemental Security Income (SSI) beneficiaries, as well as to individuals who receive benefits from a broad array of other federal programs. As it is, the current method of calculating the annual COLA, the CPI-W, which is based on the expenditures of workers under age 62 is inadequate in that it fails to take into account the high share of spending devoted to health care by seniors and people with disabilities. The Chained CPI is based on the idea that if you have less money, you will spend less, which for most older people means lowering your standard of living. According to the Social Security Chief Actuary, benefits would be 0.3 of a percentage point less for each year that they are adjusted by use of the Chained CPI as compared to what they are under the current method and would reduce benefits for a typical 65 year old by about \$130 per year. Over time, this “technical change” would ultimately cut one full month’s income from a 92-year-old beneficiary’s annual Social Security benefits. The impact on the 8 million Americans receiving SSI benefits would be especially severe since the COLA in the SSI program is not applied to the individual’s benefit, but is applied to the method for calculating the benefit.

Switching to a “chained CPI” will permanently – and immediately – cut COLAs for generations of retirees and the disabled, making it harder and harder for them to make ends meet. We ask that you protect seniors’ hard-earned benefits by opposing proposals to adopt the “chained CPI” for the purpose of calculating COLAs for Social Security, SSI, and other federal benefit programs.

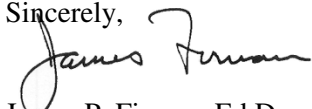
Non-Defense Discretionary (NDD) Programs

NDD programs, including those under the Older Americans Act, Section 202 Housing for the Elderly, the Low-Income Home Energy Assistance Program, and the Social Services Block Grant, provide services and supports that help older adults maintain their independence, dignity, health, and well-being and remain in their homes and communities and avoid more costly institutional care. Under agreements reached in the current Congress, discretionary programs have been subject to significant funding reductions and spending caps, for an estimated savings of \$1.5 trillion over 10 years. Projected funding is estimated to fall more than \$600 billion short of what is needed to provide the same level of benefits and services per person as in 2012; therefore, any additional cuts would decrease the availability of NDD home and community-based services, jeopardizing the health and economic security of vulnerable seniors for whom aging in place would not otherwise be possible.

A balanced deficit reduction agreement should avert the sequester; reject further, arbitrary, across-the-board approaches; and avoid further cuts to NDD programs, which have already contributed to deficit reduction through the bipartisan Budget Control Act (BCA) and prior spending cuts. To ensure that these accrued reductions to NDD programs are reflected in the ongoing fiscal policy debate, we ask that the baseline of any deficit reduction plan account for the discretionary savings already achieved by the President and the 112th Congress.

A responsible solution to current fiscal challenges should not threaten the accessibility of critical services and supports for the elderly and their families. Cutting these vital programs will not eliminate the need for services among vulnerable seniors. There are more equitable solutions. We stand ready to work with you to find truly balanced, bipartisan solutions that will reduce and stabilize our nation’s debt without harming older Americans in need.

Sincerely,



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Chair, Leadership Council of Aging Organizations