



# Leadership Council of Aging Organizations

*James P. Firman, Chair*

April 29, 2013

President Barack Obama  
The White House  
Washington, DC 20001

Dear Mr. President:

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

We write today about your proposed Fiscal Year 2014 budget. We agree with you that budgets reflect our national priorities. Your budget lays out policy and funding recommendations that are critical to the health and well-being of older Americans. In stark contrast to the budget approved by the House of Representatives, your budget would take a more balanced approach to deficit reduction and include new revenue to make progress on resolving our fiscal challenges. LCAO believes in a balanced approach to deficit reduction that includes budget savings from increases in revenue and thoughtful, targeted reductions in spending when and where necessary, without increasing hunger, poverty, or income inequality.

However, we are concerned that some of your budget proposals would be harmful for America's seniors by asking them to pay even more for their health care or by cutting key benefits they rely on to meet their basic needs.

## **Social Security**

We were disappointed to see that your budget includes a proposal to use the Chained consumer price index (Chained CPI) for the purpose of determining Social Security cost-of-living adjustments (COLA). This switch has been described as a simple, technical adjustment. However, it is not a technical adjustment, nor is it a more accurate measure of inflation for Social Security beneficiaries. In fact, the current measure already undervalues inflation for seniors because it fails to take into account health care spending; the Chained CPI would be even worse. Using the Chained CPI would substantially reduce Social Security benefits for current and future beneficiaries. While the amount of the reduction would be small initially, it would aggregate over time.

The change to the Chained CPI doesn't just affect Social Security recipients. For federal civil service retirees, the application of the Chained CPI compounds the injury of the Social Security cut. As is already the case with federal pay levels, the deferred compensation (annuity) of civil service annuitants will see an ever-increasing erosion of fixed income after a career of public service. Including veterans and federal civilians in this proposal takes another \$24 billion from a dedicated group of public servants.

We note that your proposal includes periodic benefit “bump-ups” for the oldest and poorest Social Security beneficiaries. These benefit increases would only partially compensate beneficiaries for the losses they would sustain as a result of using the Chained CPI. For instance, research has shown that the bump-ups would not restore the Social Security benefit of the typical single, elderly woman to current-law levels – unless she lives to 104. Moreover, the use of bump-ups raises a question as to whether the Chained CPI is really as accurate as is claimed. Why would benefit increases be needed if this CPI index were in fact more accurate than the currently-used CPI?

We are also concerned that this proposal, which is estimated to reduce Social Security benefit payments by about \$127 billion over 10 years, is driven more by a desire to reduce the deficit than to make COLA determinations more accurate. Social Security does not add one penny to the debt. Your proposal to change the formula to determine the cost-of-living adjustments for Social Security could drastically harm future generations of older Americans while doing nothing to reduce the federal deficit. It would result in cuts to hard earned benefits and would weaken this critical program for generations of retirees, individuals with disabilities, and spouses and children of deceased workers.

### **Medicare and Medicaid**

We are pleased that your proposal on Medicaid differs from previous proposed budgets. States should be encouraged to expand their Medicaid program as allowed by the Affordable Care Act, and we are glad your budget does not include proposals that would impose block grants or per capita caps, restrict beneficiary eligibility, or make it more difficult for states to fund their Medicaid programs.

Given the historic reductions in Medicare per capita spending growth over the past three years, together with significant recent Medicare spending reductions, we believe cutting Medicare by another \$371 billion, as you propose, is excessive and unnecessary.

We do support a number of Medicare provisions, such as restoring prescription drug rebates, which would help to ensure that Medicare is getting the best price for prescription drugs. We also support accelerating the closure of the Medicare Part D prescription coverage gap, or doughnut hole.

However, we oppose proposals to cut benefits or shift additional costs onto beneficiaries, which ignore the widespread economic insecurity experienced by older adults and people with disabilities. Half of the Medicare population live on annual incomes of \$22,500 or less and already face significant out-of-pocket health costs. They would be hard hit by proposals in your budget that shift costs to beneficiaries, specifically:

- New home health copayments would pose significant financial barriers, particularly for vulnerable, older women with long-term and chronic conditions, and could force many out of the community and into more expensive institutional care.
- Imposing a surcharge on Medigap insurance plans that cover costs not paid by Medicare would further shift costs to beneficiaries and result in individuals foregoing necessary care.
- Requiring beneficiaries to pay higher Part B deductibles would be especially harmful and unaffordable for millions with incomes just above the federal poverty line (\$958 per month).

We are also opposed to further means-testing Medicare premiums, which would move away from Medicare’s original community intent and understandable premium structure, and over time would shift costs onto beneficiaries with income equivalent to just \$47,000 today.

LCAO fact sheets and issue briefs on these and other Medicare and Medicaid proposals can be found at [www.lcao.org/category/health/](http://www.lcao.org/category/health/)

The combined impact of proposals to increase seniors' health care costs and cut their Social Security COLA would seriously erode the economic and health security of current and future older Americans.

### **Discretionary Spending**

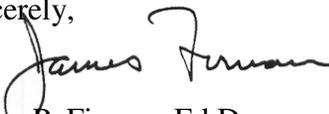
LCAO is grateful that your budget would eliminate the sequester, which took effect in March, as we believe allowing the sequester to continue in any form is unacceptable. We are troubled, however, that your plan would further reduce discretionary programs by \$200 million (including \$100 million in cuts to non-defense discretionary programs), in order to pay for the sequester elimination. LCAO believes that the \$1.5 trillion in discretionary spending cuts already achieved by the President and the 112th Congress should be counted toward any deficit reduction target, and that additional cuts to non-defense discretionary programs below the caps should be rejected.

One area of concern in your budget is the level funding for many programs in the Older Americans Act (OAA). Because funding has not kept pace with inflation or population growth for decades, current levels are inadequate to meet this increased need. OAA is an important part of the nation's long-term services and supports system, and enables millions of older adults to remain independent and active in their communities. Additionally, we oppose the \$68 million proposed cut to the Senior Community Service Employment Program (OAA Title V). However, LCAO appreciates the Administration's continued support for Adult Protective Services, as evidenced by the \$8 million request for fiscal year 2014.

Extending or cutting already insufficient funding levels for these critical programs fails to recognize our nation's changing demographics, or the needs of seniors and their families.

As you work with Congress in the coming weeks and months to make important budget decisions for our future, we urge you to consider our budget principles, which can be found online: [www.lcao.org/files/2013/02/LCAO-Federal-Budget-Principles-Dec2012.pdf](http://www.lcao.org/files/2013/02/LCAO-Federal-Budget-Principles-Dec2012.pdf).

Sincerely,



James P. Firman, Ed.D.  
President & CEO, National Council on Aging  
Chair, Leadership Council of Aging Organizations

cc: The Honorable Harry Reid  
The Honorable Mitch McConnell  
The Honorable Patty Murray  
The Honorable Jeff Sessions  
The Honorable John Boehner  
The Honorable Nancy Pelosi  
The Honorable Paul Ryan  
The Honorable Chris Van Hollen