



# Leadership Council of Aging Organizations

*Debra B. Whitman, Chair*

January 20, 2014

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

Dear President Obama:

The Leadership Council of Aging Organizations (LCAO) is a 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 are writing regarding your forthcoming FY2016 budget request, specifically on Medicare related budget proposals.

We urge you to abstain from including proposals in the FY2016 budget, namely those included in past budgets, that would shift additional health care costs to people with Medicare. At the same time, we ask you to again express support for securing better prices on prescription drugs, specifically by restoring Medicare drug rebates, accelerating closure of the Part D coverage gap and through patent reforms.

Our opposition to shifting additional costs to older adults and people with disabilities is underscored by the stark economic reality facing many people with Medicare. In 2013, half of all people with Medicare—more than 25 million beneficiaries—lived on annual incomes less than \$23,500, and one quarter had annual incomes at or below \$14,400. Despite their relatively low incomes, people with Medicare already spend a significant amount on health care. On average, in 2012, Medicare households spent 14% of their total budgets on health care, compared to 5% among non-Medicare households.

While the economic circumstances facing people with Medicare are cause for concern, recent trends related to the financial health of the Medicare program are promising. The rate of Medicare spending growth is at a historic low. From 2010 to 2014, per capita spending increased by only 0.7% and by just 0.3% in 2014. This trend has contributed to significant improvements in the solvency of the Part A trust fund, while also producing positive returns for seniors and people with disabilities through a stable Part B premium for a third consecutive year.

Shifting additional costs to Medicare beneficiaries to secure federal savings is unwarranted due to these historic reductions in Medicare per capita spending growth, and alongside the ongoing implementation of payment and delivery system initiatives designed to enhance program efficiency. In particular, we oppose Medicare cost shifting proposals intended to discourage Medicare beneficiaries from seeking health care services. These include increasing the Part B

deductible, introducing a home health copayment, increasing brand name copayments for low-income beneficiaries and taxing comprehensive Medigap supplemental plans.

Decades of empirical literature on patient behavior and cost sharing finds that these so-called structural reforms will not yield the result of encouraging Medicare beneficiaries to seek high-value care. Raising cost sharing, including deductibles and copayments, amounts to a regressive tax which would force many beneficiaries to forgo necessary care. These ill effects would be borne disproportionately by those with the lowest incomes (most of whom do not receive assistance to pay for these expenses), and may result in the increased use of costly ambulance rides, emergency room visits and hospital stays.

Similarly, we are opposed to further means-testing Medicare premiums, which would move away from Medicare's original community intent and further complicate an already complex system. Most importantly, over time the proposals included in your past budget requests would shift costs to beneficiaries with middle-class incomes equivalent to just \$45,600 today.

As demonstrated above, added health care costs put the health and financial well-being of people with Medicare at risk. Therefore, in this 50<sup>th</sup> anniversary year for the Medicare program, we urge you to omit past proposals to shift additional health care costs to Medicare beneficiaries from your FY2016 budget request. Rather than increasing premiums, deductibles or other cost sharing, we ask you to emphasize savings proposals, such as allowing the Medicare program to secure better prices on prescription drugs, which would achieve greater efficiency without harming Medicare beneficiaries.

Sincerely,

AARP

AFL-CIO

AFSCME Retirees

Alliance for Retired Americans

Altarum Institute – Center for Elder Care and Advanced Illness

American Federation of Government Employees (AFGE)

American Postal Workers Union Retirees (APWU)

Association for Gerontology and Human Development in Historically Black Colleges and Universities (AGHDHBCU)

B'nai B'rith International

Center for Medicare Advocacy, Inc.

Compassion & Choices

The Jewish Federations of North America

LeadingAge

Medicare Rights Center

National Academy for Elder Law Attorneys (NAELA)

National Adult Day Services Association (NADSA)

National Alliance for Caregiving

National Active and Retired Federal Employees Association (NARFE)

National Association of Area Agencies on Aging (n4a)  
National Association for Home Care & Hospice (NAHC)  
National Association of Social Workers (NASW)  
National Committee to Preserve Social Security and Medicare (NCPSSM)  
The National Consumer Voice for Quality Long-Term Care  
National Council on Aging (NCOA)  
National Senior Citizens Law Center (NSCLC)  
OWL - The Voice of Women 40+  
PHI – Quality Care *through* Quality Jobs  
Social Security Works  
Visiting Nurse Association of America (VNAA)  
Volunteers of America (VOA)  
Women’s Institute for a Secure Retirement (WISER)

Additional Sign-On:

Alzheimer’s Foundation of America (AFA)