



# Leadership Council of Aging Organizations

*Debra B. Whitman, Chair*

March 23, 2015

Dear Representative:

The Leadership Council of Aging Organizations (LCAO) is a coalition of 72 national nonprofit organizations concerned with the well-being of America's older population. As the FY 2016 budget process moves forward, we urge you to adopt solutions that reflect national priorities namely advancing economic growth.

By 2030, 70 million people -- 1 in 5 Americans -- will be 65 or older. Many older Americans face economic and health challenges. Currently, nearly 90% of seniors have at least one chronic condition, 4.2 million adults over the age of 65 live in poverty, and one in seven seniors struggle with hunger.

Given these demographic and economic realities, we urge Congress to adopt fiscal solutions that would strengthen the financial and health security of older adults, and to reject proposals that would worsen the already fragile economic and health status of older Americans and their families. We call upon Congress to end the sequester and to protect current and future Social Security, Medicare and Medicaid beneficiaries.

## **End the sequester.**

First and foremost, Congress must revisit the Budget Control Act of 2011 (BCA) and end the sequester. Sequestration's re-occurring and looming cuts threaten the sustainability of cost-effective programs, such as the Older Americans Act (OAA), Social Services Block Grant, and the Social Security Administration field offices network, all of which are essential to the health and well-being of older adults. Any agreement to end or replace these arbitrary reductions should reflect a balanced approach that does not increase poverty, hunger or income inequality.

Three years of sequestration cuts to non-defense discretionary (NDD) programs have had serious consequences, eliminating resources for vulnerable older adults, narrowing options for struggling caregivers, and threatening to increase costs on the mandatory side of the federal budget, such as when evaporating community supports (e.g., in-home care or a home-delivered meal provided by the Older Americans Act) lead to premature nursing home placement (paid by Medicaid).

Despite broad agreement that NDD programs are not a driving factor behind our nation's mid- and long-term fiscal challenges. The BCA and other cuts made since 2011 mean that NDD funding in FY 2014 was about 15 percent below 2010 levels, adjusted for inflation. Without action to stop sequestration, in FY 2016, NDD programs will decline to 3.1 percent of GDP—

equal to the lowest level in at least 50 years. Drawing so heavily from program cuts—and predominantly cuts to discretionary spending which Congress controls annually—is not an effective long-term approach deficit reduction nor a balanced way to reach our national goals.

This arbitrary, unbalanced austerity is directly undermining our nation's ability to cost-effectively and humanely manage the incredible aging of our population and must be re-examined this year.

**Do no harm to older adults through the budget process.**

LCAO opposes proposals to cut benefits or shift additional costs to older adults, people with disabilities and their families. As a guiding principle, Congress must not impair the already tenuous financial circumstances facing older Americans.

Together, Social Security and Medicare benefits serve as the foundation of basic health and economic security for our nation's seniors. At the same time, Medicaid provides basic health coverage to the most vulnerable older adults, namely those with very low-incomes and with significant long-term care needs. Benefit cuts to any of these programs would put the health and financial stability of millions of older Americans at risk. We urge you to:

***Oppose shifting higher health care costs to people with Medicare and Medicaid:*** Proposals to increase deductibles, coinsurances, or copayments, as well as those that seek to limit or tax Medigap coverage or further income-relate Medicare premiums, should not be adopted to achieve federal savings. LCAO strongly opposes proposals to shift added costs to people with Medicare.

Half of all people with Medicare—more than 25 million seniors and people with disabilities—live on annual incomes of \$23,500 or less, and one quarter live on annual incomes of \$14,400 or less. Health care costs are already a significant expense for Medicare beneficiaries and are increasing. In 2010, Medicare premiums and cost sharing consumed 26% of the average monthly Social Security benefit, compared to only 7% in 1980. Today the average Medicare household spends 14% of their income on health care, nearly three times that of non-Medicare households. It is also important to note that Medicare per capita spending is experiencing historically low rates of growth.

Restructuring and cutting Medicaid to achieve federal savings is a priority for some in Congress. One of the suggestions is capping Medicaid payments to states on a per-beneficiary basis. A per capita cap, like a block grant, would spell danger for our country's most vulnerable citizens.

The best way to slow federal health care spending is to encourage economic growth and carefully address the underlying symptoms that have led to higher health care costs for everyone. Per capita caps do neither, instead they would force seniors and their families to take on an even greater burden in shouldering higher health care costs.

***Oppose repeal or replacement of the Affordable Care Act (ACA):*** The LCAO opposes efforts to scale back the ACA, landmark legislation that significantly strengthens Medicare and improves the health and well-being of older adults. As a result of the ACA, older Americans are benefiting from savings on prescription drugs and access to low-to-no cost preventive care. At the same time, older adults not yet eligible for Medicare who would otherwise go without health insurance have coverage options through the state and federal Marketplaces and expansion Medicaid.

Also important, the ACA tackles the systemic causes of rising costs in Medicare, with promising results thus far. Importantly, the ACA demonstrates that the federal government can contain costs without shifting even higher health care costs to beneficiaries, all while improving Medicare benefits and advancing a value-based, high-quality health care system. For these reasons, LCAO urges Congress to leave the ACA intact.

While LCAO opposes the above proposals that would ultimately undermine the health and economic security of our nation's seniors, our organizations recognize the need to address system wide health care inflation and build on the cost savings and efficiencies of the ACA. Towards this end, LCAO supports proposals to achieve savings for the federal government on prescription drugs. Examples of these include restoring Medicare drug rebates for low-income beneficiaries, allowing the Medicare program to negotiate drug prices for high-cost specialty medications, reducing the market exclusivity period for biologic drugs, and prohibiting pay-for-delay agreements between brand name and generic drug manufacturers.

***Oppose eroding Social Security by adopting a chained Consumer Price Index (chained CPI):*** Social Security is an essential component of Americans' retirement security. It provides the retirement income necessary for seniors to maintain financial independence after their working years, and a backstop preventing millions from falling into poverty. But the income provided by Social Security is, at best, modest. With the decline of employer-provided, defined-benefit pensions, and inadequately funded retirement savings plans, many seniors rely exclusively on Social Security for their retirement income.

Some policymakers propose using chained CPI, rather than the CPI-W to determine annual cost-of-living adjustments (COLAs) to Social Security benefits, Supplemental Security Income (SSI) benefits, military and federal civilian retirement annuities, and veterans' benefits. LCAO strongly opposes this proposal because it would result in significant cuts over time.

Switching to the chained CPI would reduce COLAs by an estimated 0.3% per year. This difference would compound: current beneficiaries would receive benefits 3.0% lower after 10 years, 6.2% lower after 20 years and 9.4% lower after 30 years. For the Social Security beneficiary receiving the average benefit of about \$15,000 per year, this would amount to around a \$20,000 loss in benefits over 30 years. Rather than cut benefits, the President and Congress should work together to expand Social Security to meet the retirement security needs.

***Support reallocation of Social Security payroll contributions to stabilize Social Security Disability Insurance:*** Every American faces the risks of an unfortunate accident, declining health, or a chronic disease. Social Security's disability insurance program (DI) offers a

modicum of income security to those who cannot work. Furthermore, with an increasing Social Security retirement age and the aging of the Baby Boom population, more and more Americans are facing declining health that prevents them from working before they become eligible for Social Security retirement benefits. Disability insurance was always an important part of the larger social insurance compact and it is becoming an increasingly important component of retirement security as well. LCAO continues to support reallocation of Social Security Trust Fund payroll contributions to ensure eligible beneficiaries receive full disability benefits.

In conclusion, LCAO urges Members of Congress to protect the health and economic security of older Americans and their families in this year's budget processes.

Sincerely,

A handwritten signature in black ink, appearing to read "Debra B. Whitman". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Debra B. Whitman  
Chair, Leadership Council of Aging Organizations (LCAO)