



Leadership Council of Aging Organizations

Edward F. Coyle, Chair

November 4, 2013

The Honorable Patty Murray
Chairman, Budget Committee
United States Senate
Washington, DC 20510

The Honorable Paul Ryan
Chairman, Budget Committee
United States House of Representatives
Washington, DC 20515

Dear Senator Murray and Congressman Ryan:

The Leadership Council of Aging Organizations (LCAO) is a coalition of 69 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 urge you to adopt solutions that strengthen the economic recovery. We believe that responsible budget savings must include increases in revenue, as well as thoughtful, targeted spending reductions that do not increase poverty or income inequality.

In 2012, 41 million Americans were over the age of 65, an 18% increase since 2000. With 10,000 Baby Boomers turning 65 each day, by 2040, an estimated 80 million Americans will be 65 or older. Many older Americans face economic and health challenges. Currently, 80% of seniors have at least one chronic condition, 3.6 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 the budget conferees to adopt short and long-term 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. To this end, we call upon Congress to end the sequester, and to protect current and future Social Security, Medicare and Medicaid beneficiaries.

End the sequester. To ensure our nation's long-term fiscal stability, Congress must end the sequester. Sequestration's current and looming cuts threaten the sustainability of cost-effective programs, such as the Older Americans Act (OAA) and Social Services Block Grant, that 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.

We remain concerned that despite the present and growing need for services that help older adults maintain their dignity and independence, funding continues to dwindle. The Budget Control Act of 2011 (BCA) is set to cut discretionary spending by more than \$1.5 trillion over ten years, causing spending on non-defense discretionary

(NDD) programs to fall to its lowest level on record as a percent of gross domestic product (GDP).¹ In addition to the BCA's historically low funding levels, NDD programs, including the OAA, are subject to sequestration. To protect beneficiaries who rely on critical NDD programs, Fiscal Year 2014 (FY2014) funding levels should not go below pre-sequester levels.

Older adults must not be harmed through the budget process. Some members of Congress expect concessions on earned benefits in order to pass a FY2014 budget. 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. Proposals that must be rejected include:

- *Shifting higher health care costs to people with Medicare:* Proposals to shift costs to people with Medicare, such as increasing deductibles, coinsurances, or copayments, as well as those that seek to limit or tax Medigap coverage or further income-relate Medicare premiums, must not be adopted as blunt tools to achieve federal savings. LCAO strongly opposes proposals to shift added costs to people with Medicare, many of whom simply cannot afford to pay more for health care.

Half of all people with Medicare —nearly 25 million—live on annual incomes of \$22,500 or less, and one quarter live on annual incomes of \$14,000 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 15% of their income on health care, three times that of non-Medicare households.² It is also important to note that Medicare per capita spending is experiencing historically low rates of growth.

- *Eroding Social Security, adopting a chained Consumer Price Index (chained CPI):* Some policymakers propose using a different price index, the 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, which would result in significant, cumulative cuts over time. Individuals who have worked their entire lives to earn their retirement benefits would receive substantially less money in the future, which is a real benefit cut.

Switching to the chained CPI would reduce COLAs by an estimated 0.3% per year. Because this difference would compound over time, 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.³

In conclusion, LCAO urges the members of the budget conference committee, and Congress as a whole, to protect the health and economic security of older Americans and their families in short and long-term fiscal negotiations.

¹ Kogan, R. "Congress Has Cut Discretionary Funding by \$1.5 Trillion Over Ten Years, First State of Deficit Reduction is Law," (Center for Budget and Policy Priorities: November 2012), see: <http://www.cbpp.org/cms/?fa=view&id=3840>

² Cubanski, J. "Testimony: An Overview of the Medicare Program and Medicare Beneficiaries' Cost and Service Use," (Kaiser Family Foundation: February 2013), see: <http://kaiserfamilyfoundation.files.wordpress.com/2013/02/an-overview-of-the-medicare-program-and-medicare-beneficiaries-costs-and-service-use-testimony.pdf>

While we understand the difficult constraints under which you are operating, we respectfully urge you to address our nation's economic and demographic realities by ending the sequester, adopting FY14 spending bills that protect and strengthen critical NDD programs, and rejecting proposals that would cut Social Security benefits or shift higher health care costs onto people with Medicare or Medicaid.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric J. Galt". The signature is written in a cursive style with a large initial "E".

Cc: The Honorable Harry Reid
The Honorable Mitch McConnell
The Honorable John Boehner
The Honorable Nancy Pelosi
Members of the Budget Conference Committee