

July 15, 2011

The Honorable Harry Reid
Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable John Boehner
Speaker of the House
United States House of Representatives
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader
United States House of Representatives
235 Cannon House Office Building
Washington, DC 20515

Dear Majority Leader Reid, Speaker Boehner, Minority Leader McConnell, and Democratic Leader Pelosi:

The undersigned organizations urge you to protect Medicare and Medicaid, programs that are essential to older Americans, people with disabilities and their families. Strategies to reduce the federal deficit must not simply shift costs to the states or to individuals who are already struggling to cope with the cost of care. Staggering health care and long-term care costs—nursing home care, for example, costs more than \$74,000 per year on average—are a burden not only for Medicare and Medicaid beneficiaries, but also for family members who support them financially. For this reason, federal deficit-reduction proposals must take a balanced approach that includes increased revenues and addresses rising costs in the health care sector overall.

Spending caps and sequesters that do not protect benefits or access to care in Medicare and Medicaid are undesirable solutions that will lead to major cost shifts to both states and the public. The attached document outlines specific concerns about proposals that would shift costs to beneficiaries and states, and that would decrease access to affordable health care for older Americans and people with disabilities.

However, there are proposals that would create savings for the federal government without dangerous cost-shifting. For example, the Affordable Care Act (ACA) provides opportunities for savings through better care coordination and realignment of payment incentives to promote care quality rather than care quantity. Additional savings to Medicare and Medicaid can be achieved by further building on the ACA through strengthening fraud, waste and abuse laws. Proposals that would reduce the cost of prescription drugs for the government, such as rebate and price negotiation policies, also attack the root cause of growing Medicare and Medicaid costs.

Combined with realistic proposals that would generate revenue, this more balanced approach would allow time for measures that moderate health care costs overall to take the pressure off Medicare and Medicaid, preventing the need for proposals that shift costs to beneficiaries and states.

Sincerely,

AFL-CIO

Alliance for Retired Americans (ARA)

Alzheimer's Foundation of America

American Federation of State, County and Municipal Employees (AFSCME)

The American Society on Aging

B'Nai B'Rith International

Center for Medicare Advocacy, Inc. (CMA)

Community Catalyst

Easter Seals

Families USA

Florida Community Health Action Information Network

Health Care for America Now

International Union, United Automobile, Aerospace & Agricultural Implement Workers
of America (UAW)

Kansas Health Consumer Coalition

Medicare Rights Center

National Association of Area Agencies on Aging (n4a)

National Association of Nutrition and Aging Services Programs (NANASP)

National Association of Professional Geriatric Care Managers

National Capital Area Union Retirees Club

National Consumer Voice for Quality Long-Term Care

North Central-Flint Hills Area Agency on Aging, Inc.

Older Women's League (OWL)

PHI - Quality Care Through Quality Jobs

Service Employees International Union (SEIU)

United Steelworkers

Wider Opportunities for Women (WOW)

Medicare

Medicare was created to protect older Americans, many of whom, before Medicare, were unable to access health care coverage of any kind because insurance was unavailable or the costs were too high to afford.

Older and disabled Americans still need the protection Medicare has so ably provided. Half of current Medicare consumers have household incomes below \$22,000 per year, and half of the next generation of Medicare consumers will have incomes below \$27,000 per year. Keeping Medicare solvent means very little if the program does not provide coverage or financial protection to the people it serves. Proposals that redefine the Medicare benefit, regardless of the mechanism used, save the government money by significantly increasing out-of-pocket costs for people with Medicare, putting their financial security and health at risk. We have concerns about any proposals that would shift costs to beneficiaries or undermine consumer protections. Such proposals include but are not limited to:

- **Voucher/Premium Support/Defined Contribution plans.** According to the CBO, the voucher proposal included in the House Republican budget would double out-of-pocket costs for Medicare beneficiaries. Generally, the voucher amount would not be enough to purchase coverage equal to what is currently provided by Medicare. Furthermore, the amount would be increasingly less generous over time because payments would grow more slowly than increases in health care costs overall.
- **Raising Medicare beneficiaries' share of premiums.** People with Medicare already spend a significant amount of their income on premiums. Two-thirds of all health care spending for people with Medicare goes toward premiums, which equates to, on average, 10 percent of their total household income. Increases in premiums would also shift costs to state Medicaid programs, which pay Medicare premiums for many Medicare beneficiaries with low incomes.
- **Restructuring the Medicare benefit and reducing Medigap coverage.** These proposals would create a combined deductible and universal coinsurance for Part A and B services, add new-co-payments, and/or establish an out-of-pocket limit, eliminate first-dollar Medigap coverage, and further limit Medigap coverage after the deductible is met. While such proposals may seem benign, they would require the majority of Medicare beneficiaries to pay more out of pocket. They create cost-sharing where none existed before, such as for home health services and the first days of hospital and skilled nursing facility stays. While an out-of-pocket limit under Medicare is desirable, the proposals currently under consideration contain out-of-pocket limits so high that the vast majority of Medicare beneficiaries would never benefit from them. The majority of research demonstrates that as costs increase, people delay all care, not just unnecessary care, which may put people's health at risk. In addition, the underlying assumption behind limiting Medigap coverage is that people with Medicare do not have enough "skin in the game." But people with Medicare already spend 15

percent of their household income on health services, three times as much as the non-Medicare population.

Raising the Medicare age from 65 to 67. The House Republican budget includes a repeal of health reform, which in combination with an increase in the eligibility age would lead to millions of older people becoming uninsured. Even if the ACA remains intact, increasing the eligibility age would still mean higher costs for the public. For example, for those under 65 and small businesses (who would now provide primary rather than secondary health coverage for those who are Medicare eligible) costs would increase as a result of the introduction of a comparatively high-cost, high-use population into risk pools.

Medicaid

Along with Medicare, Medicaid is an essential support for millions of older adults and their families. Though it is not often recognized, older adults and people with disabilities account for two-thirds of all Medicaid spending, and Medicaid pays for about 62 percent of the nation's long-term services and supports (LTSS). There are currently limited financing options available to pay for LTSS, and many of those with Medicaid have already exhausted all of their own resources before turning to Medicaid as a last resort to help meet their long-term care needs.

Among older Americans, 15.4 percent depend on Medicaid, and roughly 7 out of 10 people turning 65 will need LTSS during their lifetimes. Medicaid is a lifeline for these individuals and their family members and caregivers, providing nursing home care, home care, respite care or other services they need to stay out of institutions and in their homes.

In addition to providing assistance with long-term care, Medicaid helps with Medicare cost-sharing and premiums for those who qualify. Without Medicaid support, many with Medicare would be unable to afford basic services such as physician visits. Furthermore, the policy proposals for making cuts to Medicare listed above would not only increase costs for beneficiaries, but also for states that assist Medicare beneficiaries with co-pays and deductibles through Medicaid.

Because Medicaid is so critical for vulnerable individuals who have no other recourse, we ask you to protect the program from proposed cuts, as high as \$100 billion, which would gut the program. Cuts of this level could require:

- **Replacing the various federal Medicaid matching rates with a single blended rate by state for all waivers and populations.** This would shift costs to states already struggling to sustain their Medicaid programs. If such a proposal were implemented, states would be forced to cut provider payment rates and benefits, especially optional benefits such as home- and community-based long-term care services.
- **Capping or block-granting Medicaid.** This would also shift enormous costs to states that are least able to afford them and would jeopardize access to needed services for millions of older adults and people with disabilities. The block grant

proposed in the House budget resolution would cut federal funding for Medicaid by \$771 billion over ten years. According to the CBO, the proposal would cut Medicaid by 35 percent in 2022 and 49 percent in 2030. States would have to attempt to absorb these costs or, as noted above, cut payments, services and eligibility, leaving our nation's most vulnerable without access to care. A Medicaid block grant could also eliminate existing federal nursing home quality standards and protections against unaffordable cost-sharing for older adults with low incomes.

- **Eliminating the Medicaid maintenance of effort (MOE) requirement included in the Affordable Care Act (ACA).** The MOE ensures that millions of Americans can keep the health coverage and long-term care services they rely on. In order to realize the goals of ACA, states must be ramping up their coverage and systems in preparation for 2014, not scaling them back.