



March 21, 2012

Dear Member of Congress:

On behalf of over 38 million members and other Americans who are age 50 and older, AARP is writing to express serious concerns with the House Concurrent Resolution on the Budget for Fiscal Year (FY) 2013. While the House Republican budget proposal offers ideas for confronting our nation's deficits and debt, AARP believes the proposal lacks balance, jeopardizes the health and economic security of older Americans, and puts at risk the bipartisan agreement on FY 2013 discretionary spending levels included in last year's Budget Control Act.

AARP acknowledges that the nation's long-term debt requires attention and we are committed to lending our support to balanced policies addressing the nation's long term fiscal challenges. We can only do so, however, while also honoring the contributions of our members and the needs of millions of other Americans who rely on Medicare, Medicaid, Social Security and other important programs and services. A number of proposals in this budget put at risk millions of individuals by prioritizing budget caps and cuts over the impact on people. We are opposed to arbitrary, across-the-board cuts that would be used to enforce the proposed budget caps because they do not distinguish between vital spending and spending that is less effective or not needed.

Social Security

AARP agrees, as this budget acknowledges, that any changes to Social Security must be focused on ensuring the retirement security of present and future retirees, and not simply on reducing the deficit. For this reason, we oppose the proposal to authorize Social Security changes through reconciliation, a budget process that is explicitly designed to reduce the deficit. In addition, we question the efficacy of compelling Congress and the President to address the long-term financing of Social Security on the basis of an arbitrary trigger on a 75 year horizon. However, we can agree that sooner is better than later to find solutions supported by the public that will ensure earned benefits for future retirees. AARP agrees that protecting and strengthening Social Security must be done on a bipartisan basis, and we welcome the opportunity to continue the conversation with our membership and all Americans about how to achieve that goal.

Medicare

Yesterday's budget proposal appropriately acknowledges that health care costs must be addressed if the federal budget is to be balanced. However, rather than recognizing that health care is an unavoidable necessity which must be made more affordable for all Americans, this proposal simply shifts these high and growing costs onto Medicare beneficiaries, and it then shifts even higher costs of increased uninsured care onto everyone else. The typical Medicare beneficiary today, living on an income of roughly \$20,000, already struggles to pay for their ever-rising health and prescription drug costs -- and nearly 20 percent of their income currently goes to health care costs. By creating a "premium support" system for future Medicare beneficiaries, the proposal is likely to simply increase costs for beneficiaries while removing Medicare's promise of secure health coverage -- a guarantee that future seniors have contributed to through a lifetime of hard work.

While it is not entirely clear from yesterday's proposal that the plan repeals the entire Affordable Care Act (ACA), we would be extremely concerned if it did. One can make the logical inference that the proposal plans to eliminate the entire ACA by examining the budget comparisons between this proposal and the President's and realizing this proposal saves close to \$1.5 trillion over 10 years -- the equivalent in cost to the Affordable Care Act. If this is the case, by repealing the Affordable Care Act, the budget proposal would re-open the gap in prescription drug coverage known as the "doughnut hole." As a result of the health reform law more than 5.1 million seniors and people with disabilities on Medicare have saved over \$3.2 billion on prescription drugs. Discounts for those who fall into the doughnut hole will continue to increase until 2020 when the doughnut hole will disappear entirely. A recent AARP Rx Price Watch report found that the cumulative change in retail prices of prescription drugs widely used by Medicare beneficiaries was almost double the rate of inflation between 2005 and 2009. For a consumer who takes a prescription drug on a chronic basis, this translates into an increase in the annual cost of therapy of more than \$1,000 over the same time period. If this budget proposes to repeal the ACA it would negate much needed savings for Medicare beneficiaries just as prescription drugs costs continue to rise.

Additionally, AARP strongly supports prevention and health promotion and the Affordable Care Act (ACA) greatly improved access to preventive services by requiring Medicare to cover, without cost sharing, an annual wellness visit that includes a health risk assessment and a customized prevention plan as well as coverage of many U.S. Preventive Services Task Force-recommended services with no cost sharing. The ACA also made achieving healthy living a more realistic goal by establishing the Prevention and Public Health Fund. This fund provides much needed funding to support initiatives such as community-based tobacco cessation and prevention programs, efforts to reduce diabetes and heart disease, breast and colon cancer screenings and adult vaccine programs. More

than half of older adults have more than one chronic condition, and 11 million live with five or more chronic conditions. A focus on prevention will not only lead to better health for Americans, but will also help reduce the need for costly treatment and intervention of these chronic diseases. If the ACA was repealed, costs for treatment of chronic diseases would increase greatly.

The premium support method described in the proposal – unlike private plan options that currently exist in Medicare -- would likely “price out” traditional Medicare as a viable option, thus rendering the choice of traditional Medicare as a false promise. The proposal also leaves open the possibility for private plans to tailor their plans to healthy beneficiaries – again putting traditional Medicare at risk. The plan fails to realize the negotiating power of Medicare and its impact on lowering costs for the Medicare program – such as in Part D of the program. Converting Medicare to a series of private options would undermine the market power of Medicare and could lead to higher costs for seniors.

AARP members consistently state they rely on the Medicare program for their health security in retirement, and they also would like to see the Medicare program available for future generations. The proposal in today’s budget leaves many details unclear. While we appreciate the effort to address the sustainability of the Medicare program, we do not think it is appropriate to subject Medicare beneficiaries to an experimental and unproven health care model. We need to make sure the program remains a viable and affordable option for the over 47 million Medicare recipients that rely on the program for their health care needs.

Yesterday’s proposal also arbitrarily limits the growth of Medicare spending per beneficiary to GDP plus one half of one percent, an index unrelated to health care that does not account for older Americans’ health care costs. The GDP per capita index has consistently grown slower than health costs and is expected to continue to do so. Since the plan does not discuss what happens if spending per beneficiary exceeds the arbitrary Medicare spending cap, we can only assume that beneficiaries will be exposed to the risk of higher health care costs.

The proposal fails to recognize that higher Medicare spending is driven to a large extent by high costs through the health care system generally. Medicare is just one part of our nation's health system, which includes public, individual, and employer-based health insurance. If we're serious about lowering health care costs, we cannot simply focus on Medicare and Medicaid for savings. Rather, we must improve the delivery of health care generally, including increasing preventive services, better coordination of care, lowering the cost of prescription drugs, and the reduction of waste and fraud throughout the entire health care system.

Medicaid

Yesterday's proposal also fails to acknowledge that older adults and people with disabilities account for two-thirds of all Medicaid spending. Nearly a third of those turning age 65 will have long-term services and supports (LTSS) costs that exceed their ability to pay and will need Medicaid assistance to help with LTSS. Limited financing options are currently available to pay for LTSS and these individuals have already exhausted their own resources before turning to the joint federal-state program as a last resort to help meet their long-term care needs. At this point, Medicaid becomes a lifeline for these individuals, with the program providing either nursing home care or the specific services they need in order to stay in their homes and out of institutions.

Arbitrary limits or cuts to federal Medicaid spending do not make costs disappear; they simply shift costs to individuals, providers, and state governments. Block granting Medicaid would put both current and future seniors in need of these services at risk. For those who are already in nursing homes or receiving home and community-based services (HCBS), Medicaid cut-backs could lead to reduced access and inadequate care. For individuals who do not yet need LTSS, and who one day may exhaust their savings and need care, they could be turned away or offered insufficient care that neither meets their needs nor maintains their dignity.

We are also concerned that Medicaid block granting could reduce access to much needed, preferred, and cost effective home and community-based services (HCBS). Cutting HCBS could result in more people having to go to nursing homes – with average costs of \$75,000 per year – leading to a quicker spend down of assets and thus dependence on Medicaid for their long-term care needs. An AARP study found that 9 out of 10 Americans age 50+ want to stay in their current residence for as long as possible. Additionally, on average, Medicaid can provide HCBS to three older adults and adults with physical disabilities for the cost of serving one person in a nursing home. When states cut Medicaid long-term care spending, they often target HCBS, since these are defined as “optional services” under Medicaid law (even though they are critical services for many people). Cutting HCBS could result in more people having to go to nursing homes – generally more costly than HCBS – and their care being paid for by Medicaid.

Cuts to Medicaid could also shift additional costs to family caregivers. A report released last year found that the estimated value of family caregivers' unpaid contributions was approximately \$450 billion. It is unfair and ineffective to shift even more costs on to these family caregivers, many of whom help to keep their loved ones where they prefer – at home – and out of more expensive nursing home care. In addition, at a time when jobs are of the utmost importance, Medicaid cuts often translate into job losses for medical and health centers and nursing homes (which are major employers in many communities), other service

providers, and the health workforce more broadly. This employment effect can reduce access to care for many older persons – even those whose care is not paid for by Medicaid.

There is already broad flexibility within the current Medicaid system, where important checks and balances on both sides of the federal-state relationship allow states the opportunity to develop solutions that work for them while guaranteeing essential benefits to individuals in need who have already depleted their own resources.

SNAP

In addition to Medicaid, the Supplemental Nutrition Assistance Program (“SNAP”) is also block granted in this budget. We agree that SNAP plays a vital role in feeding millions of hungry Americans. Currently over six million older Americans are eligible for SNAP, while over eight million older Americans are food insecure (having missed meals or lacked adequate nutrition intake). We do not agree, however, that block granting the program is needed or prudent. The current economic downturn has seen an enormous growth in both the need for and the receipt of SNAP benefits, and it is the essence of a safety net program that its utilization increases when economic security decreases. Block granting the program, or imposing work requirements as today’s proposal assumes, will make SNAP less responsive in future downturns, and without clear work requirement exemptions for the elderly and disabled, would bar these individuals from receiving SNAP benefits.

Discretionary Spending Limits and Sequestration

The new House Republican budget plan would annul the agreement the House, Senate and Administration reached last year on overall discretionary spending limits for the coming fiscal year by proposing another \$19 billion in cuts. Last year’s agreement was needed to avert a government shutdown and default on our national debt obligations. Hence, it appears our nation may again be threatened with another government shutdown just a few weeks before the November election when the fiscal year begins. We note that it took all parties several months last year just to come to agreement on \$7 billion in cuts for the current fiscal year.

Additionally, the budget plan would also eliminate another critical aspect of last year’s agreement, namely that sequestration cuts would be split equally between security and non-security spending. In short, the new House GOP plan proposes a shift of \$32 billion in planned cuts in defense spending next January via a sequester, if Congress fails to agree on a net deficit reduction \$1.2 trillion over the next decade. By proposing to breach the security/non-security firewall, the House GOP proposes an extra \$32 billion in unspecified sequestration cuts upon food and drug safety, law enforcement, highways, and medical research -

programs which serve all Americans, not just safety net programs serving the poor and elderly. Under last year's deal, these "non-security" programs would already suffer an across-the-board cut of \$43 billion, or just about 8 percent, in the event of sequestration.

On behalf of our millions of members and all older Americans, we reiterate our concerns about the harm this budget could cause beneficiaries of the Medicare, Medicaid, and Social Security programs. We strongly urge you to enact a budget that will better protect these vital programs that tens of millions of Americans depend upon for their health and financial security.

Sincerely,

A handwritten signature in black ink that reads "A. Barry Rand". The signature is written in a cursive style with a large initial "A" and a long, sweeping underline.

A. Barry Rand