



April 14, 2011

Dear Representative:

On behalf of our members and all Americans age 50 and older, AARP is writing to express opposition to the House Concurrent Resolution on the Budget for Fiscal Year 2012 (H Con Res 34). AARP believes the proposal lacks balance and would reduce the security of millions of Americans, especially their health security in retirement.

AARP agrees that the nation's long-term debt requires action and we are committed to lending our support to balanced policies that address our long-term fiscal challenges. We are also committed to protecting the Medicare and Social Security benefits that tens of millions of older Americans have contributed to and rely upon. Many elements of this budget proposal would harm individuals who currently receive Medicare or Medicaid coverage, including proposed budget caps enforced by across-the-board spending cuts. Although some changes in Medicare are directed at those 55 and under, in fact, the mandatory spending caps would very likely trigger cuts to Medicare benefits for today's seniors.

Medicare, Medicaid and the Affordable Care Act

The House budget proposal would replace the current guaranteed Medicare benefit for individuals under age 55 with a system in which individuals would purchase their insurance from private insurance plans, but only a set and diminishing portion of the insurance premium would be covered by Medicare. Beginning in 2022, new Medicare beneficiaries could choose only from private Medicare plans (similar to how Medicare Advantage works today), but premium payments would be sharply reduced, and capped at levels well below medical inflation. AARP is concerned that a so called "premium support" system would dramatically increase costs for Medicare beneficiaries while removing Medicare's promise of secure health coverage – a guarantee that future seniors have contributed to through a lifetime of hard work.

According to calculations based on the Congressional Budget Office (CBO) analysis, the proposal would more than double beneficiary costs in 2022, from about \$5,500 to \$12,500. For a retiring 65 year old average earner, fully 49 percent of his/her Social Security benefits would be absorbed by Medicare out-of-pocket costs in 2022, and 62 percent by 2030, up from about 20 percent today.

While we appreciate that the resolution attempts to address the Medicare physician payment problem, it would do so by recouping reductions to Medicare providers

included in the Affordable Care Act. The budget proposal also would repeal several key provisions of the Affordable Care Act which AARP championed on behalf of older Americans, including: (1) closure of the “coverage gap” (or doughnut hole) in the Part D prescription drug benefit; (2) the Community Living Assistance and Services Supports (CLASS) program -- a national voluntary insurance program which would provide a new option to help individuals plan for their long-term care needs, and which has the potential to reduce Medicaid expenditures; (3) the establishment of Exchanges where individuals under age 65 could purchase insurance and receive subsidies to help pay for it; and (4) an expansion of Medicaid for those under 133 percent of poverty. AARP believes repeal of these provisions would be a step backwards in meeting the needs of older Americans.

H Con Res 34 would convert federal Medicaid funding to a block grant, beginning in 2013, with annual updates that fall well below medical inflation. AARP is gravely concerned that this proposal fails to acknowledge that older adults and people with disabilities account for two-thirds of all Medicaid spending and have nowhere else to turn for coverage of these services. These are individuals who are uninsurable in the private insurance market, have capped out of private coverage due to an expensive illness like cancer, or couldn't afford coverage in the first place. Limited financing options currently exist to pay for long-term services and supports and individuals typically exhaust their own assets before turning to Medicaid. As such, Medicaid becomes a lifeline, providing either nursing facility care or home and community services to allow independence and the opportunity to live at home.

By block granting Medicaid, this proposal would place at risk both current and future seniors in need of these services. This is because proposed future federal payments would be substantially lower than projected spending – without addressing the real drivers of Medicaid spending growth. Thus, states would be compelled to reduce services, eligibility, or payments to providers; as a result, Medicaid cut-backs would lead to reduced access and inadequate care for our most vulnerable citizens. Should individuals not yet needing long-term services and supports exhaust their savings, they may likely be turned away or offered insufficient care that neither meets their needs nor maintains their dignity.

We believe that broad flexibility already exists within the Medicaid program 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.

Additional Areas of Concern

In addition to significant changes in Medicare and Medicaid, this resolution also proposes to block grant the Supplemental Nutrition Assistance Program (“SNAP”). SNAP plays a vital role in feeding millions of hungry Americans, including two and half million older individuals. Block granting the program, or imposing new work

requirements as this proposal assumes, would make SNAP less responsive in future downturns, and, without clear exemptions from the work requirement for the elderly and disabled, would bar these individuals from receiving SNAP benefits. In addition, this proposal also assumes work requirements for rental assistance. With more than 50 percent of all federally-assisted housing units having at least one resident over age 62, or with disabilities, AARP is uncertain about how work requirements would apply to these individuals, and would oppose denying rental assistance to those who are unable to work.

Social Security

As H Con Res 34 acknowledges, any changes to Social Security must be focused on ensuring the retirement security of present and future retired Americans, and not simply on reducing the federal deficit. While we question the value of asking 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, we can agree that we must act soon to find solutions supported by the public that will ensure adequate 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 Congress, the Administration, our membership and all Americans about how to achieve that goal.

If you have any questions, feel free to call me, or please have your staff contact David Sloane, Senior Vice President of Government Relations and Advocacy, at 202-434-3754.

Sincerely,

A handwritten signature in black ink on a light beige background. The signature reads "A. Barry Rand" in a cursive, flowing script.

Addison Barry Rand