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**Alliance for Retired Americans Comments
On
Senate Committee on Finance
Health Care Reform Policy Options
May 26, 2009**

The Alliance for Retired Americans is a nationwide grassroots organization with more than 3.5 million members. The Alliance is dedicated to educating all Americans on issues important to retirees and older Americans. We appreciate the opportunity to comment on health care reform policy options.

Medicare Buy-In

The Alliance has long supported a Medicare buy-in option for people 55-64 years of age. Four millions Americans in that age group currently do not have health insurance coverage. This is a population that has more chronic care needs than younger Americans while, at the same time, it has great difficulty in finding affordable health insurance coverage. A recent study by the Kaiser Family Foundation (“Health Insurance Coverage for Older Adults: Implications of a Medicare Buy-in,” May 2009) found that the median family income in 2007 for uninsured adults in the 55-64 age group was \$20,800. Therefore, the design and success of a Medicare buy-in program must recognize the cost to beneficiaries. In fact, the Kaiser study found that more than half of those uninsured adults who were in fair or poor health had not received needed care in the past year because of the cost barrier.

The Alliance has serious concerns with the Finance Committee Medicare buy-in proposal regarding the ability of the proposal to increase health insurance coverage in the 55-64 age group. Having the beneficiary pay the full premiums for Medicare Parts A, B, and D, along with a five percent additional administrative fee, will effectively render the buy-in option unavailable for a population that is in dire need of health care coverage. The Alliance believes that it is reasonable to expect that monthly premiums could reach \$1,000 at the beginning of such a program. The proposed five percent administrative fee is two and one half times higher than the COBRA two percent administrative fee and is unnecessarily excessive. With a \$20,800 median family income, as found in the Kaiser study, sixty percent of that family income would be devoted to Medicare premiums, even before out of pocket expenses for co-pays and deductibles. The 2009 Kaiser study as well as a previous one (“A Medicare Buy-In for the Near Elderly: Design Issues and Potential Effects on Coverage, February 2002) concluded that unless beneficiaries had the benefit of a premium subsidy program, an unsubsidized Medicare buy-in program would not significantly increase the number of 55-64 year olds with health insurance coverage.

The Alliance urges the Committee to create a premium subsidy as part of a Medicare buy-in program. There are several models available. One is what the Committee and Congress enacted as part of the 2003 Medicare Modernization Act regarding Part D drug coverage. There are employer subsidies that keep employers from dropping drug coverage for retirees. The Alliance urges the Committee to include premium subsidies as well as the option for employer buy-ins when constructing a Medicare buy-in program.

Finally, the Committee proposal would place a twenty year penalty on early buy-in beneficiaries should Medicare miscalculate premiums before they reach the age of 65. This proposal has the potential to create a nightmarish scenario of calculations and recalculations. Lower income Medicare beneficiaries are especially at risk. It may even lead to a disincentive to buy-in in the first place. The Alliance urges the Committee to drop this proposal when drafting legislation.

The Alliance for Retired Americans again appreciates the opportunity to comment on the Committee proposal and looks forward to working with the Committee in an effort to achieve affordable, universal health care coverage for all Americans.