Alliance for Retired Americans®

The Ryan Roadmap
A Dead End for Seniors

In January 2010, Congressman Paul Ryan (R-WI) released The *Roadmap for America's Future,* which would radically alter our nation's social insurance programs and tax policies. According to an analysis by the Center for Budget and Policy Priorities, a non-partisan think tank, the plan would result in massive transfer of resources from working and middle class Americans to the nation's wealthiest individuals. Under the new Republican majority in the House, Congressman Ryan will become the Chairman of the Budget Committee in 2011. Congressman Ryan also served as a member of President Obama's National Commission on Fiscal Responsibility and Reform. Although Congressman Ryan did not support the proposal offered by the Commission Co-Chairs, he has indicated that he plans to bring up parts of their recommendations before his committee. Enacting the Co-Chairs' recommendations or the *Roadmap* plan would be disastrous to seniors. Here is how seniors would be affected by the Ryan *Roadmap*:

Privatizes Social Security and Cuts Benefits

- ✓ ***Privatizes Social Security*** - Allows Americans Age 55 and younger to invest their Social Security contribution into a private account, diverting money from the Trust Fund. Future benefits in private accounts would be exempt from federal income taxes.
- ✓ ***Raises the Retirement Age*** – Under current law, the retirement age is already scheduled to increase to 67. The Ryan plan accelerates this schedule by one year and would index the Normal Retirement Age (NRA) to life expectancy. Longevity indexing would increase full retirement age by one month approximately every two years. Raising the retirement age would result in a benefit cut for seniors. Those anticipating retiring at 67 would see a 15% cut in benefits if the NRA were raised to 70. Further, individuals retiring at 62 would see a 45% cut in their benefits if the NRA was 70.
- ✓ ***Institutes Price Indexing*** **–** Under current law, new retirees get benefits based on the growth in wages. Under the Ryan plan, initial benefits would be calculated based on the growth in prices, which over time grow at a slower rate. This portion would impact 70% of beneficiaries and would cut benefits by roughly 16% for the average new retiree in 2050 and 28% in 2080.

Terminates Traditional Medicare

Currently, Medicare pays for all medically necessary health care without limits. Under Congressman Ryan's plan that would change. The Ryan *Roadmap* raises the age of eligibility from 65 to 69 and 6 months and turns Medicare into a voucher program. This means that Medicare beneficiaries would receive a fixed amount of money to purchase health benefits from private insurance companies. Seniors and the disabled will no longer get the free check-ups and preventive screenings now available to them under Medicare.

12/15/10

Further, the stipend provided would not be sufficient to purchase adequate coverage. According to the non-partisan Congressional Budget Office (CBO), by 2080, under the Ryan plan, Medicare funding would be cut by 76% as compared to the projected funding it would receive under current law; thus, the vouchers would provide one-quarter of the resources that Medicare would normally require. In addition, Medicaid would no longer cover low-income seniors. Instead, low income seniors would get a fixed contribution towards a Medical Savings Account to pay for cost-sharing; this amount is likely to be insufficient. Finally, long term care services under Medicaid would cease. Instead, states would receive a block grant. This fixed amount of funding would grow by 4% year and would be insufficient to cover the growing number of seniors. Over time, the burden to cover long term care will shift to states, jeopardizing care for seniors. In an attempt to reduce costs, states are likely to curtail eligibility and reduce access for frail seniors and people with serious disabilities.

The Ryan plan does nothing to reduce the cost of health care. Instead, the burden of reducing health care expenditures would fall primarily on beneficiaries, who would face steadily rising health care costs with a steadily diminishing amount of health insurance.

Robs from the Middle Class to Pay the Wealthiest

The Ryan plan transforms the tax system by reducing rates for the rich, while increasing taxes on the middle class. According to estimates by the Urban Institute-Brookings InstitutionTax Policy Center (TPC), millionaires would pay an average of just 13% of their income in federal taxes, while everyone else would pay higher rates. Households making as low as $30,000 would pay 14%, and those making between $75,000 and $100,000 would pay 21%. Highlights of the plan are:

- Lowers the top marginal income tax rate from the 35% rate set by President George W. Bush's tax cuts by setting up an optional alternative tax system in which families could pay at a 25% rate for all income above $100,000 provided they give up most existing itemized tax deductions and credits;
- Entirely exempts capital gains, dividends, and interest from taxation;
- Repeals federal estate and gift taxes;
- Repeals the corporate income tax and replace it with an 8.5% value-added tax, a form of sales tax on most goods and services. This is a regressive tax that will disproportionately hurt lower and middle income wage earners; and
- Replace the tax exclusion for employer payments for health insurance with a refundable tax credit of $5,700 for families ($2,300 for individuals) that people could apply toward the purchase of insurance. This provision eliminates employer-sponsored health plans, contributing to more people becoming uninsured.

Increases the Debt

According to the TPC, the plan would add to the national debt for another four decades.

For a complete analysis, visit: http://www.cbpp.org/cms/index.cfm?fa=view&id=3114.

12/15/10