

Potential Threats to Social Security

The Chained CPI: Prior deficit reduction negotiations have proposed changing the formula used to calculate the annual COLA to the so-called chained CPI, which would cut the benefits of those receiving Social Security today. After ten years average retiree benefits would be cut by about \$600 a year, and after 20 years they would be cut by about \$1,000 a year. This “technical” change assumes that seniors will substitute one good for a cheaper version to make ends meet. While that may work for certain goods, a senior cannot just substitute triple bypass surgery with a double because it's cheaper. Plain and simple, **the chained CPI is a COLA cut!**

Raising the Retirement Age: Raising the normal retirement age beyond age 67 is a 13% benefit cut on top of the 13% cut already made when the retirement age was increased from 65 to 67, according to the Social Security Administration. While the life expectancy of upper income earners has increased, the life expectancy of middle and low wage earners has not increased significantly to justify another increase in the retirement age. **Pushing retirement even farther out of reach would be devastating for millions of older Americans.**

Means-Testing Social Security: Workers contribute to Social Security and earn the right to benefits upon retirement. This popular support is the very shield that makes politicians think twice before making cuts to the program. **Means-testing Social Security benefits would break the connection between contributions and earnings and would compromise public support for the program,** leaving it highly vulnerable to benefit cuts in the name of deficit reduction.

Potential Threats to Medicare

Voucherize Medicare: Earlier this year, the GOP proposed replacing traditional Medicare with vouchers or stipends for private insurance. The amount would not be enough to keep up with medical inflation. The Congressional Budget Office already found that plan would increase overall health care costs by \$34 trillion over 75 years and increase out-of-pocket costs by \$6,000 per senior per year. Similarly, **the Ryan-Wyden proposal would replace guaranteed health care benefits with vouchers.** This approach will lead private-for-profit insurance companies to cherry pick the healthiest seniors, leaving Medicare with sicker and more costly seniors, ultimately driving up its costs and crippling the program.

Raise Medicare's Eligibility Age: Proposals to raise the age of eligibility from 65 to 67 is a step in the wrong direction. This population faces the most difficulty in obtaining insurance due to chronic health conditions and jobs with health insurance are difficult to find for this group to due to age discrimination.

Medicare Physician Payment: The Medicare physician payment was revised in the Balanced Budget Act of 1997 and a sustainable growth rate (SGR) formula was developed to help reign in Medicare spending. Under SGR, if spending in a given year exceeds the target for that year, then the amounts paid to physicians for each service they provide are supposed to be reduced in the following year. This has resulted in doctors facing proposed cuts to their fees every year; however, Congress has averted these cuts every year by passing a legislative patch known as the "Doc Fix". The patch is usually temporary, as the cost of permanently fixing the SGR formula is extremely high. The cost of a 10-year fix is \$300 billion.

Instituting a Single Deductible for both Medicare Part A and B: This proposal would replace the two separate deductibles for Medicare for Part A (hospital coverage) and Part B (doctor and outpatient coverage) with a single deductible (\$550-\$600) for both. The Medicare Part B deductible for 2012 is \$140 and the Part A deductible is \$1,156 for a hospital stay of up to 60 days. **While a single deductible appears to reduce costs, in fact, it raises costs for seniors not using hospital services.**

Restrict First Dollar Coverage under Medigap: Currently, Medigap covers most of a beneficiary's co-payments. This option, which is based on the idea that beneficiaries over-utilize benefits, would restrict the first \$500 of an enrollee's cost-sharing liabilities and limit coverage to 50% of the next \$5,000 in Medicare cost-sharing, requiring seniors to pay for this out-of-pocket.

Home Health Co-pay: The Medicare Payment Advisory Board (MedPAC) recommends charging a 5% copayment for home health visits (currently, there is no co-pay for home health care). This change would amount to \$150 copayment for each 60-day home care treatment period, or episode.

Potential Threats to Medicaid

Medicaid is the government safety net program that provides health care benefits to 60 million individuals, including pregnant women, children, people with disabilities and low-income seniors. The program, which is funded by both the state and federal revenues, also pays for 62% of all long term care spending (i.e., nursing home, home health care) in the United States. Of all the entitlement programs, Medicaid is the most vulnerable and most likely to see cuts.

02/14/2012