Leadership Council of Aging Organizations

*Edward F. Coyle, Chair*

October 11, 2013

The Honorable John Boehner
Speaker, U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader, U.S. House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Majority Leader, United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader, United States Senate
Washington, DC 20510

Dear Speaker Boehner, Representative Pelosi, Leader Reid, and Senator McConnell:

On behalf of the Leadership Council of Aging Organizations (LCAO), a coalition of 69 national not-for-profit organizations representing over 60 million older Americans, we urge you to act swiftly to reopen the federal government and raise the debt ceiling. We believe that Congress should pass a clean, short-term continuing resolution (CR), as well as provisions to raise the debt ceiling through December 2014, allowing the federal government to reopen while also funding commitments already incurred by the U.S. Congress.

A Congressional vote on the CR and debt ceiling should *not* include unrelated policy riders. Most importantly, these votes should not be accompanied by legislation that would worsen the already fragile economic status of older Americans and their families or undermine health care reform. We strongly oppose using Social Security and Medicare benefits as bargaining chips to ensure that the U.S. Congress executes its most basic responsibilities.

To further ensure our nation's long-term fiscal stability, we urge Congress to follow the resolution of the debt ceiling with a measure to replace the sequester. Sequestration's current and looming cuts threaten the sustainability of cost-effective programs that are essential to the health and well-being of older adults, including the Older Americans Act (OAA). Any agreement to replace these arbitrary reductions should reflect a balanced approach that does not increase poverty, hunger, or income inequality.

**Older adults must not be harmed.** Some members of Congress expect concessions on earned benefits in order to pass a CR or raise the debt ceiling. LCAO opposes proposals to cut benefits or shift additional costs to older adults, people with disabilities and their families. As a guiding principle, Congress must not impair the already tenuous financial circumstances facing older adults. Proposals that must be rejected include:

- *Eroding Social Security, adopting a chained Consumer Price Index (chained CPI):* Some policymakers propose using a different price index, the chained CPI, rather than the CPI-W to determine annual cost-of-living adjustments (COLAs) to Social Security benefits, Supplemental Security Income (SSI) benefits, military and federal civilian retirement annuities, and veterans' benefits. LCAO strongly opposes this proposal, which would result in significant, cumulative cuts over time. Individuals who have worked their entire lives to earn their retirement benefits would receive substantially less money in the future, and that sounds like a real benefit cut to them, because it is.

Switching to the chained CPI would reduce COLAs by an estimated 0.3% per year. Because this difference would compound over time, current beneficiaries would receive benefits 3.0% lower after 10 years, 6.2% lower after 20 years and 9.4% lower after 30 years. For the Social Security beneficiary receiving the average benefit of about $15,000 per year, this would amount to around a $20,000 loss in benefits over 30 years.[1]

- *Shifting higher health care costs to people with Medicare:* Proposals to shift costs to people with Medicare, such as those that would raise the Medicare age of eligibility; increase deductibles, coinsurances, or copayments; as well as those that seek to limit "first-dollar" Medigap coverage or further income-relate Medicare premiums, must not be adopted as blunt tools to achieve federal savings. LCAO strongly opposes proposals to shift added costs to people with Medicare and their families, many of whom simply cannot afford to pay more for health care.

  Half of all people with Medicare —nearly 25 million—live on annual incomes of $22,500 or less, and one quarter live on annual incomes of $14,000 or less. Health care costs are already a significant expense for Medicare beneficiaries and are increasing. In 2010, Medicare premiums and cost sharing consumed 26% of the average monthly Social Security benefit compared to only 7% in 1980. Today the average Medicare household spends 15% of their income on health care, three times that of non-Medicare households.[2] It is also critical to note that Medicare per capita spending is experiencing historically low rates of growth.

- *Repealing or significantly cutting the Social Services Block Grant (SSBG):* The program includes significant investments in adult protective services, senior nutrition programs, and adult day care. Nearly three-fourths of the resources states spend on adult day services come from SSBG, and it is the single largest federal investment in the adult protective services across the country.

**Older adults are already hampered by sequester cuts to critical services.** In 2012, 41 million Americans were over the age of 65, an 18% increase since 2000.[3] Many of these older adults face economic and health challenges. Currently, 80% of seniors have at least one chronic condition,[4] 3.6 million adults over the age of 65 live in poverty,[5] and one in seven seniors struggle with hunger.[6]

Despite this present and growing need, the Budget Control Act of 2011 (BCA) is set to cut discretionary spending by more than $1.5 trillion over ten years, causing spending on non-defense discretionary (NDD) programs to fall to its lowest level on record as a percent of gross domestic product (GDP).[7] In addition to the BCA's historically low funding levels, NDD programs, including the OAA, are subject to sequestration. To protect needy beneficiaries of critical NDD programs, Fiscal Year 2014 funding levels should not go below pre-sequester levels.

---

[1] See AARP Chained CPI Calculator: http://action.aarp.org/site/PageNavigator/SocialSecurityCalculator.html.
[2] Cubanski, J. "Testimony: An Overview of the Medicare Program and Medicare Beneficiaries' Cost and Service Use," (Kaiser Family Foundation: February 2013), see: http://kaiserfamilyfoundation.files.wordpress.com/2013/02/an-overview-of-the-medicare-program-and-medicare-beneficiaries-costs-and-service-use-testimony.pdf
[3] AoA's 2012 Profile of Older Americans, p. 1: http://www.aoa.gov/AoARoot/Aging_Statistics/Profile/2012/docs/2012profile.pdf
[4] AoA FY14 Congressional Budget Justification, p. 39: http://www.acl.gov/About_ACL/Budget/docs/FY2014_ACL_CJ.pdf
[5] AoA's 2012 Profile of Older Americans, p. 1: http://www.aoa.gov/AoARoot/Aging_Statistics/Profile/2012/docs/2012profile.pdf
[6] Gunderson, Craig and Ziliak, James. "Senior Hunger in America: An Annual Report." National Foundation to End Senior Hunger, May, 2012. P.2: http://www.nfesh.org/wp-content/uploads/2013/03/2010-Senior-Hunger-Report.pdf
[7] Kogan, R. "Congress Has Cut Discretionary Funding by $1.5 Trillion Over Ten Years, First State of Deficit Reduction is Law," (Center for Budget and Policy Priorities: November 2012), see: http://www.cbpp.org/cms/?fa=view&id=3840

Yet, the Senate-passed CR, the presumed vehicle for a clean short-term funding bill, already makes concessions on this point. The Senate CR cuts $217 billion from discretionary programs, relative to President Obama's most recent budget request, and is in direct contrast with the upper chamber's 2014 budget. By setting FY14 funding at $986 billion, as is currently proposed, Congress would essentially lock in discretionary spending at post-sequester levels, creating a dangerous precedent that would continue to harm those served by NDD programs.

**The Affordable Care Act (ACA) must be preserved**. Some members of Congress aim to scale back or delay the implementation of the ACA as a condition of resolving the current budget and debt impasse. This short-sighted tactic must be rejected. Older Americans are already benefiting from critical ACA provisions, including closure of the prescription drug coverage gap, greater access to low or no-cost preventive services, enhanced care coordination and primary care services, reduced hospital readmissions, improved access to Medicaid home and community-based services and more.

LCAO opposes repealing or further cutting the Prevention and Public Health Fund, which would deprive crucial resources needed for evidence-based approaches to empower seniors to take control of their health and prevent further illness and injury. In recent years, $10 million has been invested in chronic disease self-management and another $10 million for elder falls prevention has been proposed by the Senate. Nearly 92% of all older adults have at least one chronic condition, and each year one in three older adults will experience a fall.

Starting in 2014, Americans aged 55 and older, will finally be able to gain access to affordable insurance through the health marketplaces and expanded Medicaid. Further, Americans of all ages stand to benefit from ACA cost-saving provisions already credited with improving the fiscal health of Medicare over the long-term, ensuring solvency of the Medicare Part A trust fund through 2026.[8] In short, efforts to undermine or halt implementation of the ACA would have harsh, real-world consequences for older adults and their families.

**A shuttered federal government harms older adults.** Because Congress has failed to perform its most basic responsibility, much of the government has shutdown. Nearly 450,000 federal employees have been furloughed. The remaining 1.5 million employees continue to work without the valuable support and assistance of many of their colleagues, and with the prospect that they will not receive a check come payday. Numerous federal government services and functions have stopped, and at a minimum, even the ones most vital to our national and economic security are being disrupted. As the shutdown drags on, disruption of government operations will only worsen.

Older adults rely on many services directly affected by the shutdown. It is true that programs that are not dependent on annual appropriations, such as Social Security and Medicare, continue to operate. Federal employees continue, even with the prospect of delayed pay, to ensure that Social Security checks are sent, and health care providers are reimbursed by Medicare for services delivered. But some important operations related to administering these programs have been stopped, and other important services such as OAA programs, which are dependent on annual appropriations, are administratively and programmatically affected.

As the shutdown drags on, among the most notable disruptions for older adults are deficient resources for critical, life-preserving programs, including OAA's home-delivered and congregate meals, in-home support services, long-term care ombudsman, and elder abuse prevention programs, as well as energy assistance, flu and other disease monitoring, state and federal nursing home surveyors and oversight, food safety inspections and much more.[9]

[8] The Board of Trustees, "2013 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds," (May 2013), see: http://downloads.cms.gov/files/TR2013.pdf

[9] National Council on Aging, "Government Shutdown: What You Need to Know" (October 2013), see: http://www.ncoa.org/public-policy-action/policy-news/government-shutdown-what-you.html

In addition to the direct effect on government operations and older adults, the shutdown is estimated to cost the United States economy about $300 million per day ($2.1 billion per week), according to IHS Global Insight, an economic consulting firm.[10]At a time when the economy is recovering, the country cannot afford to be set back by political dysfunction.

**The consequences of default would be catastrophic.** It is important to understand that raising the debt limit does not increase or authorize new government spending. In fact, it ensures that the country pays for debts and obligations previously approved by both Democrats and Republicans. Therefore, the simple question is whether or not Congress should pay the tab for obligations *already* agreed to by both parties.

Protecting the full faith and credit of the United States is a key Congressional responsibility. No Congress in history has *ever* failed to meet that responsibility. Since 1960, the debt limit has been raised 78 times, 49 under Republican Presidents and 29 under Democratic Presidents. The nation's creditworthiness is not a bargaining chip that can be used to advance a political agenda of either party.

Treasury bonds backed by the full faith and credit of the U.S. are the safest, most trustworthy assets in the world. If we violate that trust for the first time in history, the U.S. will default on its financial obligations, causing the stock market to plummet, damaging economic growth, and sending the nation—and perhaps the global economy—into a severe recession. Interest rates would spike for any American who borrowed money, affecting car loans, credit cards, home mortgages, college loans and business investments. The solvency of pension funds, 401(k)s, and IRAs would be jeopardized. According to the American Society of Pension and Professionals and Actuaries, if the nation defaults, retirement savings accounts could be hit with "losses in excess of 20%." And Social Security checks, Medicare payments to doctors and hospitals, and veterans benefits would be stopped, limited, or delayed.[11]

In conclusion, LCAO urges Congress to break the habit of negotiating through manufactured crises, and to act swiftly and responsibly to reopen the federal government, raise the debt ceiling and end the sequester. Ensuring the health and economic security of older Americans and their families is dependent upon access to needed government services and a steadily recovering U.S. economy. Thank you.

Sincerely,

---

[10] *See, e.g.*, NBC News, http://www.nbcnews.com/business/money-nothing-government-shutdown-costs-12-5-million-hour-8C11308802

[11] Lew, J. "Written Testimony of Jacob J. Lew, Secretary of the Treasury, Before the Senate Committee on Finance," (October 2013), see: http://www.finance.senate.gov/imo/media/doc/10-10-2013%20Final%20Written%20Testimony%20-%20Lew1.pdf