

Budget Showdown in Washington

What it Means for Seniors

- ▶ No immediate cuts in key programs for retirees for January and February, 2013
- ▶ Some in Washington still want to cut Social Security, Medicare, Medicaid
- ▶ Older Americans Act programs facing possible cuts on March 1, 2013

On New Year's Day, Congress approved the American Taxpayer Relief Act of 2013. This narrowly averted large income tax increases on most Americans and temporarily suspended sweeping, across-the-board cuts to domestic and defense programs. Specifically, the law:

- **Suspends the sequester (automatic cuts) for 2 months** while broader deficit reduction talks continue. Though the sequester would not cut Social Security, Medicare or Medicaid benefits, it would cut many Older Americans Act services that seniors' depend upon for their independence, health and well-being, such as meal programs, rides to medical appointments and assistance with home heating costs.
- **Prevents massive cut in Medicare doctors' reimbursements.** The law halts for one year the 27% reductions in physician reimbursements, ensuring that Medicare beneficiaries will have access to providers.
- **Extends Assistance to Low-income and Therapy Cap Exception.** The Qualified Individual (QI) program – which pays Medicare Part B premiums for individuals with incomes between 120% and 135% of the federal poverty level and resources below \$6,940 for an individual and \$10,410 for a couple – is extended through December 31, 2013. Also, it extends exception process for outpatient therapy caps, allowing beneficiaries to obtain needed therapy services.
- **Returns Social Security Payroll Contributions to 6.2%.** The rate of American workers' payroll contributions to Social Security has been 4.2% for the past two years. As of January 1, it's back to 6.2%, on the first \$113,700 in wages. While this means smaller paychecks (average loss of about \$40 from each bi-weekly paycheck), the expiration of the payroll tax holiday means that Social Security will return to being fully funded by workers' and employers' contributions – as it has been since the program started.

Retirees and workers must remain vigilant against long-standing threats to seniors' health care and economic security. Our economic problems are not caused by Social Security, Medicare or Medicaid benefits.

- Social Security has not added one dime to the deficit.
- We oppose benefit cuts to Social Security, Medicare or Medicaid.
- Let's talk about closing loopholes for Wall Street and the richest 2% of Americans.

- **Begins to restore tax fairness by making the wealthy pay their fair share.** Returns the top rate to 39.6 percent for singles with incomes above \$400,000 and married couples with incomes above \$450,000. While we would have liked for taxes to have risen on those making more than \$250,000, the deal does keep taxes from rising for the middle class.
- **Extends emergency unemployment insurance benefits for 2 million people.** Without this one-year extension, 2.2 million families would have lost access to unemployment benefits.

Over the coming months, Congress may consider:

- 1) Raising the Debt Ceiling** – The U.S. government reached its legal borrowing limit on December 31, 2012. The President is currently using “extraordinary” measures to keep the government from defaulting. This provides the Administration time until February 15 before the government runs out of funds. This means Congress and the President will have to reach an agreement to raise the debt limit before then. Republicans aim to use debt limit negotiations to leverage the Administration into more spending cuts. Programs that are particularly vulnerable are Medicare, Medicaid and Social Security.
- 2) Dealing with Automatic Budget Cuts** – The Budget Control Act of 2012 requires that Congress cut \$109 billion divided evenly between defense and domestic, discretionary spending in 2013. The new law postponed these automatic across-the-board cuts by two months through a down-payment of \$24 billion in deficit reduction. Half of this money will come from revenues, while the other \$12 billion from spending cuts to be spread out between 2013 and 2014. Congress has until March 1 to find other sources of revenue or alternative ways to reduce spending to avert the additional \$42.5 billion in cuts to defense and \$42.5 billion in domestic spending still looming for 2013. Many in Congress are looking at cuts in Social Security, Medicare and Medicaid in order to protect cuts in Pentagon spending.
- 3) Funding the Federal Government** – The legislation that funds the government is set to expire on March 27, 2013. Without new legislation to fund programs, the government will shut down. However, any spending measure is dependent on what happens with the sequestration and debt ceiling negotiations. With the down payment of \$24 billion in the fiscal cliff negotiation, Congress postponed sequestration for two months, but come March 1, barring another agreement, they will have to implement the cuts. If, however, Congress and the President agree to raise more revenue, fewer cuts will be needed. If they find other areas to cut, then Congress will have to write legislation to implement those cuts.

Note: Congress has already enacted almost \$2 trillion in cuts. According to the Center for American Progress, since October 1, 2010, we have reduced the deficit by \$2.4 trillion. Three quarters of those funds came from spending cuts, rather than making big corporations and millionaires pay their fair share in taxes.