

Potential Threats to Social Security

The Chained CPI: Some deficit reduction proposals have called for changing the formula used to calculate the annual COLA to the so-called chained CPI. 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 just because it’s cheaper. Changing to the chained CPI will result in a \$6,000 loss for retirees in the first fifteen years of retirement and adds up to a \$16,000 loss over twenty-five years. 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 enough 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: The GOP proposed replacing traditional Medicare with vouchers to buy private insurance. The stipend would be insufficient and would not keep up with medical inflation. The Congressional Budget Office found that plan would increase overall health costs by \$34 trillion over 75 years and increase out-of-pocket costs by \$6,000 per senior per year. Similarly, **the House Republican budget, which includes premium support 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 are steps 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 due to age discrimination. The proposal would force 65 and 66 year olds to continue working, try to qualify for Medicaid or scramble to find coverage in the private insurance marketplace. This flawed plan would shift costs to employers, the state due to higher Medicaid enrollees and beneficiaries. **According to Kaiser, the proposal would raise premiums by 3% (\$141) for 65 and 66 who go to the exchange and for those 67 and over who are on Medicare.**

Means Testing Benefits: Further means testing Medicare benefits sounds good in theory, but is harmful in practice. Currently, individuals with incomes above \$85,000 and couples with incomes above \$170,000 pay higher Medicare Part B and D premiums. This represents 5% of Medicare beneficiaries. **If 25% of beneficiaries were means tested, as proposed, it would affect someone making \$47,000 today.**

Medicare Physician Payment: In 1997, the Medicare physician payment was revised 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, physician payments for each service they provide are to be reduced in the following year. This has resulted in doctors facing proposed cuts to their reimbursements; however, Congress has averted these cuts every year by passing a legislative patch known as the "Doc Fix". The cost to permanently fix SGR is now estimated at \$138 billion, lower than previously. **Congress could require beneficiaries to pay more.**

Instituting a Combined Deductible for Medicare Part A and B with catastrophic coverage: 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 and provide a limit for out-of-pocket costs. The Medicare Part B deductible for 2013 is \$147 and the Part A deductible is \$1,184 for a hospital stay of up to 60 days. **While capping health costs could be beneficial for individuals with high out-of-pocket costs, it raises costs for almost 80% of seniors not using hospital services, and may increase it for those who don't hit the cap.**

Medigap Surcharge: Currently, Medigap covers most of a beneficiary's co-payments. One 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. **Another option would require individual with near first dollar coverage to pay higher Part B premiums for those plans.**

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.**

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