



NCPSSM

**National Committee to Preserve
Social Security and Medicare**

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LEGISLATIVE AGENDA FOR THE 110TH CONGRESS

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SOCIAL SECURITY

The National Committee's top priority is to preserve the social insurance nature of Social Security while strengthening the program and ensuring its long-term solvency. Social Security is one of our nation's most important and effective income security programs for Americans of all ages, and its fiscal outlook remains strong for decades to come. Private accounts funded with payroll taxes would dismantle Social Security and the protections it provides for retired and disabled workers and their dependents and survivors.

For these reasons, the National Committee supports strengthening Social Security by:

- ◆ **Opposing proposals that would privatize Social Security by diverting money out of Social Security and into private investment accounts.** Private accounts would worsen Social Security's long-term financing, reduce Social Security benefits for future retirees, trade Social Security guarantees for the volatility of the stock market, and add trillions of dollars to the federal debt.
- ◆ **Opposing a change endorsed by President Bush known as price-indexing.** Price indexing would drastically reduce future Social Security benefits for all but the poorest retirees, even for those people who did not opt for a private account, and would transform our nation's most important source of retirement security into little more than a welfare program.

Social Security is not responsible for today's federal budget deficits, nor is it "going broke." In fact, in Fiscal Year 2008, Social Security's surplus of around \$200 billion will be used to mask the true size of the federal deficit, effectively funding previously-enacted tax cuts for the wealthy. Social Security is fully financed through 2040, and will be able to pay about 75 percent of expected benefits thereafter. Social Security benefits are not overly-generous now – the average benefit is only about \$12,000 a year. Moreover, benefits are already being reduced by the phased increase in the retirement age that affects everyone born after 1937.

In light of these facts, the National Committee believes:

- ◆ **Congress should seek to bring the short-term federal budget into balance *before* addressing Social Security's long-range funding gap.** In this way, the American public can be assured that there will not be excessive pressure to cut Social Security benefits as a means of reducing long-range federal deficits. This will leave Congress free to take the modest steps necessary to put Social Security on a sound financial footing for the future.

MEDICARE

The National Committee supports the traditional, fee-for-service Medicare program which pools together large numbers of seniors, thereby making health insurance affordable and reliable for the disabled and those over age 65. Because of this, we opposed provisions in the “Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003” (Public Law 108-173), which established a prescription drug program administered by private companies or managed care organizations.

The MMA actually *prohibits* Medicare from offering a drug benefit directly and negotiating for the lowest prices possible for seniors. The resulting privatization of the prescription drug benefit has left seniors with a paralyzing number of Part D choices. In most areas, seniors are confronted with dozens of choices offered by unfamiliar companies with varying formularies, deductibles, premiums, co-pays, and coverage gaps. Since the prescription drug benefit began providing coverage in January 2006, seniors have expressed their concerns about the confusing enrollment process and the inadequate structure of the benefit.

For these reasons, the National Committee supports the following proposals to improve Part D:

- ◆ **Creating a Medicare-operated prescription drug benefit with the government negotiating drug prices.**
- ◆ **Eliminating large subsidies to insurance companies by:**
 - ◇ paying private plans at the same rate that the traditional Medicare program is paid for covering beneficiaries;
 - ◇ preventing private plans from receiving reimbursement for double payments for indirect medical education;
 - ◇ eliminating the preferred provider organization (PPO) stabilization fund (this was frozen in the last days of the 109th Congress, but the structure still remains in place); and
 - ◇ permanently removing the offset that protects private plans from receiving lower risk-adjusted payments.
- ◆ **Making benefits more readily available to low-income beneficiaries by:**
 - ◇ liberalizing the asset test for Part D’s low-income subsidy. The asset test has proven to be the biggest barrier in delivering prescription drug benefits to some of our country’s most vulnerable Medicare beneficiaries.
- ◆ **Lessening the hardship of the donut hole by:**
 - ◇ waiving premiums for any month a senior is not receiving drug coverage because of the coverage gap; and
 - ◇ counting all drug expenses incurred in the donut hole toward the true out-of-pocket (TrOOP) cost amount needed to reach catastrophic coverage.

The MMA not only created the privatized prescription drug benefit, it also included many long-term changes designed to privatize all of Medicare. The National Committee believes that privatizing Medicare is just as likely to ultimately destroy the health care safety net for seniors as privatizing Social Security is to dismantle the foundation of retirees’ income security. In addition to eliminating the subsidies for private companies mentioned above, we will continue to advocate for repeal of other harmful provisions contained in the MMA and will oppose new proposals that undermine traditional fee-for-service Medicare.

For these reasons, the National Committee also supports the following proposals to strengthen the social insurance nature of traditional fee-for-service Medicare:

- ◆ **Protecting the insurance risk pool by:**
 - ◇ repealing the means-testing of Medicare premiums;
 - ◇ opposing the President's Fiscal Year 2008 budget request that proposes to eliminate the inflation-adjusted thresholds for the means-testing of Part B premiums; and
 - ◇ opposing the President's Fiscal Year 2008 budget recommendation to means-test the Medicare Part D premium.

- ◆ **Removing arbitrary caps on the amount of general revenues that can be used to finance Medicare by:**
 - ◇ repealing the 45 percent cap on the federal contribution to Medicare due to a provision in the MMA;
 - ◇ opposing a provision in the President's Fiscal Year 2008 budget that would require an automatic reduction in payments to all Medicare providers if the 45 percent cap is exceeded.

- ◆ **Preventing the Medicare privatization demonstration project, scheduled to begin in 2010, from taking effect.** This "comparative cost adjustment demonstration project" will give seniors voucher-like payments of widely varying amounts that they will use to shop for private Medicare coverage.

FEDERAL BUDGET

The National Committee is steadfast in its support for a responsible federal budget. We understand that the economic security, retirement security, and the overall health and well-being of both current and future generations are dependent upon today's fiscal policy decisions. These decisions must begin with a commitment to eliminate deficit spending and put our nation on a sound financial footing so it can meet the challenges of an aging population.

Recent deficits are the result of numerous factors, including over \$3 trillion in unfunded tax cuts. Continued deficit spending will double our gross national debt from \$5.8 trillion in 2001 to a projected \$11.5 trillion in 2012, imperiling our global competitiveness and our obligations to all generations. As a result of continued federal deficit spending, the fastest growing portion of mandatory spending is not Social Security, Medicare or Medicaid, but the interest on this rapidly-growing national debt. This does constitute a "budget crisis," but it is not one created by Social Security or Medicare.

In the face of the President's insistence on making permanent the tax cuts he has championed throughout his administration, many who are concerned about the long-term implications of our mounting debt have turned their attention to Social Security and Medicare. Many of these "deficit hawks" rhetorically combine the two programs to create one large "entitlement crisis," using inflated "unfunded liability" calculations to make the case for significant cuts in future benefits and other radical reforms that will ultimately destroy Social Security and Medicare's most basic guarantees.

While it is true that Social Security and Medicare do face financial challenges in the future, the challenges are unique to each program and should not be viewed interchangeably. Social Security is running a surplus today and will be entirely self-funded until the youngest baby boomers are well into their 80's. Moreover, Social Security will be able to pay about 75 percent of benefits thereafter, even with no changes. Medicare has more immediate financial issues, but they reflect the overall state of health care in our nation, not a problem confined to the Medicare program itself. According to the Congressional Budget Office, over the last 35 years, increases in health care spending have been the main factor driving Medicare's cost growth.

For these reasons, the National Committee supports:

- ◆ **Enacting balanced budget “PAYGO” provisions which would require all future tax cuts and program enhancements to be offset.** This will assure that neither tax cuts nor new spending will add to an already oversized deficit.
- ◆ **Eliminating the budget deficit in order to better prepare for the retirement of the baby boom generation.** All budget surpluses should be used to retire the federal debt. To quote House Budget Committee Chairman John Spratt: “In my opinion, what comes first is the budget itself. The first step toward making Social Security solvent in the long run is to quit stacking debt on top of debt.”
- ◆ **Enacting comprehensive health care reform to bring down the cost of health care for all Americans, including Medicare beneficiaries.**

PENSIONS

Social Security is the foundation upon which retirement security is based. Today, two out of every three retirees receive more than one-half of their income from Social Security, and Social Security represents the only source of income for one in five retirees. For certain groups, such as widows, these numbers are even higher. However, Social Security benefits were never intended to provide all of the income necessary for a secure retirement; employer-provided pension plans and personal savings were always expected to play an important role.

Unfortunately, today’s workers do not appear to be adequately preparing for their retirement years despite billions of dollars in tax incentives provided each year by the federal government. About one-half of our nation’s employees work for employers who do not offer any type of retirement plan. The employers who do offer plans have increasingly shifted from guaranteed defined-benefit plans to less stable defined-contribution plans, such as 401(k) plans, which leave employee retirement savings vulnerable to the volatility of the stock market. Where workers do have access to defined-contribution plans, overall participation rates are low. Even when workers participate in their plans, stagnant wages, frequent job changes and recent market downturns make it difficult to accumulate meaningful account balances.

Outside of employer-sponsored pensions, the picture is not much brighter. Personal savings rates are at all-time lows and increased borrowing has eroded the value of the largest asset many Americans possess – their homes. The cumulative impact of these factors will result in millions of today’s workers reaching retirement age with few resources other than Social Security. This problem will be most acute for low-wage workers who have little ability to save for retirement.

The inadequacy of workers’ retirement savings is a primary reason the National Committee believes it is critical to strengthen Social Security and Medicare, in order to provide a stable foundation for workers’ retirement. In addition, we believe it is important to make every effort to reverse the erosion of defined-benefit pension coverage and increase protections for workers participating in defined contribution pension plans.

For these reasons, the National Committee supports:

- ◆ **Promoting pension reforms that enhance coverage, participation and pension protection.**
- ◆ **Increasing the prevalence of federally-insured defined-benefit pension plans and instituting safeguards for defined-contribution pensions.**

- ◆ **Seeking additional protections for older, long-service workers involved in cash balance pension plan conversions.**

COST-OF-LIVING ADJUSTMENTS AND MEDICARE PREMIUMS

Social Security is one of the few retirement programs which helps seniors keep pace with inflation through the use of annual Cost-of-Living Adjustments (COLAs). COLAs are calculated on the basis of general inflation, which has been outpaced by inflation in the health sector for many years. For this reason, Medicare premiums have been rising faster than Social Security benefits, thus eroding the ability of seniors to keep up with other increases in costs. While current law prevents net decreases in Social Security benefits resulting from increases in Part B premiums, it allows rising Part B premiums to consume a beneficiary's entire Social Security COLA. In addition, there is no such "hold-harmless" protection constraining the Part D premium, setting up a situation where seniors can lose ground each year as premiums for Part D increase at the rate of prescription drug cost inflation.

For these reasons, the National Committee supports:

- ◆ **Establishing "hold-harmless" protection for Medicare Part D which prohibits rising premiums from reducing Social Security benefits by more than the amount of the COLA.**
- ◆ **Limiting cost increases in *both* Part B and Part D *combined* to no more than 25 percent of the Social Security COLA.**
- ◆ **Creating a new consumer price index that more accurately reflects the inflation rate of consumer spending among seniors.**

MEDICAID AND LONG-TERM CARE

Nearly 10 million Americans, the majority of whom are senior citizens, rely on long-term care services and supports to assist them with activities of daily living such as eating, dressing, and toileting. Additional needs include housing modification, home management, food preparation, accessible transportation, medication management, and assistive technologies. Because our country lacks a comprehensive approach to financing long-term care services and supports, many individuals forgo needed assistance or turn to unpaid help from family, friends, and neighbors.

Currently, Medicaid is the primary source of long-term care financing, providing 49 percent of national spending for nursing home care and home- and community-based long-term care services in 2005. Because of the high costs of long-term care and because most people do not have long-term care insurance, Medicaid provides a safety net for individuals but only after they have depleted their life savings and become eligible for Medicaid long-term care assistance. As the baby boom generation ages, the rising demand for long-term care will increase and will continue to strain families and the Medicaid program.

For these reasons, the National Committee supports:

- ◆ **Creating a comprehensive social insurance system to help pay for long-term care services and supports for Americans with significant functional limitations.**
- ◆ **Standardizing long-term care insurance policies.**

- ◆ **Eliminating the “institutional bias” in Medicaid so that more people needing long-term care services can receive them where they want to be – in their own homes – rather than in nursing homes.**
- ◆ **Maintaining federal matching support for state Medicaid programs.**

IMPORTATION

The rising cost of prescription drugs continues to be a serious and potentially life-threatening issue in the United States. American consumers are charged significantly more for brand-name medicines which are sold for a fraction of the price in other major developed countries. Since the passage of the Medicare prescription drug bill, drug companies are making record profits, while increases in brand-name drug prices continue to greatly outpace the rate of inflation.

The National Committee believes that one way to help lower the cost of medicines is for Congress to pass legislation allowing for the safe importation of prescription drugs into this country. Many Americans are already importing affordable and life-saving medicines from abroad. The National Committee believes that legalizing importation will give seniors timely access to medications, provide a safe and reliable supply of needed drugs, and result in lower prices for American consumers.

For these reasons, the National Committee supports:

- ◆ **Allowing individual Americans and licensed U.S. pharmacies and drug wholesalers to import prescription drugs from major industrialized nations that have met stringent safety requirements.**
- ◆ **Ensuring that all imported drugs have been approved by the FDA, made in an FDA-inspected plant, and sold by FDA-inspected pharmacies.**
- ◆ **Guaranteeing the safety of imported medicines by allowing the FDA to perform frequent and thorough inspections, verify drug pedigree, and use anti-counterfeiting technologies.**
- ◆ **Preventing drug manufacturers from taking actions that can thwart importation and hinder consumer access to needed medications.**

SOCIAL SECURITY ADMINISTRATIVE BUDGET

The budget request for the Social Security Administration (SSA) covers the cost of administering Social Security programs, including the Old-Age, Survivors, and Disability Insurance programs and the Supplemental Security Income (SSI) program. Together these programs provide benefits for approximately 50 million Americans. Additional workloads related to the implementation of Medicare Part D (primarily for lower-income beneficiaries) and the means-tested Medicare Part B premium will strain the resources available to serve current and future Social Security beneficiaries.

Staffing shortages, combined with new workloads, have slowed processing times for disability claims, reduced the number of re-determinations, and lessened the quality of service to beneficiaries. In recent years, insufficient resources at SSA have dramatically increased disability case backlogs for hundreds of thousands of needy beneficiaries. Waiting times for those who appeal decisions have risen to almost a year and a half. In addition to meeting the needs of current beneficiaries, as we prepare for the retirement in of the first baby boomers in

2008, it is critically important that we provide SSA with sufficient resources to hire, train, and retain an adequate number of field office staff available to help beneficiaries. The National Committee believes it is particularly inappropriate for SSA not to have the resources it needs to improve service delivery because the Social Security trust funds finance a significant portion of SSA's administrative budget.

For these reasons, the National Committee supports:

- ◆ **Increasing administrative funds for the Social Security Administration so that SSA can effectively serve the people who depend on its important programs.**

GOVERNMENT PENSION OFFSET (GPO) AND WINDFALL ELIMINATION PROVISION (WEP)

The GPO unfairly reduces the Social Security spousal and survivor benefits of government employees who earned pensions under a system not covered by Social Security. The WEP reduces the earned Social Security benefits of individuals who also receive a public pension from a job not covered by Social Security. It diminishes the promised protection of low-income earners by its universal application to any annuitant with less than thirty years of substantial Social Security earnings. Currently, the GPO affects 390,000 individuals, and the WEP affects 680,000 individuals.

For these reasons, the National Committee supports:

- ◆ **Repealing the GPO or, at a minimum, modifying the offset to alleviate its severity.**
- ◆ **Repealing the WEP or, at a minimum, limiting its application and lessening the severity of its reduction of Social Security benefits.**

OLDER AMERICANS ACT

The National Committee supports increased funding for Older Americans Act (OAA) programs including Meals-on-Wheels, senior centers, transportation, legal services, elder abuse prevention, senior employment and support for family caregivers. These programs allow many seniors to remain as independent as possible in their homes and communities. With our nation's growing elderly population, this is clearly not the time to cut programs and services that provide critical home and community-based care.

For these reasons, the National Committee supports improving Older Americans Act programs by:

- ◆ **Increasing funding for Older Americans Act programs by at least 10 percent so that they can better keep pace with inflation and meet the growing demand for services due to our aging population.**
- ◆ **Opposing the President's Fiscal Year 2008 budget that proposes cuts totaling \$109 million, or six percent, for Older Americans Act programs.** The President's budget request eliminates funding for preventive health services (\$21 million) and Alzheimer's demonstration grants (\$12 million), and reduces funding for in-home and community-based supportive services, the National Family Caregiver Support program, the long-term care ombudsmen program, and the senior employment program.

OLDER WORKERS

The National Committee believes it is important to provide incentives to both employers and employees that will pave the way for significant increases in older worker employment. As our society ages, the need to keep older

workers employed will become a much higher priority for both workers and employers.

For these reasons, the National Committee supports:

- ◆ **Subsidizing employers who continue to provide health benefits and participation in pension plans for part-time older workers.**
- ◆ **Expanding the dependent care tax credit to help older workers caring for chronically-ill relatives.**
- ◆ **Extending COBRA health insurance coverage to enable workers age 62 and over to purchase coverage until they become eligible for Medicare at age 65.**
- ◆ **Continuing to remove impediments to “phased retirement,” which would allow older workers to work reduced hours and supplement their income with withdrawals from retirement accounts.**
- ◆ **Exploring the option of allowing older workers to “buy-in” to the Medicare program, making their health insurance more affordable while strengthening the Medicare program by expanding the insurance risk pool.**

VETERANS

Congress and the nation must pay careful attention to the retirement needs of seniors who have served in the military. The National Committee continues to advocate for improved health care, disability and retirement benefits for our nation’s veterans and military retirees. Veterans’ benefits and military retiree health care should not be required to compete for funding with other defense programs, but should be guaranteed as earned rewards for service to our country. Moreover, the Administration’s efforts to raise health care premiums and deductibles for Fiscal Year 2008 will have a negative impact on military retirees. While we understand that health care costs are on the rise, our nation’s military retirees have given much to this country and deserve fair treatment.

For these reasons, the National Committee supports:

- ◆ **Ensuring that needed funding is authorized and appropriated for Veterans Administration health care so the system can properly fulfill its obligation for all the nation's sick and disabled veterans.**
- ◆ **Allowing all eligible, disabled military retirees to receive their full military retirement pay and full disability compensation without offset (“Concurrent Receipt”).**
- ◆ **Authorizing and implementing the mandatory funding of veterans health care to ensure sufficient funding on a regular and timely basis.**
- ◆ **Expanding health care alternatives such as the Federal Employees Health Benefits Program (FEHBP) as options for elderly veterans.**

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