

September 2, 2011

President Barack Obama  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Mr. President:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I urge you not to include cuts to Social Security, Medicare or Medicaid in your proposals to the Joint Select Committee on Deficit Reduction – the so-called “Super Committee.” These programs are of extreme importance to today’s seniors and future retirees and should not be arbitrarily cut in the name of deficit reduction.

We are particularly concerned about proposals reportedly under consideration to reduce the cost-of-living adjustment (COLA) that seniors depend on in retirement to protect their Social Security benefits’ purchasing power against the harmful effects of inflation. The current measure of inflation used to calculate the COLA already undercounts the higher cost increases experienced by seniors whose incomes are disproportionately spent on health care costs. Switching to a chained-CPI will exacerbate the existing problem, and make it increasingly more difficult for generations of retirees and the disabled to make ends meet.

We are also deeply concerned about proposals to cut Medicare, including one to raise the eligibility age from 65 to 67. Raising Medicare’s eligibility age will have widespread ramifications to generations of Americans, including current retirees, and should not be undertaken without serious review and consideration. Although the impacts are not immediately obvious, analyses by both the Kaiser Family Foundation and the Center for Budget and Policy Priorities show that raising the Medicare eligibility age will increase costs for Medicare beneficiaries over age 67 as younger retirees are eliminated from Medicare’s risk pool. Older Americans between ages 65 and 67 will experience the deepest cost-shifting, as two out of three will see cost increases averaging \$2,200 a year as a result of losing their Medicare coverage.

Other proposals to increase the cost of Medicare for beneficiaries are also of concern, as seniors already pay 27 percent of their average Social Security benefit for cost-sharing in Medicare Parts B and D alone. This is in addition to out-of-pocket health care costs not covered by Medicare. With one-half of Medicare beneficiaries having incomes below \$22,000, they cannot afford to pay more for health care.

In addition, the National Committee is very concerned about proposals to reduce Medicaid funding that would affect low-income seniors. Older adults and people with disabilities account for two-thirds of all Medicaid spending, and Medicaid pays for about 62 percent of all long-term services and supports. Proposed cuts to Medicaid – including the establishment of a federal

Medicaid “blended rate” – would affect older Americans by jeopardizing the availability and quality of long-term care both in nursing homes and in the community, and by impairing low-income seniors’ ability to receive assistance through the Medicare Savings Programs to help pay their Medicare out-of-pocket costs.

Finally Mr. President, we understand you intend to push for an extension and possibly expansion of the current payroll tax holiday as part of a jobs initiative that may be linked to the work of the Super Committee. We believe that such a course would eventually have a devastating effect on Social Security because using general revenues to repay Social Security and thus pay benefits weakens the earned-right nature of Social Security. This is a fundamental design of the program and accounts in large measure for its enduring popularity with workers of all socio-economic stripes. Workers pay into the program with the understanding that they will receive benefits that reflect the contributions they have made during their working lives. Using general revenues to fund Social Security, even partially, undermines this essential feature and therefore undermines Social Security.

If the payroll tax holiday is extended Social Security will become even more vulnerable to deficit reduction proposals than it is currently. The projected revenue loss from extending and expanding the tax holiday in 2012 would be double the \$105 billion lost in 2011. Such an action would leave Social Security dependent on general revenues rather than workers’ contributions for fully one-quarter of the program’s total income in 2012, and would change a mechanism that has successfully funded the program since its inception in 1935. Expanding the holiday to employers would only compound these problems.

The National Committee realizes the importance of reducing the federal deficit, but we believe it is imperative during this process to protect programs that provide health and economic security to older Americans today and in the future. Cuts to Social Security, Medicare and Medicaid should not be included in deficit discussions – instead these critical programs should be strengthened on their own merits.

Sincerely,

A handwritten signature in cursive script that reads "Max Richtman".

Max Richtman  
President and CEO