



National Committee to Preserve
Social Security and Medicare

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Dear Representative:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, we strongly urge you to support H.Res.1368 when it comes to the House Floor. H.Res.1368 would suspend section 803 of the Medicare Modernization Act of 2003 (known as the Medicare “trigger”) for the remainder of the 110th Congress.

The Medicare “trigger” requires the Medicare Trustees to include a finding in their annual report whenever they project that general revenues will make up more than 45 percent of total Medicare funding within the first seven years of the 75 year valuation period. This finding was made in the two most recent annual reports, thus requiring the President to submit legislation to Congress to bring the federal contribution to Medicare down below the 45 percent threshold. The legislation is subject to expedited procedures designed to hasten its consideration. H.Res.1368 would suspend the Medicare “trigger” through the remainder of the 110th Congress.

The 45 percent threshold at which the “trigger” is set was a completely arbitrary limit included in the Medicare Modernization Act. There has never been a public debate on whether it is appropriate to establish a cap on the federal revenue contribution to the Medicare program at any level, nor has any policy rationale been identified for selecting 45 percent as that federal contribution limit. The fact that more than 45 percent of Medicare financing may come from general revenues poses no more of a problem in itself than the fact that 100 percent of the financing for defense, veterans’ benefits, education or most other federal programs comes from general revenues. The problem facing Medicare is the cost of health care, not how the cost is allocated between revenue sources.

Limiting the federal government’s contribution to the Medicare program ignores Medicare’s financing structure, which was designed to rely on general revenues to finance about 75 percent of Part B and Part D. This structure allows the revenue raised by income taxes to shoulder a higher portion of the responsibility for Medicare’s funding, placing the burden on a revenue source which is relatively progressive and taxes all income.

If general revenue contributions are limited, the burden would shift to beneficiaries, who are typically retirees on fixed incomes or the disabled, generally the least able to shoulder the burden of increased costs. In fact, about 70 percent of Medicare beneficiaries have incomes under \$25,000 and 85 percent have incomes under \$40,000. Nearly two-thirds of older households have incomes under \$20,000, and they are already spending 30-50 percent of their incomes on health care.

Arbitrarily cutting Medicare without getting at the root of the continuing upward trend of health care costs is a strategy for failure. It has real impacts on real people – most of whom have nowhere else to go for coverage and limited ability to pay higher medical costs, accounting for rising senior bankruptcies.

Measuring Medicare’s financial health solely by considering the percentage of general revenues contributed to the program produces a meaningless number, which will nonetheless be used as a catalyst for policy decisions that could have a devastating effect on the health care of seniors and people with disabilities. For example, the 45 percent limit has been triggered, in part, because more beneficiaries are being treated in outpatient settings than in hospitals. While this shift may disproportionately increase costs for Medicare Part B, which accelerates the date at which the cap will be reached, when compared with Part A, which is not counted in the limit, it is generally considered a positive development in health care.

A second major reason the cap was triggered is the Part D prescription drug program. Although Part D is providing needed drugs to millions of seniors, the cost of these drugs is still rising much faster than general inflation. We believe this is the result of the lack of a traditional Medicare drug option, which the Medicare Modernization Act specifically prohibited. In addition, the Act provided billions of dollars in subsidies in order to entice private insurance and drug companies into the Medicare program. While passage last week of H.R. 6331 helped trim some of the most egregious overpayments, billions in subsidies continue to flow to private companies. Both the rising cost of drugs and the private sector subsidies provide little or no benefit to Medicare enrollees, yet they contribute to the rise in costs both for beneficiaries and the federal government – and accelerated the date at which the cap was reached.

Finally, the legislation submitted by the President in response to the “trigger” could have devastating consequences to Medicare beneficiaries with little oversight by Congress. For example, Section 101(d) of the implementing legislation directs the Secretary of the Department of Health and Human Services to design and implement a new performance-based reimbursement system for all Medicare providers as well as a new ‘incentive’ program intended to drive Medicare beneficiaries to selected providers under this new system. With this one provision, Congress would delegate to the Secretary unprecedented authority to change the way the Medicare program operates through the regulatory process, rather than reserving such important decisions for Congress and the Committees of jurisdiction.

The President’s legislation also would dramatically expand Medicare means-testing through a provision that has been proposed repeatedly as part of the President’s budget submission only to be rejected by Congress. Section 301 of the President’s bill would expand means-testing to include the Part D program, a policy which many experts believe would be extremely difficult to administer, and further would not allow the income limits to rise to reflect inflation. Income limits that are not indexed ultimately affect far more people than the ‘wealthy’ they are originally designed to cover – a fact well demonstrated by the current reach of the Alternative Minimum Tax.

Medicare faces challenges in the future, but they are not unique to the Medicare program – they reflect the same pressures driving health care costs for those under age 65. Addressing these challenges will not be advanced by a contentious debate on the share of program costs funded through general revenues. In fact, such a debate will distract from the true challenge of Medicare: determining how to provide high-quality health care for an aging population in an era of rising health care costs.

We strongly urge the House to suspend the Medicare “trigger” by passing H.Res.1368 and focus instead on making health care affordable for all Americans.