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February 2, 2009

The United States Senate
Washington, DC 20510

Dear Senator:

As the Senate considers the American Recovery and Reinvestment Act this week, the National Committee to Preserve Social Security and Medicare would like to reaffirm the strong opposition of its millions of members and supporters to any form of entitlement commission or task force which may be offered as an amendment to this stimulus legislation.

We appreciate the efforts that Senator Conrad, Senator Gregg and others have invested in their entitlement commission proposals. However, we believe that these proposals contain fundamental flaws in both content and timing.

Social Security and Medicare are critical lifelines for America's seniors. Seniors deserve to have changes to these programs receive substantive consideration that focuses on the circumstances of old age and not on the need for reductions in the budget. Major changes to these programs should be considered by Congress in an open legislative process. We should not bypass the important protections of widespread public engagement and transparency.

For these reasons, the National Committee to Preserve Social Security and Medicare opposes any entitlement commission amendment to the economic recovery bill.

Reductions in Social Security Benefits should not be a Quid Pro Quo for Enactment of the Economic Recovery Bill

The enactment of an entitlement commission as part of the economic recovery legislation would send the signal that reductions in Social Security and Medicare are being traded for support for the economic recovery package.

The National Committee to Preserve Social Security and Medicare strongly opposes reducing Social Security benefits or cutting Medicare in order to balance the federal budget whether it is for the short-term, mid-term or long-term. Social Security, funded by a dedicated payroll tax, represents the bedrock retirement income of nearly every American. Social Security provides a modest benefit of only \$12,000 a year for the average retiree. It is the only source of retirement income for nearly 20 percent of retirees and represents over half the income of nearly two-thirds of beneficiaries.

To urge cuts in Social Security as a trade-off against current stimulus expenditures would do unnecessary harm to generations of retirees. Social Security needs to be adjusted modestly to reach solvency, but that is a manageable task. Seniors would surely see the enactment of a commission as part of a grand bargain that pits the current recovery package against the income security of tomorrow's elderly.

Lack of Transparency and Public Engagement Will Leave the American People Out of the Discussion

Under the proposed entitlement commission, a very small group of legislators and administration officials would design legislation to address issues affecting Social Security, Medicare and Medicaid along with federal taxes. The legislation would then be fast-tracked through Congress on a limited time schedule with little or no opportunity for amendment. This runs counter to the call by the new Administration for transparency and participation by the American public in policy decisions. Enacting restrictive timelines and prohibiting amendments to push through changes of this importance to millions of Americans, especially senior Americans, ultimately disenfranchises the public and hurts the political process.

Social Security and Medicare are Distinct Programs and Need to be Addressed Separately

Contrary to popular rhetoric, the Social Security program is not in crisis. According to the Social Security Trustees, Social Security will have sufficient funds to pay full benefits through the year 2041. The Congressional Budget Office projects that full benefits can be paid through 2049. No other federal program is subject to such strict, long-term spending restrictions and oversight. The Social Security Trustees report every year on the income and outgo of the fund over a 75-year period. Over the next 75 years, Social Security has a funding gap, but that gap is both modest and manageable.

Medicare Provides Basic, Affordable, Universal Health Care to Seniors

While Medicare may not be perfect, it has been a godsend for millions of seniors who were abandoned by private industry decades ago. Prior to Medicare, less than 50 percent of seniors had health care coverage. Today, Medicare is critical in providing for the health care needs of 97 percent of those over age 65. About 70 percent of Medicare beneficiaries have incomes under \$25,000 a year and 85 percent have incomes under \$40,000. Almost two out of three elderly households have incomes under \$20,000, and they are already spending 30 to 50 percent of their incomes on health care, even with Medicare coverage.

Medicare's Costs are Driven by the Cost of Health Care

Although Medicare costs are rising for both beneficiaries and the federal government, the increases are not unique to Medicare. Because Medicare is a health care program, it is subject to the same upward inflationary pressures that are forcing many employers to drop their policies and leaving their workers to join the ranks of America's 46 million uninsured. In fact, Medicare's low administrative overhead and efficiencies of service have helped Medicare's costs grow at roughly the same rate as the cost of private health insurance for the under-65 population, despite seniors' higher need for services.

America Does Not Face an Entitlement Crisis; It Faces a Health Care Financing Problem

According to the Congressional Budget Office, the rate at which health care costs grow relative to national income—rather than the aging of the population—is the most important determinant of future federal Medicare and Medicaid spending. In fact, according to analysis by the Congressional Budget

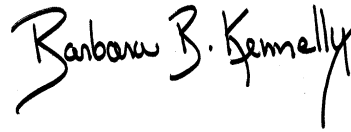
Office (CBO), if every entitlement in the federal budget were repealed outright – eliminating Social Security, Medicare, Medicaid and other critical programs – but nothing were done to slow the growth in health care costs overall, we would still find ourselves spending almost 70 percent of the nation’s wealth on health care by 2082. On the other hand, the rate of growth in overall health care is restrained so it is no longer growing faster than the rest of the economy, Medicare’s long-range financial deficit could be cut by well over one-half.

Social Security and Medicare are Needed Now More than Ever

The current economic meltdown has reinforced the importance of Social Security as the basic foundation for retirement. The collapse of investment savings and the sharp decline in housing values have significantly reduced the retirement security of millions of Americans. Social Security was created in times much like today to provide Americans with a foundation of security they could count on in old age. Surely, the lesson of the current financial crisis is not that we should reduce the protections of America’s most successful retirement security program. Nor is the lesson that we should cut health benefits for those over 65 when health coverage for all Americans has emerged as an achievable goal.

The National Committee strongly urges you to oppose any amendment to the economic recovery bill which would authorize a commission or task force to create fast-tracked and non-amendable legislation affecting Social Security or Medicare and the beneficiaries they serve.

Cordially,

A handwritten signature in black ink that reads "Barbara B. Kennelly". The signature is written in a cursive, flowing style with a long, thin tail on the final letter.

Barbara B. Kennelly
President and CEO