National Committee to Preserve Social Security & Medicare™
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December 3, 2012

The Honorable Charlie Gonzalez
1436 Longworth House Office Building
Washington, D.C. 20515

Dear Representative Gonzalez:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, we are writing to urge you to oppose any budget deal during the Lame Duck session or during the 113th Congress that relies on benefit cuts to Social Security, Medicare and Medicaid, which would hurt millions of middle and working class Americans.

We are concerned about suggestions that everything should be on the table for deficit reduction. Putting everything on the table is equivalent to using the Bowles-Simpson proposal as a template for deficit reduction. The Bowles-Simpson proposal's heavy reliance on Social Security and Medicare cuts would be devastating to beneficiaries, especially to communities of color, including many families with children. The co-chairmen's recommendations included proposals that would:

- **Cut Social Security by Raising the Normal Retirement Age to 69 and the Early Retirement Age to 64** – Despite the fact that the normal retirement age is already increasing from 65 to 67, the proposal called for an additional increase in the normal retirement age to 68 by 2050 and 69 by 2075. Increasing the normal retirement age amounts to a benefit cut of 6-7 percent for each year the retirement age is increased. This would harm the retirement security of young Americans under the age of 18 – a majority of whom are projected to be African American, Latino, Asian and Pacific Islander, and Native American by the end of this decade. Furthermore, the plan seeks to increase the age of early retirement from 62 to 64 – a proposition that would place retirement security further out of reach for Hispanic workers and their families. According to the National Council of La Raza, approximately 59 percent of Hispanic workers are concentrated in labor sectors such as service work, agricultural labor, and construction industries where occupational injuries and disabilities are commonplace. In these sectors the potential for lengthy careers is limited, and many Hispanics must retire early due to severe health problems.

- **Cut Social Security by Reducing Cost-of-Living Adjustments (COLAs)** – The proposed adoption of a different method of calculating the cost-of-living adjustment would almost immediately result in smaller COLAs, making it harder for even current retirees to keep up with rising food, housing, health, and gas prices. Estimates are that this proposal would lower benefits by approximately 3 percent after 10 years of retirement and 6 percent after 20 years of retirement. This cut would be especially harmful to women, including those of color, who live longer but have less wealth than men. And, a COLA reduction would particularly harm Latinos because they tend to live longer but in poorer health. As a result, Latinos would be less able to afford vital life saving health-related goods and services. The correct course of action would be to adopt the CPI-E, which better captures spending patterns by seniors on their health care and therefore more accurately reflects the inflation rate actually experienced by seniors.

- **Cut Social Security by Altering the Benefit Formula** – Bowles and Simpson proposed massive changes to the benefit formula that would substantially reduce benefits for millions of future retirees.

- **Cut Medicare by Raising the Eligibility to 67** – Bowles-Simpson seeks to raise the age of eligibility for Medicare from 65 to 67. Increasing the Medicare age of eligibility would be particularly harmful to Hispanics because they have longer average life expectancies and less access to employer-based coverage. Latinos for a Secure Retirement estimated that increasing the Medicare eligibility age to 67 could cost Hispanics in the United States more than $2.4 billion in the first full year of implementation.

- **Cut Medicare by Increasing Cost Sharing for Seniors** – Bowles-Simpson suggested proposals that would lead to hundreds of billions of dollars in new Medicare cuts, over $100 billion of which would come **directly** out of the pockets of seniors in the form of increased cost-sharing. The average senior is already spending nearly 30 percent of his/her Social Security benefit on Medicare out-of-pocket costs alone; these proposals would increase that amount.

- **Cut Medicare by Capping Federal Health Spending** – This proposal would likely force drastic structural changes to Medicare including replacing traditional Medicare with a voucher system and raising the age of eligibility.

Medicare is extremely important for individuals with modest incomes and health problems**.** Two-thirds of African Americans and Hispanics have incomes below $22,500, about 200 percent of the poverty level, and they make up a large share of those who have incomes below 100 percent of the poverty level. In addition, people from communities of color are at greater risk for certain chronic conditions, such as diabetes. As a result, African Americans and Hispanics would be disproportionately harmed by the Medicare cuts proposed by Bowles and Simpson.

Some lawmakers apparently believe that Bowles-Simpson is a "balanced" solution because it forces everyone to "take a haircut." But Bowles-Simpson is really a buzz cut for middle class families and a light trim for the wealthy.

What many of your colleagues may not fully appreciate is that the middle class has already taken a huge hit through job loss, mortgage foreclosures, and decimated savings. Almost half the country's workers have less than $10,000 in savings and 30 percent have less than $1,000, according to the Employee Benefits Research Institute. What is more, barely half of all workers have access to retirement plans at work, and millions reach retirement age without enough private savings to provide an adequate income in retirement. As other middle class institutions – such as pensions and retiree health plans – crumble, Americans have put their faith in the last pillars still standing – Social Security, Medicare and Medicaid.

In addition, we are concerned about proposals to cut Medicaid that would undermine the access seniors and people with disabilities have to long-term care services and supports (LTSS), available at home and in the community. The primary funding source for these services is Medicaid, which covers over 62 percent of all long-term care services. Medicaid remains a vital safety net and is especially important to communities of color. About 50 percent of all Medicaid beneficiaries are members of ethnic or racial minorities.

Proposals to change the structure of Medicaid to block grants or establish per capita caps hurt beneficiaries. Block grants would make significant cuts to Medicaid over time, reduce program flexibility, shift costs to states, and place greater financial burden on caregivers and families. Per capita caps would lead to major program cuts and not reflect the costs of the different Medicaid populations. Changing Medicaid to a federal "blended rate" would also reduce Medicaid payments to states. As a result, millions of existing Medicaid beneficiaries would forgo needed medical assistance and become sicker if these proposals became law. We urge you to oppose these proposals.

As you know, Social Security, Medicare and Medicaid are vital to the economic and health security of millions of senior Americans. Any changes in these programs should be based on what is best for beneficiaries, not what is expedient for reducing America's debt or to pay for tax cuts for millionaires. Such changes should include:

- Lifting the Social Security payroll tax cap which could solve most of Social Security's long-term problem,

- Comprehensive reforms in the Affordable Care Act that are expected to contain costs in the entire health care sector, including Medicare, ought to be given a chance to work and to be strengthened.

Congress can cut the deficit without cuts to these cherished and successful programs if it focuses on improving the economy and asking those who have done extremely well in the last decade to finally pay their fair share. To that end, we urge you to support limiting the Bush-era tax cuts to the first $250,000 of household income.

During the Lame Duck session and the 113th Congress, our most successful anti-poverty programs – the social insurance safety net – are under threat. We are counting on you to oppose all efforts to include Social Security, Medicare and Medicaid in the "fiscal cliff" negotiations.

Please join us in protecting Social Security, Medicare and Medicaid benefits when Congress considers deficit reduction legislation. We look forward to working with you on these vital issues.

Sincerely,

Maya Rockeymoore, Ph.D
Board of Directors Chair

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President and CEO