

RAPID RESPONSE
FIELD CAMPAIGN

BRIEFING MATERIALS

SEPTEMBER 2011

Social Security & Medicare Messages

- **Social Security and Medicare belong to the people** who have worked hard all their lives and contributed to the programs. They do not belong to politicians in Washington who want to use them as a piggy bank.
- **Social Security and Medicare are based on a promise that if you pay in then you earn the right to guaranteed benefits.** This is one promise to the American people that politicians should not break.
- **Social Security has not contributed a penny to the federal deficit.** Social Security has a \$2.7 trillion surplus today. Social Security's benefits should not be cut to reduce the deficit.
- **Medicare is an efficient, effective health care program,** but it is not immune from the same inflation that makes health insurance increasingly unaffordable for workers. America has a health care cost problem, not a Medicare problem.
- **Social Security is not bankrupt or in crisis.** It can pay all promised benefits in full for the next 25 years. After that it can pay three-quarters of promised benefits. We have plenty of time to close this funding gap so that all promised benefits can be paid.
- **Medicare's Hospital Trust Fund will be able to pay all promised benefits until 2024.** After that it can pay 83 percent of promised benefits for the next 75 years.
- **Strengthening Social Security and Medicare is a matter of priorities:** Tax cuts and tax loopholes for the rich or full benefits for everyone else.
- **Politicians in Washington are meeting behind closed doors and are discussing raiding Social Security.** They would do this by giving employers a Social Security tax holiday. If they want to give corporations a tax break that's their choice, but they should not raid your Social Security to do it. That money belongs to you.
- **Social Security and Medicare are commitments made to all Americans that have withstood the test of time.** They represent the best of American values—rewarding hard work, honoring our parents and caring for our neighbors.

Chained CPI Will Chain Many Seniors and People with Disabilities to a Poorer Life

Some politicians in Washington are preparing to cut your Social Security COLA for good—even after two years without getting a COLA. It goes by a fancy name—chained CPI. Here's what you need to know about it.

- **It's a benefit cut.** It's not some minor technical change to the COLA. It's a real cut to the benefits you have earned every year into the future.
- **It cuts benefits more with every passing year.** After 10 years your benefits would be cut by about \$500 a year for the average retiree. After 20 years your benefits would be cut by about \$1,000 a year.
- **It hits today's Social Security beneficiaries.** Politicians like to say their cuts to Social Security will not affect those getting benefits today. Wrong! Switching to the chained CPI would hit all current beneficiaries.
- **We need a higher COLA, not a lower one.** The current COLA is not enough—it does not adequately account for large health care cost increases faced by seniors and people with disabilities.

SOCIAL SECURITY BELONGS TO ALL OF US. DON'T LET THEM CUT IT.

Social Security Has a Large Surplus in 2011

Those who say Social Security is in deficit this year, in “crisis” and “bankrupt” are flat wrong. Social Security is flush with a surplus that will grow significantly over the next decade to pay benefits for retiring baby boomers.

Social Security does not add a penny to the deficit. By law, it cannot deficit-spend and borrow. Social Security should not be cut to reduce the deficit.

Social Security trustees, who oversee the program, recently analyzed Social Security’s finances and found:

1. **Social Security will have a surplus of \$69 billion in 2011**, based on revenue of \$807.7 billion and spending of \$738.4 billion.

2. **Social Security has three revenue sources**— Payroll contributions from employers and employees (83%), interest earned on Social Security’s U.S. Treasury bond assets (14%), and income taxes on the Social Security benefits paid by those with higher incomes (3%).

3. **Social Security will be able to pay all benefits until 2036**. Its surplus is projected to be \$2.7 trillion in 2011, and will peak at \$3.7 trillion in 2022. Social Security will have sufficient income and assets to pay all monthly benefits in full and on time for the next 25 years. After that Social Security can pay three-quarters of promised benefits.

This funding gap can be closed by scrapping the Social Security tax cap so that those with wages of more than \$106,800 a year pay taxes on all of their wages, just like everyone else who makes less has to do.

BOTTOM LINE, SOCIAL SECURITY WORKS, EVEN IN A BAD ECONOMY. THERE IS NO REASON TO CUT BENEFITS—NOT FOR TODAY’S SENIORS; NOT FOR ANY GENERATION.

America Has a Health Care Crisis, Not a Medicare Crisis

Those who say Medicare is in “crisis” are only telling you part of the story. Medicare’s Hospital Trust Fund will be able to pay full benefits until 2024, and 83 percent of benefits for the next 75 years.

The 2024 date does not apply to Medicare coverage for doctor and outpatient payments or Medicare’s prescription drug benefit. These parts of Medicare do not face insolvency and cannot run out of funds. Their costs are shared by beneficiaries and the federal government.

Each year premiums are set so they cover 25 percent of their costs and the federal government covers the rest. Because the payments are adjusted every year, these programs cannot run out of money.

Medicare is more efficient than health care in the private sector. Medicare’s costs grow more slowly than health care costs for those under age 65, despite covering older and less healthy people.

But Medicare is not completely immune from the upward cost pressures faced by the rest of the health care system. Medicare patients use the same doctors, hospitals, prescription drugs etc. as non-Medicare patients, so when costs go up in the private sector, they also go up for Medicare patients, though they don’t go up as quickly.

If we could slow the growth of health care costs for everyone to a rate that matches other developed countries, Medicare’s cost problems would disappear.

WHAT WE NEED IS TO LOWER HEALTH CARE COSTS FOR EVERYONE --- NOT TO KEEP CUTTING MEDICARE

Republican Medicare Plan Will Eat Up Your Social Security Benefit

THE REPUBLICAN BUDGET WOULD END MEDICARE AS WE KNOW IT.

Rather than get covered by Medicare, you will get a voucher to purchase private health insurance. That will jack up your health care costs and leave you at the mercy of insurance companies.

Seniors' health care costs will double under this scheme. That's because private insurance is much more expensive than Medicare, and the Republican plan's voucher will not keep pace with rising health care costs.

Pretty soon, the higher health care costs will eat up your entire Social Security check:

- Typical seniors will spend one-half of their Social Security benefits on Medicare in 2022, when the plan would take effect, and 90 percent of their benefits within 16 years.
- Within 19 years, a senior's entire Social Security check would be gone.

WE MUST STOP THIS COST INCREASE ON OUR MOST VULNERABLE CITIZENS TO BENEFIT SOME OF OUR MOST PROFITABLE CORPORATIONS—INSURANCE COMPANIES.

We Can Save Billions In Medicare If We Stop Overpaying Private Companies

Negotiate Prescription Drug Prices. The government cannot negotiate prices with drug companies by law. Because of this, we pay almost 70 percent more for prescription drugs in the Medicare program than through the Veteran's Administration, which has direct negotiating power. Requiring price negotiation would save taxpayers and beneficiaries billions of dollars.

Stop Paying Private Medicare Plans More than Traditional Medicare. Medicare pays an average of 10 percent more for beneficiaries enrolled in private Medicare Advantage Insurance Plans than traditional Medicare spends on comparable beneficiaries. A large part of the overpayment goes to insurers rather than to benefit those who are enrolled in the plans. Eliminating Medicare Advantage subsidies would save billions of dollars.

Include a Drug Benefit in Traditional Medicare. Offering a drug benefit in traditional Medicare would give beneficiaries a choice they do not have today, and provide real competition for the drug companies. Medicare's lower administrative costs alone would result

in lower drug prices for beneficiaries and save taxpayers over \$20 billion a year.

Extend Medicaid Drug Rebates to Medicare Dual Eligibles. Older adults who have very low incomes are eligible for both Medicare and Medicaid. Medicare covers most of their prescription drug costs. Because Medicare cannot negotiate prices with drug companies the way Medicaid can, we are spending billions in extra dollars to cover them. If Medicaid's rebate program was extended to these seniors, taxpayers would save tens of billions of dollars.

Let the Affordable Care Act Do Its Job. The health reform bill has many reforms designed to improve quality of care and reduce unnecessary spending. These include strong measures to combat waste, fraud and abuse. Implementing these changes quickly will hold down costs for everyone over time.

STRENGTHEN MEDICARE WITHOUT HURTING SENIORS

Raising the Social Security Retirement Age = A Huge Benefit Cut

Some Washington politicians want to raise Social Security's full retirement age to 69 or even 70.

Guess what would happen if you were claiming benefits today and the full retirement age was changed from 66 to 69?* **You would get about 20 percent less.**

The average benefit for retirees today is only about \$14,000 a year. A retirement age of 69 would reduce that benefit to about \$11,200.

Most people can't live on \$14,000 a year—let alone \$11,000. But that is what will happen if politicians in Washington raise Social Security's retirement age to 69.

WE CAN'T LET THAT HAPPEN.

*Age 66 is the full retirement age in 2011. The retirement age is scheduled to increase to 67 for those born in 1960 or later.

Raising the Medicare Eligibility Age = A Huge Benefit Cut

Some Washington politicians want to raise Medicare's eligibility age from 65 to 67.

Guess what would happen if you were 65 or 66 years old and Medicare's eligibility age was 67? **All of you would lose your Medicare coverage and two-out-of-three would pay \$2,200 more each year for your health insurance.** You would have to take your chances in finding private health insurance you could afford.

Medicare beneficiaries have an average income of less than \$22,000 per year, and they are already spending 27 percent of the average Social Security benefit on Medicare Part B and Part D cost sharing alone. They can't afford to pay more for their health care.

What would happen if you were over age 67 and already receiving Medicare when the age was raised to 67? **You would pay more too, because younger, healthier seniors would no longer be in Medicare.**

What would happen if you were an employer who provides health insurance to your retirees? **Your costs would go up because more 65- and 66-year-olds would shift from Medicare to your insurance for primary coverage.**

What would happen if you were a State government? **Your costs would rise because some of the people who lost Medicare coverage would have low incomes and shift to Medicaid.**

MEDICARE HAS A PROVEN TRACK RECORD OF PROVIDING AFFORDABLE HEALTH CARE TO SENIORS. RAISING THE AGE TO 67 HURTS EVERYONE.

Means Testing Social Security Means Little Savings and Big Cuts

Politicians in Washington want to “means test” your Social Security benefits—reducing or denying benefits to wealthier people. They claim it would only affect the rich, but that’s not true.

Only 2 percent of benefits go to individuals with income of \$100,000 or more a year from sources other than Social Security.

Cutting their benefits alone would not make much of a difference. In order to get significant savings from means testing, the benefits of the middle class would have to be cut too.

And that’s not all. For 75 years, Social Security has been a promise to all Americans that if you work hard all your life and contribute to the system, you are guaranteed a life of dignity when you retire, become disabled, or experience the passing of a loved one.

It is an earned right and it rewards hard work. Means testing betrays Social Security’s universal promise, undermining political support for the program, discouraging savings, and punishing hard work.

**SOCIAL SECURITY WORKS FOR ALL AMERICANS.
MEANS TESTING DOES NOT. WE CANNOT LET IT HAPPEN.**

Medicare is Already Means Tested

Politicians in Washington want to “means test” Medicare – requiring wealthier people to pay more for their benefits. But the wealthy already pay more for Medicare – if you keep raising their costs, they are more likely to drop out of the program completely.

Three-quarters of Medicare’s spending for doctor and outpatient services and the prescription drug benefit is financed by general revenues – that is, mostly by personal income taxes. Because the income tax system is progressive, **upper-income people pay a larger share of their income in taxes for these programs.**

Since 2007, **high-income beneficiaries have been required to pay higher premiums for doctor and outpatient benefits.** The standard Part B monthly premium is \$115.40, but premiums for beneficiaries with incomes above \$85,000 can reach \$370 each month.

High income beneficiaries must also pay more for their Medicare prescription drug benefit. The additional premium amounts for this benefit can reach \$70 monthly.

Unlike Social Security which has a wage cap, workers pay Medicare payroll taxes on all of their wages. **The higher a person’s wages, the more he or she pays in payroll taxes.**

Starting in 2013, **an additional payroll tax** will be imposed on covered earnings above \$200,000 for an individual and \$250,000 for a couple. Taxpayers will also pay **an additional Medicare contribution on unearned income** such as dividends and capital gains for the first time.

HIGH INCOME BENEFICIARIES ALREADY PAY MORE FOR MEDICARE.

Medicaid Is Important for Medicare Beneficiaries

Politicians in Washington want to cut spending on Medicaid. Many Medicare beneficiaries do not see the connection between Medicare and Medicaid, so they think cuts to Medicaid won't affect them. This is not true.

Older adults and people with disabilities account for two-thirds of all Medicaid spending. This includes millions of seniors who rely on Medicaid to help with Medicare's out-of-pocket costs.

Medicaid pays for about 62 percent of all long-term services and supports. If this funding is cut, States could require spouses or other family members to cover the cost of nursing home care, leading many to exhaust their savings.

Cuts in nursing home spending could also force States to establish **waiting lists** once funding for the year has been spent.

Cuts in payments could also result in scaling back **quality and service** in nursing homes, which could endanger the lives of vulnerable seniors.

Nursing home care averages \$75,000 each year. Many nursing home residents on Medicaid are former middle-income seniors who spent their life savings on their care. **Anyone can end up in a nursing home dependent on Medicaid.**

MEDICAID IS IMPORTANT TO SENIORS. IT SHOULD NOT BE CUT.

Social Security, Medicare, Medicaid & the Debt Limit - At the mercy of the "Super Committee"

After months of negotiations, Congress and President Obama agreed to increase the Nation's borrowing limit, narrowly avoiding a catastrophic default on our debt. As with any compromise, there is both good news and bad news for seniors in this agreement.

The Good News:

Debt Ceiling: President Obama was given the authority to raise the debt limit, preventing a default or any disruption in sending out Social Security and veterans' benefit checks. The new limit should provide enough borrowing room to get through all of 2012 without further Congressional action, thus protecting Social Security and Medicare from being taken hostage again by a debt limit deadline during the middle of a very political election year.

Medicare & Medicaid: As a result of the effective advocacy by the National Committee and other seniors' groups, Social Security and low-income programs such as Medicaid are exempt from cuts either in the initial package of spending cuts or in the potential automatic cuts that could come later in the process. Medicare is exempt from the initial package of cuts, and is limited to no more than 2% in cuts to provider reimbursements in the second round of cuts.

Spending Cuts: The agreement includes \$1 trillion in spending cuts that result from the establishment of 10 year caps on spending. This will result in about \$10 billion in cuts to discretionary programs over the first two years of the plan (Fiscal years 2012 and 2013), split evenly between domestic and security programs.

The Bad News:

The New 'Super Committee': The plan creates a new Joint Committee of 12 Members of Congress, divided evenly between the House and Senate and each political party. This "Super Committee" will have until November 23, 2011 to produce a plan reducing the deficit by at least \$1.2-\$1.5 trillion. It only takes 7 out of the 12 Members to approve any plan - which will then be 'fast-tracked' through Congress by the end of this year with limited debate, a simple majority to pass and *no amendments allowed*. No programs are protected from the reach of this Super Committee, and numerous Members of Congress have made it clear they expect most of the deficit reduction to come from 'entitlement reform' - which is code for cuts in Social Security, Medicare and Medicaid.

More Domestic Spending Cuts: As a way of putting pressure on Congress to approve the Super Committee's proposal, the agreement includes a 'penalty' for inaction. The penalty takes the form of a second round of automatic spending cuts to discretionary programs (which include, for example, Older American's Act programs such as Meals-on-Wheels, Senior Centers and transportation) up to a total of \$1.2 trillion over the next decade. This second round of cuts is also intended to be split evenly between domestic and security programs, and exempts Social Security, and low-income programs such as Medicaid. Medicare cuts are limited to 2% in lower provider reimbursements - Medicare benefits that go directly to seniors are protected.

Revenues: Raising revenue is not included in the first round of cuts, nor is it included in the automatic cuts that would result if the Super Committee is not successful in producing a deficit reduction plan that is signed into law. Although increased revenue could be part of the Super Committee's recommendations, Republican Congressional Leaders have made it clear they only intend to appoint Members to the Super Committee who oppose tax increases, even to close tax loopholes or to require the extremely wealthy to contribute to deficit reduction. If they are successful in imposing this limit, just as they were successful in keeping revenue out of any of the spending cuts in the debt limit plan, all of our Nation's deficit reduction will come at the expense of the poor and middle-income Americans. Social Security, Medicare and Medicaid will see deep cuts, not just for future beneficiaries but also for today's seniors.

What Happens Next?

- The initial round of spending cuts will be enacted through the regular appropriations process for Fiscal Year 2012 (which begins on October 1st , 2011).
 - Congressional Leaders will appoint a 12-member, bipartisan Joint Select Committee on Deficit Reduction (the so-called "Super Committee"). Its mission will be to create a package by November 23rd which reduces the deficit by at least \$1.2 trillion over the next decade. If the Committee members fail to reach agreement, or if their recommendations are not approved by Congress by December 23rd , automatic across-the-board cuts will start by January 1, 2013. The automatic cuts will equal \$1.2 trillion minus any cuts recommended by the Super Committee that are enacted into law.
 - Social Security and low-income programs such as Medicaid are exempt from the automatic cuts. Medicare beneficiaries will also be exempt but providers of Medicare services will see their reimbursements cut up to 2%.
 - Congress is also required to vote on a Balanced Budget Amendment, but there is no penalty if it does not pass.
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What can we do?

It's clear that advocacy by individual seniors and our advocacy groups made a difference in protecting Social Security, Medicaid and Medicare beneficiaries from short-term and automatic cuts. However, much work remains in the weeks ahead, when we must:

- Convince the Super Committee not to propose cuts in Social Security, Medicare, Medicaid and discretionary spending programs that are important to vulnerable older adults.
- Press the Super Committee to include increased revenue for deficit reduction from those who can most easily afford it.