**LCAO Sign-On Letter**

The Honorable Mitch McConnell The Honorable Chuck Schumer

Majority Leader, U.S. Senate Minority Leader, U.S. Senate

Washington, DC 20510 Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Schumer:

Since 1980, the Leadership Council of Aging Organizations (LCAO) has been the country’s preeminent coalition representing older Americans. The undersigned LCAO members are writing to express our strong opposition to provisions of the House-passed American Health Care Act (AHCA) because of the harm they would inflict on our nation’s seniors. We urge you to reject including these proposals in any Senate legislation.

We are deeply concerned that the AHCA would increase the number of uninsured Americans by 23 million and significantly increase health care costs for millions more—particularly older adults with modest incomes or pre-existing conditions. According to the recent Congressional Budget Office (CBO) report, the increase in the number of uninsured “would be disproportionately larger among older people with lower-income—particularly people between 50 and 64 years old with income of less than 200 percent of the federal poverty level.”

**Medicaid Proposals Harm Those Needing Long-Term Care, Reduce Jobs and Create Problems for States**

We strongly oppose provisions that would cut Medicaid by $834 billion. This would result in deep job loss and tear apart the health care safety net for millions of our nation’s middle-class and poorest, most vulnerable citizens. Americans have consistently opposed cutting Medicaid spending. Since 2005, Kaiser Family Foundation (KFF) polling has indicated that there has never been more that 13% of people who support cutting Medicaid.

Medicaid is a lifeline for 7 million low-income seniors. The AHCA’s cuts to the program would impact families across this country—including middle-class families—who have already spent down their resources paying out of pocket for long-term care and who rely on Medicaid for critical home and community-based services (HCBS), nursing home care, or other services for a family member with disabilities. Medicaid covers 2 in 3 nursing home residents. With nursing home care often costing about $100,000 a year, seniors quickly run through their life savings before turning to Medicaid.

HCBS, which are not covered by Medicare, enable older Americans and people with disabilities to stay in their own homes and with their families. They are cost-effective, and they help struggling family caregivers keep loved ones together. But HCBS are at greatest risk of major cuts because they are optional under Medicaid, while nursing home care is mandatory. On average, Medicaid dollars support nearly 3 older people and adults with disabilities with HCBS for every 1 person in a nursing home. The AHCA also repeals Community First Choice (CFC) funding, which would further reduce access to cost-effective HCBS.

It is particularly alarming that these AHCA Medicaid cuts would largely be used to pay for $663 billion in tax cuts for wealthy Americans and special interests. According to the Urban Institute and Tax Policy Center, millionaires would gain about $40 billion in annual tax cuts once the bill’s provisions are fully in place, paid for with Medicaid cuts that would reduce health and long-term care services for Americans with incomes generally below $17,000. These sharply contrasting priorities should raise serious moral questions for policymakers and our nation.

It has been reported that the Senate is considering imposing strict per capita caps on federal contributions to Medicaid, which have nothing to do with repealing the Affordable Care Act (ACA). Under per capita caps, the federal government provides states with a fixed, limited payment based on a preset formula that would inevitably fail to reflect fluctuating service needs among states and their residents during periods of economic growth and recession, as well as real growth in long-term care costs. State variations in spending would be permanently frozen in place based on 2016 costs, creating problems for all states and especially those that faced budget constraints or reduced spending in that year.

Per capita caps would provide uneven, and likely unfair, funding to states, which would receive very different federal contributions because spending varies based on policy choices, demographics, population health, and provider market competition. Fixed caps would likely penalize efficient states with low spending per person, and states with higher than average growth rates, resulting in perverse incentives. Given the dramatic spending cuts proposed, every state will struggle with the greater risks they will be forced to bear, and several states will fare much worse than others.

Further, there is little or no reason to believe that currently proposed growth rates in spending would remain stable. A per capita cap structure makes it easy for the federal government to simply dial down Medicaid growth rates to achieve savings, shifting enormous risk onto states that will likely lead to rationing care through reductions in services, coverage, and already low provider payments. In fact, the House changed the proposed growth rates three times since the release of its February 10 draft. The Administration also recently proposed dialing down growth rates to cut Medicaid by an additional $610 billion. The total combined Medicaid cut would be about $1.3 trillion over 10 years—a massive, unprecedented 45% cut in 2026.

Other important Medicaid per capita cap concerns include:

* The caps fail to account for the growing aging population and the fact that seniors aged 85+ have 2½ times higher Medicaid costs than people aged 65-74. This shift from young-old to old-old, and resulting higher costs per person, will dangerously stretch state budgets. The 85+ population is the nation’s fastest growing age group and is projected to triple by 2050.
* Proposed Medicaid cuts will result in significant job losses and reduced wages for health and long-term care workers and lower economic growth. Many of the estimated 4.4 million nursing facility and home care workers Medicaid pays for would lose their jobs or have their salaries cut, further worsening current direct care worker shortages. Indeed, Moody’s Investors Service recently concluded that the AHCA would be a credit negative for states.
* Medicaid spending is **not** out of control. Medicaid costs per beneficiary are much lower than for private insurance and have been growing more slowly than under private employer coverage. CBO also recently lowered its 2010 Medicaid spending projection for 2011-2020 by $311 billion, or 9.3%.

Proposals to repeal the Medicaid expansion also would harm older Americans. The expansion provides health security in 31 states to 11 million previously uninsured Americans, including about 1.6 million older adults aged 50-64 who struggle to find affordable coverage. We do not believe there is any acceptable glide-path or phased approach to ending the Medicaid expansion.

**Repealing the Payroll Tax Weakens the Medicare Trust Fund**

We also oppose the AHCA provision that would weaken Medicare’s financing by repealing the Affordable Care Act payroll tax on the wealthiest Americans, which currently amounts to a 0.9% increase for individual workers with incomes of more than $200,000 and for couples earning more than $250,000. This tax cut would reduce trust fund revenues by $59 billion, lead to the insolvency of the Medicare Hospital Insurance (Part A) Trust Fund about two years earlier than currently projected (from 2028 to 2026) and make it more difficult to meet Medicare benefit promises in the future. According to the Center on Budget Policies and Priorities, each of the 400 wealthiest families would ultimately receive tax cuts averaging about $7 million every year.

**The Age Tax Dramatically Increases Costs for Older Adults**

The AHCA also would dramatically increase costs and make coverage less available for older adults aged 50-64 who are not yet eligible for Medicare by imposing an Age Tax that would allow insurance companies to charge older adults five times or more what younger adults pay for health insurance premiums in the individual market. The bill would significantly reduce tax credits that help lower and modest income older adults pay for coverage. In addition, the AHCA provides for state waivers that would allow insurance companies to charge people with pre-existing conditions significantly higher rates based on their health. This will result in a less healthy population going into Medicare and higher program costs.

Taken together, the bill’s changes to age rating and tax credits will dramatically increase the financial burden of older Americans and make coverage significantly less affordable, especially for those with modest incomes, and likely will cause many to go without coverage and necessary care. According to the recent CBO cost estimate, the AHCA would increase premiums by a shocking $14,400 per year—from $1,700 to $16,100 for a 64-year-old with income below $26,500 per year.

The AHCA also would harm older Americans with chronic conditions because it would allow states to let insurance companies significantly increase premiums for those with pre-existing conditions. Half of Americans aged 50-64 have a pre-existing condition for which they could have been denied coverage prior to the ACA. Finally, the AHCA weakens current consumer protections that limit consumers’ out-of-pocket spending and prohibit insurance companies from capping benefits on an annual and lifetime basis, even for people covered by large employers.

We strongly urge that you oppose all of these harmful proposals, which would dramatically impact the health and long-term care of millions of older Americans and their families.

June 12, 2017