



Leadership Council of Aging Organizations

James Firman, Chair

July 11, 2017

The Honorable Mitch McConnell
Majority Leader, U.S. Senate
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader, U.S. Senate
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 tens of millions of older Americans. On behalf of LCAO, I am writing to express the coalition's strong opposition to provisions of the Better Care Reconciliation Act (BCRA) because of the harm they would inflict on our nation's seniors and their families. We urge you to reject including these proposals in any Senate legislation.

We are deeply concerned that the BCRA would increase the number of uninsured Americans by 15 million next year and 22 million by 2026. The bill would significantly increase health care costs for millions more—particularly older adults with modest incomes or pre-existing conditions. According to the nonpartisan Congressional Budget Office (CBO): "[T]his legislation would increase the number of uninsured people substantially. The increase would be disproportionately larger among older people with lower income."

We are also deeply disappointed that the Senate held no hearings on this bill and did not give committees an opportunity to discuss and amend it. In sharp contrast to the Senate's typically thoughtful, deliberative process on matters of such consequence, consideration of the BCRA has not provided meaningful opportunities for stakeholder engagement or bipartisan cooperation, and has failed to follow regular order.

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

We strongly oppose provisions that would cut Medicaid by \$772 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. It is particularly alarming that these Medicaid cuts would largely be used to pay for an estimated \$563 billion in tax cuts for wealthy Americans and special interests.

It is also important to note that the Medicaid cuts are back-loaded, so the impact would be far worse after 2026. CBO found that the BCRA would cut Medicaid spending by 35 percent in 2036 compared to CBO's extended baseline. According to CBO, "a large gap would grow between Medicaid spending under current law and under this bill...that gap would continue to widen because of the compounding effect of the differences in spending growth rates." AARP has estimated that the Senate proposal to dramatically reduce Medicaid growth rates starting in FY2025 will cut total Medicaid spending by between \$2.0 trillion and \$3.8 trillion from 2017-2036.

Americans have consistently opposed cutting Medicaid spending. Since 2005, Kaiser Family Foundation (KFF) polling has indicated that there has never been more than 13% of people who support cutting Medicaid. A June 15-18 PerryUndem survey found that only 11% of Americans favor cutting Medicaid.

Medicaid is a lifeline for 7 million low-income seniors. The BCRA'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. 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 Senate bill cuts HCBS directly by \$19 billion by repealing Community First Choice (CFC) funding, which would further reduce access to cost-effective services that help keep families together.

The Senate would impose 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. Alarming, the BCRA would make drastic long-term cuts to Medicaid by dialing down the growth rate significantly to the Consumer Price Index (CPI) in 2025, just as boomers start turning 80 and are far more likely to need expensive long term care.

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. According to preliminary analysis from Manatt, the Senate provision to decrease caps for higher spending states and increase caps for lower spending states would mean that “nearly twice as many states would be losers under the redistributive provision as would gain from it.” In general, 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. For example, the Administration 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 cut of approximately 45% in 2026.

According to the National Association of Medicaid Directors: “[N]o amount of administrative or regulatory flexibility can compensate for the federal spending reductions that would occur as a result of this bill. . . It would be a transfer of risk, responsibility, and cost to the states of historic proportions.”

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. The dramatic Senate reduction in growth rates in 2025 significantly exacerbate this problem.
- 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. Standard and Poors stated that “In terms of credit quality impact, we believe BCRA...would have a negative impact on health care providers.”
- 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 BCRA provision that would weaken Medicare's financing by repealing the 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

The Age Tax and Other Provisions Dramatically Increases Costs for Older Adults

The BCRA also would dramatically increase costs and make coverage less available for older adults aged 50-64 who are not yet eligible for Medicare, via a number of changes to the individual market:

- It would impose 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. Individuals above 350% of the poverty line would no longer receive tax credits to assist with the cost of coverage (currently available to those at 400% or below).
- The BCRA provides for state waivers that allow for significant experimentation without guardrails to ensure strong coverage. For example, states could have waivers that redefine the essential benefits covered in their state, or may 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.
- The value of the premium tax credits would decrease, as the BCRA ties the tax credits to the bronze level of coverage, which only covers 58 percent of beneficiaries' health care costs on average. Deductibles and other out-of-pocket cost sharing will likely rise significantly.
- Lastly, the bill allows for beneficiaries to pay for a higher percentage of income towards premiums depending on both their income and age. Older people would pay as much as 17% of their income towards premiums, compared to as little as 4.5% of income for younger people.

Taken together, the bill's changes to age rating and tax credits, and allowance of waivers will dramatically increase the financial burden of older Americans and make coverage significantly less affordable, especially for those with modest incomes in high cost states, and likely will cause many to go without coverage and necessary care.

According to a recent estimate by the Center on Budget and Policy Priorities, the BCRA would increase premiums by a shocking \$8,650 per year in the state of Alaska for a 60-year-old with income at 350% of the poverty line. Additionally, because the tax credits would be tied to a lower tier of coverage, deductibles would double for individuals accessing coverage through the individual market.

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.

Sincerely,

James Firman
LCAO Chair

OR Opt-Out Sign-Ons by Monday 7/10 COB:

AARP
AFSCME
The Aging Life Care Association
Alliance for Aging Research
Alliance for Retired Americans
AMDA – The Society for Post-Acute and Long-Term Care Medicine
American Association of Service Coordinators (AASC)
American Federation of Teachers
American Foundation for the Blind (AFB)
American Geriatrics Society (AGS)
American Society on Aging (ASA)
Association of Jewish Aging Services (AJAS)
B’nai B’rith International
Caring Across Generations
Center for Elder Care & Advanced Illness
Center for Medicare Advocacy
Community Catalyst
Easterseals
Families USA
The Gerontological Society of America (GSA)
International Association for Indigenous Aging
Justice in Aging
LeadingAge
Lutheran Services in America (LSA)
Medicare Rights Center
National Academy of Elder Law Attorneys (NAELA)
National Adult Day Services Association (NADSA)
National Alliance for Caregiving (NAC)
National Association for Home Care & Hospice
National Association of Area Agencies on Aging (n4a)
National Association of Nutrition and Aging Services Programs (NANASP)
National Association of Social Workers (NASW)
National Association of State Long-Term Care Ombudsman Programs (NASOP)
National Caucus and Center on Black Aging, Inc. (NCBA)
National Committee to Preserve Social Security and Medicare
National Consumer Voice for Quality Long-Term Care
National Council on Aging (NCOA)
National Hispanic Council on Aging (NHCOA)
National Senior Corps Association (NSCA)
Pension Rights Center
PHI
SAGE (Services and Advocacy for GLBT Elders)
Social Security Works
Visiting Nurse Associations of America (VNAA)
Women’s Institute for a Secure Retirement (WISER)