



April 27, 2012

The Honorable Dave Camp
Chairman
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Wally Herger
Chair, Health Subcommittee
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Pete Stark
Ranking Member, Health
Subcommittee
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Representatives Camp, Levin, Herger, and Stark:

I am writing to you on behalf of AARP's 38 million members and the millions of older Americans and their families who depend upon the Medicare program. Our statement today will focus on comments generally to the creation of a "premium support" system for the Medicare program. We appreciate that the House Ways and Means Committee is holding a hearing focused on the long-term future of Medicare. AARP believes it is critical that we strengthen Medicare to ensure both the health and economic security of current seniors and future generations.

AARP is concerned that rather than recognizing that health care is an unavoidable necessity which must be made more affordable for all Americans, a premium support system may simply result in a shift of high and growing health care costs onto Medicare beneficiaries, as well as a shift of even higher costs of increased uninsured care onto everyone else. The typical Medicare beneficiary today, living on an income of roughly \$20,000, already struggles to pay for their ever-rising health and prescription drug costs -- and nearly 20 percent of their income currently goes to health care costs. By creating a "premium support" system for future Medicare beneficiaries, any such proposal risks simply increasing costs for beneficiaries while removing Medicare's promise of secure health coverage -- a guarantee that future seniors have contributed to through a lifetime of hard work.

Proponents of a premium support system for Medicare believe that such a system could, depending on how the government contribution to premiums was determined, reduce future federal Medicare spending. Previous proposals assumed significant savings would come from competition among private plans in Medicare. However, many critics have questioned those savings, and point out that much of the savings are achieved not by lowering health costs, but simply by shifting costs onto beneficiaries. The recent experience with Medicare Advantage, where payments to private plans have generally been higher than costs for the traditional fee-for-service (FFS) population, casts some doubt on the promise of savings through competition.

A premium support system with an inadequate government contribution would greatly increase the costs of Medicare for beneficiaries and would increase the risks beneficiaries would face under such a system. Much of the federal savings from premium support would come from increased premiums paid by beneficiaries (i.e. shifting costs from the government to beneficiaries) rather than from cost savings within the healthcare system. Especially vulnerable are those beneficiaries who are unable to afford higher premiums, including those remaining in the traditional FFS program (assuming it remained as an option), either because it was the only option available in their geographic area or because they felt it the best option for them. This would be particularly true if the FFS program included a larger proportion of the oldest and sickest beneficiaries, which could further raise costs and premiums compared with private plans. A premium support system – unlike private plan options that currently exist in Medicare -- would under this likely scenario “price out” traditional Medicare as a viable option, thus rendering the choice of traditional Medicare as a false promise.

Any Medicare reform proposal should ensure adequate affordable coverage -- especially for lower income beneficiaries -- and protect beneficiaries by maintaining a guaranteed benefits package and insuring that all plans meet quality and efficiency standards.

Various premium support proposals up to this point have failed to recognize that higher Medicare spending is driven to a large extent by high costs throughout the health care system generally. Medicare is just one part of our nation's health system, which includes public, individual, and employer-based health insurance. If we're serious about lowering health care costs, we cannot simply focus on Medicare and Medicaid for savings. Rather, we must improve the delivery of health care generally, including increasing preventive services, better

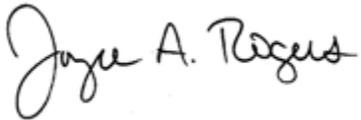
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coordination of care, lowering the cost of prescription drugs, and the reduction of waste and fraud throughout the entire health care system.

Over 47 million older and disabled Americans depend on Medicare today. Giving seniors the peace of mind that they can see their doctor and afford their health care isn't a Republican or Democratic issue.

Older Americans agree it's time to work together to find solutions that will ensure that Medicare will continue to be there for them and their families. AARP is committed to working with both sides of the aisle to ensure Congress reaches a financially responsible solution that will ensure seniors have access to the doctors and services they depend on through the Medicare program. If you have any further questions, please feel free to call me or have your staff contact Ariel A. Gonzalez of our Government Affairs staff at 202-434-3770.

Sincerely,

A handwritten signature in cursive script that reads "Joyce A. Rogers". The signature is written in black ink and is positioned above the typed name.

Joyce A. Rogers
Senior Vice President
Government Affairs