

United States House of Representatives
Committee on Ways and Means, Subcommittee on Health
Hearing on the President's and Other Bipartisan Proposals
to Reform Medicare
Tuesday, May 21, 2013

Mr. Chairman and Members of the Subcommittee:

I am Max Richtman, President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare (NCPSSM), and I appreciate the opportunity to submit this statement for the record. With millions of members and supporters across America, the National Committee is a grassroots advocacy and education organization devoted to preserving, strengthening and promoting Social Security, Medicare and Medicaid. As you know, these programs are the foundation of financial and health security for older Americans. Today, I will address our concerns about proposals that would increase out-of-pocket costs for Medicare beneficiaries.

Medicare beneficiaries already have high out-of-pocket costs, and because over half of beneficiaries are living on incomes of \$22,500 or less, they cannot afford to pay more. Premiums and cost sharing for Medicare Parts B and D already consume 26 percent of the average Social Security check. Many Medicare beneficiaries are paying for supplemental Medigap insurance to ensure some predictability of their health costs. And they are paying for services not covered by Medicare including most hearing aids, routine eye care and eye glasses, dental care and dentures, and foot care. Because of their lower average household budgets and higher average health care spending, families on Medicare spend 15 percent of their household budgets on health care, which is three times more than what non-Medicare households spend on health care.

Proposals in the President's Fiscal Year 2014 budget and various other deficit reduction plans would save money for the federal government by shifting costs to Medicare beneficiaries. Specific proposals in the President's budget that would increase costs for future beneficiaries include a \$25 increase in the Part B deductible in 2017, 2019, and 2021 for new beneficiaries; a home health copayment for new beneficiaries beginning in 2017; and a Part B Premium surcharge for new beneficiaries who purchase so-called near first-dollar Medigap coverage. The surcharge would be equivalent to about 15 percent of the average Medigap premium (or about 30 percent of the Part B premium) for new beneficiaries who purchase Medigap policies with particularly low cost-sharing requirements, starting in 2017.

Supporters of proposals that shift costs to beneficiaries believe people will make wiser choices about using health care services, or will seek more high-value services, if they have to pay more of the cost. We oppose these proposals and agree with research which shows that these additional costs could lead many seniors to forego necessary care, which, in turn, could lead to more serious health conditions and higher costs. In addition, once a person seeks care, it is

physicians and other health care providers who make the decisions about the care, tests and other services they receive.

The National Committee is also opposed to further increasing income-related premiums under Medicare Parts B and D. Medicare beneficiaries with annual incomes over \$85,000 for individuals and \$170,000 for couples are already paying higher income-related premiums. The President's budget proposes, beginning in 2017, to increase the amount of income-related premiums, and to maintain the income thresholds associated with income-related premiums until 25 percent of beneficiaries under Parts B and D are subject to these premiums. A study from the Kaiser Family Foundation found that this would affect individuals with incomes equivalent to \$47,000 for an individual and \$94,000 for a couple if fully implemented in 2014 – meaning it would reach many middle-income Americans.

Additional means testing would undermine the social insurance nature of Medicare and ultimately raise costs for middle and lower-income seniors who depend on it. If mean-testing results in Medicare becoming increasingly unfair to higher-income beneficiaries - who already pay more during their working years because there is no cap on the payroll tax for Medicare - they may opt out and purchase their own policy on the private market. The departure of higher-income beneficiaries, who tend to be younger and healthier, would increase overall costs and reduce public support for the program.

The President's budget includes numerous proposals that would strengthen Medicare's financing and improve the quality of care provided without adversely affecting beneficiaries. We support many of these proposals, including:

- Building on the Affordable Care Act (ACA). Savings in the ACA are slowing Medicare's per capita growth and have extended the solvency of the Medicare Part A Trust Fund. The ACA also includes provisions leading to changes in the way care is delivered and paid for that improve quality and reduce costs. We support efforts to expand these improvements, including better care coordination, reforms to fee-for-service payments, and enhanced support for primary care providers.
- Requiring Part D drug rebates and allowing the federal government to negotiate prescription drug prices. The Congressional Budget Office (CBO) has estimated savings of \$141 billion over 10 years if drug manufacturers were required to provide rebates for drugs used by beneficiaries who are dually eligible for Medicare and Medicaid as they were required to do before passage of the Medicare Modernization Act.
- Improving initiatives to prevent, detect and recover improper payments, including fraud, waste and abuse.

Thank you again for this opportunity to submit our views on proposals to increase costs for Medicare beneficiaries, which we oppose. The combined impact of proposals to increase seniors' health care costs would seriously erode the economic and health security of current and future older Americans.