August 2, 2013

United States Senate
Washington, DC 20510

Dear Senator:

The undersigned organizations write to express our opposition to further income-relating (means testing) Medicare premiums, an approach advanced by the *Medicare Fair Share Act of 2013* (S. 1198), introduced by Senator McCaskill (D-MO) and Senator Coburn (R-OK). This legislation would require Medicare beneficiaries with annual incomes above $50,000—rather than the current $85,000 threshold—to pay higher income-related premiums. Our organizations share a commitment to advancing the health and economic security of older adults, people with disabilities and their families. Since 1965, Medicare has ensured access to guaranteed health care benefits for older adults and people with disabilities, and today Medicare provides health coverage to 50 million Americans.[1]

We understand the fiscal challenges facing our health care system, and we stand willing to work with Congress to find savings that rein in health care inflation without burdening families with added health care costs. Passing significant, additional premium obligations onto middle-class Americans, as envisioned by this bill, would do nothing to contain overall health care costs.

Some members of Congress suggest that wealthier beneficiaries are positioned to pay more of Medicare's costs, specifically through higher premiums. Yet, higher-income beneficiaries already pay higher premiums, well above the standard Part B and Part D premium costs. Enacted through the Medicare Modernization Act of 2003, beneficiaries with annual incomes above $85,000 ($170,000 for a couple) pay higher Part B premiums. The Affordable Care Act of 2010 (ACA) required higher-income individuals to also start paying higher Part D premiums in 2011 and froze income limits through 2019 so that each year an increasing share of people with Medicare will be subject to these higher premiums.

Under the current law, an individual beneficiary who falls into the highest income tier (income of $214,000+) pays a Part B premium of $336 per month, compared with the standard premium of $104.90 per month, and an additional $67 per month on top of his or her selected Part D premium. Couples in the highest income tier pay twice this amount, with Part B premiums reaching nearly $700 per month.[2]

Medicare's cost sharing is already high and many beneficiaries cannot afford to pay more. In addition to the Medicare premiums required of beneficiaries under the traditional Medicare program, individuals are responsible for a 20% coinsurance for Part B services after meeting a $147 annual deductible; cost-sharing under Part A includes a hospital deductible of $1,184 per benefit period, which

[1] Kaiser Family Foundation, "Policy Options to Sustain Medicare for the Future." (January 2013)
[2] Medicare.gov, "Part B Costs." (2013)

could be more than once per year.[3] In addition, under Part D, beneficiaries pay varying copayments for prescription drugs on top of monthly plan premiums.

Health care costs are already a significant expense for Medicare beneficiaries and are increasing. In 2010, Medicare premiums consumed 26% of the average monthly Social Security benefit compared to only 7% in 1980.[4] Forcing middle-class beneficiaries to pay higher premiums will only worsen the significant burden of high health care costs.

Further means testing undermines the integrity and universality of Medicare. Medicare has earned consistent, broad-based support as insurance for people over 65 and certain individuals under 65 with disabilities. As proposed, added income-relating in Medicare premiums constitutes little more than a cost shift to middle-class retirees and people with disabilities. This slippery slope has broader consequences for the Medicare program, eroding support for one of society's most successful pillars of retirement security.

Additional income-relating would further undermine the social insurance nature of Medicare and could ultimately raise costs for middle- and lower-income individuals. As noted by the Kaiser Family Foundation, "there is a possibility that proposals [to further means test Medicare] could lead some higher-income beneficiaries to drop out of Medicare Part B and self-insure, which could result in higher premiums for all others who remain on Medicare ..."[5]

$50,000 does not meet the income threshold as a definition of wealth. Most Americans do not consider an income of $50,000 to be wealthy. According to a 2011 national Gallup poll, Americans claim they need an annual income of $150,000 to qualify as "rich," up from $120,000 in a 2003 Gallup poll.[6]

Further, recent policy standards established by the ACA raise questions about whether an income of $50,000 qualifies a person as wealthy, or instead, as deserving of assistance to help pay for health care costs. Under the ACA, an individual living on an annual income at or below 400% of the federal poverty level (FPL) ($45,960 in 2013) will be eligible for a premium tax credit towards the cost of private health insurance premiums starting in 2014. Accounting for inflation, it can be expected that an income of $50,000 will equate to 400% FPL in the near term.

In short, the *Medicare Fair Share Act of 2013* arbitrarily and unfairly defines wealth. In time, middle-class beneficiaries who would otherwise be eligible for federal assistance to afford health care costs would instead be subjected to higher premiums simply because they are eligible for Medicare. If enacted, the *Medicare Fair Share Act of 2013* would:

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[3] Medicare.gov, "Medicare 2013 Costs at a Glance." (2013)
[4] Kaiser Family Foundation, "Policy Options to Sustain Medicare for the Future." (January 2013)
[5] Kaiser Family Foundation, "Income-Relating Medicare Part B and Part D Premiums Under Current Law and Recent Proposals: What are the Implications for Beneficiaries?" (February 2012)
[6] Gallup Economy, "Americans Set "Rich" Threshold at $150,000 in Annual Income." (December 2011)

- **Strike at the heart of the middle class by forcing people with income as low as $50,000 to pay higher premium costs.** Instead of paying 25% of the costs of Part B expenses in the form of monthly premiums as people do now, beneficiaries with income between $50,000 and $85,000 would pay 40% of these costs.

- **Almost doubles the premium responsibility for individuals in the next higher income bracket.** Under current law, individuals who have income between $85,000 and $107,000 pay for 35% of Part B expenses in the form of premiums, amounting to a monthly premium of $146.90. Under this proposal, that amount would almost double to 60% of Part B costs. The percentage of Part B expenses for the highest-income bracket would reach 90%.

Proposals to further means test Medicare premiums must be weighed in a broader context, not merely on the basis of potential cost savings. The short-term, modest savings to be secured through the *Medicare Fair Share Act of 2013* would come at a high price. Further income-relating premiums is likely to increase administrative hassle and expense, while also fracturing widely held public support for Medicare.

The *Medicare Fair Share Act of 2013 (S. 1198)* seeks federal savings on the backs of middle-class Medicare beneficiaries. We urge you to oppose this bill, and we encourage you to endorse cost-saving solutions that do not shift costs to or cut benefits for people with Medicare.

Sincerely,

AARP
AFL-CIO
AFSCME
Alliance for Retired Americans
American Federation of Government Employees (AFGE)
American Federation of Teachers
American Postal Workers Union (APWU)
Association for Gerontology & Human Development in Historically Black Colleges & Universities, Inc.
Campaign for America's Future
Center for Medicare Advocacy, Inc.
Health Care for America Now (HCAN)
International Union, United Automobile, Aerospace, Agricultural Implement Workers of America (UAW)
The Jewish Federations of North America
Medicare Rights Center
National Association of Professional Geriatric Care Managers
National Education Association
National Committee to Preserve Social Security and Medicare
National Consumer Voice for Quality Long-Term Care
National Organization for Women (NOW)
National Senior Citizens Law Center
OWL-The Voice of Midlife and Older Women
PHI – Quality Care through Quality Jobs
United Steelworkers (USW)
Wider Opportunities for Women (WOW)