February 27, 2014

U.S. Senate
Committee on Finance
Washington, D.C. 20510

U.S. House of Representatives
Committee on Ways & Means
Washington, D.C. 20515

U.S. House of Representatives
Committee on Energy & Commerce
Washington, DC 20515

Dear Chairman Wyden, Ranking Member Hatch, Chairman Camp, Ranking Member Levin, Chairman Upton and Ranking Member Waxman:

The undersigned organizations share a commitment to advancing the economic and health security of older adults, people with disabilities and their families. We hope you will continue to make progress toward a Medicare physician payment policy that will stabilize payments and improve incentives for greater quality and efficiency. Nonetheless, we remain deeply concerned about issues critical to the well-being of people with Medicare that your committees have yet to collectively address. As negotiations on a Sustainable Growth Rate (SGR) solution continue, we urge you to act on the following:

Make the Qualified Individual (QI) program permanent. Averting steep cuts to physician payments is not the only Medicare policy revisited on an annual basis. Among these extenders policies, any permanent SGR solution must also account for the QI program. We are very concerned that a permanent SGR solution could significantly diminish the prospects for continued bipartisan agreements on the extension of the QI benefit.

The QI program is essential to the financial stability of people with Medicare living on fixed incomes. The QI benefit pays Medicare Part B premiums, amounting to $104.90 per month, for individuals with incomes between 120% to 135% of the federal poverty level (FPL)—about $13,800 to $15,500 per year—and less than $7,080 in assets. In 2011, 520,000 older adults and people with disabilities were enrolled in the QI program.[1] According to a recent analysis, Medicare beneficiaries with incomes between 101% and 150% FPL spend more than one quarter (26.1%) of their income on out-of-pocket health care costs, more than any other income group.[2] This stark reality makes the QI benefit that much more important.

In December, the Senate Finance Committee voted on a SGR reform package that only extended the QI program through 2018. We believe this represents a grave error, and we urge you to make the QI program permanent. The "SGR Repeal and Medicare Provider Payment Modernization Act of 2014" (H.R. 4015) fixes SGR permanently, even if physician updates expire after five years. Similarly, the QI program must be fixed permanently, not only for a finite number of years. Failure to do this would seriously threaten vulnerable Medicare beneficiaries' basic economic security and access to physicians.

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[1] Medicare-Medicaid Coordination Office, "Data Analysis Brief: Medicare-Medicaid Dual Enrollment from 2006 through 2011," (Centers for Medicare and Medicaid Services: February 2013), available at: http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/Dual_Enrollment_2006-2011_Final_Document.pdf.

[2] C. Noel-Miller, "Medicare Beneficiaries' Out-of-Pocket Spending for Health Care," (AARP: December 2013), available at: http://www.aarp.org/health/medicare-insurance/info-12-2013/medicare-beneficiaries-oop-spending-AARP-ppi-healt.html

Protect people with Medicare from higher health care costs. A legislative proposal to repeal and replace the SGR must not be paid for by shifting added health care costs to people with Medicare. Proposals such as further income-relating Medicare Part B and Part D premiums, prohibiting or taxing comprehensive Medigap coverage, adding a home health copayment, increasing brand name copayments for Extra Help enrollees, or otherwise redistributing the burden of Medicare cost sharing through increased deductibles, coinsurances or copayments should not be adopted as offsets to pay for a permanent SGR solution.

Half of all Medicare beneficiaries—nearly 25 million older adults and people with disabilities—live on annual incomes of $23,500 or less, and one quarter live on $14,400 or less.[3] For people with Medicare, the burden of health care costs has risen steadily over time. Beneficiary spending on premiums, deductibles, and copayments increased by 34% between 1992 and 2010.[4] In 2010, Medicare premiums and cost sharing consumed 26% of the average Social Security benefit.[5]

Under current law, standard beneficiary premiums are established to cover 25% of Part B spending. Given this, one quarter of any increase in Medicare spending over current law, including physician pay updates like those proposed in H.R. 4015, will automatically be borne by beneficiaries. Proposals to shift even more costs to Medicare beneficiaries are unfair, considering most older adults and people with disabilities have a limited income. Further, these proposals are an inequitable way to increase Medicare payments for providers.

Congress must not make Medicare unaffordable for beneficiaries, jeopardize access to needed care, or worsen the already tenuous economic circumstances facing most people with Medicare. National polling consistently demonstrates that most Americans oppose reducing Medicare spending to reduce the deficit. For instance, in a March 2013 CBS News Poll, 80% of respondents opposed cutting Medicare.[6] We anticipate that cuts to Medicare benefits would be similarly unpopular in the context of physician payment reform.

We believe that Congress should utilize unspent Overseas Contingency Operations (OCO) funds as a significant portion of the offsets to pay for SGR. Rather than shift higher health care costs on to Medicare beneficiaries, we also urge you to embrace responsible solutions to help pay for a permanent SGR and QI fix, most notably by supporting proposals to ensure that the Medicare program and beneficiaries are receiving the best possible price for prescription drugs. Examples of these include restoring Medicare drug rebates for low-income beneficiaries, reducing the market exclusivity period for biologic drugs, and prohibiting pay-for-delay agreements between brand name and generic drug manufacturers.

Advancing Medicare physician payment reform is a worthwhile goal, but it must not come at the expense of people with Medicare. A responsible SGR solution is one that also makes the QI program permanent and protects people with Medicare from added health care costs. Thank you.

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[3] Jacobson, G., Huang, J., Neuman, T., and K.E. Smith, "Income and Assets of Medicare Beneficiaries, 2013 – 2030," (Kaiser Family Foundation: January 2014), available at: http://kff.org/report-section/income-and-assets-of-medicare-beneficiaries-2013-2030-issue-brief-savings-of-medicare-beneficiaries/

[4] Strengthen Social Security…Don't Cut It, "Shifting More Medicare Costs to Seniors Is an Indirect Social Security Cut," (January 2014), available at: http://www.socialsecurityworks.org/wp-content/uploads/2014/01/Shifting-More-Medicare-Costs-to-Seniors-Is-an-Indirect-Social-Security-Cut_Final-Jan-27.pdf

[5] Kaiser Family Foundation, "Policy Options to Sustain Medicare for the Future," (January 2013), available at: http://kff.org/medicare/report/policy-options-to-sustain-medicare-for-the-future/

[6] Leadership Council of Aging Organizations, "Numerous Public Opinion Surveys Consistently Show Americans Strongly Oppose Additional Medicare Cuts," (April 2013), available at: http://www.lcao.org/files/2013/02/LCAO-Medicare-Public-Opinion-Fact-Sheet-Apr2013.pdf

Sincerely,

AARP
AFL-CIO
AFSCME
AFT RETIREES
Alliance for Retired Americans
Alzheimer's Foundation of America
American Association on Health and Disability
B'nai B'rith International
Brain Injury Association of America
Center for Medicare Advocacy, Inc.
Compassion & Choices
Dialysis Patient Citizens
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)
Medicare Rights Center
National Association for Home Care & Hospice
National Association of Area Agencies on Aging (n4a)
National Association of Professional Geriatric Care Managers
National Association of States United for Aging and Disability (NASUAD)
National Committee to Preserve Social Security and Medicare
National Consumer Voice for Quality Long-Term Care
National Senior Citizens Law Center
Services and Advocacy for GLBT Elders (SAGE)
The Jewish Federations of North America
United Steelworkers