

# The Challenges to Social Security and Medicare

## June 16, 2011

### Social Security:

- Great book, *the Battle for Social Security*, Nancy J. Altman 2005. There have been people trying to destroy Social Security since it was first enacted.

Before Social Security, according to the book, every state but New Mexico had poorhouses (sometimes called almshouses or poor farms.)

- Life was like before Social Security:
- People seldom received any pensions; many lost savings in Crash/depression
- Families took parents in if possible
- Others went to “poorhouses” almshouses, poor farms. Most of the “inmates” entered the poorhouse late in life, after working all their lives. One study found that only 1 percent of the residents had entered the almshouse before the age of 40; 92 percent entered after age 60....
- Awful conditions in every state. No privacy, even in the most intimate affairs of life, married couples separated, and all the inmates are regimented as though in a prison
- No private possessions, other than the clothes on the back, no individual bureaus, closets, tables or other articles of furniture, outside of a bed.
- After Social Security, much better. Seniors had savings, pensions and Social Security. Also many had paid off homes.
- Most of that is going backwards. Only 10% now in unions and public pensions under attack
- Retirement ages being forced upwards; benefits going down.
- Healthcare issues: seniors forced into poverty while trying to pay for their health care. Since 1965, when Medicare and Medicaid were created, poverty among seniors has dropped by two-thirds. (But it’s going up again. These programs grew out of the belief that the best way we can honor our parents is by making sure they are taken care of as they get older.

Ryan plan, AARP (??) Lieberman plan (Medicare), Biden talks (payroll tax cut “holiday,” debt limit talks), Sessions (privatize SS), Santorum (both ss and Medicare; Herbert Cain (“personalize SS)

What can we do? Change vocab. (entitlements), get younger people to fight, remind that “we’re all in this together”, work with other groups, lobby AARP

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### Links

**Social Security:** <http://www.socialsecurity.gov/planners/about.htm?p>

**Social Security online:** <http://www.ssa.gov/onlineservices/>

**Social Security Matters (OWL and partners) :** <http://www.socialsecuritymatters.org/Home.html>

**Strengthen Social Security/Social Security Works:** <http://strengthensocialsecurity.org/social-security-works-0>

**National Committee:** <http://www.ncpssm.org>

**Dem. Caucus on Seniors** <http://www.dems.gov/seniors>

Co-Chairs <a href="#">Rep. Jan Schakowsky</a> <a href="#">Rep. Doris Matsui</a>	Members <a href="#">Rep. Joe Baca</a> <a href="#">Rep. Kathy Castor</a> <a href="#">Rep. Donna Christensen</a> <a href="#">Rep. Joe Courtney</a> <a href="#">Rep. Mark Critz</a> <a href="#">Rep. Peter DeFazio</a> <a href="#">Rep. Ted Deutch</a> <a href="#">Rep. Lloyd Doggett</a> <a href="#">Rep. Bob Filner</a> <a href="#">Rep. Colleen Hanabusa</a> <a href="#">Rep. Maurice Hinchey</a> <a href="#">Rep. Mazie Hirono</a> <a href="#">Rep. Eddie Bernice Johnson</a> <a href="#">Rep. Hank Johnson</a>	<a href="#">Rep. Marcy Kaptur</a> <a href="#">Rep. Larry Kissell</a> <a href="#">Rep. Dave Loebsack</a> <a href="#">Rep. Carolyn McCarthy</a> <a href="#">Rep. Michael Michaud</a> <a href="#">Rep. Gwen Moore</a> <a href="#">Rep. Bill Pascrell</a> <a href="#">Rep. Charles Rangel</a> <a href="#">Rep. Laura Richardson</a> <a href="#">Rep. Lucille Roybal-Allard</a> <a href="#">Rep. Linda Sanchez</a> <a href="#">Rep. Jackie Speier</a> <a href="#">Rep. Betty Sutton</a> <a href="#">Rep. Paul Tonko</a>
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From Margie: I know AARP is assuring us it is fighting to preserve Social Security. But they are not addressing whether they are on board to insist on no cuts to benefits. For those of us already receiving Social Security, we are OK with most of the changes proposed, even those proposed by Republicans. It is those currently under 65 who are at risk... and we continue to remain vigilant. With the erosion of pension plans in both the private and public sector, the crash in home values, and the difficulties in finding paid jobs, Social Security is more of a lifeline than ever before. And keep in mind that every plan which would destroy Social Security... Ryan, Bowles-Simpson, Lieberman Cain, even Rick Santorum, all insist that they are only trying to "save" Social Security and Medicare.

We still remember how much AARP cost us in the Medicare Part D fight! Doughnut Hole anyone?

We need more assurances from AARP. And we need the under 65's to join us in this fight.

## **Leading Seniors Groups Call on AARP to Oppose Cuts to Social Security**

(Washington, DC) — Leaders from some of the nation’s most powerful groups representing seniors, including the Strengthen Social Security Campaign, the Alliance for Retired Americans (ARA), the National Committee to Preserve Social Security and Medicare (NCPSSM) and the Older Women’s League (OWL), today strongly criticized AARP for being willing to support cuts to Social Security benefits, as reported in the Wall Street Journal.

Strengthen Social Security Campaign Directors Nancy Altman and Eric Kingson, NCPSSM Acting CEO Max Richtman, ARA Executive Director Ed Coyle and OWL Executive Director Bobbie Brinegar made the following statements, which are excerpted below and available to listen to here:

**Eric Kingson, Co-chair of the Strengthen Social Security Campaign:** “Given the economic challenges facing today’s older people, we should focus on how inadequate the nation’s retirement income system is to deal with the very serious risks confronting them. Instead of seeming to position itself as a reasonable inside deal maker that is open to benefit cuts, AARP should be educating about the need to selectively improve Social Security – the one economic security institution that works quite well.

**Max Richtman, Acting CEO of NCPSSM:** “While AARP is among the nation’s largest lobbyists, it clearly does *not* speak for all of America’s seniors. Seniors of all political persuasions, and even voters across all age groups, do not support cutting Social Security benefits. Offering up Social Security benefit cuts to gain access to closed- door discussions, where Let’s Make a Deal politics has become the norm, is not the way to address strengthening a program that touches the lives of virtually every American family.

**ARA Executive Director Ed Coyle:** “Our members hope that AARP will directly answer some basic questions. Do you support any cuts in benefits? Do you support raising the retirement age? Do you support means testing? These are questions that any senior’s organization ought to be prepared to answer directly.”

**Bobbie Brinegar, Executive Director of OWL:** “The Voice of Midlife and Older Women sincerely hopes that the Wall Street Journal’s depiction of what AARP is undertaking regarding Social Security was off base. Surely AARP would not want to disrespect their members’ wishes.”

**Nancy Altman, Co-chair of the Strengthen Social Security Campaign:** “Americans are overwhelmingly united in their position on Social Security...Politicians who think they can take cover through leading groups in Washington do so at their peril.”

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*The Strengthen Social Security Campaign is comprised of more than 300 national and state organizations representing more than 50 million Americans from many of the nation’s leading aging, labor, disability, women’s, children, consumer, civil rights and equality organizations.*

*"Entitled to Know" <http://www.ncpssm.org/entitledtoknow/?p=1795>Let's Make a Deal – AARP Style*

Today's [Wall Street Journal](#) coverage of AARP's support of Social Security benefit cuts certainly got everyone's attention. While AARP spent most of the morning trying to "clarify" its position, with [tweets](#) every minute for most of the morning, and eventually a follow-up statement from its [CEO](#), it's clear AARP has [once again](#) chosen to offer up vital safety net programs to the altar of insider Washington politics.

In short, AARP says Social Security should not be a part of the budget conversation. So we ask...Why suggest benefit cuts now...during one of the most intense budget debates of our lifetime? They say they'll also hold town hall meetings to "educate" Americans about AARP's vision for Social Security. Again, if benefit cuts should not be a part of the budget debate (and they shouldn't) then why is AARP working so hard to try and sell these benefit cuts to an unsupportive membership now?

[AARP's John Rother](#) says:

***"I'm sure there will be some who will not be happy, but others will be eager to see the program put on a stronger footing financial for the long-term."***

But benefit cuts are not the only way to put Social Security on stronger footing. Perhaps, most disconcerting is how closely AARP's language mirrors the anti-Social Security approach promoted by the Cato institute after the last reforms in 1983 and perpetuated by President Bush in his campaign for private accounts. That strategy says policymakers should ensure current seniors know the cuts won't affect them to garner their support:

***"It has also been a long held position that any changes would be phased in slowly, over time, and would not affect any current or near term beneficiaries." AARP CEO, Barry Rand***

Advocates representing millions of American seniors nationwide, including the National Committee, joined together this morning in a news conference call to remind reporters that AARP does not represent the views of most Americans.

Here is Max Richtman, NCPSSM Executive VP/Acting CEO's full statement:

***"While AARP is among the nation's largest lobbyists...it clearly does not speak for all of America's seniors. Seniors of all political persuasions, and even voters across all age groups, do not support cutting Social Security benefits. Poll after poll, (including AARP's own polling) show that seniors know Social Security didn't cause this fiscal crisis, shouldn't be included in the current budget debate and that there are other ways to resolve our economic woes without cutting benefits to millions of Americans. Suggesting now, given the current anti-Social Security environment in Washington, that seniors' benefits should be cut is not a view shared by any other major seniors' organization because it's just not good policy. We don't need to be squishy on this issue or equivocate, flip-flop or try to have it all ways...let me say clearly...we at the National Committee do not support cutting Social Security benefits.***

***Timing is everything in politics and no one in Washington now is really talking about providing long-term solvency issues for Social Security...they're looking at ways to avoid paying back what's owed to the trust fund and ways to cut spending. Addressing Social Security as part of a budget deal has absolutely nothing to do with long-term solvency.***

***The National Committee has always said we need to find long-term solvency solutions to preserve Social Security for future generations...and those solutions aren't really a surprise to anyone. The need to make adjustments before the year 2036 isn't news or position unique to AARP. We all know, modest and manageable changes will bring Social Security where it needs to be for 75 more years; however, THAT is not what is being debated now. Not a single seniors' group, contrary to claims by Washington's fiscal hawks, have ever argued that we***

**should do “nothing” or “ignore” the fiscal facts; however, that has absolutely nothing to do with the current budget debate engulfing Washington.**

**Offering up Social Security benefit cuts, to gain access to closed door discussions, where Let’s Make a Deal politics has become the norm is not the way to address strengthening a program which touches the lives of virtually every American family.**

**AARP clearly hopes to continue to position itself as the representative of Americans seniors in Washington. They say they want to captain the ship in this Social Security debate. The problem is their policy ship is the Titanic and America’s seniors shouldn’t be forced to go down with it...with AARP at the wheel.**

**The National Committee takes our position as a membership organization very seriously...we will always advocate for positions that best serve the programs we fight to preserve and strengthen because they are literally lifelines for millions of Americans. The debate about preserving Social Security over the long-term has absolutely nothing to do with the budget debate...period. “**

## **More Recent Articles**

- [Why Killing Medicare to “Save” it Doesn't Make Any Sense](http://www.ncpssm.org/entitledtoknow/?p=1789) <http://www.ncpssm.org/entitledtoknow/?p=1789>
- [Trading Social Security for Business Tax Cuts – Is This Really What Passes for Fiscal Responsibility These Days?](http://www.ncpssm.org/entitledtoknow/?p=1784) <http://www.ncpssm.org/entitledtoknow/?p=1784>
- [Here We Go Again- GOP Offers Social Security Privatization Legislation](http://www.ncpssm.org/entitledtoknow/?p=1780) <http://www.ncpssm.org/entitledtoknow/?p=1780>
- [National Radio Medicare/Social Security Radio Ad Campaign Launched this Week](http://www.ncpssm.org/entitledtoknow/?p=1773) <http://www.ncpssm.org/entitledtoknow/?p=1773>
- [Senator Corker Says Medicare and Social Security are “Generational Theft”](http://www.ncpssm.org/entitledtoknow/?p=1766) <http://www.ncpssm.org/entitledtoknow/?p=1766>

## **Ami Bera's Medicare Town Hall**

- **June 20th** 7:00pm to 8:00pm
- Conzelmann Community Center at Howe Park, 2201 Cottage Way in Sacramento

The proposed Paul Ryan budget virtually eliminates Medicare while creating a voucher system that will leave millions in poverty. No one on the national stage has the experience and firsthand knowledge of the medical industry quite like Dr. Bera. As the former Chief Medical Officer of Sacramento County, and a physician leader for twenty years, he knows how best to help people.

Join Dr. Bera, Max Richtman, acting CEO of the National Committee to Preserve Social Security and Medicare, and Dr. Carroll Estes, Board Chair of NCPSSM, to discuss how to make Medicare safe for future generations while lowering costs and addressing the federal debt.

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**Wall Street Journal, June 17, 2011**

## **Key Seniors Association Pivots on Benefit Cut **By** [LAURA MECKLER](#)**

WASHINGTON—AARP, the powerful lobbying group for older Americans, is dropping its longstanding opposition to cutting Social Security benefits, a move that could rock Washington's debate over how to revamp the nation's entitlement programs.

The decision, which AARP hasn't discussed publicly, came after a wrenching debate inside the organization. In 2005, the last time Social Security was debated, AARP led the effort to kill President George W. Bush's plan for partial privatization. AARP now has concluded that change is inevitable, and it wants to be at the table to try to minimize the pain.

Read more here

[http://online.wsj.com/article/SB10001424052702304186404576389760955403414.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB10001424052702304186404576389760955403414.html?mod=googlenews_wsj)

As you know this is a harmful development for all of us working so hard for a strong Social Security program. There are numerous [options for scrapping the payroll tax cap](#) some of which would fully fund Social Security without making benefit cuts. We will be back in touch soon about next steps.

Frank Clemente

Campaign Manager

Social Security Works & Strengthen Social Security Campaign

(o) [202-587-1632](tel:202-587-1632)

(m) [202-441-9818](tel:202-441-9818)

[frank.clemente@gmail.com](mailto:frank.clemente@gmail.com)

[fclemente@socialsecurity-works.org](mailto:fclemente@socialsecurity-works.org)

<http://strengthen-social-security.org/>

Facebook: [Strengthen Social Security](#)

Twitter: [@NoSocSecCuts](#)

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## **TPMDC**

### **AARP: Our Social Security Position Hasn't Changed — We've Always Allowed For Benefit Cuts**

**Brian Beutler** | June 17, 2011, 1:11PM

[AARP](#), [Social Security](#)

In a partial walk-back of a story in Friday's *Wall Street Journal*, AARP says their position on Social Security hasn't changed -- and suggests that it has always been compatible with benefit cuts.

"Contrary to the misleading characterization in a recent media story, AARP has not changed its position on Social Security," reads a statement from the group's CEO A. Barry Rand. "It has also been a long held position that any changes would be phased in slowly, over time, and would not affect any current or near term beneficiaries."

In other words, benefit cuts of some kind could meet muster with AARP if they weren't too severe. We'll have a more thorough report about this controversy momentarily. Rand's full statement is below:

"Let me be clear - AARP is as committed as we've ever been to fighting to protect Social Security for today's seniors and strengthening it for future generations. Contrary to the misleading characterization in a recent media story, AARP has not changed its position on Social Security.

"First, we are currently fighting some proposals in Washington to cut Social Security to reduce a deficit it did not cause. Social Security should not be used as a piggy bank to solve the nation's deficit. Any changes to this lifeline program should happen in a separate, broader discussion and make retirement more secure for future generations, not less.

"Our focus has always been on the human impact of changes, not just the budget tables. Which is why, as we have done numerous times over the last several decades, AARP is engaging our volunteer Board to evaluate any proposed changes to Social Security to determine how each might - individually or in different combinations - impact the lives of current and future retirees given the constantly changing economic realities they face.

"Second, we have maintained for years - to our members, the media and elected officials - that long term solvency is key to protecting and strengthening Social Security for all generations, and we have urged elected officials in Washington to address the program's long-term challenges in a way that's fair for all generations.

"It has long been AARP's policy that Social Security should be strengthened to provide adequate benefits and that it is sufficiently financed to ensure solvency with a stable trust fund for the next 75 years. It has also been a long

held position that any changes would be phased in slowly, over time, and would not affect any current or near term beneficiaries.

"AARP strongly opposed a privatization plan in 2005, and continues to oppose this approach, because it would eliminate the guarantee that Social Security provides and reduce benefits, and we are currently fighting proposals to cut Social Security to pay the nation's bills.

"Social Security is a critically important issue for our members, their families and Americans of all ages, especially at a time when many will have less retirement security than previous generations with fewer pensions, less savings and rising health care costs. And, as we have been for decades, we will continue to protect this bedrock of lifetime financial security for all generations of Americans."

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## **Viewpoints: Strengthen Medicare in a responsible way Special to The Bee**

**Kathleen Sibelius and Doris Matsui**

**PUBLISHED TUESDAY, MAY. 17, 2011**

Today, nearly 48 million people – our parents, grandparents, neighbors and friends – rely on Medicare for the medical treatments and prescription drugs they need to get healthy and stay healthy. For nearly half a century, the program has freed a generation of Americans from the fear that sickness or injury would cost them their life savings. In doing so, Medicare has made America a stronger, more prosperous nation.

But that doesn't mean Medicare can't be improved. There are critical gaps in coverage, especially for prescription drugs. And Medicare continues to face rising costs.

In the last year, we've seen two very different proposals for how to address these challenges. And it's clear that there is a right way to reform Medicare and a wrong way.

The first plan was put forward in the health care law passed by Congress and signed by President Barack Obama a little more than a year ago. It begins by making some immediate improvements to Medicare benefits.

For example, we know that as many as one in four Medicare beneficiaries may have gone without their medications at some point because of sudden out-of-pocket costs created by the coverage gap commonly called the doughnut hole. That's just not right.

So beginning this year, people with Medicare in the doughnut hole are getting a 50 percent discount on covered brand-name drugs as a result of the health care law. In just its first two months, this program saved the average person in the doughnut hole nearly \$800. And by 2020, the doughnut hole will be closed completely.

We also know that too many seniors go without critical preventive care such as cancer screenings because they can't afford these services. Thanks to health care reform, seniors no longer have to pay any co-pays and deductibles for key preventive screenings such as mammograms. And they'll also be able to get a free annual wellness visit.

At the same time, the health care law is putting Medicare's finances on a more sustainable path to preserve Medicare for this generation and generations to come.

We are giving law enforcement unprecedented new tools and resources to fight fraud and abuse, already saving the program more than \$4 billion in 2010. And we are gradually reforming the way we pay for care so that we reward the highest quality care. A recent report from the Center for Medicare and Medicaid Services found that the administration's actions will save \$120 billion for Medicare over the next five years.

This is one plan for Medicare's future: improving benefits and slowing growth in costs by reducing waste and promoting more effective patient care.

But we've recently seen a very different plan proposed and passed by House Republicans. Instead of strengthening the Medicare program, House Republicans voted to end Medicare as we know it by turning it into a voucher program. Then, in order to bring costs down, the amount of care paid for by vouchers would be capped and would grow more slowly than the cost of care.

This is simply shifting the cost of care from Medicare to seniors themselves. In fact, the independent Congressional Budget Office has estimated that, in order to get the same health benefits that seniors rely on today, the average person with Medicare would pay \$6,400 more a year for their care once the new plan begins. Shockingly, the Republican proposal would, in a little over 10 years, leave seniors paying more than double their own health costs, from \$6,150 to \$12,500, on average.

Even worse, this plan would do nothing to close the worst gaps in coverage or address what's really driving up Medicare costs, which is the growth in the underlying cost of health care.

Now is not the time to turn Medicare into a private insurance company voucher program. Instead, we should continue with our plan to strengthen the Medicare that seniors depend on with better benefits and better, more effective care.

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*Kathleen Sebelius is secretary of the U.S. Department of Health and Human Services. Doris Matsui is California's 5th Congressional District representative, who serves as the co-chair of the congressional task force on seniors.*

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**June 16, 2011**

**Volume 2, Issue 23**

## **MedPAC Report Examines Controversial Cost-Containment Proposals**

This week, the Medicare Payment Advisory Commission (MedPAC) released its June 2011 report to Congress, which addresses potential changes to the Medicare program and health care delivery system. The report focuses on changes in provider payments and benefit structures that MedPAC believes would reduce the growth of Medicare spending. MedPAC investigated different ways to change the current incentives in the Medicare program to encourage both providers and patients to use high-value services. The current fee-for-service (FFS) structure of the program has come under fire because many believe that paying providers per service encourages over-utilization. MedPAC recommends changing payments to providers to promote primary care, early intervention and care coordination, which would help achieve savings by preventing the need for more expensive acute care, such as hospitalizations, over time.

Some of the proposals discussed in the report are controversial because advocates and providers believe they may result in increased costs and decreased access to care for people with Medicare. One such proposal is the restructuring of the Medicare benefit coupled with a reduction in coverage provided by Medigap plans, which cover cost-sharing that is not covered by Original Medicare. One incarnation of this proposal, which was also included in recommendations from the National Commission on Fiscal Responsibility and Reform, would create a combined deductible and a universal coinsurance for Part A and Part B services, as well as an out-of-pocket limit. In addition, the proposal would create a Medigap deductible of sorts, with Medigap coverage not beginning until beneficiaries spent a certain amount out of pocket, and would reduce the percentage of out-of-pocket costs Medigap plans could pay once coverage began.

Unfortunately, these proposals would likely increase out-of-pocket costs for most people with Medicare, who on average already spend 15 percent of their household incomes on health costs, and half of whom have incomes below \$22,000 per year. Also, due the high out-of-pocket limit included in these types of proposals, most people with Medicare would never benefit from such protections. For example, an option proposed by the Fiscal Commission and discussed in the MedPAC report sets an annual out-of-pocket limit of \$7,500. On average, people with Medicare pay about \$5,000 out of pocket per year.

[Read MedPAC's June 2011 report to Congress.](#)

[Read Medicare Rights Center President Joe Baker's statement on proposals that would shift costs to people with Medicare.](#)

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## Medicare Reminder

If you have a Medicare Advantage plan (also known as a Medicare private health plan), your plan may not cover your care while you travel in the United States. What kind of Medicare Advantage plan you have, how long you travel for, where you travel, and the kind of care you need will affect whether your plan will cover your care while traveling.

If you travel outside of your Medicare Advantage plan's service area continuously **for more than six months**, you will be automatically disenrolled from **most** plans. If you are traveling in the United States for **six months or less**, how your plan will cover your care depends on the kind of care you need and what type of plan you have.

Regardless of what type of plan you have, if you need emergency or urgent care, your plan must cover it. Your charges for emergency room services that are out-of-network will be no more than \$50 or whatever you would have paid for emergency services in-network.

[Learn more about traveling with a Medicare private health plan at www.medicareinteractive.org.](http://www.medicareinteractive.org)

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## Medicare options in Biden budget talks get boost

*By RICARDO ALONSO-ZALDIVAR, Associated Press – Wed Jun 15, 2:53 pm ET*

WASHINGTON – As Vice President Joe Biden and congressional negotiators hunt for budget cuts, major Medicare changes that could squeeze billions in savings got a boost Wednesday from a nonpartisan panel of experts that advises lawmakers.

Those changes are already under consideration in the budget talks, officials say.

One idea would revamp Medicare's outdated copayments and deductibles to provide better protection against catastrophic expenses, but it could lead to seniors paying a bigger share of the cost for some everyday services. The goal is to save taxpayers money by discouraging overtreatment.

The impact on individual seniors is less clear. Few details are available, but such changes could create winners and losers.

Seniors with high medical costs would gain from having a limit on their financial exposure, protection that Medicare doesn't now provide. Those who see the doctor often for more manageable problems could end up paying more. Overall, premiums for private insurance that many seniors get to fill in Medicare's gaps could become more affordable.

The other idea under consideration would shift nearly 9 million high-cost beneficiaries with both Medicare and Medicaid into managed-care insurance plans, to better coordinate services and cut duplication.

The Medicare Payment Advisory Commission did not endorse any specific approach, but its traditional midyear report to Congress made clear that both issues are overdue for a fix.

"The status quo ... has led to care that is often not coordinated, sometimes inappropriate, and occasionally risky to patients," said the report, referring to Medicare's traditional fee-for-service benefit. "It has also left beneficiaries with rising ... premiums and out-of-pocket costs and has left taxpayers with the unsustainable burden of financing the program."

The aim should be "to give beneficiaries better protection against high (out-of-pocket) spending and to promote incentives for them to weigh their use of discretionary care, without discouraging needed care," said the report from MedPAC, as the commission is known.

Officials familiar with the negotiations between Biden and leading lawmakers of both parties said the two Medicare options are under consideration. The officials spoke on condition of anonymity because the budget talks are confidential.

Biden's goal is to find savings that will help the administration reach a deal with congressional Republicans to increase the nation's \$14.3 trillion debt ceiling. That's needed to prevent the government from lurching into an unprecedented default on its interest payments to creditors, which could destabilize the already wobbly economy.

Prospects for the talks are uncertain, since both political parties are locked into their positions. House Republicans are on record that they will not vote to approve a debt increase without deep spending cuts. Democrats, meanwhile, are taking a hard line against any reduction in Medicare benefits, including increased copayments for visits to doctors and hospitals.

A sweeping overhaul of Medicare and Medicaid backed by House Republicans seems to have no chance. Instead, the budget negotiators are looking at a list of proposals outlined last year by President Barack Obama's deficit reduction panel. Most involve cuts in payments to medical service providers and drug companies, but some would affect seniors directly.

The deficit panel estimated that revamping Medicare's cost-sharing rules would save \$110 billion from 2012 to 2020. Additional savings would come from limiting the ability of private insurers to fully shield seniors from Medicare's out-of-pocket costs. Many seniors purchase private "Medigap" coverage that caps their total annual costs and allows them to escape a bewildering assortment of Medicare deductibles and copayments.

For example, Medicare's hospital deductible is \$1,132 for the first 60 days, while the annual deductible for doctor visits is \$162. There is no copayment for the first 20 days in a nursing home, but beneficiaries must pay full cost after 100 days.

Obama's deficit panel recommended a single annual deductible of \$550 for hospital care and medical services, with a 20-percent copayment on health spending above the deductible. The copayment would drop to 5 percent for costs over \$5,500. Beneficiaries would pay no more than \$7,500 a year total out-of-pocket, a consumer safeguard now missing from Medicare.

But there would be a trade-off.

Under the panel's proposal, Medigap insurance plans would be prohibited from covering the first \$500 in cost sharing, and could only cover half of the next \$5,000. Except for low-income seniors and some with employer-provided retiree coverage, beneficiaries would be responsible for at least \$500 of their medical expenses, and as much as \$7,500.

The second proposal, shifting high-cost beneficiaries into Medicaid managed care plans, would save \$12 billion from 2012 to 2020. This group includes many low-income people, patients in nursing homes, and individuals with multiple complicated health problems. They receive coverage both through Medicare and Medicaid at a cost well above that for typical beneficiaries in either program.

Wednesday's MedPAC report cautioned that both of the changes would take time to carry out, and will require close attention to prevent unintended consequences for seniors and disabled beneficiaries.

Online: Medicare Payment Advisory Commission - <http://www.medpac.gov>

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### *Medicare Benefit Cuts, Tax Hikes Taken Off Table in Dwindling Debt Limit Talks*

By: [David Dayen](#) Tuesday June 14, 2011 3:57 pm

Both sides played one of their cards in the battle over the debt limit and a deal on the nation's budget deficit today. First, Senate Minority Leader Mitch McConnell [told National Journal](#) that there will be no tax increases in any deal that results in an increase in the debt limit. He also spelled out what the deal would look like in his perfect world, and even managed to offer some political advice to the President.

*"I can say pretty confidently, as the speaker has, that we are not going to raise taxes in this agreement," McConnell told National Journal during a lengthy interview in his Capitol office. "And what the president ought to say to his own political left is, 'Those crazy Republicans won't let me raise taxes, but we need to do this for the country.' That would be my advice to him. I'm not his political adviser." [...]*

*McConnell told NJ for the first time what the deal needs to look like. He said that there's not enough time to consider comprehensive tax reform and that he wanted spending caps for eight years of any 10-year deal to resemble those created in the mid-1980s by the Gramm-Rudman-Hollings legislation.*

*"We would have to do something significant. A top-line for at least '12 and '13 on our annual discretionary spending that continues to send spending downward," McConnell said. "Caps beyond that; it's better to have them than not. Out-year caps are worth having, even though we all know some people view those as a promise to something someday maybe. But the next two years would be clearly real and enforceable." [...]*

*"Out of this debt-limit discussion we need entitlement changes. I'm not going to get into what kind," he said. "But we need entitlement changes that bend the trajectory significantly downward. I'm not going to negotiate the details of that with you, but this whole package would have to be viewed by Moody's and Standard and Poor's and foreign countries and the American people." He said that the changes need to be dramatic enough to convince everyone that Washington is serious about the problem, "that adults are in charge in Washington and we're going to get our house in order. We're talking here about trillions, not billions."*

The demands on entitlements are actually less stringent than McConnell's prior remarks, which demanded cuts to Medicare. Senate Democrats [slammed the door shut](#) on that today, sort of, by saying that benefit cuts would not be allowed. Other cuts, along the lines that Democrats have already described, such as the kind of cuts to corporate welfare in the Affordable Care Act, or allowing Medicare to negotiate for prescription drugs, or moving dual eligibles to Medicaid, could be part of a deal. But benefit cuts are straight out.

*“Three weeks ago Leader McConnell proclaimed he would not support a debt ceiling agreement unless it included cuts to Medicare, but he refused to specify what types of cuts he had in mind beyond the House-passed plan that would end the very program as we know it,” said Sen. Chuck Schumer (D-NY). “So Senator McConnell is saying if he can’t get the full Ryan plan, he at least wants a plan that makes major cuts to seniors’ benefits. Basically he’s saying if he can not dismantle Medicare all at once, he wants to do it in pieces.”*

*Schumer, joined by Senate Majority Leader Harry Reid (NV) and DSCC chair Patty Murray (WA) said Democrats could support more Medicare savings along the lines of those in President Obama’s health care law — cuts which Republicans attacked to great political advantage during the 2010 midterm campaign. But no benefit cuts.*

So there you have it. One side says no tax increases whatsoever; the other side says no benefit cuts to Medicare. The deal will have to come from appropriations, or possibly Medicaid, although 41 Democrats have [vowed not to vote](#) for any crippling of that program.

If these debt limit negotiations are political theater, and I actually think they are, everyone’s doing a good job of acting.

**UPDATE:** Of course, there’s also [this](#):

*Yes, it will be raised, Donohue answered, mainly because the country can not afford to not pay its bills. To those newly-elected representatives who say they aren’t going to raise the debt ceiling and will shut down government, Donohue said the U.S. Chamber has its own message: “We’ll get rid of you.”*

*He then went on to praise U.S. House Speaker John Boehner for his Congressional leadership.*

*“He’s growing into his shorts,” Donohue said. “He’s put on his big boy pants.”*

One cannot know how serious Donohue is being about this. And I’m not sure there’s a group of pro-debt limit Republicans the Chamber can just take off the shelf to beat the more intransigent members. But it’s worth noting.

[Read Kaiser Family Foundation’s data spotlight “Health Care on a Budget: The Financial Burden of Health Spending by Medicare Households.”](#)

[Read Kaiser Family Foundation’s data spotlight “How Much ‘Skin in the Game’ is Enough? The Financial Burden of Health Spending for People on Medicare.”](#)

[Read Kaiser Family Foundation’s data spotlight “Projecting Income and Assets: What Might the Future Hold for the Next Generation of Medicare Beneficiaries?”](#)

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## Momentum Grows for Payroll Tax Cut

<http://www.usnews.com/news/articles/2011/06/15/momentum-grows-for-payroll-tax-cut>

*Cutting the payroll tax to boost jobs could find traction with both the left and right*

By [ALEX M. PARKER](#)

Posted: June 15, 2011

With fears of a double-dip recession growing after a series of disturbing economic reports and a second round of stimulus spending out of the question, talk in Washington has turned to a familiar subject—the tax cut—as a way to protect the poorest Americans and create [jobs](#). The stalemate over a national debt ceiling, however, means many hurdles must be cleared before that little extra showed up in your paycheck. [\[Check out a roundup of political cartoons on the budget and deficit.\]](#)

In theory, a payroll [tax cut](#) could please both antitax Republicans and Democrats worried that the lower and middle classes are being squeezed by the recession. But the idea may have a rocky road in Congress, especially if lawmakers are looking to use it as part of a compromise to raise the debt ceiling. Further cutting the payroll tax—which funds [Social Security](#)—would raise questions among budget hawks worried about the cost to the deficit. But it also will find opposition among some liberals worried about the future of Social Security. Independent Vermont [Sen. Bernie Sanders](#), who last year strongly opposed a compromise measure that included a 2 percentage point payroll tax cut, said he's still against tinkering

with Social Security's revenue stream. "This is a bad idea," Sanders said in a statement released by his office. "I understand the need in the midst of a recession to put money in the pockets of working people, but this is not the way to do it. We shouldn't be diverting resources from Social Security."

So far, the proposal is only in the whispering stage. The White House has said it's looking at whether the payroll tax cut included in last year's deal with Republicans, which lowered the rate to 4.2 percent from 6.2 percent, should be extended past 2011. In an op-ed piece for the *Washington Post*, former White House economic adviser Larry Summers advocated temporarily lowering the rate to 3.2 percent and adding a similar cut to the portion of the payroll tax paid by [businesses](#). Currently, businesses pay the full 6.2 percent rate. According to some reports, the tax cut is being discussed in bipartisan negotiations over the [debt ceiling](#), which the parties are hoping will wrap up with a compromise deal soon. But the complexity of adding billions of dollars in tax cuts to legislation meant to cut the deficit could be a significant roadblock. One congressional source guessed that the proposal had about a 50 percent chance of getting through. [\[Read about how odds are just 1 to 3 on deal to raise debt ceiling.\]](#)

The idea is not opposed by all liberals. On ABC's *This Week*, former Labor Secretary Robert Reich advocated temporarily exempting the payroll tax for everyone's salary up to \$20,000. Supporters say it could provide relief to those most affected by the recession while also helping to spur the economy with more spending. "The hike in gas prices has really offset the employee [tax cut] that's in place right now, so it would be good to expand that to provide a spending boost," says Chuck Marr, a former congressional economic staffer and current official at the left-leaning Center on Budget and Policy Priorities. "A [payroll](#) tax cut has something that could get support from both parties and could get business community support. From a practical perspective, I think it's one that should be strongly considered."

It would not necessarily need to hurt Social Security's viability, according to Michael Ettlinger, vice president for economic policy at the liberal Center for American Progress. The cost of the cut could be shifted around, so it is added to the \$14.3 trillion national debt, not the Social Security [Trust Fund](#). But as a political reality, temporary tax cuts have a way of becoming permanent, as neither party wants to preside over a tax increase. That reality becomes even starker during a recession.

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## **TPMDC**

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# House Republicans Look To Privatize Social Security

**Benjy Sarlin | June 7, 2011, 9:26AM**

Republican leaders left Social Security untouched in their House budget this year, but a group of GOP lawmakers are looking to fill the gap themselves with legislation that would create a voluntary privatized version of the program.

Introduced by Rep. Pete Sessions (R-TX), who also chairs the House's campaign efforts at the NRCC, the "Savings Account For Every American Act" would allow people to immediately opt out of Social Security in favor of a private "S.A.F.E." account. Eventually the program would expand to let employers send their matching contribution to workers' Social Security to a "S.A.F.E." account as well.

"Our nation's Social Security Trust Fund is depleting at an alarming rate, and failure to implement immediate reforms endangers the ability of Americans to plan for their retirement with the options and certainty they deserve," Sessions said of the plan, according to The Hill. "To simply maintain the status quo would weaken American competitiveness by adding more unsustainable debt and insolvent entitlements to our economy when we can least afford it."

Republicans have been wary of wading back into Social Security privatization after a major push on the issue during President Bush's second term failed to reach a vote in either the House or Senate despite there being a Republican Congress. One Freshman Representative who suggested the federal government could be rolled back to just four departments even listed protecting Social Security from privatization as one of his top causes on the 2010 trail. Among the GOP presidential candidates, Rick Santorum had tried to adopt the cause as part of his platform.

JUNE 6, 2011, 12:25 PM ET

## Santorum would revamp Social Security, Medicare

Rick Santorum opened his presidential campaign on Monday by saying he'd make changes to Medicare and Social Security, jumping into a fierce fiscal debate as he seeks to build momentum for his White House bid.

Santorum, a former Republican senator from Pennsylvania, announced his candidacy on ABC's "Good Morning America" and said he's "in it to win." Santorum is a favorite among Republican social conservatives for his anti-abortion and anti-gay marriage stances but made clear on Monday that he wants to be a leader in entitlement reform as well.

Santorum said voters want someone who stands for what he believes in, and harked back to Social Security reforms he pushed when he was a senator. Santorum said that not even Rep. Paul Ryan, the Wisconsin Republican, "had the temerity to step forward and say we have to do Social Security" in his controversial budget plan. Santorum also praised Ryan's plan to essentially privatize Medicare and said he'd make it apply to seniors earlier than Ryan would.

Santorum is far behind in most polls, trailing the likes of Mitt Romney and Tim Pawlenty. Santorum lost re-election to the Senate five years ago to Democrat Robert Casey, 59%-41%.

Santorum joins a crowded Republican field that includes Herman Cain, Newt Gingrich, Gary Johnson, Pawlenty, Ron Paul and Romney. Former Ambassador to China Jon Huntsman, Minnesota Rep. Michele Bachmann and former Alaska Gov. Sarah Palin are also potential contenders for the Republican nomination.

Santorum has a hard climb ahead of him, if a recent Gallup poll is an indication. Just 2% of Republicans and GOP-leaning independents preferred the former senator to other contenders.

– Robert Schroeder

## GOP candidate Cain favors Social Security "personalization"

<http://www.radioiowa.com/2011/06/06/gop-candidate-cain-favors-social-security-personalization/>

by O. KAY HENDERSON on JUNE 6, 2011

Republican presidential candidate Herman Cain says it's time to "wean" Americans off so-called "entitlement" spending and he favors changes in Social Security similar to those President Bush proposed, but was unable to push through congress.

"Please don't call it privatization. It is not privatization. It is personalization. It's an account with the individual's name on it," Cain said today in Sioux Center. "It's a personal retirement account option and you make that option available to people below a certain age. Over time, we would wean ourself off a system that is clearly broken."

Cain, the former C.E.O. of Godfather's Pizza, argued ever-expanding programs first designed to provide a "safety net" for the poor may soon compromise the financial stability of the federal government. Cain pointed to Chile as an example of how Social Security might be reformed.

"In Chile, after three years 90 percent of the workers chose the personal retirement account option, while they still had to contribute to the old system for those people who could not afford to get off the old system," Cain said in Sioux Center. "We must restructure that program."

Cain also expressed support for changing Medicare to a voucher system, an idea proposed by Wisconsin Republican Paul Ryan, chairman of the U.S. House Budget Committee.

"We must restructure Medicare, ala Representative Paul Ryan's approach. We must restructure Medicaid, ala block grants — empower the states to decide how best to manage those funds rather than try to micromanage the rules out of Washington, D.C.," Cain said. "So all of the programs must be restructured in order to help people help themselves and not try and provide micro-managed solutions out of Washington, D.C."

Cain's morning appearance in Sioux Center was part of the presidential lecture series hosted by The Family Leader. Cain told the audience the American family is under attack, both morally and economically. "But the only way we're going to

fix that is to focus on the family and focus on fixing these things that are causing families to break up and stay apart,” Cain said.

Cain is also scheduled to give lectures this afternoon in Pella and Iowa City.

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\*\*\*\*\*(From Doris Matui’s Office)

Hello Friends,

I wanted to share with you some news regarding the Consumer Financial Protection Bureau (CFPB). The Congresswoman has been fighting to ensure that any proposals do not water down its authority. Unfortunately, there appears to be a very coordinated effort by Senate Republicans to hold up any CFPB Director nominee unless the Senate votes to weaken the CFPB. Forty-four Republican Senators signed a letter to the President essentially ensuring that President Obama has no choice but to make a recess appointment.

Despite these legislative distractions, Elizabeth Warren has been the President’s Special Advisor since last year, working every day to stand up the CFPB. She has met with every stakeholder imaginable, she has hired a top-notch team of individuals to work under her and she has been completely open and transparent about what the Bureau is working on during this interim period before the Bureau formally begins to operate on July 21.

The Congresswoman has signed on to a letter to President Obama requesting that he use every option available to him, including a recess appointment if necessary, to ensure that Ms. Warren is the CFPB’s first Director. Please find the attached letter.

If you have any questions, please let me know.

Chris

**Chris Flores**

Field Representative  
Office of Congresswoman Matsui  
Robert T. Matsui US Courthouse  
501-I St., Ste. 12-600, Sacramento, CA 95814  
Phone: [916-498-5600](tel:916-498-5600) Fax: [916-444-6117](tel:916-444-6117)  
[www.house.gov/matsui](http://www.house.gov/matsui)

Signed the letter: Maloney, Frank, Ellison, Brad Miller, Carson, Grijalvo, Capuano, Hirono, Moran, George Miller, Lowey, P:ingree, Blumenauer, DeLauro, Gutierrez, Slaughter, Capps, Woolsey, DeFazio, Hinchey, Sarbanes, Nadler, Rangel, Speier, Norton, Eddie Bernice Johnson, Waters, Schakowsky, Lynch, Farr, Tierney, Lofgren, Doggett, Holt, Roybal-Allard, Fattah, McGovern, Conyers, Jackson, Tim Ryan, McDermott, Honda, Filner, Yarmuth, Wu, Tsongas, Bass, Sheilah Jackson Lee, Chu, Donna Edwards, Cohen, Barbara Lee, Eshoo, McCollum, Towns, Frederica Wilson, Stark, Fudge, Schiff, Hanabusa, Deutch, Tonko, Doyle, Danny Davis, Richardson, VanHollen, Lujan, Garamendi, Waxman, Olver, Napolitano, Mike Thomson, Ackerman, Pascrell, Henry Johnson Jr., Sherman, Larson, Price, Cicilline, Murphy, Cummings., Susan Davis, Kildee, Langwin, Kucinich, Engel, Matsui

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**Leading Seniors’ Advocacy Group Urges Vice President Joe Biden To Reject Expanding Payroll Tax Holiday**

The National Committee to Preserve Social Security and Medicare has written to Vice President Joe Biden, who’s now leading Congressional/White House debt talks, urging him to reject [proposals](#) which would extend or expand the diversion of billions of dollars in Social Security payroll taxes.

*“Just six months ago, Washington promised the \$112 billion dollar diversion of payroll taxes from Social Security would be a ‘temporary’ stimulus. Now, it appears some leaders who are negotiating a debt ceiling deal are proposing not only to extend this stimulus measure but actually expand it...diverting even more money away from Social Security. Diverting revenue from Social Security is not fiscal responsibility. There are other ways to provide effective stimulus that don’t endanger Social Security’s funding, including the successful ‘Make Work Pay Tax Credit’. Poll after poll has shown, Americans do not support using Social Security as a bargaining chip in yet another ‘Let’s Make a Deal’ style negotiation in Washington.”* Max Richtman, NCPSSM Executive Vice President/Acting CEO

NCPSSM’s letter to Vice President Biden reminds negotiators that American workers have successfully funded the Social Security program for 75 years and that critical linkage between contributions and benefits is what keeps Social Security a self-funded program. Proposals to divert workers’ payroll taxes way from Social Security threaten the program’s independence, forcing it to compete for already limited federal dollars.

A copy of the letter can be found on our website

at: [http://www.ncpssm.org/news/archive/letter\\_vp\\_pay\\_roll\\_tax\\_holiday/](http://www.ncpssm.org/news/archive/letter_vp_pay_roll_tax_holiday/)

