April 26, 2017

Dear Representative:

AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to consumers and families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

We write to again share our opposition to the pending American Health Care Act (AHCA) and urge you to vote NO. Throughout consideration of the AHCA, we have been expressing serious concerns about the impact that this legislation will have on older Americans. The Congressional Budget Office (CBO)'s last estimate further demonstrates the harmful impact of this bill on older Americans and some of our most vulnerable. Specifically, we are concerned that the American Health Care Act will weaken the fiscal sustainability of Medicare; dramatically increase premium and out-of-pocket costs for 50-64 year olds purchasing coverage on the individual insurance market; substantially increase the number of Americans without insurance; and put at risk millions of children and adults with disabilities and poor seniors who depend on the Medicaid program to access long-term services and supports and other benefits. In addition, changes under consideration that would allow states to waive important consumer protections – such as allowing insurance companies to once again charge Americans with pre-existing conditions more because they've had cancer, diabetes or heart disease -- would make this bad bill even worse.

Our members and others 50 years of age and older care deeply about health care and want to know where their elected leaders stand. Recognizing the importance of the upcoming vote on the American Health Care Act, AARP intends to inform our members, and others over age 50, how their elected officials voted. We'll communicate the results of the vote in our widely-circulated publications, in e-mail alerts, in our online channels, and through the media. Again, we urge all Representatives to vote NO on the American Health Care Act in its current form.

Medicare

Our members and older Americans believe that Medicare must be protected and strengthened for today's seniors and future generations. We strongly oppose any changes to current law that could result in cuts to benefits, increased costs, or reduced coverage for older Americans. According to the 2016 Medicare Trustees report, the Medicare Part A Trust Fund is solvent until 2028 (11 years longer than pre-Affordable Care Act (ACA)), due in large part to changes made in the ACA. We have serious

concerns that the American Health Care Act repeals provisions in current law that have strengthened Medicare's fiscal outlook, specifically, the repeal of the additional 0.9 percent payroll tax on higher-income workers. Repealing this provision would remove $117.3 billion from the Hospital Insurance trust fund over the next ten years, would hasten the insolvency of Medicare by up to four years, and diminish Medicare's ability to pay for services in the future.[1]

Prescription Drugs

Older Americans use prescription drugs more than any other segment of the U.S. population, typically on a chronic basis. We are pleased that the bill maintains the Medicare Part D coverage gap ("donut hole") protections created under the ACA. Since the enactment of the law, more than 11.8 million Medicare beneficiaries who have fallen into the coverage gap have saved over $26.8 billion on the improved coverage for prescription drug costs due to closure of the donut hole. We do have strong concerns that the fee on manufacturers and importers of branded prescription drugs, which currently is projected to add $24.8 billion to the Medicare Part B trust fund between 2017 and 2026, will be repealed by the American Health Care Act. Rather than repeal this fee for Medicare, AARP believes Congress must do more to reduce the burden of high prescription drug costs on consumers and taxpayers, and we would be willing to work with you on bipartisan solutions.

Individual Private Insurance Market

About 6.1 million Americans age 50-64 currently purchase insurance in the non-group market, and nearly 3.2 million are currently eligible to receive subsidies for health insurance coverage through either the federal health benefits exchange or a state-based exchange (exchange). We have seen a significant reduction in the number of uninsured since passage of the ACA, with the number of 50-64 year old Americans who are uninsured dropping by half. We are deeply concerned that the AHCA would be a significant step backwards and result in millions of older Americans who cannot afford their health care, including many simply losing their health care.

Based on CBO estimates, approximately 14 million Americans will lose coverage next year, while a total of 24 million Americans would lose coverage over the next 10 years. This is especially troubling given that in the CBO and Joint Committee on Taxation's (JCT) assessment "the non-group (individual) market would probably be stable in most areas…under current law."

Affordability of both premiums and cost-sharing is critical to older Americans and their ability to obtain and access health care. A typical 50-64 year old seeking coverage through an exchange has a median annual income of under $25,000 and already pays significant out-of-pocket costs for health care. We have serious concerns – reinforced

[1] Brookings Institute, "Paying for an ACA Replacement Becomes Near Impossible if the Law's Tax Increases are Repealed." December 19, 2016. Available at: https://www.brookings.edu/blog/up-front/2016/12/19/paying-for-an-aca-replacement-becomes-near-impossible-if-the-laws-tax-increases-are-repealed

by the CBO estimate -- that the bill under consideration will dramatically increase health care costs for 50-64 year olds who purchase health care through an exchange due both to the changes in age rating from 3:1 (already a compromise that requires uninsured older Americans to pay three times more than younger individuals) to 5:1 and reductions in current tax credits for older Americans. CBO concluded that the bill will substantially raise premiums for older people and force many into lower quality plans.

Age rating plus reduced tax credits equal an unaffordable age tax. Our previous estimates on the age-rating change showed that premiums for current coverage could increase by up to $3,200 for a 64 year old, while reducing premiums by only about $700 for a younger enrollee. Significant premium increases for older consumers will make insurance less affordable, will not address their expressed concern about rising premiums, and only encourage a small increase in the enrollment numbers for younger persons.

In addition to increasing premiums from the age rating change, the bill reduced the tax credits available for older Americans to help purchase insurance. We estimate that the bill's changes to current law's tax credits alone could increase premium costs for a 55-year old earning $25,000 by more than $2,300 a year. For a 64-year old earning $25,000, that increased premium rises to more than $4,400 a year, and more than $5,800 for a 64-year old earning $15,000.

Overall, both the bill's tax credit changes and 5:1 age rating would result in skyrocketing cost increases for older Americans. In their analysis, CBO found that a 64 year old earning $26,500 a year would see their premiums increase by $12,900 -- 758 percent -- from $1,700 to $14,600 a year. In addition, older workers could also face higher out-of-pocket costs because the bill eliminates cost-sharing subsidies which help lower-income Americans with their co-pays and deductibles. It cannot be overstated how much this bill would erase recent gains in health care coverage and affordability for 50-64 year olds, leading to large spikes in the number of uninsured and financial hardship for millions of older Americans.

Current law prohibits insurance companies from discriminating against individuals due to a pre-existing condition. We are extremely concerned that the bill may now repeal pre-existing condition protections and would once again allow insurance companies to charge Americans more due to a pre-existing condition. We estimate that 40 percent of 50- to 64-year-olds (or about 25 million people in this age group) have a deniable pre-existing condition and risk losing access to affordable coverage.[2] We strongly oppose any weakening of the law's pre-existing condition protections which benefit millions of Americans.

[2] Noel-Miller, Claire & Sung, Jane*, In Health Reform, Stakes are High for Older Americans with Preexisting Health Conditions*. March 2017 (http://www.aarp.org/content/dam/aarp/ppi/2017-01/ACA-Protects-Millions-of-Older-Adults-with-Preexisting-Health-Conditions-PPI-AARP.pdf)

Medicaid and Long-Term Services and Supports

AARP opposes the provisions of the American Health Care Act that create a per capita cap financing structure in the Medicaid program. We are concerned that these provisions could endanger the health, safety, and care of millions of individuals who depend on the essential services provided through Medicaid. CBO found that the bill would cut Medicaid funding by $880 billion over 2017-2026. By 2026, CBO expects Medicaid spending to be about 25 percent less than what it projects under current law. Medicaid is a vital safety net and intergenerational lifeline for millions of individuals, including over 17.4 million low-income seniors and children and adults with disabilities who rely on the program for critical health care and long-term services and supports (LTSS, i.e., assistance with daily activities such as eating, bathing, dressing, managing medications, and transportation). Older adults and people with disabilities now account for over sixty percent of Medicaid spending, and cuts of this magnitude will result in loss of benefits and services for this vulnerable population.

Of these 17.4 million individuals: 6.9 million are ages 65 and older (which equals more than 1 in every 7 elderly Medicare beneficiaries)[3]; 10.5 million are children and adults living with disabilities; and about 10.8 million are so poor or have a disability that they qualify for both Medicare and Medicaid (dual eligibles).[4] Dual eligibles account for almost 33 percent of Medicaid spending. While they comprise a relatively small percentage of enrollees, they account for a disproportionate share of total Medicare and Medicaid spending.

Individuals with disabilities of all ages and older adults rely on critical Medicaid services, including home and community-based services (HCBS) for assistance with daily activities such as eating, bathing, dressing, and home modifications; nursing home care; and other benefits such as hearing aids and eyeglasses.[5] People with disabilities of all ages also rely on Medicaid for access to comprehensive acute health care services. For working adults, Medicaid can help them continue to work; for children, it allows them to stay with their families and receive the help they need at home or in their community. Individuals may have low incomes, face high medical costs, or have already spent through their resources paying out-of-pocket for LTSS, and need these critical services. For these individuals, Medicaid is a program of last resort.

In providing a fixed amount of federal funding per person, this approach to financing would likely result in overwhelming cost shifts to states, state taxpayers, and families unable to shoulder the costs of care without sufficient federal support. This would result in cuts to program eligibility, services, or both – ultimately harming some of our nation's

[3] Kaiser Commission on Medicaid and the Uninsured, Kaiser Family Foundation, "Medicaid at 50", May 2015, 13. Available at: http://files.kff.org/attachment/report-medicaid-at-50

[4] Medicaid and CHIP Payment and Access Commission, "MACStats: Medicaid and CHIP Data Book", Exhibit 14. Available at: https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-14.-Medicaid-Enrollment-by-State-Eligibility-Group-and-Dually-Eligible-Status-FY-2013.pdf

[5] Kaiser Commission on Medicaid and the Uninsured, Kaiser Family Foundation, "Medicaid at 50", May 2015, 13. Available at: http://files.kff.org/attachment/report-medicaid-at-50. Not all 17.4 million people receive LTSS.

most vulnerable citizens. In terms of seniors, we have serious concerns about setting caps at a time when per-beneficiary spending for poor seniors is likely to increase in future years. By 2026, when Boomers start to turn age 80 and older, they will likely need much higher levels of service—including HCBS and nursing home—moving them into the highest cost group of all seniors. As this group continues to age, their level of need will increase as well as their overall costs. We are also concerned that caps will not accurately reflect the cost of care for individuals in each state, including for children and adults with disabilities and seniors, especially those living with the most severe disabling conditions. CBO estimates that Medicaid spending on a per-enrollee basis would grow at a faster rate than the consumer price index for medical care services (CPI-M) -- 3.7 percent for CPI-M versus an average annual growth rate of 4.4 percent for Medicaid over the 2017-2026 period. Over time, the difference in the growth rate under the per capita cap (CPI-M) and the actual cost of care would further shift costs to states, which could result in even greater potential harm to some of the most vulnerable individuals.

AARP is also opposed to the repeal of the six percent enhanced federal Medicaid match for states that take up the Community First Choice (CFC) Option. CFC provides states with a financial incentive to offer HCBS to help older adults and people with disabilities live in their homes and communities where they want to be. About 90 percent of older adults want to remain in their own homes and communities for as long as possible.[6] HCBS are also cost effective. On average, in Medicaid, the cost of HCBS per person is one-third the cost of institutional care.[7] Taking away the enhanced match could disrupt services for older adults and people with disabilities in the states that are already providing services under CFC and would result in a loss of about $12 billion for HCBS over ten years.

AARP also has concerns with the removal of the state option in Medicaid to increase the home equity limit above the federal minimum. This provision would take away flexibility for states to adjust a Medicaid eligibility criterion based on the specific circumstances of each state and its residents beyond a federal minimum standard.

AARP continues to support critical consumer protections included in current law, including guaranteed issue, prohibitions on preexisting condition exclusions, bans on annual and lifetime coverage limits and allowing families to keep children on their policies until the age of 26. Also, AARP continues to support restoring the 7.5 percent threshold for the medical expense deduction which will directly help older Americans

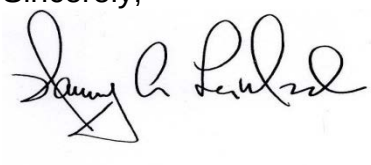
[6] Nicholas Farber and Jana Lynott. Aging in Place: A State Survey of Liability Policies and Practices (Washington, DC, AARP Public Policy Institute and the National Conference of State Legislatures, December, 2011)

[7] Terence Ng, Charlene Harrington, MaryBeth Musumeci, and Erica L. Reaves, "Medicaid Home and Community-Based Services Programs: 2011 Data Update" (HCBS) and 2013 Medicare and Medicaid Statistical Supplement (Nursing Homes). Available at: http://dataexplorer.aarp.org/indicator/31/medicaid-ltss-spending-per-user#/bar?primarygrp=dist18&secondgrp=loc&dist18=102,103,104,105,106,107,108&loc=1&tf=12&fmt=132?

struggling to pay for health care, particularly the high cost of nursing homes and other long-term services and supports.

We look forward to working with you to ensure that we maintain a strong health care system that ensures robust insurance market protections, controls costs, improves quality, and provides affordable coverage to all Americans. If you have any questions, please feel free to contact me, or have your staff contact Joyce A. Rogers, Senior Vice President, Government Affairs at (202) 434-3750.

Sincerely,



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