



601 E Street, NW | Washington, DC 20049
202-434-2277 | 1-888-OUR-AARP | 1-888-687-2277 | TTY: 1-877-434-7598
www.aarp.org | twitter: @aarp | facebook.com/aarp | youtube.com/aarp

March 7, 2017

The Honorable Greg Walden
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Frank Pallone
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairmen and Ranking Members:

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 today to express our opposition to *the American Health Care Act*. This bill would weaken Medicare's fiscal sustainability, dramatically increase health care costs for Americans aged 50-64, and put at risk the health care of millions of children and adults with disabilities, and poor seniors who depend on the Medicaid program for long-term services and supports and other benefits.

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 could hasten the insolvency of Medicare by up to 4 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 does not repeal 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 have saved over \$26.8 billion on prescription drugs. We do have strong concerns that the *American Health Care Act* repeals the fee on manufacturers and importers of branded prescription drugs, which currently is projected to add \$25 billion to the Part B trust fund between 2017 and 2026. AARP believes Congress must do more to reduce the burden of high prescription drug costs on consumers and taxpayers and is willing to work with you on bipartisan solutions.

Individual Private Insurance Market

About 6.1 million older 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.

Affordability of both premiums and cost-sharing is critical to older Americans and their ability to obtain and access health care. A typical senior 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 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 subsidies for older Americans.

Age rating plus premium increases 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 of rising premiums,

^[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/>

and will only encourage a small increase in enrollment numbers for younger persons. In addition, the bill proposes to change current subsidies based on income and premium levels to a flatter tax credit. The change in structure will dramatically increase premiums for older consumers. We estimate that the bill's changes to current law's tax credits 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 increase rises to more than \$4,400 a year, and more than \$5,800 for a 64-year old earning \$15,000. When we examined the impact of both the tax credit changes and 5:1 age rating, our estimates find that, taken together, premiums for older adults could increase by as much as \$3,600 for a 55-year old earning \$25,000 a year, \$7,000 for a 64-year old earning \$25,000 a year and up to \$8,400 for a 64-year old earning \$15,000 a year. In addition to these skyrocketing premiums, out-of-pocket costs could significantly increase under the bill with the elimination of cost sharing assistance in current law. The cost sharing assistance has provided relief on out-of-pocket costs (like deductibles and certain benefits) for low-income individuals who are some of the most financially vulnerable marketplace participants.

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. 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).

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)^[2]; 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).^[3] 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;

^[2] 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>

^[3] 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>

and other benefits such as hearing aids and eyeglasses.^[4] 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 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 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.

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.^[5] HCBS are also cost effective. On average, in Medicaid, the cost of HCBS per person is one-third the cost of institutional care.^[6] 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.

AARP has concerns with the removal of the state option in Medicaid to increase the home equity limit above the federal minimum. This takes 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.

Although we cannot support the *American Health Care Act*, we are pleased that the bill does not repeal some of the critical consumer protections included in the Affordable Care Act, such as guaranteed issue, prohibitions on preexisting condition exclusions,

^[4] 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.

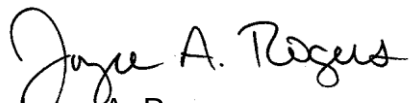
^[5] Nicholas Farber and Jana Lynott. *Aging in Place: A State Survey of Liability Policies and Practices* (Washington, DC, AARP Public Policy Institute and the National Conference of State Legislatures, December, 2011)

^[6] 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?>

bans on annual and lifetime coverage limits and allowing families to keep children on their policies until the age of 26. Also, AARP does support restoring the 7.5 percent threshold for the medical expense deduction which will directly help older Americans 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 Megan O'Reilly, Director, Federal Health and Family at (202) 434-3750.

Sincerely,

A handwritten signature in black ink that reads "Joyce A. Rogers". The signature is written in a cursive style with a large initial "J".

Joyce A. Rogers
Senior Vice President
Government Affairs