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December 28, 2016

Dear Senator:

On behalf of our nearly 38 million members in all 50 states and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, I am writing to express our views on health care reform. AARP supports the Patient Protection and Affordable Care Act (ACA) because on balance it addresses health care priorities that are important to all Americans age 50 and older: protecting and improving Medicare's benefits and financing; providing access to affordable quality coverage; preventing insurers from engaging in discriminatory practices; lowering prescription drug costs; providing new incentives to expand home and community based services; and strengthening efforts to fight fraud, waste, and abuse. As Congress considers legislation to repeal and replace the ACA, it will be important for any health care legislation to include older Americans' priorities.

Medicare

Our members and other older Americans believe that Medicare must be protected and strengthened for today's seniors and future generations. The average senior, with an annual income of under \$25,000 and already spending one out of every six dollars on health care, counts on Medicare for access to affordable health coverage. We will continue to oppose changes to current law that cut benefits, increase costs, or reduce coverage for older Americans.

According to the 2016 Trustees report, the Medicare Part A Trust fund is solvent until 2028 (11 years longer than pre-ACA), due in large part to changes made in ACA. We urge you to maintain provisions in current law that have strengthened Medicare's fiscal outlook without shifting costs to beneficiaries or cutting benefits, including savings from provider payments and Medicare Advantage plans, the 0.9 percentage point Medicare Part A payroll tax on earnings of higher-income workers (incomes more than \$200,000/individual and \$250,000/couple), and the fee for the Part B trust fund on the manufacturers and importers of branded drugs. Together, these provisions of the health law have improved Medicare's fiscal outlook without harming beneficiaries.

With this in mind, lowering prescription drug costs for seniors by closing the Medicare Part D coverage gap, or "doughnut hole," also remains a critical priority for AARP. The

ACA would eliminate the coverage gap in 2020. Since 2010, more than 11 million Medicare beneficiaries have received over \$23.5 billion in savings while they were in the coverage gap. The average savings has been \$2,127 per beneficiary.

In addition to the ACA provisions above, we urge Congress to further help those enrolled in Medicare with high drug costs. For example, any new legislation could also provide the Secretary of Health and Human Services with the authority to negotiate drug prices on behalf of millions of Medicare beneficiaries to further ensure that seniors can afford the prescription drugs they need. Further, similar to what existed prior to Medicare Part D, drug manufacturers could be required to provide Medicare with the same rebates or discounts that Medicaid receives for prescription drugs purchased by beneficiaries who receive the Medicare Part D Low-Income Subsidy.

In addition to lowering drug costs, any health care changes should maintain Medicare improvements such as cost-free access to preventive benefits and additional steps to crack down on fraud, waste, and abuse.

AARP also supports efforts to reduce health care costs over time, including many of the payment and delivery system reforms designed to improve quality and make Medicare more efficient. Among these is giving the Secretary authority to test, evaluate, and expand new payment and delivery models. Complete repeal of the ACA could undermine Medicare's ability to innovate and adapt, as well as undermine health care providers' ability to implement high-value, quality care in the new Medicare reimbursement system. Additionally, while we did not support enactment of the Independent Payment Advisory Board, we do strongly support its requirements that Medicare savings not come on the backs of seniors through higher cost-sharing or cuts in benefits.

We also strongly urge efforts to improve Medicare's low-income programs, such as raising asset limits that perversely penalize people who did the right thing by saving a small nest egg for retirement, as well as ensuring assignment to prescription drug plans that meet their needs. In addition, we objected to the ACA's provisions to freeze the Part B and Part D income-related premium thresholds -- which penalize both work and savings and, like the Alternative Minimum Tax, will increasingly tax middle-income earners over time -- and urge that the thresholds at least be indexed.

Prescription Drugs

Older Americans use prescription drugs more than any other segment of the U.S. population, typically on a chronic basis. In 2015, retail prices for 268 brand name prescription drugs widely used by older Americans increased by an average of 15.5 percent. In contrast, the general inflation rate was 0.1 percent over the same period. For older adults, affordable prescription drugs are critical in managing their chronic conditions, curing diseases, keeping them healthy and improving their quality of life.

AARP urges that any changes to the health law retain an approval pathway for less expensive generic versions of biologic drugs, and modify the provisions in current law that force consumers to wait 12 years or more for these important products. Biologic drugs can cost tens of thousands of dollars a year. Longer waits for less expensive versions cost both taxpayers and consumers billions of dollars we cannot afford, and may force consumers to forgo needed drugs because of costs. A more rapid 7-year exclusivity pathway would improve health and bend the cost curve for everyone. Congress should also consider reducing barriers to better pricing competition worldwide by allowing for the safe importation of lower priced drugs. We also support prohibiting agreements between brand and generic manufacturers that delay timely access to affordable drugs.

Private Insurance Market

Beyond Medicare, we are concerned that many of our members and other older Americans age 50-64 could be adversely affected by changes in the health insurance market. About 6.2 million older Americans currently benefit from improvements in the individual insurance market, including 3.3 million who receive subsidy assistance. Affordability of premiums and cost-sharing is essential to the success and long term sustainability of health reform. Critical to that goal is prohibiting insurers from charging older Americans unaffordable rates because of their age. The current law's 3:1 age rating -- already a compromise that requires uninsured older Americans to pay three times more than younger individuals, even though their incomes are not significantly higher -- should be retained in any new legislation. Prior to the ACA, many insurers were permitted to use ratings of 5:1 or higher. Maintaining 3:1 age rating is a critical consumer protection for older Americans age 50-64 to ensure that they will have access to affordable coverage.

In addition to limits on age rating, a strong combination of insurance market reforms, broad risk-pooling, restrictions on gender discrimination, subsidies, and cost-sharing limits are needed to make coverage affordable and accessible. We strongly support maintaining existing insurance market rules relating to guaranteed issue and prohibitions on preexisting condition exclusions. In addition, AARP believes the ban on annual and lifetime coverage limits is essential. AARP also urges Congress to keep children on their families' policies until the age of 26. Any legislation should also require ongoing assessment of affordability and provide for stricter limits on age rating or enhanced subsidies if coverage proves to be too costly for older Americans.

Medicaid and Long-Term Services and Supports

Medicaid is the only safety net for millions of children with disabilities, adults and seniors in need of critical long-term services and supports. We urge you to keep this vital safety net in place.

We are concerned that efforts to block grant or cap Medicaid funding will endanger the health, safety, and care of millions of individuals who depend on the essential services

provided through this program. Furthermore, caps would likely result in overwhelming cost-shifts to state governments unable to shoulder the costs of care without sufficient federal support. As Congress considers changes to Medicaid, we urge that states be afforded enhanced flexibility to access funding for generally more cost-effective home and community-based services in the same way they can access nursing home funding.

In addition, the ACA provided states with new options and enhancements to existing provisions to provide home and community-based services. We urge that any health law changes retain and enhance these provisions to enable more individuals to receive services in their homes and communities rather than costly institutional care.

Finally, Congress could further help seniors and other Americans with long-term care costs by returning the medical expense itemized deduction threshold from 10 percent to 7.5 percent of adjusted gross income. The tax increase caused by the higher threshold has fallen disproportionately on the sick — even those at more moderate income levels — especially since the deduction provides help to those with large medical costs that often include expensive long-term care costs.

We look forward to working with you to ensure we maintain a strong health care system that strengthens Medicare, ensures 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,

A handwritten signature in black ink that reads "Jo Ann C. Jenkins". The signature is written in a cursive, flowing style with a large initial "J".

Jo Ann C. Jenkins
Chief Executive Officer