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Real Possibilities

June 27, 2017

Dear Senator:

Older Americans care deeply about access to and affordability of health care. They need and deserve affordable premiums, lower out of pocket costs, and coverage they can count on as they age. The Better Care Reconciliation Act (BCRA) does not achieve these goals. In fact, under the BCRA, premiums and out of pocket costs for 50-64 year olds buying their own insurance would skyrocket, Medicaid coverage for millions of seniors and people with disabilities would be at risk and the fiscal sustainability of Medicare would be weakened. In total, 22 million Americans would lose insurance coverage. Accordingly, AARP, on behalf of our 38 million members in all 50 states, Puerto Rico, the District of Columbia and US Virgin Islands, strongly opposes *the Better Care Reconciliation Act of 2017*.

We urge all Senators to vote NO on the *Better Care Reconciliation Act* and urge you to “start from scratch” and craft health care legislation that ensures robust insurance market protections, lowers costs, improves quality, and provides affordable coverage to all Americans. AARP stands ready to assist in any way we can to craft such legislation. As our members expect from AARP, we will monitor each Senator's vote on the BCRA and notify them and other older Americans by reporting the vote in our publications, online, through the media, and in direct alerts to our members.

Costs in the Individual Private Insurance Market will Skyrocket

About 6.1 million Americans age 50-64 currently purchase insurance in the non-group market (“exchange”), and nearly 3.2 million are currently eligible to receive tax credits for health insurance coverage through an exchange. Affordability of both premiums and out-of-pocket costs is critical to older Americans and their ability to obtain and access health care. The BCRA will dramatically increase health care costs for older Americans who purchase health care through an exchange. Specifically, the bill allows older Americans to be charged 5 times more than younger Americans. Under current law, older Americans can already be charged 3 times more than younger Americans and is already a compromise. In addition, the bill’s reduction and in some cases elimination of access to tax credits for older and low-income Americans, the reduced value of the health care individuals and families can purchase with their premium tax credits, and the elimination of out-of-pocket subsidies will force many older Americans to pay much higher health care costs overall or go without coverage.

The increased premiums for older Americans plus reduced tax credits equal an unaffordable age tax. The combined impact of premium increase and loss of cost-sharing subsidies will dramatically increase out-of-pocket costs for lower-income older adults. The Congressional Budget Office (CBO) estimates that a 64-year old earning $26,500 will see their premium increase by $4,800 a year and would also lose thousands of dollars of cost-sharing subsidies that help with costs such as copays, coinsurance, and deductibles. Under the BCRA, middle-class older Americans will be hit particularly hard. For a 64-year old earning $56,800, CBO estimates their premium will skyrocket by $13,700 under the BCRA. These increased health care costs are unaffordable and fail to address the concerns raised by low and middle-income Americans about the cost of their health care.

We also have serious concerns about the changes to state 1332 waivers and the impact it could have on the coverage older Americans -- particularly those with pre-existing conditions and chronic conditions -- would be able to purchase in an exchange. Based on our analysis, the bill would allow states utilizing these waivers to potentially eliminate many of the most important consumer protections enacted under the ACA, including the essential health benefits (EHB) requirement for all health plans. As a result, consumers could see the coverage they need and depend on no longer included in their health plan. This is particularly concerning for the 40 percent of 50-64 year olds that have a deniable pre-existing condition.

Cuts to Medicaid and Long-Term Services and Supports Will Put Older Americans at Risk

AARP opposes the fundamental changes to the Medicaid program under the BCRA. Changing Medicaid into a per capita cap financing or block grant structure would 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 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 about 60 percent of Medicaid spending, and cuts of this magnitude will result in loss of benefits and services for this vulnerable population. The BCRA, which would cut $772 billion from the Medicaid program -- or a 26 percent reduction from CBO’s current law projections -- would have a devastating impact on the millions of Americans who depend on the program as well as state budgets which would be left with dramatic budget shortfalls. CBO estimates that there will be 15 million fewer Medicaid enrollees by 2026 than projected under current law.

A fixed federal funding structure, either by person or for a category of people, would likely result in significant shifts in costs to states, state taxpayers, and families unable to shoulder the costs of care without sufficient federal support. Most states are not in a position to adequately respond to this shortfall of funds, so these changes 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 home and community-based services (HCBS) and/or nursing home care -- moving them into the highest cost group of all seniors. In addition, caps will not accurately reflect the cost of care for individuals in each state, including for adults with disabilities and seniors, especially those living with the most severe disabling conditions.

AARP estimates that changing the growth rate to the Consumer Price Index for All Urban Consumers (CPI-U) starting in FY2025 will cut total Medicaid spending by $2.0 to $3.8 trillion from 2017-2036. This change begins to dramatically reduce federal funding to states just as the Boomer population begins to turn 80 and needs more costly care, dangerously exacerbating already strong pressure on states to further cut benefits, eligibility, and provider payments and harming some of the most vulnerable individuals. CBO projects that "the growth rate of Medicaid under current law would exceed the growth rate of the per capita caps for all groups covered by the caps starting in 2025." CBO also notes that over the long term, more states will face increasing pressure to commit more of their own resources, cut payments to providers and plans, eliminate optional services (including home and community-based services), and restrict eligibility for enrollment, or use some combination of these approaches to a greater extent. The substantial and harmful difference in growth rates would only compound over time.

Cuts in Medicare Funding Will Weaken its Ability to Pay Future Benefits

Our members strongly 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. We are dismayed that -- given Medicare's long-term financial challenges -- the BCRA cuts a funding source that strengthens Medicare's fiscal outlook, the additional 0.9 percent payroll tax on higher-income workers. Repealing this provision would cut Medicare funding by $58.6 billion, would hasten the insolvency of Medicare Part A by up to 2 years, and diminish Medicare's ability to pay for services in the future

Failure to Address High Prescription Drug Costs

Older Americans use prescription drugs more than any other segment of the U.S. population, typically on a chronic basis. As we look at ways to lower health care costs in this country, we believe that Congress must do more to reduce the burden of high prescription drug costs on consumers and taxpayers. Rather than address costs, BCRA simply repeals the fee on manufacturers and importers of branded prescription drugs. This repeal removes $25.7 billion from the Medicare Part B trust fund between 2017 and 2026, and leads directly to higher Medicare Part B premiums.

Conclusion

We urge you to vote NO on the Better Care Reconciliation Act and ask that you instead craft health care legislation that ensures a robust insurance market with needed consumer 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,

Nancy A. LeaMond
Executive Vice President and
Chief Advocacy and Engagement Officer