AARP
Real Possibilities

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June 1, 2017

The Honorable Pat Tiberi
Chairman
Ways & Means Subcommittee on Health
House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
Ways & Means Subcommittee on Health
House of Representatives
Washington, D.C. 20515

Dear Chairman Tiberi and Ranking Member Levin,

On behalf of our nearly 38 million members in all 50 states and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, thank you for holding a hearing on May 18, 2017 on the Medicare program, changes needed to Medicare's payment systems, and Medicare programs that are set to expire before the end of the year. We appreciate the opportunity to share our thoughts on this topic, and the importance of strengthening the Medicare program while preserving beneficiaries' access to care. We agree health care spending generally needs to be slowed in order to preserve the program for future generations. Growing spending on health care has strained the Medicare Hospital Insurance Trust Fund (Part A) and has required an increasingly larger portion of general revenues (Parts B and D). We believe Congress must address the underlying causes of high health care spending, and not shift the financial burden onto older Americans and others who depend on Medicare for their health security.

Medicare Background

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 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). Congress must 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 have improved Medicare's fiscal outlook without harming beneficiaries.

Increased Medicare expenditures are due primarily to a growing Medicare population and higher health care costs – neither of which are under the beneficiary's control. Spending per beneficiary has actually grown slower than both GDP and private insurance in recent years. Proposals which force beneficiaries to pay more, without improving the value and quality of care received, essentially punish the beneficiary for being sick. Instead, we must focus on reducing the cost of goods and services for which Medicare pays.

Payment Reform

AARP 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. We supported the repeal of the sustainable growth rate and payment reforms made in the Medicare and CHIP Reauthorization Act (MACRA) intended to move Medicare away from paying based on the volume of care through fee-for-service, and toward paying based on the quality and value of care received. We continue to work with other stakeholders to promote the development of alternative payment models, as well as educate our own members and the public about how to be more engaged health care consumers.

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. With this in mind, lowering prescription drug costs for seniors is crucial to reducing overall Medicare spending, as well as improving beneficiary access to life-saving treatments.

Therefore, AARP urges Congress modify the provisions in current law that force consumers to wait 12 years or more for less expensive generic versions of biologic drugs. 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.

In addition, we urge Congress to further help those enrolled in Medicare with high drug costs. For example, 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.

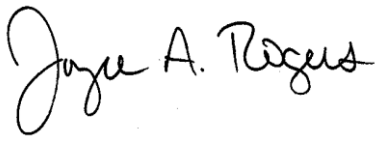
Extenders

While MACRA made important provisions such as the Qualifying Individual program permanent, others were merely extend and need to be renewed or repealed. These health care extenders are crucial to ensuring beneficiaries receive needed care and services. In particular, we urge you to repeal the Medicare cap on therapy services. The therapy cap reduces Medicare beneficiaries' access to rehabilitation services by forcing them to bear 100 percent of the cost of care once they exceed it, or rationing their care to avoid exhausting their benefits. Delaying or reducing care can diminish an individual's independence in his or her home and community. If Congress does not act to repeal the cap, or at least extend the Medicare therapy caps exceptions process, many will lose access to medically necessary services which help ensure they are able to remain as independent as possible in their own homes and communities.

Making the Qualifying Individual program permanent was an important step, but we also strongly urge you to improve Medicare's low-income programs. We suggest 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. Furthermore, funding should also be extended for expiring initiatives to provide outreach and enrollment assistance to low-income beneficiaries for help they are eligible for. Less than half of those eligible for assistance actually receive it, and these successful efforts to help the most vulnerable seniors should not be permitted to expire.

Again, we thank you for holding a hearing to improve Medicare. We look forward to working with you to ensure any Medicare changes be done cautiously and deliberatively, in an effort to minimize impacting the beneficiaries who rely on the program for their health and financial security. If you have any questions, please feel free to call me, or have your staff contact Andrew Scholnick of our Government Affairs staff at ascholnick@aarp.org or 202-434-3770.

Sincerely,



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