Flood of New Attacks on Medicare, Medicaid and Social Security

Josephine Ball Sivils (shown at the podium), a leader of AFSCME Maryland Retiree Chapter 1, represented concerned seniors at a recent Capitol Hill news conference. Sivils spoke out against the House resolution to privatize Medicare and was joined by numerous members of Congress, including U.S. Reps. Nancy Pelosi (D-CA), Jan Schakowsky (D-IL) and Xavier Becerra (D-CA). The bill passed the Republican-led House on a party line vote, but was blocked by the Senate.

This fall, a “Super Committee” (officially the Joint Select Committee on Deficit Reduction) made up of 12 members of Congress has been working on a plan to reduce the federal deficit by at least $1.2 trillion. Its six senators and six representatives — half Democrats, half Republicans — have been meeting since September, behind closed doors.

ON THE TABLE. Everything in the federal budget is supposed to be on the table, including military spending, education, taxes, and, of course, Medicare, Medicaid and Social Security. The Republicans on the Super Committee say they will not support any tax increases, even on the wealthiest Americans and corporations. Without new revenue, the committee’s focus will almost certainly be on Medicare benefits. Big benefit cuts are considered for all of them.

For example, some in Congress and on the Super Committee want private insurers to take over Medicare. Apparently they’ve forgotten that Medicare was established as a government system in 1965 because private insurance companies refused to sell affordable coverage to seniors. Back then, private insurers claimed seniors used too many services to be profitable. Even now, insurers tend to drop out of the senior market whenever their profits dip.

Despite this unreliability, the Republican majority in the House of Representatives passed a budget bill in April that privatized Medicare for future retirees, ending Medicare’s system of guaranteed benefits and replacing it with government subsidies for private insurance. Fortunately, the Senate rejected the House bill, but now it’s back on the table with the Super Committee.

MEDICARE ATTACKS. Privatization is only one way in which the Super Committee could undermine Medicare. Other proposals receiving serious consideration would raise the Medicare eligibility age from 65 to 67, and increase premiums, deductibles and co-pays.

Add to these the potential cancellation of the Medicare improvements enacted under the new health care reform law. The improvements include the scheduled phase-out of the Part D prescription drug “donut hole,” the crackdown on high drug prices, and the new prescription drug program.

Putting the Economy Back to Work for Working Families

When George W. Bush left the White House in January 2001, the American economy had crashed, creating a vicious cycle of unemployment and economic stagnation. The nation was in the grips of the Great Recession, which continues in many ways to this day.

How do we break the downward cycle and strengthen our economy? President Obama and Congress were able to make some early progress by passing the American Recovery Act in 2009. But the task was too big for a single piece of legislation. So, the President recently announced the second part of his program to get Americans back to work. To understand how it would help, first consider some basic economic principles.

DEMAND FOR GOODS. Start with the principle that an economy’s engine is the public demand for goods and services. When the demand is strong, people have jobs and pay taxes. If it is weak, unemployment and government budget deficits take hold.

When Wall Street crashed in 2007 and the door dropped out of the housing market, many Americans who worked in affected businesses lost their jobs. This first wave of unemployed workers...
The North Florida Sub-chapter convened in Jacksonville, State Sen. Tony Hill (D) addressed the convention, noting that seniors are facing an increasingly hostile political environment that requires them to organize and mobilize as never before. The delegates elected a slate of officers, pictured here. In the front row, from left to right, are Gladys Williams (secretary-treasurer); Jeanette Bartley (president); Patricia Pearson (vice-president); and Luella Queenen (executive board). In the back row are Rometa Porter (trustee); Jacqueline Harris (recording secretary); and Betty Tolen (trustee).

Tallahassee was the site of the North West Florida Sub-chapter convention in September. State representatives Michelle Rehwinkel-Vasilinda (D) and Alan Williams (D) attended and addressed a packed house on the challenges ahead for workers and retirees in the next session of the Legislature. Pictured above are the officers elected by the delegates. They are, left to right: David Jacobsen (president); Mary White (secretary); Evelyn Rollins (treasurer); Fred Williams (executive board); Eloise Jefferson (trustee); Dorothy “Dot” Taylor (executive board); and Robert “Scopie” White (vice-president). Not pictured is trustee Tom McPherson.

Chained CPI is Recipe For Lower COLAs

The New Year will bring Social Security recipients their first cost of living adjustment (COLA) since 2009. Starting with January checks, benefits will go up 3.6 percent. Technically, the COLA is added to the Social Security Act in the 1970s to compensate for inflation, ensuring that benefits maintain the same buying power from year to year. They’re determined by the Bureau of Labor Statistics’ Consumer Price Index (CPI), a technical inflation measure that has resulted in COLAs every year but two: 2010 and 2011.

Unfortunately, as seniors celebrate the reinstatement of their COLA, storm clouds are brewing over at the Super Committee (see article on page 1) and in Congress. Deficit hawks want to change the formula for determining COLAs, claiming the current one doesn’t reflect actual buying patterns.

Permanent Reduction. They’re pushing to change the current CPI measurement to one based on a “chained CPI.” Social Security advocates say it will permanently reduce COLAs for both current and future beneficiaries. In fact, that’s exactly why the budget cutters like it so much. It saves money.

Currently, the Bureau of Labor Statistics (BLS) determines the COLA by looking at the prices of a variety of consumer goods and comparing them to prices for the same items in the previous year. Food is included, also heating oil, cars, computers, clothing, rents and more. Annual COLAs reflect overall price increases.

Using the chained-CPI formula, BLS would determine the COLA in the same way, but would account for an additional factor. It would assume that when prices rise, consumers make different purchasing choices. If they buy cereal, for example, they may substitute a smaller box for a larger one, a store variety for a brand name, or just stop buying cereal altogether. Advocates of the chained CPI say that by ignoring all the types of substitution, the current formula for the Social Security COLA consistently oversubcompensates seniors for the cost of living.

Undercount Social Security Threats. Of course, neither the chained CPI nor the current COLA formula truly compensates seniors for their biggest expense — medical care — which is under-represented in both measures. If it was represented accurately, BLS has determined that COLAs actually would be higher. Furthermore, substitution doesn’t work for health care purchases. If your doctor says you need a bypass, you can’t substitute a double. And foregoing the surgery completely could result in death.

The Center for Economic and Policy Research calculates that the chained CPI would reduce the 2012 COLA from 3.6 to 2.8 percent. According to the Social Security Administration, small annual COLA reductions like that would mean that Social Security actually would be worth more than $2.7 trillion.

With benefit cuts, Social Security wouldn’t have to cash in its bonds for many years, pushing the government’s repayment obligations far into the future. That would satisfy the deficit hawks, but hurt millions of current and future retirees.

It may be that by the time Thanksgivings rolls around, the Super Committee will be history — unable to reach an agreement on the best ways to trim the budget or raise the revenue that’s needed to rebuild our economy. But one thing is certain: threats to Medicare, Medicaid and Social Security won’t go away. They will continue to be targets for deficit reduction, as well as hot topics for the 2012 elections.

If you agree that cutting retirement lifelines is unfair to average Americans — especially when millionaires and rich corporations aren’t paying their fair share of taxes — let Congress know how you feel. Call your U.S. representative and two U.S. senators at 1-888-601-0133 (AFSCME’s toll-free number) and leave this message: “I urge you to reject all cuts in Medicare, Medicaid and Social Security because they will hurt average Americans. Instead of risking our retirement lifelines, tell corporations and the wealthy that it’s time to pay their fair share.”
On November 8, AFSCME had a huge victory in Ohio when voters repealed SB 5, the state law championed by Gov. John Kasich (R) that would have eliminated most of the collective bargaining rights for public employees. The entire labor movement united to mobilize voters, resulting in an overwhelming Election Day rebuke for the Kasich law: 68 percent to 31 percent. Members of AFSCME Retiree Chapter 1184 were a big part of the get-out-the-vote effort. They spoke to groups at Senior Centers, distributed thousands of leaflets with a special message to seniors, staffed phone banks and drove voters to the polls. They also made a financial contribution to the cause. When AFSCME Sec.-Treas. Lee Saunders addressed the Ohio Council 8 convention and asked delegates for support, Chapter 1184 Treas. Howard Van Kleef responded immediately with a retiree chapter pledge of $10,000. Van Kleef is shown here, making his announcement to cheers from the working members.

Policy from 2000 to 2007. If those policies had worked, there would be no Great Depression. So it's amazing that some of the very same people who, in the last decade, cut taxes for the rich, de-regulated Wall Street and increased federal deficits, are now calling for massive cuts in the federal budget, including cuts in programs that help state and local governments. With unemployment already too high, and consumers and businesses not spending enough to boost economic growth, cutting government spending now will throw even more people out of work.

SPUR HIRING. President Obama's plan is designed to do two important things: spur hiring and stop layoffs. It calls for upgrading and repairing America’s highways, schools and bridges (collectively known as “infrastructure”); creating incentives for businesses to hire workers; providing aid for state and local governments; and extending tax breaks for working families, but closing tax loopholes for the wealthy and for corporations that don’t pay their fair share.

The President’s plan is moving us in the right direction,” said AFSCME Sec.-Treas. Lee Saunders. “Funds to upgrade our infrastructure mean people will be hired to perform needed work. Aid to states and localities will prevent more layoffs.

“Sometimes you have to spend money to make money and that's exactly where we are today,” he said. “The President knows that the federal government needs to get in the driver’s seat and step on the gas. Right now, it’s the only way to re-start America’s economic engine.”

ECONOMY

As government revenues plunge, deficits grow. In response, states and localities try to cut services and lay-off workers to help balance their budgets. The result is more people who pay less in taxes and spend less in their communities.

FEES ARE LAST RESORT. Another proven principle of modern economics is that when workers stop spending and businesses stop investing, the federal government becomes the last resort for stimulation. President Franklin Roosevelt recognized this when he offered the New Deal, and President Obama understood it when he signed the American Recovery Act (ARA). In fact, without the ARA, most economists think the nation would have gone into another Great Depression.

The ARA included several elements designed to stimulate the economy and more spending. It cut taxes for working families so they’ll have more money to spend in their communities. It added families that were suffering from job loss by extending unemployment benefits. It gave federal aid to hard-pressed state and local governments to prevent large-scale layoffs and to fund construction projects. It also loaned federal funds to the nation’s devastated auto companies, which kept tens of thousands working all over the country. These loans led directly to the auto industry’s current recovery, ensuring that the U.S. would maintain a critical component of our manufacturing base.

FAILURES OF THE PAST. Today, unemployment is no longer rising at a rapid rate, but it remains much too high. Some say that all will be well if we just cut taxes for the rich and end government regulations for business and Wall Street. But that was America’s economic

In October, the U.S. government’s Centers for Medicare and Medicaid Services announced that 20.5 million Medicare beneficiaries have already taken advantage of Medicare’s free annual checkups and other free preventive services this year. Another 1.8 million (through August) have received drug discounts in the Medicare Part D “donut hole.” The average discount has been $5.50 for each beneficiary in the donut hole, for a total savings of more than $1 billion. The drug discount and the free preventive health services are all Medicare improvements that were enacted in 2010 as part of President Obama’s Affordable Care Act (ACA).

Another positive result of the ACA is that cost of Medicare Part B is growing much more slowly than originally projected. Beneficiaries’ 2012 Part B premium will be $99.90 per month, an increase of only $3.50 over 2011 rates for most seniors (those seniors who paid $115.40 this year will actually see their premiums decrease by $15.50). According to Jon Blum, director of the Center for Medicare, the ACA helped restrain Part B costs by reducing overpayments to private Medicare Advantage plans, reforming the reimbursement system for providers of durable medical equipment and facilitating changes in other provider practices.

New York Chapter 82

New York Retiree Chapter 82 held its annual convention in May at Lake George. While enjoying the beautiful scenery, the retirees heard from Jack Maddren, representing the Office of the State Comptroller and the state employees retirement system. He described the health of the pension plan and conducted a lively question and answer session. A representative from the national AFSCME Retirees staff also attended, presenting an update on congressional action in Washington, DC. In addition, delegates elected a slate of officers, pictured here, from left to right: Gary Tavormina (president); Charles Krom (vice-president); Patricia Krom (secretary); David Williams (treasurer); Harold Ryan and George Knab (trustees).

Maryland Chapter 1

At a recent general membership meeting in Baltimore, Maryland Chapter 1 presented its 2011 Legislative of the Year Award to Del. Peter Hammen (D,46, pictured left). Hammenn, chairman of the House and Government Affairs Committee, led the effort to defeat the governor’s proposal to dramatically increase retirees’ out-of-pocket costs under the state health insurance plan. “Delegate Hammenn took action immediately, recognizing that our average pension check is only $940 a month,” said Chapter 1 Pres. Ida Ward (center). The photo above shows Hammenn receiving the award from Ward. Also pictured are Patrick Moran (second from right), state employee organizing committee director, and International Vice Pres. Glennard Middleton who also serves as president of AFSCME Council 67 (far right).

Free Medicare Benefits Draw Crowds

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Sometimes when congressional budget cutters talk about reducing Medicare benefits in the name of deficit reduction, they claim that seniors use too many covered services. The reason for this, they say, is that copays and deductibles are too low. They say if seniors had to pay more out of pocket, they might make fewer unnecessary doctor visits and save Medicare a lot of money.

But a study led by Brown University researchers and published last year in the New England Journal of Medicine found that shifting costs to seniors might not save much for Medicare in the long run. It analyzed Medicare managed care plans after they raised copays for doctor visits. For every 100 people enrolled in these plans, the study found that there were 20 fewer doctor visits in the course of the year, but also two additional hospital admissions and 13 more days spent in hospitals when compared with plans that did not raise copays. The results imply that higher costs may discourage seniors from getting care they need, leading to serious health conditions and more expensive treatment.

While some members of Congress may believe seniors can afford higher costs, the truth is that half of all Medicare beneficiaries have incomes below $22,000 a year and already pay a sizeable portion on health care. The Medicare Rights Center did the math and came up with an annual outlay of $5,071.76 for an average senior participating in traditional Medicare in 2011. This included a Medicare Part B premium of $115.40 per month; another $249.50 per month for a Medigap plan that fills-in coverage gaps; $31.08 per month for a Part D prescription drug plan and $320.00 a year for the Part D deductible.