

Congress of the United States
Washington, DC 20515

July 22, 2004

**SUPPORT THE HERSETH BILL TO PROTECT THE
SOCIAL SECURITY COLA FROM RISING MEDICARE
PREMIUM COSTS**

Dear Democratic Colleague:

Today, Democrats on the Joint Economic Committee released a report (<http://jec.senate.gov/democrats/Documents/Releases/colaprotectionrelease21july2004.pdf>) showing that rising Medicare premiums, combined with a flaw in the recently passed prescription drug benefit, are undermining the Social Security cost-of-living adjustment (COLA).

Each year, Social Security beneficiaries can count on the fact that they will receive a COLA. It's not much, but it is enough to help those living on fixed incomes survive as the price of health care, energy, housing, clothes, food, and other goods and services goes up.

However, rising beneficiary costs for Medicare are rapidly eroding this vital benefit. Over the past four years, monthly premiums have increased by about \$26. Moreover, current projections show that next year's premium increase will be the largest ever. Next year, a widow with a \$600 monthly Social Security check will have 59 percent of her COLA used up just by the increase in the Medicare Part B premium.

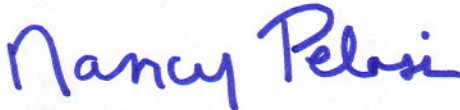
Worse, the new prescription drug law failed to include a provision that exists in Medicare Part B that protects retirees from benefit cuts if their premium increases exceed their COLA. Without a legislative change, that means some retirees could actually see their monthly checks shrink. Millions more will see a substantial portion of their COLA wiped out by increases in Medicare premiums. While we need to protect Social Security benefits from being cut by Medicare premium increases, we also owe it to the nation's elderly to protect the COLA from being completely consumed by Medicare.

The "Social Security COLA Protection Act of 2004" protects retirees, disabled workers, and widows by ensuring that no more than 25 percent of a retiree's COLA can be absorbed by premium increases in Medicare Part B and D. This would ensure that 75 percent of each year's COLA can be used for price increases in other health expenses, food, clothing, and other goods. Next year, more than 27 million retirees would benefit from this legislation.

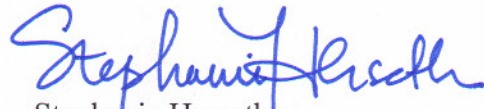
The bill has already been endorsed by the National Committee to Preserve Social Security and Medicare, the Alliance for Retired Americans, and Families USA.

We urge you to become an original cosponsor of our bill to protect America's retirees. Medicare and Social Security are the twin pillars of retirement security in our country. We should not give with one hand while we take with the other. Please feel free to contact Peter Hanson with Rep. Herseth (5-2801), or the Ways and Means Democratic committee staff (5-4021), with any questions you may have or to sponsor the legislation.

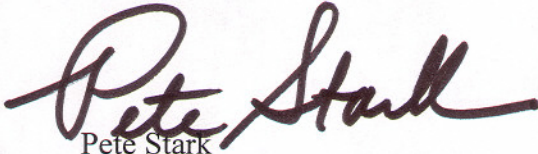
Sincerely,



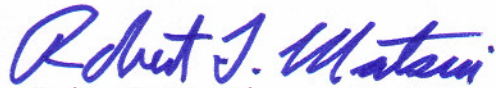
Nancy Pelosi
Democratic Leader



Stephanie Herseth
Member of Congress



Pete Stark
Ranking Member
Subcommittee on Health
Committee on Ways and Means



Robert T. Matsui
Ranking Member
Subcommittee on Social Security
Committee on Ways and Means