FamiliesUSA
The Voice for Health Care Consumers

July 21, 2004

The Honorable Pete Stark
Member of Congress
Washington, DC 20515

Dear Congressman Stark:

Congratulations on the introduction of your legislation to protect Social Security beneficiaries from having their retirement income wiped out by out-of-control soaring health care costs. Families USA, the national health care consumer advocacy organization, strongly endorses this effort.

The data you have received from the Centers for Medicare & Medicaid Services is further proof that health care costs, particularly pharmaceutical drug costs, must be brought under control. While Social Security benefits are protected from being reduced by rising Medicare Part B premiums, that protection was <u>not</u> included in the new Medicare prescription drug law for Part D (drug) expenses. As a result—and because the new law does basically nothing to control drug inflation--Medicare beneficiaries will quickly see their Social Security income increasingly consumed in meeting health care costs that Medicare does not cover.

Families USA has been deeply concerned that the failure of the new law to control the outrageous rate of prescription drug inflation will rapidly erode the benefit for seniors and those with disabilities while saddling younger taxpayers with unacceptable costs.
For example, in the first year of the new program, 2006, the 'doughnut hole' or range of drug expenses for which beneficiaries get no help, starts at $2,250 and ends at $5,100—a gap of $2,850. By the year 2013, the last year that the Congressional Budget Office provided estimates, that gap will widen to $5,066! Families USA has calculated that the median income Medicare beneficiary with average drug expenses will see the percent of income they spend on prescription drugs rise from 8.8 percent in 2006 to 12.3 percent in 2013.

The new data you have obtained shows that, if one looks just at Social Security income, the costs of Medicare Part A (generally relating to hospitals), Part B (premiums, co-pays and deductibles) and Part D (the new drug premiums, deductibles, co-pay, and doughnut hole) will rapidly consume the average beneficiary's Social Security check. For example, for a 65 year old in 2006, 37.2 percent of the average Social Security check will go to meet premiums and expenses not covered by Medicare. By the time that person is 85 years old in 2026, they will see 64.5 percent of their average Social Security check spent on Medicare premiums, deductibles, and co-pays. By the year 2030, when the last of the Baby Boomers retires, those percentages will have risen to 55.3 percent and 84.6 percent, respectively. By the end of the estimate window, in the year 2078, 65 year olds will see their entire Social Security checks (97 percent) consumed in meeting Medicare premiums and deductibles and co-pays. Eighty-five year olds in that year will see 117.2 percent of their Social Security checks consumed in such expenses. These numbers are absurd! Our society must find a way to stop this rate of health inflation.

This data shows a desperate need

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--for your legislation to protect a basic amount of Social Security income so that seniors and people with disabilities have enough to live on;

--that proposals to further shift costs to beneficiaries as a way to 'solve' the long-term funding problems of Medicare are unrealistic and would be devastating to millions of retirees and people with disabilities; and

--our nation must find a way to stop health inflation, which continues to grow at rates three to four times the rate of general inflation.

We hope that Congress will use the data you have provided to find ways to reduce prescription drug costs. For example, if Medicare could buy drugs for its beneficiaries at the same rate as the Department of Veterans' Affairs or as other large, industrialized nations do, we could cut the cost of the Medicare drug program very substantially.

Again, congratulations on this new legislative proposal and for exposing the data on how rapidly health costs are rising. We look forward to working with you on its enactment.

Sincerely,

Ron Pollack

Ronald F. Pollack
Executive Director