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**JEC REPORT FINDS RISING HEALTH CARE COSTS AND MEDICARE  
PRESCRIPTION DRUG BILL UNDERMINE THE SOCIAL SECURITY COLA**

Washington, D.C. – At a Capitol Hill news conference today, Senior Democrat **Rep. Pete Stark** (D-CA) will release a new report by the **Joint Economic Committee** (JEC) finding that rising health care costs and soaring premiums under the new Medicare Prescription Drug bill will erode the Social Security cost-of-living adjustments (COLAs) for millions of beneficiaries. Rep. Stark today joins other Democratic lawmakers in unveiling plans to introduce legislation that limits how much of seniors' COLAs can be taken by rising Medicare premiums.

The **JEC Democrats'** report shows Congressional Budget Office (CBO) estimates that almost one in every four beneficiaries – nearly 7 million beneficiaries – will have more than 25 percent of their COLA used up by Medicare premium increases in 2007. This rises to 64 percent – 22 million beneficiaries – in 2014.

“Seniors' Social Security COLAs and benefits are under attack from Republicans,” said **Rep. Pete Stark** (D-CA), **Senior Democrat** on the **Joint Economic Committee** (JEC). “The Bush Administration has allowed health care costs to soar over the past three years, so that the problem of rising Medicare premiums will be exacerbated when the new prescription drug law kicks in. Without a legislative fix, millions of seniors will soon see health care expenses gobble up more of their Social Security COLA and some will even see their check shrink.”

Using CBO's projection of the Social Security COLA and Medicare premium costs, the JEC Democrats' report finds that for a person with a monthly benefit of \$500 (in 2004 dollars), the annual increase in combined Part B (doctors' services) and Part D (prescription drugs) premiums will absorb nearly 60 percent of the annual COLA, on average, during the 2007-2010 period and nearly 70 percent of the COLA in the 2011-2014 period. For individuals with larger monthly benefits, increases in Medicare premiums will absorb a lesser but significant fraction of the COLA.

The COLA is meant to ensure that Social Security benefits keep pace with increases in the price of food, clothing, and other necessities – including medical care. In the past three years, however, rapidly rising health care costs have undermined this protection as Medicare Part B premiums – which are automatically deducted from participants' monthly Social Security check – have absorbed a larger fraction of the COLA. Unless Congress takes action, that problem will be aggravated when the new premiums for Part D prescription drug coverage take effect.

Full text of the JEC Democrats' report, ***Rising Medicare Premiums Undermine the Social Security COLA***, is available at <http://www.jec.senate.gov/democrats/reports.htm>

*The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.*

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