

September 27, 2016

The Honorable Orrin Hatch  
Chairman, Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member, Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Kevin Brady  
Chairman, Committee on Ways & Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Sander Levin  
Ranking Member, Committee on Ways & Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Fred Upton  
Chairman, Committee on Energy & Commerce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Frank Pallone  
Ranking Member, Committee on Energy & Commerce  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Hatch, Senator Wyden, Chairman Brady, Congressman Levin, Chairman Upton & Congressman Pallone:

The undersigned organizations share a commitment to advancing the health and economic security of older adults, people with disabilities, and their families. We are writing to alert you to our recommendations regarding projected increases in Medicare Part B premiums and the Part B deductible in 2017. We deeply appreciate the bipartisan cooperation that led Congress to mitigate unprecedented Part B premium and deductible increases in 2016 through the *Bipartisan Budget Act of 2015* (2015 BBA), and we urge action to avert this potential spike in out-of-pocket costs for people with Medicare in 2017.

According to the 2016 Medicare Trustees Report, Part B premiums will increase significantly for nearly 30 percent of beneficiaries. It is estimated that 2017 Part B premiums could increase to an estimated \$149 per month, which is a significant increase over the standard 2016 Part B premium of \$121 per month. The trustees also predict that this increase will be accompanied by a hike in the Part B deductible—up to \$204 from \$166. A predicted nominal Cost-of-Living Adjustment (COLA) for Social Security recipients in 2017 (as low as 0.2 percent), leading to the application of the hold harmless provision in the Social Security Act, contributes to these projected increases in Part B premiums and the deductible.<sup>1</sup>

Through the hold harmless provision, the dollar increase in the Part B premium is limited to the dollar increase in an individual's Social Security benefit. Should the trustees' assumptions hold, roughly 70 percent of Medicare beneficiaries will be held harmless, while the remaining 30 percent will shoulder the cost of the expected premium increase.<sup>2</sup> The solutions advanced through the 2015 BBA are extended in the absence of a COLA (0.0 percent)—but not in the event that the hold harmless is triggered by a minimal COLA.

---

<sup>1</sup> The Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, "2016 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds," (July 2016), available at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2016.pdf>

<sup>2</sup> According to the trustees, absent the hold harmless (meaning should a Social Security COLA fully absorb the Part B premium increase) or absent a COLA (meaning the 2015 BBA provisions apply) the trustees project Part B premiums would remain at \$121.80 for all beneficiaries. With a small COLA, as projected, the number of beneficiaries affected by the projected premium increase will be fewer, but the difference between those affected and those held harmless will be larger. The proportion affected will ultimately depend on the amount of the COLA relative to the Part B premium increase.

Older adults and people with disabilities affected by the projected premium increase include: new Medicare enrollees in 2017; individuals not collecting Social Security benefits; and beneficiaries already paying higher, income-related premiums. More than nine million beneficiaries dually eligible for Medicare and Medicaid are also subject to the higher premiums and state Medicaid programs will bear this cost.<sup>3</sup>

Unlike the Part B premium projections for 2017, the estimated increase in the Part B deductible will affect all Medicare beneficiaries. The beneficiaries who would be most significantly affected by the deductible increase include those enrolled in traditional Medicare with no supplemental coverage (such as a Medigap plan or employer-sponsored retiree coverage) and those whose supplemental coverage does not cover the Part B deductible. In 2013, an estimated 8.5 million beneficiaries had only traditional Medicare or lacked first-dollar supplemental coverage through Medigap or an employer-sponsored plan.<sup>4</sup> These individuals will shoulder the expense of a higher deductible, as will state Medicaid programs responsible for dually eligible beneficiaries. Similarly, consumers who purchase Medigap plans may bear this expense in the form of higher Medigap premiums, as may retirees and their employer sponsors.

We are deeply concerned by the projected Part B premium and deductible increases, most notably for current and newly eligible beneficiaries living on low and fixed incomes. In 2014, half of the Medicare population lived on annual incomes of \$24,150 or less.<sup>5</sup> Newly enrolled Medicare beneficiaries, those not collecting Social Security benefits—many of whom are retired public servants—and state Medicaid programs should not be expected to carry the burden of paying for increased costs in Part B through higher premiums and cost sharing.

For those reasons, we urge you to advance a solution that will significantly lessen the projected Part B premium and deductible increases in 2017. Notably, we support an extension of the solutions included in the 2015 BBA. We also support extending the protections of the hold harmless provision to all beneficiaries.

As it did in 2015, Congress should make it a priority to shield people with Medicare from the unintended consequences resulting from the application of the hold harmless provision. No beneficiary should be forced to pay more than they otherwise would simply because some beneficiaries are afforded critical protections against reductions in their Social Security checks. We urge Congress to act accordingly and swiftly following the announcement of the 2017 COLA. The longer Congress delays, the more uncertainty for our nation's retirees, people with disabilities, and their families who are counting on you. Thank you.

Sincerely,

AARP

Aetna

AFL-CIO

Aging Life Care Association

Alliance for Retired Americans

AMDA – The Society for Post-Acute and Long-Term Care Medicine

America's Health Insurance Plans (AHIP)

American Academy of Nursing

American Association on Health and Disability

American Federation of State, County and Municipal Employees (AFSCME)

American Federation of Government Employees (AFGE)

---

<sup>3</sup> Estimate based on enrollment data from the Medicare-Medicaid Coordination Office (December 2014), available at: <https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Analytics.html>

<sup>4</sup> Estimate based on an analysis from data included in the following report: AHIP, "Trends in Medigap Enrollment and Coverage Options, 2013," (November 2014), available at: <http://www.ahip.org/Epub/Trends-in-Medigap-Enrollment-2013/>

<sup>5</sup> Jacobson, G., Swoope, C., Neuman, T., and K. Smith, "Income and Assets of Medicare Beneficiaries, 2014 – 2030," (September 2015), available at: <http://kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2014-2030/>

American Federation of Teachers (AFT)  
American Postal Workers Union  
American Society on Aging  
Association for Community Affiliated Plans (ACAP)  
Association for Gerontology and Human Development in Historical Black Colleges and Universities (AGHDHBCU)  
BlueCross BlueShield Association  
B'nai B'rith International  
CalPERS  
Caring Across Generations  
Center for Elder Care and Advanced Illness, Altarum Institute  
Center for Medicare Advocacy  
Christopher & Dana Reeve Foundation  
Communications Workers of America  
Community Catalyst  
Easterseals  
FAA Managers Association  
Federal Managers Association  
International Association for Indigenous Aging  
International Association of Fire Fighters (IAFF)  
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)  
The Jewish Federations of North America  
Justice in Aging  
Lakeshore Foundation  
LeadingAge  
Medicaid Health Plans of America (MHPA)  
Medicare Rights Center  
National Academy of Elder Law Attorneys  
National Active and Retired Federal Employees Association (NARFE)  
National Association for Home Care & Hospice  
National Association of Community Health Centers  
National Association of Federal Veterinarians (NAFV)  
National Association of Letter Carriers  
National Association of Postal Supervisors  
National Association of Postmasters of the United States  
National Association of Social Workers (NASW)  
National Coalition on Health Care  
National Committee to Preserve Social Security and Medicare  
National Council of Social Security Management Associations (NCSSMA)  
National Council on Aging (NCOA)  
National Education Association (NEA)  
National Federation of Federal Employees  
National Indian Council on Aging (NICOA)  
National League of Postmasters of the United States  
National Multiple Sclerosis Society  
National Postal Mail Handlers Union (NPMHU)  
National Rural Letter Carriers' Association  
National Treasury Employees Union  
National Weather Service Employees Organization  
Ohio Public Employees Retirement System (OPERS)

Organization of Professional Employees of the U.S. Department of Agriculture  
Patent Office Professional Association  
Professional Aviation Safety Specialists (PASS)  
Professional Managers Association  
Public Sector HealthCare Roundtable  
Senior Executives Association  
Social Security Works  
Teachers' Retirement System of the State of Kentucky  
The Arc of the United States  
The Coalition to Promote Choice for Seniors  
United Steelworkers  
Women's Institute for a Secure Retirement (WISER)

CC: Senator Mitch McConnell, Leader, U.S. Senate  
Senator Harry Reid, Minority Leader, U.S. Senate  
Congressman Paul Ryan, Speaker, U.S. House of Representatives  
Congresswoman Nancy Pelosi, Minority Leader, U.S. House of Representatives  
Secretary Sylvia Mathews Burwell, U.S. Department of Health and Human Services