

# United States Senate

SPECIAL COMMITTEE ON AGING

WASHINGTON, DC 20510-6400

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October 14, 2011

The Honorable Patty Murray  
Co-Chair  
Joint Select Committee on Deficit Reduction  
448 Russell Senate Office Building  
Washington, DC 20510

The Honorable Jeb Hensarling  
Co-Chair  
Joint Select Committee on Deficit Reduction  
129 Cannon House Office Building  
Washington, DC 20515

Dear Co-Chairs Murray and Hensarling:

As your committee deliberates, I want to lend support and encourage you and the other select committee members to “go big,” exceeding the Budget Control Act’s mandate of \$1.5 trillion in deficit reduction so we can make significant progress to reduce the crippling deficits our country is amassing that are already a drag on the economy and threaten the future prosperity of our country. I recently joined 44 senators, 22 Republicans, 21 Democrats and one Independent, in asking your committee to achieve at least \$4 trillion in total deficit reduction when combined with the \$900 billion in savings previously enacted and to also include long-term entitlement reforms and pro-growth tax reform. Building on these overall goals, I would also like to present some specific policy alternatives for controlling both short and long-term growth of Medicare spending that can be embraced by members of both parties.

The U.S. Senate Special Committee on Aging, on which I am Ranking Member, held a hearing, “Finding Consensus in the Medicare Reform Debate,” on October 12, 2011. The committee has an oversight responsibility for Medicare to make sure the program is serving our seniors well and in a sustainable manner.

As you know, Medicare is America’s largest fiscal and health care challenge and is getting more difficult to solve every day we do not address it. Now is the time to begin implementing solutions to preserve the program for the 48 million seniors and disabled who rely on it today and for future generations.

Under the Congressional Budget Office’s extended-baseline estimate, Medicare spending is projected to increase 56 percent in just 10 years. Financing this rate of spending growth by a federal government that is already borrowing 40 cents of every dollar it spends is not sustainable. Future Medicare spending is projected to keep growing faster than GDP, and Medicare trustees have said the trust fund will be insolvent by 2024.

When you consider that an American family with the parents each making \$43,500 per year will pay \$119,000, including the employer contribution, into Medicare but receive \$357,000 in Medicare benefits over a lifetime, it is easy to see that the math does not work. This arrangement cannot continue and support the 20 million more Americans joining Medicare in the next 10 years particularly when the number of people working per retiree, currently at its lowest level in our history, continues to decline and health care costs keep going up.

If we put off dealing with Medicare's \$38 trillion in unfunded liabilities, there will be severe consequences for the country. So we must start now.

Medicare reform is a complex topic with different views. We called a diverse panel of experts to testify on the issue: Maya MacGuineas, Committee for a Responsible Federal Budget; Joseph Antos, Ph.D., American Enterprise Institute; John F. Holahan, Ph.D., Health Policy Research Center at The Urban Institute; and Douglas Holtz-Eakin, Ph.D., American Action Forum.

As a result of the excellent work from these panelists and members of the aging committee, I submit the following recommendations generated during our committee hearing for your consideration:

- Reform Medigap Policies  
Limit first-dollar coverage from Medigap plans. Index the deductible and cost-sharing liabilities limits at the same level that spending grows.
- Reform Medicare's Copayment Structure  
Create a modern benefit structure for Medicare that reduces spending overall. Include a combined annual deductible. Once the deductible is met, a standard coinsurance rate could apply to select services, up to some annual out-of-pocket maximum.
- Reduce Medicare Fraud  
Increase the ability of CMS to combat waste, fraud, and abuse by providing additional statutory authority and increased resources through a discretionary cap adjustment.
- Coordinating Care for Dual-Eligibles and the Chronically Ill  
Allow different models of care coordination for the chronically ill who are not long-term care recipients; Medicaid long-term care and other dual-eligible beneficiaries.
- Increase Premiums for High-Income Beneficiaries  
Require high-income beneficiaries to pay more without increasing premiums on low-income beneficiaries.
- Increase the Eligibility Age  
Increase the age of eligibility for Medicare to 67.

These options are ones in which members of both parties may find some agreement, and I hope they will help build consensus for a successful outcome. Depending on the specifics of how these policies were implemented, they could produce \$300-\$400 billion in savings over the first ten year budget window.

The Joint Select Committee on Deficit Reduction's progress on deficit reduction, including reducing the unsustainable growth in Medicare spending, will demonstrate that we are beginning to put our country back on a fiscally sustainable path.

Sincerely,

A handwritten signature in blue ink, appearing to read "Boucark", with a long horizontal flourish extending to the right.

Bob Corker  
U.S. Senator