



Leadership Council of Aging Organizations

Barbara B. Kennelly, Chair

**Leadership Council of Aging Organization
February 6, 2006**

Members of the 109th Congress
Washington, D.C. 20515

Dear Representative:

On behalf of the members of the Leadership Council of Aging Organizations (LCAO), we are writing to express our disappointment with proposals and lower funding levels in the President's fiscal year (FY) 2007 for crucial programs that enable mature and older Americans to live independent and dignified lives.

Views reflected in the attached document should not be considered exhaustive of the interests of LCAO members, collectively or individually. Rather, while the individual interests of LCAO members go well beyond those set forth in these pages, the effort herein represents the common ground among more than 50 member national organizations and the more than 40 million senior citizens whose interests we represent.

We have a golden opportunity to prepare now for the enormous number of baby boomers who will need economic, health, and long-term care protection as they age. The President's FY 2007 budget falls well short of this objective.

Toward accomplishing these mutual goals, the LCAO requests and hopes that you will consider the recommendations to follow on health care, Older Americans Act programming, and an array of services and opportunities reflective of the partnership between the Federal Government and our nation's senior population.

With a growing senior population, we offer these suggestions which will answer the human needs of our population and tap the talents of our senior population as a resource for the nation. We count among our membership organizations which serve seniors, advocate for their interests, and put their talents to use for communities across the country. While we count among our members millions of Americans, our interests are those of the entire nation.

We look forward to the opportunity to work with you to achieve shared goals.

Sincerely,

Alan Lopatin
LCAO Budget Committee Co-Chairman

Dan Adcock
LCAO Budget Committee Co-Chairman

COMMUNITY SERVICES

Older Americans Act (OAA)

The LCAO opposes the President's budget proposal to cut Older Americans Act funding by \$76 million or 5.5 percent. This includes the elimination of Title IIID (Preventive Health Services), Alzheimer's disease demonstration grants, \$44 million in reductions in the Title V Senior Community Services Employment Program and reductions below FY 2006 funding levels for most of the other major programs in the Act.

The LCAO supports an increase of at least 10 percent in FY 2007 for all Older Americans Act (OAA) programs to account for inflation and address the growing senior population and demand for services. The OAA funds critical programs and services to keep older adults independent, including Meals on Wheels and congregate meals, senior centers, home and community-based care, family caregiver support, prevention of elder abuse, older worker training and employment, transportation, the long term care ombudsman program, legal services, services for Native Americans and Native Hawaiians, and research and training.

The number one resolution at the December White House Conference on Aging, an event held only once a decade, concerned the OAA. Delegates from across the county, largely appointed by Governors and Members of Congress, expressed grave concerns about the current serious underfunding of the program. Congress needs to listen to these delegates and pay more attention to this issue, and provide the needed funding for OAA to keep seniors independent and productive.

OAA funds, and the services they make possible, are expanded by leveraging state and local government funding, as well as private sector, foundation, participant and volunteer contributions. Yet, for the past five years, OAA programs have effectively been cut by failing to keep pace with inflation or increasing demographic need. This past fiscal year, the program suffered a real reduction due to the congressionally mandated across-the-board spending cuts. Inadequate funding, coupled with a growing population of individuals eligible for services, has resulted in premature institutionalization and waiting lists for many supportive services.

An increasing number of older Americans have a range of needs and require assistance with activities of daily living. The fastest growing segment of our population is those over age 85. Currently more than 7 million Americans are the primary caregivers for family members with long-term care needs. By expanding OAA caregiver services that include respite, counseling, training and adult day care, the nation acknowledges the substantial contribution of family caregivers.

LCAO is supportive of the goals of the Administration on Aging (AoA) Choices for Independence initiative. We support the development and implementation of greater opportunities under the OAA for innovative, community-based service delivery methods, including consumer-directed models that promote independence, autonomy and choice.

LCOA supports maintaining the Senior Community Service Employment Program's (SCSEP's) dual structure of funding state and national grants and operating through State Units on Aging and the National Sponsoring Agencies. We also support maintaining the Title V SCSEP's vital, historic focus on community service, which significantly benefits the aging population.

Social Services Block Grant (SSBG)

LCAO opposes the President's proposal to cut SSBG by \$500 million. We support FY 2007 SSBG funding of at least \$2.8 billion, reflecting the authorization level of SSBG before the Transportation Equity Act of the 21st Century (TEA 21) reduced the authorization level. The committee also supports the preservation of state ability to transfer 10 percent of TANF funds into SSBG. These funds provide a wide array of community-based programs and services to older adults and to people with disabilities, children and families. Programs most frequently supported by SSBG for older adults include home

care, protective services to prevent neglect and abuse, congregate and home-delivered meals, adult day care, and transportation. Since its inception in 1975, communities nationwide have depended on the flexibility of SSBG funds to address service gaps and to support independent living of older adults. Without an adequate level of funding, critically needed services will have to be cut back for seniors who are in greatest economic and social need.

Senior Volunteer Programs

LCAO is disappointed that the President's Budget, in a departure from recent years, proposes to freeze spending for the programs of the Senior Corps. This is the wrong direction, particularly as more and more baby boomers seek opportunities to give back to their communities.

With continuing unmet need and a growing cadre of available senior volunteers, LCAO supports a FY 2007 funding level of \$239 million (a 10 percent increase over FY 2006) to create opportunities for seniors to be resources in their communities. LCAO supports increasing funding for the Retired and Senior Volunteer Program (RSVP) to \$65 million; the Senior Companion Program (SCP) to \$52 million and the Foster Grandparent Program (FGP) to \$122 million in fiscal year 2007. LCAO supports providing \$20 million for a new Silver Scholarship Program to award seniors working in both mentorship activities and long-term care activities a \$1,000 transferable education award which could be used by their children and grandchildren in exchange for a significant contribution of time – at least 500 hours per year in volunteer activity.

Community Services Block Grant (CSBG)

The President proposes to eliminate the CSBG. LCAO supports maintaining current levels of spending for the Community Services Block Grant, which provides important senior center and nutrition services to older Americans.

Low Income Home Energy Assistance Program (LIHEAP)

Congress recognized the need for additional LIHEAP funds by authorizing \$5.1 billion annually for LIHEAP in the Energy Policy Act of 2005. However, despite repeated attempts to increase LIHEAP funding, Congress was only able to provide level funding for FY 2006, which was later reduced with the across-the-board cut in discretionary spending programs. The President's budget proposes a funding level of \$2.032 billion. With energy costs estimated to be 30 to 50 percent higher than last year, the LCAO is disappointed that the President did not choose to fund LIHEAP at the authorized level of \$5.1 billion.

Section 202 Supportive Housing for the Elderly Program, Service Coordinator Program

The LCAO opposes the President's proposal to cut Section 202 Housing for the Elderly by \$196 million from the FY 2006 funding level.

The LCAO supports the funding of Section 202 Housing for the Elderly and related programs at a level of \$760 million for FY 2007 for development and project rental assistance contracts. The LCAO supports an additional \$250 million for preservation needs including rehabilitation, modernization, and retrofitting of elderly housing facilities. LCAO also supports funding at least at current levels for the conversion of existing Section 202 housing stock to assisted living facilities and an appropriation of \$75 million to support the service coordinator and congregate service programs (an increase from the FY 2005 level of \$50 million). Finally, the LCAO supports expansion of the Section 811 Housing Options for Persons with Disabilities program.

Legal Services Corporation (LSC)

The President proposes to reduce funding for the Legal Services Corporation by more than 5 percent, a move we oppose. The LCAO supports the work of the Legal Services Corporation and its services to low-income older Americans. The LCAO supports an appropriation of not less than \$400 million for the LSC for FY 2007.

Transportation Services (Function 400)

LCAO is disappointed with the funding levels the administration proposed for senior transportation services. The LCAO supports significant increases in the appropriation levels for the Federal Transit Administration's (FTA) Section 5310 formula grant program for the elderly and persons with disabilities to \$155 million. The President proposed \$117 million. LCAO supports a funding level for Section 5311 rural formula grant program of \$469 million. The President proposed \$466.9 million.

We believe the increases we support will help non-profit transportation providers meet the estimated \$1 billion a year in unmet senior transportation needs that now exists.

The LCAO is pleased to see the President included funding for the Section 5317 New Freedom Initiative at the authorized level of \$81 million to make improvements in transportation services to address the needs of persons with disabilities that go beyond those required by the Americans with Disabilities Act.

Finally, the LCAO supports funding for the newly created National Technical Assistance Center on Senior Transportation at \$2 million for FY 2007 to assist local communities and states in the expansion and provision of transportation services for older adults.

Real Choice Systems Change Grants

The President proposes to eliminate Real Choice Systems Change Grants. LCAO supports funding of \$40 million for Real Choice System Change Grants, which are used to enable seniors and persons with disabilities to remain in their homes and communities, thus providing greater independence and choice.

INCOME SECURITY

Social Security

LCAO strongly opposes any form of privatization of the Social Security system, be it full or partial. Social Security is fundamentally sound. The shortfall that the program is projected to face after 2041, or after 2052 according to Congressional Budget Office projections, can be corrected with responsible changes in revenue sources and/or benefits. After a year of public discussion, private accounts have been roundly rejected by the American people.

Drastic changes such as diverting payroll taxes into personal retirement accounts would significantly worsen the Social Security's long-term financing, expose Social Security benefits to unnecessary risks, and diminish Social Security's role as the guaranteed, life-long, inflation proof foundation of retirement security. Not only are carve-outs harmful to Social Security, they are fiscally irresponsible as well. That's why LCAO and most Americans reject any changes that will undermine the social insurance nature of the Social Security system, which guarantees benefits over a lifetime.

LCAO also opposes changing the formula for calculating initial benefits from wage indexing to price indexing, as well as the so-called "progressive indexing." Either change would result in a substantial reduction in benefits for most future retirees and would fundamentally change the structure of Social Security. Middle-class Americans, who rely on Social Security for a basic floor of retirement income, would be particularly hard hit. No Social Security recipient would be better off financially under either alternative indexing method; in fact, nearly all future retirees would be worse off.

It's important to note that privatization plans are not an answer to, and in fact will worsen, Social Security's long-term solvency. Paying for these accounts will likely require significant government borrowing and will leave a legacy of debt for future generations to repay.

While the President has called for the creation of individual accounts funded with Social Security dollars, no general revenue funds have been set aside for Social Security's long-term solvency. Given the costs of creating these accounts—nearly \$1 trillion over the first 10 years they are in operation—not allocating funds for this proposal is fiscally irresponsible. Future retirees will also be faced with greatly reduced Social Security benefits.

In determining the overall federal budget, the White House and Congress should always keep in mind the long-term shortfall Social Security faces. Record deficits -- at least \$337 billion this year -- mean the federal government is not saving for Social Security's future; in fact, it's borrowing from it. If this continues to be the case, the next generations will be forced to foot the bill.

LCAO is disappointed that the President's budget fails to acknowledge this. Instead of reserving funds for Social Security's long-term solvency, the budget emphasizes broad and deep tax cuts that go disproportionately to those with higher incomes. As a result, the Administration is risking the future of Social Security -- a risk that could be avoided by rearranging priorities and reallocating precious resources.

Social Security Disability

LCAO is concerned about the Administration's proposed rule change to Social Security Disability Insurance (SSDI) that would alter the age categories used in evaluating disability by raising them by two years. This change would make it harder for persons in affected disability age categories to qualify for benefits. Additionally, the research cited by the Social Security Administration (SSA) to support the change is used erroneously: SSA presents studies that examine health improvements among an older population with greater socioeconomic and educational advantages, *not on disability*. We urge you to withdraw the proposed regulations. They are unnecessary, not based on appropriate research, and would have a substantial adverse impact on vulnerable workers with severe impairments.

Social Security Administrative Budget

The Social Security Administration directly serves 48 million beneficiaries each year, as well as keeping records for nearly 160 million workers. In addition, it comes in contact with countless other Americans who are applying for benefits, asking questions on behalf of family members or seeking other information and services. Given that enormous responsibility and the ongoing need to eliminate the continuing backlog of as many as 500,000 disability cases, it is critical that SSA be provided with resources adequate to meet its administrative needs.

Pensions and Retirement Savings

LCAO supports public policies that will extend pension coverage and workplace retirement savings opportunities to the millions of Americans who are currently without them, most notably lower-paid and part-time workers. LCAO also supports policies that preserve and protect the rights of workers and retirees who already participate in employer-sponsored pension and savings plans. Unfortunately, comprehensive reform to ensure workers are adequately protected has yet to be enacted.

LCAO is also concerned about the continued trend among large employers to convert traditional pension plans to "cash balance plans." Under traditional, defined benefit pension plans, which encourage stability in the workforce and reward experience, annuities are based heavily on the last few years of employment when earnings are generally highest. Conversion to cash balance plans can mean substantial losses in anticipated retirement income, especially to long-term employees.

LCAO urges support for the Senate provisions in the pension legislation before Congress that would provide long-term employees with adequate safeguards when their employers convert from a defined benefit pension plan to a cash balance pension plan, including giving workers the option of having their benefits calculated under the previous system.

LCAO also supports strengthened pension funding requirements that will enhance benefit security for plan participants. These reforms must strike the right balance between improving funding levels and stabilizing employer participation in the defined benefit system, as well as minimize the impact on plan participants, particularly those closest to retirement.

Social Security was never meant to be the sole source of retirement income for Americans. The program works best in conjunction with employer-sponsored pensions and income from personal savings. While millions of American workers benefit from personal savings and/or private pensions, in addition to Social Security, millions more do not. The latter group includes a disproportionate number of low- and moderate-income workers, women and those employed by small businesses.

The members of LCAO are particularly concerned about the reintroduction of the Retirement Savings Accounts, Employer Retirement Savings Accounts, and Lifetime Savings Accounts. According to analysis done by the Tax Policy Center of the Urban Institute and the Brookings Institution, these proposed accounts would overwhelmingly benefit those with incomes above \$100,000. Rather than creating new savings, they would likely result in the transfer of existing savings and enable wealthy individuals to shelter large amounts of personal savings. They could also destroy some of the incentives for businesses to establish and maintain retirement savings plans. They are also designed to produce increased tax revenues over the next five years, but lose enormous sums in future decades.

We support automatic enrollment in 401(k) plans for both new hires and current employees. An analysis from the Tax Policy Center shows that automatic enrollment increases participation significantly. Additionally, permanent extension of the Saver's tax credit is laudable but the credit should be made a *refundable* tax credit as well in order to provide a better incentive for low-wage, non-taxed workers to contribute to retirement savings plans.

While LCAO believes there is a real need to expand pension coverage and retirement savings opportunities, the emphasis must be on those who need it most – lower and moderate-income wage earners. Those with higher incomes generally have ample opportunity to save and invest for retirement and do not need additional government-sponsored incentives to do so. Unfortunately, the President's proposal for a new generation of savings accounts is headed in the wrong direction, favoring higher income Americans.

Supplemental Security Income

LCAO recognizes the importance of the Supplemental Security Income (SSI) program in providing basic safety net protection to 7 million needy aged, blind and disabled adults and children. Improvements to the program are greatly needed and should include: increasing the federal benefit standard to at least 120% of the poverty level; modernizing the administration of the program to better reach eligible seniors; increasing the indexing and resource limits; ending the policy of counting in-kind support and maintenance as income; and other reforms.

The President's budget essentially maintains the status quo, rather than increasing funding for SSA to modernize SSI so that it can better meet the needs of the poorest elderly and disabled individuals. We are very disappointed that the President's budget offers numerous tax benefits for wealthier Americans while not earmarking adequate revenues to improve the lot of our most vulnerable citizens.

HEALTH

Overview

At a time when health care has become a critical issue for so many Americans, Medicare faces the largest cut (\$36 billion over 5 years) of any domestic program in the proposed Budget. Medicaid is targeted to lose \$12.2 billion over the same period. It is unconscionable to suggest cuts to vital safety programs, while proposing trillions of dollars in new tax entitlements for the wealthiest Americans.

Medicaid

Medicaid is the essential safety net program for our nation's seniors and people with disabilities. The LCAO believes it is a priority that Medicaid be maintained as an entitlement, and that comprehensive health and long term care supports and services be available and affordable to its beneficiaries. Its budget should not be cut to finance other initiatives; nor should costs be shifted on to those who rely on Medicaid for their health care lifeline.

With regard to financing, simply cutting federal funds to the program, capping it, or block-granting it at a lower funding level will not make the program stronger or more efficient. Federal cuts will just shift costs to the states, many of which are bound by balanced budget amendments and have therefore been making multi-year cuts in the program.

The LCAO understands the concern of federal and state budget officers over the growth of Medicaid costs, and we urge the Administration to work with the States, providers, and consumers to find ways to help make the Medicaid program more efficient—but not at the expense of Medicaid beneficiaries.

The LCAO supports greater flexibility for states to provide home and community services under Medicaid.

The LCAO rejects efforts to change rules for Medicaid transfer of asset, such as those passed by the Congress on February 1, 2006 in the Deficit Reduction Act. These changes to Medicaid eligibility rules will severely harm our nation's low-income seniors and people with disabilities who need long term care. We understand the need to prevent individuals from illegally transferring assets to qualify for Medicaid benefits. However, these proposals will punish those who have never tried to cheat the system. It would be bad for consumers, providers and families. Yet it would have little effect on those who deliberately try to game the system. We urge the immediate reconsideration of these provisions in order to protect these vulnerable populations.

The LCAO has reservations about the way in which the Administration continues to aggressively encourage states to use the Section 1115 and the Health Insurance Flexibility and Accountability (HIFA) waivers to make significant changes to state Medicaid programs. While waivers *in general* have potential to do good and expand coverage, the types of waivers being heralded, such as the Florida waiver mentioned in the budget proposal, are backdoor ways of scaling back benefits and reducing the overall comprehensiveness of the Medicaid program for the most vulnerable seniors and people with disabilities. These changes are likely to result in reduced or capped funding for those programs who adopt this type of waiver and a reduction in services for the people living in these states. The LCAO will continue to monitor and evaluate individual state waivers for their impact on the seniors in those states.

The LCAO will also continue to monitor the Medicaid Commission as it develops long term proposals for the future of Medicaid. As stated above, we strongly believe that all recommendations made by the Commission must maintain Medicaid as an entitlement program, and includes special protections for the comprehensive and affordable health and long term care supports and services on which vulnerable seniors rely.

Medicare

The LCAO is extremely concerned about the complexity and confusion surrounding implementation of new Medicare prescription drug benefit and urges increased appropriations for education and outreach to beneficiaries, especially "dual eligible" beneficiaries and other low-income seniors as well as those in hard-to-reach communities. We support funding of the locally run, volunteer-centered State Health Insurance Assistance Programs (SHIPs) at the rate of at least \$1 per Medicare beneficiary. We also support reimbursement for states and low-income individuals that have incurred

additional prescription drug costs due to the troubled transition of dual eligible individuals from Medicaid to Medicare.

The LCAO continues to urge that Congress take action to obtain cost savings in Medicare's payment for pharmaceuticals. Savings in this sector will slow the rate of inflation in Part D premiums, deductibles, co-pays, and the growth of the 'donut hole.' This type of drug inflation and resulting deterioration in the value of the benefit is a major concern and will have a growing effect on all Part D enrollees. Effective re-importation, negotiation of drug prices similar to the method used by the Department of Veterans' Affairs (VA), and consideration of therapeutic equivalence should all be considered by Congress as ways to save money in the new program

Cuts in Medicare spending should not be considered by Congress, particularly initiatives that would shift further costs to beneficiaries. We are also extremely concerned about proposals that would impose new automatic cuts to the Medicare programs through new sequestration policies or other budget mechanisms, particularly since the same mechanisms would not be applied to changes in revenues. Medicare, even with the new drug benefit, only covers about 60 percent of total beneficiary medical costs: it provides little help for long term care and little or no help for vision, hearing, and other services.

Other Health Issues

The LCAO is strongly concerned about the continued increase in the number of uninsured in America, and many of our member organizations have strong concerns about the President's proposal to expand Health Savings Accounts (HSAs) that must be coupled with high-deductible health insurance policies. These types of plans have the unintended consequence of making health care less affordable for most Americans, will put at risk many near elderly and retirees, and by some analyses, will actually increase the number of uninsured.

Unfortunately, after over a decade of continued and increased funding for the geriatric health professions program, Congress eliminated the program for FY 2006. For FY 2005, Congress appropriated \$31 million for geriatric health professions. Given the lack of adequately trained health care providers in geriatrics, it is critical that this funding level is restored in order to address one of the most urgent problems facing this country as it ages.

The geriatric health professions program is financed under the interdisciplinary, community-based linkages section of the Health Resources and Services Administration (HRSA) and currently supports three initiatives. The Geriatric Academic Career Award (GACA) supports the development of newly trained geriatric physicians into academic medicine; the geriatric faculty fellowships are designed to train physicians, dentists, and behavioral and mental health professionals who decide to teach geriatric medicine, dentistry, and psychiatry; and the Geriatric Education Center (GEC) program provides grants to support collaborative arrangements involving several health professions schools and health care facilities to provide training in geriatrics.

TAX POLICY

In January of 2006, the Congressional Budget Office (CBO) projected that the total, on-budget, federal deficit for 2006 will be \$518 billion. The Office of Management and Budget's projected deficit for 2007 is \$574 billion, with projected on-budget deficits of approximately \$2.9 trillion over the five fiscal years ending in 2011. Meanwhile, OMB reports that federal revenues as a percentage of GDP in 2006 are at their lowest level since 1959.

As we stated last year, the specter of these deficits leaves stark choices in view of the current needs of seniors and the baby boom retirement which will begin in 2008: suffer continuous cuts in vital

programs, mortgage the future of the next generation, or close the deficits by enhancing the revenue stream.

LCAO maintains that it is unnecessary and unfair to isolate vital entitlement support and critical discretionary programs for purposes of deficit reduction, while calling for permanent extension of tax cuts and expanded tax entitlements that overwhelmingly benefit the highest income brackets in our nation. We oppose the one-sided proposal to apply spending caps, sequestration rules, and pay-as-you-go procedures to discretionary and entitlement programs while exempting new tax entitlements from the same restrictions. By far, the least painful and most fair choice is to close the deficit by revisiting and selectively repealing several of the tax cuts adopted over the past four years.