



October 2012

Impacts of the Ryan Budget on Seniors In the 4th Congressional District of New Jersey Committee on Energy and Commerce, Democratic Staff

The Republican budget written by Rep. Paul Ryan and passed by House Republicans makes radical changes to Medicare, Medicaid, and numerous other federal programs that benefit seniors. Rep. Ryan's budget raises costs for seniors currently enrolled in Medicare, reduces their benefits, and ends Medicare's fundamental guarantee of coverage and affordability. It makes extreme cuts to Medicaid, threatening benefits for five million seniors who rely on Medicaid to help pay for their medical costs, three million beneficiaries who rely on the program to remain independent in their homes, and one million seniors who live in nursing homes. And it threatens seniors who receive food stamps or federal help to remain in affordable housing. The Ryan budget also cuts programs that protect seniors from criminal fraud and consumer scams.

This report assesses the impacts of the Ryan budget on seniors in the 4th Congressional District in New Jersey. This district is represented by Rep. Christopher H. Smith, who voted for the Ryan budget. The Ryan budget would:

- Increase prescription drug costs for **15,300 Medicare beneficiaries** in the district who enter the Part D donut hole, forcing them to pay an extra \$180 million for drugs over the next decade.
- Eliminate new preventive care benefits for as many as **118,000 Medicare beneficiaries** in the district.
- Force **118,000 Medicare beneficiaries** in the district who are currently enrolled in traditional Medicare to pay thousands of dollars more in premiums to remain in traditional Medicare after Medicare becomes a voucher program.
- Reduce coverage for **9,100 Medicare beneficiaries** who rely on Medicaid to supplement their Medicare coverage, potentially denying them over \$320 million in health benefits.
- Jeopardize nursing home care for **2,500 district residents** whose expenses are paid by Medicaid.
- Raise food costs for **4,100 district households with seniors** who rely on food stamps by as much as \$1,100 per year or eliminate food assistance for many of these households entirely.
- Threaten affordable housing programs that provide rental support for **4,200 district households with seniors**.
- Place **120,000 district seniors** at increased risk of fraud, scams, and elder abuse by cutting as much as \$6 billion in funding for federal consumer protection and law enforcement.

Impact of Medicare Cuts on Seniors in the District

Rep. Ryan has stated that the Republican budget “keeps the protections that have made Medicare a guaranteed promise for seniors throughout the years [and] makes no changes for those in or near retirement.”¹ In fact, the Ryan budget would immediately cut benefits for thousands of seniors and individuals with disabilities in the district.

Higher drug costs. The Affordable Care Act, which Congress enacted in 2010, reduces drug costs for seniors and the disabled on Medicare by closing the gap in prescription drug coverage known as the “donut hole.” This year, beneficiaries who use between \$2,930 and \$6,658 worth of prescription drugs will receive a 50% discount on those brand-name drugs; by 2020, the donut hole is completely eliminated. Nationwide, 5.5 million seniors have saved \$4.5 billion as a result of these provisions.

The Ryan budget would repeal the Affordable Care Act, reopening the donut hole and increasing costs for the 15,300 Medicare beneficiaries in the district who are already benefitting from its drug discounts. This would have cost these seniors an average of \$750 last year and over \$870 this year. Over the next decade, this change would cost these seniors more than \$12,000 each and increase the total drug costs for seniors in the district by more than \$180 million.

Elimination of new preventive care benefits for seniors. The Affordable Care Act provides seniors with free Medicare preventive care benefits. The new preventive benefits include a free annual wellness visit and the elimination of any deductible or copayment for preventive services such as breast or colon cancer screening. These new benefits, combined with other Medicare cost saving measures in the Affordable Care Act, will save the average senior \$2,500 over the next decade.

There are 118,000 seniors and individuals with disabilities in the district who are currently enrolled in Medicare. Under the Ryan budget, they would no longer be entitled to free preventive care or benefit from the other cost-saving provisions in the Affordable Care Act. In the aggregate, the Republican plan would increase their spending by \$296 million over the next decade.

Higher Medicare premiums. The Ryan budget changes Medicare into a voucher program: it provides seniors with a voucher to buy insurance on the private market or to buy back into coverage that Republicans describe as “traditional Medicare” but is likely to differ significantly in cost or coverage. Analysts have indicated that private insurance companies would likely “cherry pick” the healthiest patients, leaving seniors with the greatest health needs in the traditional Medicare program. This would skew the “risk pool,” forcing seniors who want to keep their coverage after 2022 to pay additional costs. There are 118,000 seniors in the district who are currently enrolled in traditional Medicare. Under the Ryan budget, the costs for these seniors to retain their coverage would increase \$29,000 per senior over their lifetimes.

¹ Rep. Paul Ryan, *Remarks as Prepared for Delivery at AARP Life@50+ Convention* (Sep. 21, 2012).

Impact of Medicaid Cuts on Seniors in the District

The Ryan budget proposes to cut federal spending on Medicaid, which provides health care coverage for 74,000 district residents, by over \$800 billion over the next ten years. Under the Ryan budget, federal spending on Medicaid in 2022 would be cut in half. According to the nonpartisan Congressional Budget Office, this would mean that states “could reduce the size of their Medicaid programs by cutting payment rates for doctors, hospitals, or nursing homes; reducing the scope of benefits covered; or limiting eligibility.”² Forcing these cuts on states would have a significant impact on seniors.

Higher out of pocket health costs. Medicaid provides health care coverage for over 9,100 seniors and individuals with disabilities in the district who are “dual eligible” for both Medicare and Medicaid because of their low incomes. The Medicaid benefits received by these individuals include payment of their Medicare Part B premiums, coverage of Medicare cost-sharing, dental and vision benefits, and nursing homes and other long-term care. Drastic cuts to Medicaid could mean cuts in services to these seniors or increased cost sharing for thousands of low-income elderly. If the Medicaid cuts are spread evenly across beneficiaries, the Ryan budget would mean a loss of over \$3,500 annually for seniors currently on Medicare who also rely on Medicaid. The total benefits lost by the dual-eligible beneficiaries would be \$320 million over the next decade.

Threats to nursing home coverage and quality. There are 2,500 nursing home residents in the district -- 56% of all nursing home residents -- whose care is paid for by Medicaid. Medicaid cuts of the magnitude proposed by the Ryan budget could lead to both eligibility and coverage restrictions for these seniors and individuals with disabilities, including reduced nursing home staffing and other cuts that affect quality of care and put seniors at risk. Each year, Medicaid pays an average of over \$50,000 per elderly nursing home resident. If the cuts in the Ryan budget were distributed evenly across Medicaid beneficiaries, they would reduce benefits by more than \$11,000 per nursing home resident each year. In total, this would slash funding for nursing home care in the district by \$29 million per year.

Impacts of Other Budget Cuts on Seniors in the District

The Ryan budget makes numerous other significant cuts to the federal budget, including unprecedented cuts to the Supplemental Nutrition Assistance Program (formerly known as the Food Stamp Program) and nondefense discretionary spending, which funds the Department of Housing and Urban Development, the Department of Justice, the Federal Trade Commission, and the vast majority of federal aid to states. These cuts would threaten seniors who rely on federal and state programs that assist those struggling to afford food, find affordable housing, and avoid consumer scams and other forms of fraud.

² Letter from Douglas W. Elmendorf, Director, Congressional Budget Office, to Paul Ryan, Chairman, Committee on the Budget (April 5, 2011).

Cuts in food stamps for seniors. The Ryan budget cuts federal nutrition assistance and changes program rules to reduce protections for seniors. The Ryan plan cuts food stamp funding by \$133.5 billion over the next ten years and changes the program from a guarantee for individuals who meet certain income eligibility requirements to a block grant to states. As a result, states would be forced either to slash eligibility (ending food assistance for eight million low-income residents nationwide) or to cut benefits (reducing food assistance by an average of 24%, more than \$1,100, per year) or some combination of both. In the district, more than 4,100 households with seniors participate in the food stamp program and would be threatened by these cuts.

Cuts to rental assistance for seniors. The Department of Housing and Urban Development provides funding to states and property owners to provide affordable housing for lower income Americans. More than 1.6 million seniors throughout the country rely on federal rental assistance to afford their housing. The Ryan budget slashes domestic spending on programs like rental assistance by 22%, potentially resulting in large cuts to federal housing assistance. There are 4,200 households with seniors who receive federal rental assistance in the district, all of whom could be threatened by a reduction in rental assistance.

Threats to seniors from cuts to consumer protection, law enforcement, and state aid. The Federal Trade Commission, the Department of Justice, and state law enforcement entities that receive significant federal funding all have programs to stop scams that target the elderly. The Federal Trade Commission is the federal consumer protection agency tasked with protecting consumers from unfair, deceptive, or fraudulent practices in the marketplace such as identify theft. The Department of Justice is the federal government's primary criminal investigation and law enforcement agency. The Department prosecutes all types of criminal fraud, including schemes that target seniors. The Department of Justice also provides grants to state and local law enforcement to train police officers, improve prosecutions, and protect victims. These consumer protection programs are important because seniors are some of the most frequent targets of criminal fraud.

The Ryan budget would cut \$60 billion over the next decade from federal and state law enforcement and consumer protection programs. This is a cut of over 20% in the budget of these agencies, limiting their ability to prevent, investigate, and prosecute fraud and abuse against senior citizens. There are 120,000 seniors in the district who would become more vulnerable to fraud and other scams without the protection from these agencies.

Data sources: Data on Medicare enrollment, the number of seniors in the Part D donut hole, the number of seniors receiving preventive care benefits, the number of nursing home residents, and the number of dual eligible beneficiaries was obtained from the Centers for Medicare and Medicaid Services. Data on the age distribution and SNAP participation of district residents and senior households living in poverty was obtained from the U.S. Census. Data on the impact of SNAP, HUD, DOJ, FTC, and state aid funding cuts was obtained from the Center on Budget and Policy Priorities. Data on increased costs for seniors and nursing home residents was obtained from the Center for American Progress and the Kaiser Commission on Medicaid and the Uninsured. Data on Medicaid enrollment and provision of services was obtained from the National Minority Quality Forum, which extrapolated the data at the district level from sources that include the Medicaid Analytic eXtract (MAX) system; the National Hospital Ambulatory Medical Care Survey (2008); Small Area Health Insurance Estimates for Counties (2007); Medicaid Enrollment Data by State (2008), from the Kaiser Family Foundation; the Nationwide Inpatient Sample, Healthcare Cost and Utilization Project; the 2000 U.S. Census; and the CDC Behavioral Risk Factor Surveillance System. Data on the number of dual eligible Medicaid enrollees and the number of nursing home residents was obtained from the Centers for Medicare and Medicaid Services.