



Alliance for Retired Americans Legislative Agenda 2007-2008

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The **Alliance for Retired Americans** is a nationwide organization of over three million union retirees and other older and retired Americans working together to make their voices heard in the laws, policies, politics and institutions that shape our lives. The Alliance’s mission is to advance public policy that protects the health and economic security of older Americans.

OVERVIEW

Older Americans in 2007 face threats both from abroad and at home. International conflict is diverting many economic resources to protect the nation's security. Simultaneously, older Americans face increased health care costs that are far outpacing general inflation. And Social Security continues to be threatened by privatization and attempts to reduce benefits.

America's seniors, who use the health care system far more than other age groups, are caught in the bind of increasing costs, which far outstrip increases in Social Security and pensions, their primary sources of income. The old adage that America cannot be strong abroad without first being strong at home can easily be applied to the state of domestic issues that affect older Americans. The need for health care services, long-term care, economic security, and housing will grow increasingly urgent as the American population ages.

More Americans will retire in the coming decade as the Baby Boomers born between 1946 and 1964 become the retirees of the 21st century. Current and future retirees, and their families, will need strong Social Security and Medicare systems, access to affordable long-term care, and strong pension systems in order to attain a decent quality of life. However, structural changes to the Medicare program and attempts to privatize Social Security as well as current tax policy skewed toward the wealthiest Americans represent major threats to the security of current and future retirees. If the tax cuts of 2001 and 2003 are made permanent, there will be fewer dollars to provide these vital services--\$387.2 billion less over five years and \$1.7 trillion less over ten years. Those with the least need for tax cuts, the top 1 percent of households, will receive more than \$1 trillion in tax benefits over the next decade. This skewed tax policy undermines the capacity of the federal government to finance Social Security and Medicare benefits as well as make investments in schools and health care. The Alliance for Retired Americans believes that effective legislative policies can protect the quality of life for America's retirees even at a time when America faces other challenges at home and abroad.

Prescription Drugs

Background

Between 1993 and 2006, prescription drug spending in the U.S. increased from \$51 billion to \$214 billion. From 2007 to 2016, experts project that spending will jump from \$230 billion to \$498 billion. Prescription drug spending continues to be one of the fastest growing components of health care spending.

Older Americans spend more out-of-pocket on prescription drugs than the rest of the population because they have more acute and chronic illnesses, need more drugs for treatment and, in the case of retirees under age 65, are less likely to have insurance coverage. Employer-provided health coverage for retirees continues to decline with increased retiree cost-sharing and elimination of coverage for future retirees.

The Medicare Modernization Act (MMA) of 2003 created a prescription drug benefit (Medicare Part D) provided through stand-alone drug plans or Medicare Advantage managed care plans both administered by private insurers and not the Medicare program. The MMA benefit, which began in 2006, is doing little to alleviate the difficulties that seniors with high drug costs experience. In 2007, the program has a coverage gap of \$3,051; while in the gap known as the “doughnut hole,” beneficiaries pay all their drug costs. Altogether, beneficiaries will pay as much as \$3,850 out-of-pocket, plus approximately \$288 annual premiums, in order to reach a catastrophic threshold of \$5,451 at which point their co-insurance is 5%.

When the program began, the “dual eligibles,” those with both Medicare and Medicaid coverage, had numerous problems in their transition from Medicaid drug coverage to the Medicare drug benefit under MMA, particularly with pharmacies that did not have a record of their auto enrollment in any plan. Ninety percent of the states had to declare an emergency and step in to cover the prescription costs of dual eligibles.

Although there is a subsidy to help beneficiaries with incomes below 150 percent of poverty with their premiums, an estimated 3 million beneficiaries are not receiving the subsidy largely due to a complex application form and punishing asset test. Over 40 percent of older individuals who applied for the subsidy in 2006 were denied because their assets exceed \$10,000.

Even with the MMA benefit, drug costs for seniors will continue to increase. The federal government is explicitly prohibited from using its purchasing power on behalf of 43 million beneficiaries to negotiate lower drug prices with drug companies. The MMA also continues the ban on re-importation of safe, affordable drugs from countries such as Canada and other advanced countries, thus protecting drug companies from price competition. In addition, pharmaceutical companies faced with expiring patents on profitable drugs have made deals with generic companies compensating them if they delay introduction of generic alternatives.

President Bush's FY 2008 budget proposes means-testing of Part D premiums. Beneficiaries with pre-tax incomes greater than \$80,000 (\$160,000 per couple) would pay a larger share of the overall Part D premium costs. These would not be indexed to inflation, subjecting more beneficiaries each year to a higher premium. Faced with higher premiums for Part D as well as the mean-testing of Medicare's Part B premiums, wealthier and healthier beneficiaries may decide to opt out of Medicare in favor of private insurance. Medicare could then devolve into a welfare program, providing only for the poorest and sickest in the older population. This would drive up costs for Medicare and jeopardize public support for the program.

The Alliance Position

The Alliance for Retired Americans believes that Part D should be overhauled. Older Americans should have a genuine drug benefit in the Medicare program, which follows these guiding principles:

- Comprehensive benefits available to all Medicare beneficiaries; no gap in coverage; voluntary enrollment; affordable premiums; and low-co-payments.
- No means testing of benefits.
- Strong, enforceable provisions to bring down the costs of prescription drugs.

The Alliance supports legislation that addresses these principles, including bills that would lower prescription drug costs for all Americans by allowing the importation of drugs with appropriate safeguards (even though this is only a preliminary step in taking on the problem of high drug costs). The Alliance also supports legislation that requires the federal government to negotiate lower drug prices on behalf of Medicare beneficiaries, expands availability of generic drugs, prevents agreements between brand and generic companies to keep generics off the market, and promotes the ability of the states to use the power of bulk purchasing in order to reduce costs. Punitive features of Part D, such as the asset test for low-income recipients to receive help should be eliminated. The late enrollment penalty should also be eliminated until the problems with Part D are fixed.

Medicare

Background

Medicare is the nation's largest and most successful health insurance system, serving the health needs of nearly 43 million senior and disabled beneficiaries. It is an operating model of an effective universal health system in the United States.

Costs of health care for Medicare beneficiaries, however, have risen since the program's inception. Medicare beneficiaries on average are spending about 23 percent of their incomes for health needs, far higher than younger age groups, partially because of services that Medicare does not cover. Medicare originally covered approximately 85 percent of beneficiaries' health care costs; currently it covers only about 50 percent.

The Medicare Modernization Act (MMA) of 2003 added a prescription drug benefit as well as coverage for an initial physical exam and cholesterol and diabetes screenings. However, the MMA's Part D drug benefit has many deficiencies: Due largely to its growing gap in benefit coverage, the benefit will be unaffordable for beneficiaries in future years. Part D does not provide the choices beneficiaries want, and it does nothing to control prescription drug price inflation. The benefit, which is offered by drug-only plans or managed care plans and not through traditional Medicare, is confusing for Medicare beneficiaries. Each year they must choose a plan from an average of more than 40 available.

The MMA sets up other changes that undermine the Medicare program, including reimbursement rates for managed care plans that are at least 12 percent higher than beneficiary costs under traditional Medicare. The MMA also sets aside \$10 billion through 2013 for beneficiary access to Preferred Provider Plans in addition to the higher payments already available to the managed care plans. In 2007, the Medicare Part B premium for the first time is linked to income—with higher income beneficiaries paying higher premiums. In 2010, the Medicare program will be forced to compete with heavily subsidized private managed care plans in an experiment that would advance the effort to privatize Medicare.

Other provisions in MMA promote Health Savings Accounts (HSAs)—consumer directed tax-sheltered accounts linked to high deductibles—for both the general and Medicare populations (as Medicare Medical Savings Accounts-MSAs). These have the potential to undercut or replace employer coverage for workers and entice wealthier and healthier Medicare beneficiaries away from Medicare, weakening public support for the program.

The MMA also imposed an arbitrary cap of 45 percent on general revenue financing of the Medicare program. If Medicare Trustees predict the cap will be exceeded two years in a row, the President is to present a plan to Congress to reduce general revenue funding for the entire program. President Bush's FY 2008 budget would go beyond the MMA to require automatic payment reductions of 0.4 percent per year to health care providers whenever the cap is breached. This proposal pre-empts consideration of many other potential solutions to the program's long-term shortfall.

The Alliance Position

The Alliance for Retired Americans supports:

- A strengthened Medicare program with expanded benefits, including a comprehensive prescription drug benefit under the Medicare program, and affordable home and community-based long-term care.
- The inclusion of annual physical exams, dental health, vision services and eyeglasses, hearing services and hearing aids, foot care, extended preventive services and PET scans.
- Coverage for care in the most appropriate and cost effective setting.
- A specific, affordable limit on out-of-pocket spending by beneficiaries.
- Re-importation of prescription drugs from advanced countries and federal government negotiation for lower drug costs for Medicare beneficiaries.
- Repeal of the Part B premium means-testing provision and the 2010 demonstration project.
- A universal health care program that covers all Americans—the only true solution to the shortcomings in the Medicare program and the nation’s overall health care system.

Medicare reimbursement levels should be sufficient to strengthen the provider base and to ensure quality care and access. Providers should be held accountable for how funds are spent and should adhere to all quality standards and regulations. The Alliance supports sufficient funding to reduce waste, fraud, and abuse in the Medicare program.

The Alliance for Retired Americans opposes the provisions in the MMA that restructure the Medicare program and undermine federal administration of Medicare by turning it, or parts of it, over to private insurance companies and managed care plans. The Alliance also opposes shielding saving and investment income from taxation through HSAs and MSAs, which provide greater benefits for those with greater wealth while at the same time reducing federal revenues.

Medicaid

Background

The Medicaid program, a joint federal-state program, provides health care to 55 million Americans, including 7 million Medicare beneficiaries. Medicaid participants include low-income children, parents, pregnant women, people with disabilities and seniors. Low-income Medicare beneficiaries can receive assistance with their Medicare premiums and cost-sharing through the Medicare Savings Programs—the Qualified Medicare Beneficiary (QMB), Specified Low-Income Benefit (SLMB), and the Qualified Individual (QI) programs. Unlike the QMB and SLMB programs, however, the QI program is not permanent.

Medicaid accounts for nearly half of all formal long-term care expenditures. While more than half of Medicaid long-term care spending goes toward institutional services, home and community-based services account for a growing proportion of Medicaid spending on long-term care. Medicaid, however, is not a comprehensive base for long-term care protection—recipients must spend down their assets to qualify. Prior to the Medicare Modernization Act (MMA), Medicaid played a fundamental role in the provision of prescription drugs for low-income seniors. Now enrolled in Medicare Part D plans, many older Medicaid beneficiaries are subject to co-payments for their medications for the first time.

Over the past few years, some states have used Medicaid waivers as vehicles for establishing cost containment measurements in Medicaid, the State Children’s Health Insurance Program (SCHIP), and other health coverage programs including new eligibility restrictions, reduced benefits, and increased cost-sharing.

The Deficit Reduction Act (DRA) of 2006 fundamentally alters many aspects of the Medicaid program. Some are mandatory changes that states must enact and make it more difficult for individuals to qualify for or enroll in Medicaid. Optional changes allow states to alter Medicaid through state plan amendments increasing cost-sharing and changing benefits packages. The DRA cuts Medicaid \$28 billion over 10 years three-quarters of which will fall on low-income beneficiaries.

In his FY 2008 budget, President Bush has proposed cuts to the Medicaid program of \$26 billion over 5 years—\$21 billion would be accomplished by shifting more of the costs to the states—in addition to the cuts from the DRA. Medicaid cuts or funding caps, waivers and the DRA all force or allow states to cut back on services and populations and would have profound consequences not just for those who rely on Medicaid but also for the overall health care system. Cuts in Medicaid will increase the number of uninsured Americans.

The Alliance Position

The Alliance opposes any attempt to end the guarantee of Medicaid for eligible individuals by restructuring the Medicaid program through funding caps, block grants and other measures that limit federal and state responsibilities.

The Alliance for Retired Americans supports adequate Medicaid funding for the following:

- Improvements that protect “dual eligibles” from increased cost-sharing and ensure coverage of essential medications;
- Reauthorization and Expansion of SCHIP coverage;

- Permanent authorization of the QI program;
- Stepped-up enforcement of the Nursing Home Reform Act of 1987 to ensure institutional settings comply with federal standards of care;
- Restoration of health benefits to legal immigrants that were lost under the 1996 welfare reform act (See SSI section); and
- Only those waivers that include new, innovative means of providing services and not merely the shifting of funds to other existing services.

Long-Term Care

Background

Long-term care covers a range of services in a variety of settings. About 10 million Americans of all ages living in communities and in nursing homes have significant limitations in activities of daily living because of illness or disability and need personal assistance or long-term care services.

Costs fall overwhelmingly on recipients and their caregivers, who pay 57 percent if donated care and out-of-pocket spending are taken into account. Excluding donated care, which is typically home-based, about two-thirds of expenditures are for institutional care. Medicaid is the primary source of payment for long-term care services, paying for nearly half of formal long-term care. The majority is for nursing home care although Medicaid expenditures for home and community-based care is increasing. Individuals must spend down their assets to qualify for Medicaid. Medicare covers limited nursing home care costs of up to 100 days following three days of hospitalization or at home for part-time skilled nursing or therapy services. Medicare's services are designed to help beneficiaries recover from acute illness rather than provide long-term care.

Private long-term-care insurance is not a viable option as it is beyond the financial reach for most Americans who need it—the average annual premiums for a 65-year-old are \$2,862. Additionally, it is not available to older, as well as younger, people who already have long-term care needs—all policies currently exclude those with pre-existing conditions—one in five long term care insurance applicants are declined coverage. By themselves, tax credit and tax deduction proposals for long-term care are insufficient to address the need and at the same time would deplete public resources.

Long –Term Care Workers

Certified nursing aides provide 90 percent of direct care in nursing homes, and home health and personal care workers provide the vast majority of paid direct care in the home and community. Low levels of pay, limited opportunity for advancement and lack of benefits result in high annual turnover rates among long-term care workers.

Nursing homes and other providers cannot deliver quality care until there are vast improvements in staffing and training, and adequate compensation and benefits as well as safety protections for long-term-care workers.

Family Caregivers

There are an estimated 44.4 million individuals—one in five adults—providing health care for adult family members and friends. Long-term care is a multi-generational family issue that disproportionately affects women because women have longer life expectancies and are more likely to be caregivers than men. Women represent 7 of 10 unpaid caregivers, three-fourths of nursing home residents, and two-thirds of recipients of home health care.

The Alliance Position

The Alliance for Retired Americans supports a social insurance model for a long-term care system that incorporates the following principles:

- A range of quality care services including, but not limited to, the following services and settings that enhance the physical and mental well-being of recipients and their caregivers: skilled nursing care; rehabilitative services; respite care; personal assistance with activities of daily living such as bathing, toileting, dressing; congregate living arrangements; adult-day-care services; home care; and hospice care;
- Affordable care based on health and physical needs for all those who need it;
- An individual's right to choice of provider and care environment, including one's own home;
- Enforcement of quality assurance measures, improved data collection, and public disclosure of staffing levels;
- Educational efforts to promote informed decision-making by individuals and families including an examination of available options for types of care and settings, as well as financing resources and eligibility criteria;
- Recognition of the essential role of front line long-term-care workers in ensuring quality care through improvements in nursing home staffing ratios; staff and management training; and fair pay, benefits, incentives, and safety protections for all health-care workers; and
- The right for all long-term-care workers to organize and bargain collectively with provisions for effective enforcement.

The Alliance supports expanded funding for the federal Family Caregiver Support Program as well as national enactment of financial and other supports for family caregivers. These should include, but not be limited to, affordable health insurance, adequate provisions for respite, and guaranteed Social Security credit protections for the women and men who leave the workforce to care for a loved one.

Universal Health Coverage

Background

Nearly 47 million Americans, including 9 million children, did not have basic health insurance for all of 2005. More than 8 in 10 uninsured individuals are in working families. The numbers of uninsured are rising largely because of the decline of employer-sponsored coverage—either because employers do not offer health care benefits or workers cannot afford their share of premiums. The cost of family health insurance is approximately one-third of the gross earnings of a full-time average-wage worker. Tens of millions of employees worry about losing the coverage they have. As a result of a large uninsured population, public facilities providing health care face an increasing burden of uncompensated care.

Workers who retire before age 65 have few affordable options for health care coverage. Many cannot buy insurance at any cost and must wait until they reach the age of Medicare eligibility. The percentage of large firms offering retiree health care benefits has declined from 66 percent in 1988 to only 35 percent in 2006.

The United States spends twice as much of its gross domestic product (GDP) on health care as other developed countries and six times as much on health care administration and insurance. According to the National Health Statistics Group at the Centers for Medicare and Medicaid Services, the U.S. health care spending in 2006 was \$2.1 trillion; that is expected to double to \$4.1 trillion by 2016. However, this is not a reflection of quality care: patients in the United States get appropriate treatment only about half of the time and, according to a study by the Harvard Medical School, 100,000 die each year as a result of medical errors.

President Bush's proposal to expand health care coverage by offering tax deductions to those who buy health insurance would fail to assist most of the uninsured. Premiums would still be unaffordable for Americans with low or moderate incomes. Taxes would increase for some workers whose employers contribute more to health insurance than Bush's proposed premium cap. The tax increase on workers would likely result in a further decline in employer-sponsored health coverage, leading to an individual-based insurance market that will lack the group bargaining power that helps contain costs leading to an individual-based insurance market that will lack the group bargaining power that helps contain costs.

The Alliance Position

The Alliance for Retired Americans believes that health care is a fundamental human right and an important measure of social justice. The Alliance supports a universal health care system with coverage that is comprehensive, affordable and accessible for all. Individuals should be able to choose their health care providers. Financing should be a shared responsibility and effective quality and cost control mechanisms must be enforced. The Medicare program, with low administrative costs, is a prime model for a universal health care system with these features.

Achieving universal health care will require coverage for all not just many. Benefits must cover a broad array of health services—from preventive to long-term care—in order to address the health needs of all age groups.

Until such a system is in place, health reform efforts should not undermine existing coverage or place individuals at risk of unmet health care needs. The health benefits of workers and retirees must be protected from unilateral actions by employers.

In the interim, the Alliance calls upon Congress to enact laws requiring health care price transparency and the creation of a nationwide electronic medical records system that directs the federal government to develop standards so that all local networks will be compatible with other networks.

RETIREMENT SECURITY

Social Security

Background

Social Security is the foundation of America's retirement security and provides critical financial protection for survivors of deceased workers and disabled workers and their families. Two-thirds of older Americans rely on Social Security for half or more of their income.

Despite the recent rhetoric that Social Security is "in crisis," the Social Security Trustees estimated in 2006 that the Social Security Trust Fund has adequate resources to pay full benefits through 2040 and, even if no changes are made, the system will be able to pay nearly 75% of benefits thereafter.

Throughout his terms in office, President Bush has repeatedly declared that his domestic priority is to divert money from Social Security to private accounts. In his FY 2008 budget proposal, President Bush again included \$29.3 billion for FY 2012 and \$637.4 billion in FY 2008-2017 for diverting up to 4 percent of a worker's Social Security contributions to private investment accounts. In addition, there are indications that he would change the current method of calculating initial benefits from one of wage indexing to price indexing.

A study of these proposals has shown that they would slash Social Security benefits for some future retirees by as much as 41 percent in 2066. In addition, transitional costs to create private Social Security accounts would be very high and drain nearly \$5 trillion from the Social Security Trust Fund over 20 years. Attempts to create private accounts subject retirement security to investment and market risks, and workers with private accounts will have to pay back funds diverted from Social Security plus interest in the form of a reduced Social Security benefit. Administrative costs could take up to 15-20% of revenue that otherwise would go to Social Security beneficiaries; a high percentage compared to the current administration rate of less than 1%.

The increased use and substitution of defined contribution plans for defined benefit pension plans and the greater risks inherent in these plans magnify the importance of Social Security's role in providing the bedrock of retirement security for all Americans. Of workers who have access to any retirement plan, only 21% have access to a traditional defined benefit plan. Only half of families have any kind of retirement savings, and the average amount is just \$29,000.

Other proposals from the Bush administration would change the Social Security Disability Insurance (SSDI) program to restrict the definition of disability and impose limitations on claims and appeals.

The Alliance Position

The Alliance opposes any plans to privatize Social Security by diverting Social Security revenues into individual accounts subject to investment and market risks; any increase in the early retirement age or any further increase in the normal retirement age; and changing the Social Security benefit formula to either increase the number of years of earnings counted or to index benefits entitlement to prices instead of wages. Any of these measures would lead to a steady erosion of the real value of future Social Security benefits.

The Alliance also opposes any alteration of SSDI that restricts disability and undermines due process in claims and appeals.

The Alliance for Retired Americans supports:

- Strengthening and improving the financing and benefits of the current Social Security system, including the Social Security Administration.
- Addressing long-term solvency by making Social Security's financing more equitable and stable by raising or eliminating the cap on wages covered by Social Security.
- Increased benefits for single older women and others who do not spend full careers in the paid workforce because of their care of children and other family members.
- A general benefit increase at age 85 for all Social Security beneficiaries to improve the adequacy of benefits.
- The establishment of a minimum Social Security benefit so that those most dependent on Social Security get benefits at least at 100% of the poverty level.
- Basing cost-of-living adjustments on the true cost-of-living of Social Security beneficiaries derived from a determination of the actual living costs for seniors and persons with disabilities.
- Taking the Social Security Administration's administrative expenses off-budget and out from under congressional discretionary spending caps because the agency's operating costs are funded through the payroll tax.
- Education efforts by the Social Security Administration on the importance and benefits of the Social Security program including the old age, survivors, and disability programs.
- Repeal by Congress of the Social Security Government Pension Offset and Windfall Elimination Provision, which unfairly penalize public sector employees by reducing Social Security benefits in direct proportion to their public sector pensions.

Pensions and Savings Protections

Background

Just half of private sector workers participate in an employer-sponsored retirement plan. Many employers do not offer a retirement plan, and even when a plan is offered, too many workers do not participate. Of all workers in both the private and public sectors with access to any retirement plan, only 21 percent have access to a traditional pension plan. Traditional defined benefit pensions are in decline, falling from 112,000 plans in 1985 to 28,769 in 2005. These trends have created the potential for economic hardship for millions of Americans during their retirement years.

The retirement security of millions of retired and working Americans has been threatened by the steep decline in the stock market and the collapse and bankruptcies of giant corporations. In addition tens of millions of retirees and workers, including many Alliance members, have lost their 401(k) retirement savings because of corporate corruption and improper auditing and accounting practices. Many retirees and workers who had investments in 401(k) plans were unable to reallocate their assets because of lockdowns and other barriers while the value of their savings declined.

A major factor in declining retirement security over the last 20 years has been the replacement of defined benefit pension plans with uninsured retirement savings plans such as 401(k) plans, which are often minimally or poorly regulated. The growth in retirement savings plans at the expense of defined benefit pension plans has forced retirees and workers to take on more risk in their retirement incomes. Defined benefit pension benefits in the private sector are guaranteed by the federal government while retirement savings plans have no such protection.

However, the Pension Benefit Guaranty Corporation, the government agency that insures private-sector defined benefit plans, is underfunded. PBGC had a deficit of \$18.1 billion in 2006. The pension plans it insures are underfunded by \$350 billion, many due to bankruptcies particularly in the airline and steel industries.

Conversions to the so-called hybrid or cash balance defined benefit plans by employers have frequently resulted in reduced benefits for older workers. All of these events underscore the importance of maintaining Social Security's guarantee of risk-free, inflation-adjusted lifetime protection. Social Security remains the only retirement security program that is not subject to the risks of stock market volatility, poor investment decisions, and corporate fraud and abuse.

The Pension Protection Act enacted in 2006 (P.L. 109-280) has a few provisions that may increase retirement savings but it does not go far enough. It includes provisions that allow employers to auto-enroll employees in 401(k) plans and encourage automatic increases in contributions. It does not, however, require employer contributions. The Act also made the Savers Credit permanent and indexed to inflation. This tax credit, which encourages lower-wage workers to save, would have expired after 2006. Yet the Act does not make the Savers Credit refundable nor does it extend eligibility to additional middle-income households.

The 2006 law also changed the funding rules for both single and multi-employer private-sector defined benefit plans. The impact of these changes, which generally become effective in 2008, is unknown. In advance of the rules taking effect, President Bush proposed increasing the premiums employers pay to PBGC, thus penalizing the very employers who are living up to their responsibilities.

The Alliance Position

The Alliance for Retired Americans supports:

- Federal legislation that will encourage employers to maintain and start defined benefit pension plans in order to expand pension coverage to workers who do not have coverage in the workplace.
- Federal protections for public sector pension plans that create minimum standards at least as good as ERISA and allow states and cities to go beyond such minimums. Public employees and retirees should not be abandoned to the risks and uncertainties of personal retirement accounts.
- Representatives elected by workers and retirees on the boards of trustees of defined benefit pension plans, and 401(k) and similar retirement savings plans. All trustees should be insured in case they are found to have acted unlawfully; plan participants need to be made whole in such cases of fiduciary malfeasance.
- A national ombudsman to protect the rights of plan participants established within the United States Department of Labor and adequate funding for enforcement agencies to protect retirees against wrongful practices. Corporate officers must be held accountable for their actions regarding retirement savings plans and plan sponsors should be held accountable for adequately funding their plans.
- Independent investment advisors and accounting firms. Investment advisers must not have any conflict of interest in stocks or other investment instruments they recommend to plan participants. Accounting firms must not receive consulting fees and contracts from the firms that they audit.
- A refundable Savers Credit with a higher income limit in order to provide a better incentive for low and middle-income workers to contribute to retirement savings plans.

The Alliance opposes the conversion of defined benefits plans to any other plan type—including cash balance and defined contribution plans—without adequate protections for older workers. The Alliance also opposes the diversion of payroll contributions from Social Security to private investment accounts.

Supplemental Security Income

Background

The Supplemental Security Income (SSI) program provides basic safety net protection for 7.2 million low-income aged, blind, and disabled adults and children with few resources. Over one-quarter of SSI recipients are age 65 and older. However, the eligibility requirements have not been updated for several years, making it less effective in alleviating poverty. The basic federal benefit in 2007 is \$623, which is about 27 percent below the official poverty level.

The general income exclusion of \$20 per month has not increased since 1972. SSI resource limits have not been updated since 1989. Currently, a person can qualify for SSI only when assets are below \$2,000 for an individual or \$3,000 for a couple. Fifty-four percent of SSI beneficiaries have no other source of income besides their SSI benefits. Approximately 863,000 persons age 65 and older receive SSI only and no Social Security benefits.

Due to an array of problems regarding SSI's relationship to other social welfare programs, administration of the program is complex and needs simplification and increased outreach. Only 6 in 10 of all seniors eligible for SSI are currently receiving benefits.

In 1992, a panel of experts recommended important improvements to the program but little action has been taken to implement those suggested improvements. Many elderly legal immigrants have been harmed by the 1996 welfare reform law. Although subsequent legislation restored eligibility for benefits for most of those in the U.S. prior to the 1996 law, most have lost their eligibility for food stamps. In addition, SSI coverage for many elderly and disabled refugees is limited in duration and extension of coverage must be approved by Congress.

If Social Security benefits are reduced through privatization or other methods, more people will be pushed into the SSI program.

The Alliance Position

The Alliance supports modernizing the Supplemental Security Income (SSI) program by implementing recommendations of the 1992 panel of experts. Specifically, we endorse the following measures:

- Increase the federal benefit standard to at least 120 percent of the poverty level
- Discontinue counting in-kind support and maintenance as income
- Increase the general income and earned income exclusions as well as the assets/resources limits and index increases to inflation
- Restore SSI and federal food stamps benefits to all immigrants whose status would have entitled them to benefits prior to the 1996 welfare reform law
- Develop and fund an effective outreach program
- Increase Social Security Administration staffing to administer the current program more efficiently and to make the proposed improvements.

Minimum Wage

Background

Enacted in 1938, the minimum wage was intended to create an income floor under workers and their families. The last minimum wage increase, in 1996-97, was from \$4.25 to \$5.15 per hour. Without further increases, the minimum wage continues to lose real value. As the minimum wage is not adjusted to inflation, many of the financial gains from the last increase have largely been eroded. Seven and a half million workers will directly benefit from a minimum wage increase. Many of them are senior citizens.

In October 2004, 562 economists, including four Nobel Prize winners in economics, issued a statement supporting a modest increase in the minimum wage. They said it could significantly improve the lives of low-income workers and their families and would also be a positive benefit to the labor market, workers in general, and, the overall economy.

The Alliance Position

The Alliance for Retired Americans believes that no one who works for a living should have to live in poverty. Full-time workers at the minimum wage should not live below the poverty line. The Alliance supports increasing the federal minimum wage to \$7.25 an hour, requiring equal pay for equal work, and indexing the minimum wage to the Consumer Price Index.

BUDGET AND TAX POLICY

Background

In January 2001, the Congressional Budget Office projected a budget surplus of \$5.6 trillion from 2002 to 2011. In 2007, the baseline for the same period is projected as a deficit of \$2.8 trillion. In other words, there has been a negative swing of roughly \$8.4 trillion for this 10-year period. Economists agree that sustained budget deficits have adverse macroeconomic consequences.

The Congressional Joint Committee on Taxation estimates that the tax cuts enacted since January 2001, including interest costs, amounted to \$251 billion in fiscal year 2006. The federal budget deficit for that year was \$248 billion. Thus, without the tax cuts, particularly in 2001 and 2003, the nation's budget would be balanced.

President Bush and past Congressional leaders have used the deficits resulting from the tax cuts as justification for cutting domestic programs. The tax cuts that disproportionately help the wealthy are being financed by steep cuts in basic health, retirement, and other benefits for low- and moderate-income Americans. In recent years, Congress has also ignored prior budget rules by applying spending caps and pay-as-you-go procedures to discretionary and entitlement programs only while exempting tax cuts from the same restrictions.

Over the long term, the impact of such tax cuts and budget deficits will diminish or destroy programs vital to most Americans including: Social Security, Medicare, Medicaid, and other domestic programs that benefit children, those with disabilities, and millions of other average Americans. These quality-of-life programs are essential to the economic and health security of America's seniors and the vast majority of low- and moderate-income Americans—now and for generations to come.

The Alliance Position

The Alliance for Retired Americans supports tax and budget policies to restore fiscal discipline and balance. These policies must reduce deficits in the long run and generate jobs and growth in the near term. They should maintain progressivity in the tax code, foster fairness and benefit most Americans—not just the wealthy. The pay-as-you-go budget rules governing both spending and taxes should be re-instated.

The Alliance opposes extending the regressive 2001 and 2003 tax cuts or making them permanent. The same goes for any other tax cuts that benefit the wealthy at the expense of low- and moderate-income Americans and threaten the financial stability of the Social Security and Medicare Trust Funds.

HOUSING

Background

Housing is critical to the health and well being of older adults. Older Americans spend more of their income on housing—one-third—than any other consumption category. Seniors pay nearly twice as much for housing, which includes mortgages, insurance, property tax, rent, utilities and maintenance, than they do for their health care.

More than seven million older households are having difficulty paying for housing or are living in physically substandard dwellings. By 2030, that number is projected to rise to 11.3 million. Many urban areas are undergoing substantial revitalization resulting in rents that are unaffordable for older Americans. In addition, many rural older households are experiencing a deterioration in housing quality.

The bi-partisan Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century has determined that there is “A Quiet Crisis in America,” and recommends substantially increasing the supply of subsidized elderly housing units.

According to a recent study, there are 10 seniors waiting for every Section 202 unit that becomes available and a waiting list of at least one year. The average resident income is only \$9,500. Funding for the federal Section 202 elderly housing program has sharply declined by 40 percent during the past decade and in recent years has permitted construction of just 4,000-5,000 units annually. That is only .003 percent of the minimum 1.5 million units desperately needed by ill-housed seniors. President Bush’s FY 2008 budget proposal would cut the 202 program significantly, funding only 2,500 new units.

Amplifying the shortage is the fact that, for every unit that is built, two are lost by either conversion to market-rate housing or by Section 202 sponsors opting out of the program when their contracts expire.

The Section 8 voucher program serves 1.6 million low-income households; seniors account for approximately 17 percent of Section 8 voucher holders. Funding cuts as well as disincentives for private owners to accept voucher-holding tenants have drastically restricted the supply of such housing and displaced many occupants from affordable housing. Nearly one-third of all public housing units are occupied by individuals age 62 or older. Operating and capital subsidies are critical to maintaining public housing developments, which are becoming physically and functionally obsolete.

Since 1990, the HUD Service Coordinator program has provided federal funds to owners of federally assisted senior housing projects to hire service coordinators to assist frail residents in obtaining supportive services in the community. These services are intended to help seniors live independently and to prevent premature and inappropriate institutionalization. In 2006, service coordinators were serving more than 250,000 units in senior properties. Despite the critical role of this program, federal funding is very limited and uncertain, and in recent years primarily available only when current contracts are extended.

In the 2006 reauthorization of the Older Americans Act, Congress established an interagency committee for coordination of aging services programs, including housing, among federal agencies. The Alliance supported the measure.

The Alliance Position

The Alliance for Retired Americans supports:

- The recommendation of the minority report of the Elderly Housing Commission for annual construction of at least 60,000 units with appropriate supportive services.
- Increased funding for all necessary services to meet the varied needs of elderly households at different stages of their lives as well as substantially increased funding for service coordinators and congregate services, and the development and expansion of new technologies and exemplary models.
- Congressional oversight of the newly created federal interagency committee on aging services to assure progress in implementation including the appointment of an executive director. The committee should hold regular meetings to coordinate and maximize program efficiency and to monitor the availability and impact of housing and other services for older Americans.
- The recommendation of the bi-partisan Housing Commission to strengthen and enforce the requirement that owners of housing produced with federal assistance must accept households with Section 8 vouchers and must not raise rents to the market level; also, the recommendation for substantial additional funding for Section 8 to help meet the urgent need of low-income families for affordable housing.
- Full consideration by Congress and the Administration of potential new sources of funding for non-profit housing and services for the elderly. These would include a national housing trust fund that would use surplus funds in the Federal Housing Administration and the Government National Mortgage Association, possibly supplemented by funds from state housing finance agencies.
- Development of long-term strategies to ensure adequate federal, state and local resources are directed to building, preserving and renovating housing for older Americans.

COMMUNITY SERVICES

Background

Older Americans Act (OAA)

Since its enactment in 1965 the Older Americans Act has served as a major national resource for the planning, organization and provision of community-based services to millions of older Americans. These services include: senior centers, congregate and home-delivered meals, transportation, information, advocacy assistance, adult day care, home repair, health promotion, homemaker services, legal assistance, training and education; long-term care ombudsman and employment services.

The OAA was reauthorized in 2006. The reauthorization allows new grants to improve transportation services for older adults, deliver mental health screening and treatment services, plan for long-term care in home and community-based settings, promote multigenerational and civic engagement volunteer activities, and improve elder abuse prevention and services. For the past several years federal funding for OAA services has failed to keep pace with inflation and has not expanded adequately to support the growing aging population. Inadequate funding has resulted in premature institutionalization of older Americans and waiting lists for many supportive services. OAA programs need at least a 10 percent annual increase in appropriations in order to continue to provide the multiple services under the Act. Otherwise, OAA programs will continue to serve fewer older Americans each year.

Social Services Block Grant Program (SSBG)

Title XX of the Social Security Act authorizes reimbursement, distributed through the SSBG, to states for social services provided to a diverse population, including children and younger adults as well as seniors. For older adults, the services include home care, protective services to prevent neglect and abuse, congregate and home-delivered meals, adult day care, and transportation. The President's FY 2008 budget would reduce funding for SSBG by nearly one-third. Without an adequate level of funding, the above critically needed services will have to be cut back for seniors who are in greatest economic and social need.

Transit Acts

Finding necessary transportation is difficult for many seniors. It is particularly so for those who live in suburban or rural communities where destinations are too far to walk, public transit is non-existent or focused on traditional commuter routes, and private transportation is limited or unavailable and often prohibitively expensive. Currently, there is an estimated \$1 billion per year in unmet senior transportation needs.

Section 5310 of the 1964 Urban Mass Transit Act (UMTA) was created in 1970 to provide assistance in meeting the transportation needs of the elderly and people with disabilities in locations where public transportation services are unavailable, insufficient, or in appropriate. In 1978, Section 5311 was added to UMTA in order to support public transportation operating and capital costs for non-urban areas. Both of these sections were reauthorized, with increased funding, in the 2005 highway bill—the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU, P.L. 109-059). In that

legislation Congress protected funding levels with dedicated user fees. Consequently, President Bush's FY 2008 budget funds both Section 5310 and 5311 at their authorized levels. It also provides funding for the National Technical Assistance Center on Senior Transportation—newly created by SAFETEA-LU—to assist local communities and states in the expansion and provision of transportation services for older adults.

Low-Income Home Energy Assistance Program (LIHEAP)

The high cost of energy is a special concern for low-income seniors. Inability to pay for heating or air conditioning makes seniors susceptible to hypothermia and results in severe reactions to excessive heat such as heat exhaustion, heat stroke, and heart failure. As a proportion of total income, low-income households pay three to four times what all households combined pay for residential home energy costs.

LIHEAP was authorized in 1981 as a block grant to states to assist eligible households in meeting home heating and cooling costs, to provide energy-related crisis intervention aid, and to help pay for low-cost weatherization of homes. Thirty percent of LIHEAP households contain a person age 60 or older. Funding for LIHEAP has been eroding over the decades meaning fewer households are receiving assistance than when the program originated. President Bush's FY 2008 budget would cause nearly one-fourth of the existing LIHEAP households to be dropped from the program.

The Alliance Position

The Alliance for Retired Americans opposes freezes, budgetary cuts or flat funding for essential community service programs. These programs not only contribute to the quality of life of those serve, they also are often a life-line for millions of Americans.

The Alliance supports increased funding of vital services for the following and similar social service and benefit programs:

The Older Americans Act
Social Services Block Grant (Title XX) Program
Transit Acts Programs
The Low-Income Home Emergency Assistance Program (LIHEAP).

WORKERS' RIGHT TO ORGANIZE

Background

The social contract that's woven in the fabric of our society and makes the American dream possible is eroding, and the gap in income disparity in the United States is widening. Ironically, corporate executives are able to secure and protect their benefits and income, while simultaneously inhibiting their workforce from advocating for what they deserve. This comes at a time when American workers have articulated clearly that they need, and desire, a growing union presence in the workplace. A reported 60 million U.S. workers say they would join a union if it were possible. However, only 12.5 percent of U.S. workers belong to a union.

The laws currently in place are not effectively protecting workers who, at the first contemplation of forming a union, are at a profound disadvantage. Employers engage in unfair labor practices with impunity because the penalties under the 1935 National Labor Relations Act are weak and infrequently enforced. Seventy-nine percent of workers say they are "very" or "somewhat" likely to be fired for trying to form a union and, reportedly private-sector employers illegally fire employees for union activity in at least 25 percent of all unionization efforts. Additionally, over half (52 percent) of private-sector U.S. employers, when faced with employees who want to start a union, threaten to shut down or cut back operations. Further, management forces employees to attend group anti-union presentations in 92 percent of all union campaigns; 80 percent require supervisors to attend training sessions on attacking unions; and 78 percent require that supervisors deliver anti-union messages to workers they oversee. Employers regularly use an array of administrative and procedural delays in the National Labor Relations Board (NLRB) representation election process and in court proceedings.

Once workers choose union representation, current laws do not require employer good faith in negotiating a contract. Therefore, in one-third of the instances, employers do not negotiate a contract.

The Alliance Position

American workers need the freedom to form unions, and bargain for a better life. The Alliance for Retired Americans supports H.R. 800, the Employee Free Choice Act of 2007 that was recently passed in the House of Representatives—and is working in the Senate to have a similar bill introduced. The Employee Free Choice Act is a critical step forward to rebuilding the middle class in this country. The legislation will: require employers to recognize a union once a majority of workers sign cards authorizing union representation; give both employees and employers access to mediation and binding arbitration to reach an initial collective bargaining contract; and establish stronger penalties for employer conduct that violates workers rights. In addition, the Alliance for Retired Americans supports efforts to protect public sector workers from federal workplace rules or executive orders that undermine collective bargaining agreements and from any attempts to privatize public sector jobs.

STATE ISSUES

- The Alliance recognizes the importance of efforts to reduce the price of **prescription drugs** by legislative action in several states, and encourages Alliance state affiliates to give full support to such campaigns. The Alliance supports efforts at the state level to control the costs of prescription drugs through: legal action against drug companies for anti-competitive practices and illegal inflation of prices; bulk purchasing alliances; and importation from Canada.
- The Alliance supports state efforts to provide all citizens of the state with **comprehensive health coverage** that is affordable and provides a choice of providers. Financing should be a shared responsibility and reforms should include effective cost controls and do no harm to existing coverage.
- The Alliance opposes state **medical malpractice and tort reform** proposals that limit damages to economic harm and income, as these are particularly unfair to retired Americans who have little or no earned income.
- The Alliance supports the efforts of state and local affiliate organizations to participate in the development of state **long-term-care policies** and programs that incorporate the Alliance's long-term care principles.
- The Alliance supports "**lifeline**" **provisions** for seniors and low-income consumers in public utility regulated power, communications and heating sectors.
- The Alliance supports state **voting laws** that expand early voting, vote by mail, and use of absentee ballots without restrictive identification requirements; promote language accessibility; provide special ballots, polling places and other resources for those with disabilities or visual impairments; and ensure the availability of paper records to verify electronic votes.
- The Alliance supports state **tax laws** that are progressive and protect the interests of seniors as well as low and moderate-income people.
- State and local governments have used **public pension funds** as a means to balance their state budgets and some jurisdictions are moving to change their employee pension plans from defined benefit to defined contribution. The Alliance position: Governments must not raid or underfund public pension plans in order to pay for other government activities, thereby threatening the retirement security of public employees. Also, any change from defined benefit to defined contribution pension plans must be strongly opposed because it would leave public employees at risk for greatly reduced retirement incomes. The Alliance supports the strengthening of protections for public sector pension beneficiaries.
- The Alliance supports continuation of public employee **collective bargaining** in all states and deplors revocation of such rights by the governors of Indiana, Kentucky and Missouri. Collective bargaining is a crucial right to ensuring the economic and health security of public employees and retirees.
- A new accounting rule imposed on public employers by the **Governmental Accounting Standards Board (GASB)** requires them to post long-term liabilities for retiree health care

coverage in their financial statements. The large estimates, based on benefits scheduled for the next 35 years, has prompted many public officials to fear lower bond ratings and to call for cuts in state and local government retiree health benefits. The Alliance opposes these attempts to cut benefits and supports efforts to fight the negative effects of GASB. These include measures to protect benefits, such as the establishment of pre-funding mechanisms. The Alliance also supports public campaigns that promote the importance of employer-sponsored retiree health coverage for everyone and insure adequate funding for such coverage.