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**Preserve Social Security  
 and Medicare**



July 20, 2004

Barbara B. Kennally  
 President &  
 Chief Executive Officer

The Honorable Nancy Pelosi  
 Minority Leader  
 2371 Rayburn House Office Building  
 Washington, DC 20515

Dear Leader Pelosi:

The National Committee to Preserve Social Security and Medicare, representing 3.2 million members and supporters, strongly endorses your legislation to protect Social Security checks from the rising cost of prescription drugs and other health expenses.

The "Social Security COLA Protection Act of 2004" would guarantee that no more than 25 percent of a Social Security beneficiary's annual cost-of-living adjustment (COLA) could be consumed by increases in Medicare premiums. As a consequence, a retiree could be assured that at least 75 percent of his or her COLA would be preserved to cover the rising costs of other health care expenses, food, energy and housing.

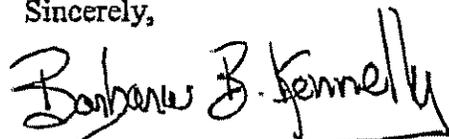
An increasing portion of the annual Social Security cost-of-living increase is being consumed by rising health care costs reflected in the Medicare Part B premium. Last year the COLA increased Social Security checks by only 2.1 percent while the Medicare premium rose by a breathtaking 13.5 percent. In fact, during the past four years, the Medicare Part B premium jumped 46 percent – from \$45.50 a month in the year 2000 to \$66.60 in 2004. During that same period, Social Security checks rose only 12 percent. According to projections, the Part B premium will jump an extraordinary 17 percent in 2005 alone to \$78.10 a month.

When the Medicare prescription drug law is implemented, an even larger portion of the COLA will be consumed by escalating premiums. By design, the new Medicare prescription drug premium will rise each year by the increase in the cost of drugs used by Medicare beneficiaries. The experience with the new drug discount cards shows that many pharmaceutical companies actually raised their prices prior to issuing their cards. Under a law that makes no provision for containing drug costs, the elderly will shoulder the burden of mounting prices. With an average benefit of \$922 a month and few additional resources to draw on, most Social Security beneficiaries will find it difficult to absorb these additional costs.

Currently, for some individuals whose Part B premium increase consumes their entire Social Security COLA, the premium amount is limited to the size of their COLA. However, this protection helps only the lowest-income beneficiaries. Moreover, the new Medicare prescription drug law offers no such protection from increases in the Medicare Part D premium. This is not good news to the widow, with a \$600 a month check, who will already see 60 percent of next year's COLA eaten up solely by the Medicare Part B premium increase.

For these reasons, we strongly support your effort to assure that senior's Social Security benefits are protected from the ravages of drug and health care inflation.

Sincerely,



Barbara B. Kennelly  
President and CEO