

## **Supporting Older Americans**

### **Meeting Our Greatest Challenges: The President's Fiscal Year 2017 Budget**

Under the President's leadership, we have turned our economy around and created 14 million jobs. Our unemployment rate is below five percent for the first time in almost eight years. Nearly 18 million people have gained health coverage as the Affordable Care Act has taken effect. And we have dramatically cut our deficits by almost three-quarters and set our Nation on a more sustainable fiscal path.

Yet while it is important to take stock of our progress, this Budget is not about looking back at the road we have traveled. It is about looking forward and making sure our economy works for everybody, not just those at the top. It is about choosing investments that not only make us stronger today, but also reflect the kind of country we aspire to be – the kind of country we want to pass on to our children and grandchildren.

The Budget makes critical investments in our domestic and national security priorities while adhering to the bipartisan budget agreement signed into law last fall, and it lifts sequestration in future years so that we continue to invest in our economic future and our national security. It also drives down deficits and maintains our fiscal progress through smart savings from health care, immigration, and tax reforms.

The Budget shows that the President and the Administration remain focused on meeting our greatest challenges – including accelerating the pace of innovation to tackle climate change and find new treatments for devastating diseases; giving everyone a fair shot at opportunity and economic security; and advancing our national security and global leadership – not only for the year ahead, but for decades to come.

\*\*\*\*\*

The Budget takes a number of steps to support and create opportunity for older Americans, including protecting Social Security and Medicare for future generations; expanding the earned income tax credit for older workers; protecting worker pensions; and providing housing for the elderly.

### **Protecting Social Security for Future Generations.**

The President believes that Social Security is indispensable to workers, retirees, survivors, and people with disabilities and that it is one of the most important and successful programs ever established in the United States. Although current forecasts indicate that Social Security can pay full benefits until 2034, the Administration is committed to making sure that the program is solvent and viable for the American people, now and in the future, and the President has laid out key principles to achieve this objective. Any reforms should strengthen retirement security for the most vulnerable, including low-income seniors, and should maintain robust disability and survivors' benefits that protect workers and their families after they have paid into the system. The Administration will oppose any measures that privatize or weaken the Social Security system and will not accept an approach that slashes benefits for future generations or reduces basic benefits for current beneficiaries.

The President's FY 2016 Budget created the foundation for much of last fall's Bipartisan Budget Act (BBA) of 2015, including reforms to the Social Security Disability Insurance (SSDI) program. The BBA ensured that through 2022, the SSDI program is able to provide workers with disabilities and their families the full benefits they earned. The BBA achieved this goal through a temporary reallocation of payroll taxes within the Social Security program to ensure funding is allocated between SSDI and Old-Age and Survivors Insurance (OASI) Trust Funds based on the funding needs of the OASI and SSDI programs. At various points over the course of Social Security's history, Congress has passed similar reallocation legislation. This temporary reallocation will have no effect on the overall health of the combined Social Security Trust Fund, which continues to have adequate resources to provide the full disability, retirement, and survivors benefits through 2034. Without Congressional action, SSDI would have been unable to provide full benefits starting in December 2016, when funding in the SSDI Trust Fund would have fallen about 19 percent short of need.

### **Strengthening Medicare by Increasing Value, Improving Access, and Improving Long-Term Sustainability.**

The Budget proposes a robust set of initiatives to strengthen Medicare by more closely aligning payments with the costs of providing care, encouraging health care providers to deliver better care and better outcomes for their patients, and improving access to care for beneficiaries. Examples include a proposal to reform Medicare Advantage payments to increase the efficiency and sustainability of the program and a proposal to improve coverage of screening colonoscopies. In addition, the Budget includes proposals that would build a stronger foundation for Medicare's future by expanding value-based purchasing, strengthening quality incentives, and addressing the high cost of drugs. These and other proposals in the Budget are estimated to extend the solvency of the Medicare Hospital Insurance Trust Fund by more than 15 years.

### **Lower Drug Costs for Medicare Beneficiaries.**

The Administration is deeply concerned about rapidly growing prescription drug prices and Medicare beneficiaries' ability to afford needed medications. To provide relief, the Budget proposes to close the Medicare Part D donut hole for brand name drugs by 2018, rather than 2020, by increasing discounts from the pharmaceutical industry. This proposal builds on the Affordable Care Act's phased closure of the donut hole that has saved over 10.7 million seniors over \$20.8 billion since enactment of the law. The Budget also provides the Secretary authority to negotiate with manufacturers on prices for high cost drugs and biologics covered under the Part D program. Additionally, the Budget also includes two proposals that provide greater transparency regarding input costs in the prescription drug markets and strengthen the clinical evidence used to determine a drug's effectiveness in the Medicare population. While these drugs often represent important medical breakthroughs, the Federal government has a responsibility to ensure beneficiary access and protect the long-term sustainability of this important benefit for generations to come.

### **Detecting and Preventing Elder Abuse.**

To support evidence-based interventions to reduce elder abuse, neglect and financial exploitation, the Budget includes \$10 million in discretionary resources for Elder Justice Act programs authorized under the ACA. These resources will support standards and infrastructure to improve detection and reporting of elder abuse; grants to States to implement a national reporting system; and funding to support a coordinated Federal research portfolio to better understand and prevent the abuse and

exploitation of older Americans. The Budget also includes \$6.25 million for the Enhanced Training and Services to End Violence Against and Abuse of Women in Later Life Program (Abuse in Later Life Program). This Department of Justice (DOJ) Office on Violence Against Women (OVW) program funds projects that create multidisciplinary partnerships with law enforcement agencies, prosecutors' offices, victim services providers, and organizations that assist older individuals and that provide a comprehensive approach to addressing elder abuse.

### **Helping Older Americans Maintain Their Health and Independence.**

To ensure older individuals and people with disabilities receive services in the most appropriate setting, the Budget expands access to Medicaid home and community-based long-term care services and supports. The Budget gives states the option to expand eligibility for the Community First Choice and 1915(i) home and community-based state plan options. Additionally, the Budget establishes a pilot for up to five states to test a comprehensive long-term care state plan option that would allow states to provide long-term care services and supports across the continuum of care. The Budget also provides \$358 million, a \$10 million increase above FY 2016, for aging programs that provide critical help and supports to older Americans, such as in-home personal care, respite care, and transportation assistance, in addition to a \$2 million increase for the Lifespan Respite Care program, which helps to ease the burdens of caregiving. Providing a variety of supportive services that meet the diverse needs of older individuals is crucial to enabling them to remain healthy and independent in their homes and communities. Additionally, the Budget includes \$8 million in discretionary resources for the Aging and Disability Resource Centers (ADRCs) program, which make it easier for Americans nation-wide to learn about and access their health and long-term services and support options. ADRCs support State efforts to create consumer-friendly entry points into long-term care at the community level.

### **Helping All Workers Save for Retirement.**

Our system of retirement benefits has not kept pace with a rapidly evolving economy. Approximately half of workers employed by firms with fewer than 50 workers and fewer than one-quarter of part-time workers have access to workplace retirement plans. Workers without access to a plan at work rarely save for retirement: fewer than 10 percent of workers without access to a workplace plan contribute to a retirement savings account on their own. The Budget includes the following proposals that would make it easier for millions of Americans currently without employer-based retirement plans to save for retirement and take their savings with them:

- **Automatically Enroll Americans without Access to a Workplace Retirement Plan in an IRA.** Under the proposal, every employer with more than 10 employees that does not currently offer a retirement plan would be required to automatically enroll their workers in an IRA. Employers would not be required to contribute to the plan, and individuals would have the ability to opt out. Other individuals not automatically enrolled could participate so long as they fall below the income cutoff, and could continue to make their own contributions even if they change jobs.
- **Provide Tax Cuts for Auto-IRA Adoption, and for Businesses that Choose to Offer More Generous Employer Plans or Switch to Auto-Enrollment.** To minimize the burden on small businesses, the President's auto-IRA proposal would provide any employer with 100 or fewer employees who offers an auto-IRA a tax credit of up to \$3,000. The President also proposes to triple the existing "startup" credit, so small employers who newly offer a retirement plan would

receive a tax credit of \$4,500 – enough to offset administrative expenses. Small employers who already offer a plan and add auto-enrollment would get an additional tax credit of \$1,500 per employer.

- **Expand Retirement Savings Options for Long-Term, Part-Time Workers.** Part-time workers are much less likely to have access to a retirement plan compared to their full-time colleagues. The Budget would provide approximately one million individuals with access to retirement plan coverage by requiring that employees who have worked for an employer at least 500 hours per year for at least three years be eligible to participate in the employer's existing plan. Employers would not be required to offer matching contributions, and participation by employees would be voluntary.
- **Encourage State Retirement Savings Initiatives.** Several States have created their own auto-IRAs or retirement marketplaces connecting small businesses and their employees to existing investment vehicles, with approximately 20 more considering similar measures or an alternative approach that would create a state-based 401(k). The Department of Labor has proposed regulations and issued guidance to provide a path forward for state retirement savings programs consistent with the Employee Retirement Income Security Act (ERISA). To further State efforts, the Budget sets aside \$6.5 million to allow a few States to pilot and evaluate State-based 401(k)-type programs or automatic enrollment IRAs.
- **Increase Coverage by Supporting New, More Flexible Benefit Models.** To expand access to retirement and other benefits, particularly for the self-employed and workers who frequently change employers, the Budget allows the creation of open multiple employer plans (open MEPs) which allow multiple employers to offer benefits through the same administrative structure but with lower costs and less fiduciary burden. The Budget proposes to remove the current requirement of a “common bond” between employers while adding critical new worker safeguards, thereby enabling more small businesses to offer cost-effective, pooled plans to their workers and facilitating pooled plans of self-employed individuals. As an added benefit, if an employee moves between employers participating in the same open MEP, or is an independent contractor participating in a pooled plan using the open MEP structure, then he can continue contributing to the same plan even if he switches jobs. The Budget also funds pilots for States and nonprofits to design, implement, and evaluate new approaches to expand retirement and other employer-provided benefit coverage, with a focus on developing models that are portable across employers and can accommodate contributions from multiple employers for an individual worker.

Finally, recognizing the challenges workers face in this new economy, the President proposes to allow long-term unemployed individuals to withdraw up to \$50,000 per year for two years from any tax-preferred retirement account so they can draw upon their savings, not go further into debt, to make ends meet.

### **Protecting Worker Pensions.**

The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to insure pension payments for workers whose companies or plans have failed. Both PBGC's single-employer and multiemployer programs are underfunded, with combined liabilities exceeding assets by \$76 billion at the end of 2015. While the single-employer program's financial position is projected to improve over the next 10 years, in part because Congress has raised premiums in that program several times in recent years, the

multiemployer program is projected to run out of funds in 2024. Particularly in the multiemployer program, premium rates remain much lower than what a private financial institution would charge for insuring the same risk and well below what is needed to ensure PBGC's solvency. To address these concerns, the Budget proposes to give the PBGC Board the authority to adjust premiums. The Budget directs the Board to raise \$15 billion in additional premium revenue within the Budget window only from the multiemployer program. This level of additional multiemployer premium revenue would nearly eliminate the risk of the multiemployer program becoming insolvent within 20 years.

### **Providing Housing for the Elderly.**

Providing supportive housing for very low-income elderly households allows seniors to age in a stable environment and helps them access social and supportive services. The Budget includes \$505 million for the HUD Housing for the Elderly program (also known as "Section 202") to provide continued assistance to over 91,000 elderly households. Further, the Budget expands the authority of the Rental Assistance Demonstration program to allow for the conversion of Section 202 properties to long-term, project-based contracts that can leverage private financing for needed capital improvements.

### **Nutrition Assistance for Older Americans.**

The Budget provides nearly \$850 million for Nutrition Services programs, a \$14 million increase over the 2016 enacted level, allowing States to provide an estimated 205 million meals to over 2 million older Americans nation-wide. The Budget also includes a new proposal to invest in evidence-based innovations to help ensure that funding for Nutrition Services programs is spent as efficiently as possible to maximize the impact of these funds.

### **Improving SNAP Access for Elderly Individuals.**

The Budget includes a proposal to allow states to streamline application and recertification processes to improve SNAP access for the elderly.