



Fein, Such, Kahn & Shepard, P.C.

C O U N S E L L O R S A T L A W

What does the Debt-Limit Deal mean to New Jersey Seniors?

August 8, 2011 by Deirdre Wheatley-Liss



Besides the negative effect we are seeing in the market today from the S&P downgrade of the US credit rating, the debt deal may have far reaching consequences to seniors. Medicare, Medicaid and Social Security are a huge proportion of the US budget. Elderlawanswers.com has provided a summary of what seniors need to pay attention to:

Congress has agreed to allow the President to raise the debt ceiling in exchange for \$2.4 trillion in budget cuts over 10 years. How this deal will affect the three major programs crucial to the elderly -- Medicare, Medicaid and Social Security -- may not be known until almost year's end, but the impact could be significant.

The agreement calls for two stages of spending reductions. In the first stage, which will pare \$917 billion from the budget, "entitlement" programs like Medicare, Social Security and Medicaid are spared. Instead, the cuts are evenly divided between defense and non-defense "discretionary" programs. Some aging and poverty programs that the elderly rely on, such as heating assistance, could be hit with budget reductions, but so will defense programs.

In the second stage, a 12-member Congressional committee - six members from each party -- must agree on an additional \$1.5 trillion in cuts by Thanksgiving, and Congress must vote on their proposal (with no modifications) by December 23. Here, Medicare, Medicaid, and Social Security will all be back on the table. In the case of **Medicare**, the powerful panel will be looking at changes like raising the eligibility age, increasing premiums for wealthy recipients, hiking deductibles and co-pays, and slashing payments to providers and drug companies.

To cut **Medicaid**, this joint committee will consider giving states more flexibility to reduce eligibility and benefits, meaning that it might become even tougher for elderly nursing home residents to qualify for Medicaid. The committee will also be looking at cutting payments to nursing homes, which just got hit with a more than 11 percent reduction. Nursing home residents could feel the impact in the form of reduced services and compromised care.

For **Social Security**, one thing the panel will undoubtedly consider changing is how the program's cost of living increase is calculated, which will result in lower benefits. Pushing back the eligibility age for future retirees could also be on the table.

Although President Obama will be pressing the joint committee to not just cut programs but to increase revenues by raising taxes on the wealthy and corporations, it is anybody's guess whether the panel's Republican members will agree to this.



Fein, Such, Kahn & Shepard, P.C.

C O U N S E L L O R S A T L A W

"The future of the programs really hangs in the balance," said Joe Baker, president of the [Medicare Rights Center](#), an advocacy group. "It could lead to deep cuts and irreversible changes to Medicare and Medicaid that shift costs to beneficiaries."

If the 12-member panel can't agree on a plan to pare at least \$1.2 trillion from the budget -- or Congress votes down its proposal or President Obama vetoes it -- automatic spending cuts totaling that amount would kick in beginning in 2013. Medicaid, Social Security and veterans programs are among the programs that will be exempt from these mandatory cuts, but Medicare is not exempt. There would be a 2 percent cut to Medicare, although the savings would have to come from payments to providers like doctors and hospitals, not from beneficiaries. Such a reduction to providers would be on top of a 6 percent drop in provider payments already enacted to help finance health care reform. Doctors and hospitals would feel the impact initially, but Medicare beneficiaries would experience it soon enough as more providers refuse to treat Medicare patients, reduce services or go out of business.

There is, however, a strong incentive for the joint committee to avoid these automatic cuts and instead agree on a plan that Congress can pass and the President can sign: Along with the 2 percent automatic Medicare cut would be an automatic 8 percent reduction in defense spending, or nearly \$500 billion. The thinking is that both Democrats and Republicans would view defense cuts of this magnitude as too damaging to their parties to contemplate.

Further reading:

["Five cuts the debt commission might make to Medicare, Medicaid"](#) (Washington Post blog)

["FAQ: Debt Deal 'Super' Committee's Impact On Health Spending Explained"](#) (Kaiser Family Foundation Health News)

["Tea Party groups see Medicare overhaul chance"](#) (Reuters)

["Social Security, Medicare dodge bullet, but cuts loom"](#) (Reuters blog)

["Debt Deal Triggers Nerves In Health Industry; Providers Brace For Cuts"](#) (Kaiser Family Foundation Health News)

["What Does the Debt Ceiling Agreement Mean for Medicare?"](#) (Center for Medicare Advocacy, Inc.)

This Article does not constitute legal advice nor create an attorney-client relationship.

© Fein, Such, Kahn & Shepard, P.C., all rights reserved. Permission is granted to reproduce and redistribute this article so long as (i) the entire article, including all headings and the copyright notice are included in the reproduction, and (ii) no fee or other charge is imposed.