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## With No COLA Increase, AARP Urges Congress to Pass Medicare Fix

### Reiterates Opposition to Chained CPI Benefit Cut

#### *En español*

**Washington, DC**— Today AARP sent a letter urging all members of the U.S. House of Representatives and U.S. Senate to pass a fix for Medicare beneficiaries who face much higher cost increases based on the anticipated announcement that Social Security beneficiaries would not receive a Cost of Living Adjustment (COLA) for 2016. AARP's letter specifically asks Congress to protect all Medicare beneficiaries from sharply increased out-of-pocket costs in light of the COLA announcement, requesting specifically that Congress "reduce...the impact of the sudden, sharp increases in the Part B premiums and deductible as soon as possible. Ideally, all Medicare beneficiaries should be held-harmless in the face of no Social Security COLA adjustment."

The letter notes that 16.5 million Americans face sharp premium increases and that "all Medicare beneficiaries will see their Part B deductible increase 52 percent...from \$147 to \$223." Additionally, AARP reiterates its opposition to the Chained Consumer Price Index (CPI), noting that "the Social Security COLA would be even more inaccurate and benefits would be even less adequate if recent proposals to adopt a Chained CPI had been enacted. AARP has opposed all attempts to enact a Chained CPI, and will continue to do so, because the Chained CPI would further underreport inflation experienced by Social Security beneficiaries, and further erode their standard of living, cutting an estimated \$127 billion in Social Security benefits from current and near retirees in the next ten years alone."

[The full text of the letter is below:](#)

October 14, 2015

RE: Social Security Cost of Living Adjustment (COLA) for 2016

Dear Representative:

On behalf of our 38 million members and as the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families, AARP writes to express our deep concern that for only the third time in over 40 years, there will be no Social Security Cost of Living Adjustment (COLA) for 2016. To make matters worse, as a result, 30% of Medicare beneficiaries will see their monthly Medicare Part B premium dramatically increase, and all Medicare beneficiaries will experience an increase in their Part B deductible. Congress should protect the 16.5 million Medicare beneficiaries (which includes new enrollees, people not collecting Social Security, and beneficiaries dually eligible for Medicaid) from the harmful effects of dramatically increasing premiums, due to there being no Social Security COLA, as well as protect all Medicare beneficiaries from the large increase in their deductible.

The Social Security Trustees will announce this week that there will be no Social Security COLA in 2016, due to unusually low energy prices. However, the impact of very low energy prices on Social Security recipients may be overstated in the current cost of living formula, and as a result, the need for a COLA may be understated in this week's announcement. The Social Security COLA is calculated on the basis of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which does not accurately represent the buying habits of seniors. The CPI-W reflects the purchasing patterns of workers, many of whom are younger and healthier than most Social Security recipients. Social Security recipients spend more of their monthly budget on health care, food and housing than do younger workers, and all three of those categories have experienced meaningful price increases over the past year. As a consequence, the CPI-W underestimates how Social Security beneficiaries experience inflation, and how much their benefits should in fact increase to maintain purchasing power.

The Social Security COLA would be even more inaccurate and benefits would be even less adequate if recent proposals to adopt a chained consumer price index (Chained CPI) had been enacted. AARP has opposed all attempts to enact a Chained CPI, and will continue to do so, because the Chained CPI would further underreport inflation experienced by Social Security beneficiaries, and further erode their standard of living, cutting an estimated \$127 billion in Social Security benefits from current and near retirees in the next ten years alone.

The COLA announcement not only fails to reflect the actual health care and other expenditures of Social Security beneficiaries, but will actually contribute to a large increase in out of pocket health care costs for millions of Medicare enrollees. By law, Social Security beneficiaries whose Medicare premium is automatically deducted from their Social Security benefits are held harmless from Medicare premium increases if there is no COLA. While this greatly assists the 70% of Medicare beneficiaries who are protected in this way from a reduction in their monthly Social Security benefit, it results in a disproportionate increase in premiums for the 30% of Medicare beneficiaries who are obligated by law to pay for the increases that are not passed onto Social Security beneficiaries. Those held-harmless beneficiaries' monthly premium will stay at \$104.90, whereas the unprotected Medicare beneficiaries will face a 52 percent increase to \$159.30 each month. In addition, all Medicare beneficiaries will see their Part B deductible increase 52 percent as well, from \$147 to \$223. If the COLA was based on a measure which more accurately reflected the living expenses of seniors, there would have been a COLA for 2016. Thus, premiums would be \$120.70 and the deductible would be about \$169. These are still significant increases, but much more manageable increases for seniors.

AARP urges you to reduce and mitigate the impact of the sudden, sharp increases in the Part B premium and deductible as soon as possible. Ideally, all Medicare beneficiaries should be held-harmless in the face of no Social Security COLA adjustment. If you have any questions, please feel free to contact me or have your staff contact Joyce A. Rogers, Senior Vice President, Government Affairs at 202-XXX-XXXX.

Sincerely,

Nancy LeaMond

EVP and Chief Advocacy and Engagement Officer

**About AARP** AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world's largest circulation magazine; AARP Bulletin; [www.aarp.org](http://www.aarp.org); AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at [www.aarp.org](http://www.aarp.org).

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