BILL TOWNSEND

Our New Voice in Congress

P O L I C Y   O V E R V I E W

PROTECT SENIORS

Too many Americans struggle in their golden years under the weight of increased medical costs and living expenses, while Social Security benefits barely keep up with inflation. Our plan will fully fund Social Security for the next 80 years and strengthen Medicare and Medicaid.

Social Security taxes provide security and stability to millions of retired Americans, disabled individuals, and the children and widowed spouses of deceased workers. However, these benefits have not kept pace with the financial needs of those dependent on the program, nor is it guaranteed to be available to future generations.

Financial advisors generally counsel clients that they'll need about 70 percent of pre-retirement earnings to comfortably maintain their pre-retirement standard of living. If you have average earnings, say $35,000 - $75,000 over the course of your lifetime, your Social Security retirement benefits will replace only about 40 percent, leaving large gap.

Last year the average Social Security benefit was $1,342 per month or $16,104 a year. For those with little retirement savings who are relying solely on Social Security benefits, this puts them only $330 a month ahead of the Federal poverty rate. This is important to note because according to a 2017 GOBankingRates survey, **more than half of Americans (57%) have less than $1,000 in their savings accounts and a full 39% have no savings.**

Beneficiaries expect benefits to increase as costs increase, but that is not always so. Social Security benefits had no increase in 2016, followed by an abysmal 0.3 percent cost of living allowance (COLA) increase in 2017, the smallest in history. This meant the typical retired worker saw only $4 more per month from the COLA increase. Meanwhile, recent data show spending on health care growing at its fastest rate since 2007, with prescription-drug spending again outpacing all other categories of personal health care expenditures, growing at double-digit numbers for brand name drugs.

As more and more people reach retirement age, the financial demands for the basic necessities of shelter, food, clothing and health care far outweigh the growth in Social Security benefits. The failure of Congress to reign in exploding health insurance and prescription drug costs is one of the most damaging financial miscues of the past decade, and continues to this day with neither side willing to take on the special interests that flood political campaigns with cash.

Social Security isn't much better for those who reached maximum taxable earnings each year and who retired at age of 66 in 2017. The maximum benefit they were eligible to receive was $2,687 a month, or $32,244 a year. But to get this amount, the worker would need to earn the maximum taxable amount, currently $128,400, each year after age 21. Unless you're a Wall Street banker, pharmaceutical sales rep, or technology wunderkind, earning that much starting at age 21 is very difficult.

When we look at Nevada, we see a state that has a median household income that is $2,437 lower than the US household income. Individual incomes fare no better. In White Pine County, Nevada the average individual income is $24,186; in North Las Vegas it is $20,899; in Mesquite it is $26,105 and in neighboring Bunkerville it is only $14,120.

The fact of the matter is retirement age income inequality is growing with no relief in sight.

Largely due to the Nevada's tourism and gaming-centric economy, with its low pay and lack of upward mobility compared to more diverse industries, Nevadan's are at a lifetime earnings disadvantage. Our worker's incomes are partially reflected in some of the state's leading industries that include service industries like gaming and tourism, plus logistics (a fancy term for shipping and trucking), manufacturing, mining, aerospace, and agriculture.

While manufacturing is touted as being an industry that is relatively easy to grow, Nevada's core manufacturing industries are centered around printing and publishing, food products (meat-packing, pet food, processed foods), concrete and machinery (electronic, appliances, neon signs, electrical machinery), much like many other states. What's missing are the high paying manufacturing industries of medical equipment, computers and technology, and industries that high skilled workers in information technology, artificial intelligence, data analytics, and mechanical and electrical engineering.

Our mining industry is a gleaming part of Nevada's employment base that produces about 3/4 of the gold produced in the United State. We lead in the production of silver, too. Mining pays much higher salaries than other industries with average income exceeding $90,000 a year, and based on Nevada Mining Association's website, many jobs waiting to be filled (NMA provides links to jobs at https://www.nevadamining.org/jobs/).

Aerospace is one of Nevada's top industries. This field currently has more than 13,000 Nevada employees, each earning about $78,000. Airports, commercial aviation, private jets, helicopter tours, and supporting personnel typically earn above average pay. Nellis Air Force helps drive this industry as a major hiring force. Located on more than 14,000 acres, the base employs 12,000 civilian and military workers. Nevada plays a major role in the nation's national security, with Nevada businesses researching, designing, developing and applying a variety of technologies for defense applications. The area is also home to Creech Air Force Base, Naval Air Station Fallon and the Hawthorne Army Depot.

Based on revenue generated, Nevada's top five agricultural products are cattle and calves, hay, dairy products, onions, and potatoes. Farmers, ranchers, and other agricultural managers earned a 25th percentile salary of $47,160, meaning 75 percent earned more than this amount. Somewhere on this list belongs cannabis, i.e., marijuana, initially legalized for medical use and later for recreational use. Nevada marijuana retailers sold about $195 million during the first six months of the state's legal cannabis market, generating $30 million in tax revenues. While encouraging from a tax perspective, medical marijuana dispensaries and growers typically hire hourly workers, playing from approximately $9.43 per hour for Sales Associate to $16.42 per hour for Brand Ambassador; usually with no benefits.

Within these industries, the opportunities to earn $128,400 or more are usually reserved for senior management or highly specialized positions. This is why changes to the Social Security program need to be made that will increase retirement benefits for all recipients, and why fixes to health care, health insurance, and prescription drug costs are also vitally important.

To understand the demands of Social Security program, we must look at the US population statistics (from 2017):

- All Americans 16 years old and up: 254 million.
- Americans in the labor force with a job: 151.6 million.
- Americans in the labor force without a job: 7.8 million.

This leaves about 94.6 million Americans not in the labor force. A lot of them are not working for understandable reasons.

- 44.1 million are retired.
- 15.3 million are disabled.
- 14.7 million are in college or job training.
- 12.9 million are taking care of a family member.

Of the 94.6 million Americans not working, 86.8 million are retired, disabled, taking care of a loved one, or in school.

That leaves 7.6 million people: what about them?

- 5.7 million Americans have looked for a job in the past year or want a job but have given up searching for over a year. These individuals are no longer counted as part of the unemployment rate, which means the published unemployment rates are actually lower than the real number of people not working.
- The other 1.9 million Americans are in the shadows. Nobody knows why they are not in the work force.

Oddly, these numbers don't match up with the Social Security Administration's (SSA) own figures that show an estimated 173 million workers paying Social Security taxes last year. For the remainder of this policy paper we'll use the SSA's figures. Keep this number in mind: When the taxable-maximum amount was increased in 2017, as it is every year, about 12 million of the 173,000,000 workers ended up paying more in Social Security taxes.

Background on Social Security taxes and contributions.

Social Security and Medicare payroll taxes are collected together as the Federal Insurance Contributions Act (FICA) tax. FICA tax rates are statutorily set and therefore require new tax legislation to be changed.

For employers and employees, the Medicare payroll tax rate is a matching 1.45 percent on all earnings, bringing the total Social Security and Medicare payroll withholding rate for employers and employees to 7.65 percent each—with only the Social Security portion (6.2 percent) limited to the $127,200 taxable-maximum amount.

Those who are self-employed must pay both the employer and employee portions of FICA taxes, equal to 15.30%.

A graphic circulating the internet shows Senator Mitch McConnell (R-KY) and claims that Social Security and Medicare are covered 100% by payroll taxes (FICA). Is that accurate? No.

FICA only covers about 85% of the commitments of the Social Security program. As more and more people retire and fewer younger people contribute to Social Security through FICA, the amount of money available through FICA will continue to decrease. Add in threats from automation and artificial intelligence which are estimated to eliminate 30-45% of all jobs in America in the next 30 years and the situation is more dire.

Social Security's total expenditures have exceeded non-interest income of its combined trust funds since 2010—8 years and counting—and the Trustees of the Social Security program estimate that Social Security cost will exceed non-interest income throughout the next 75-year projection period. **The annual cash-flow deficit averaged about $76 billion** between 2015 and this year before an expected rise as income growth slows while the number of beneficiaries continues to grow at a substantially faster rate than the number of covered workers.

If this were a business, you'd be safe to assume that Social Security is broke. It certainly is losing money each year and will continue to do so, unless we act now.

The graphic featuring Senator McConnell is wrong in stating that Medicare is financed "100% by FICA deductions from paychecks". It is not. Substantial portions of the Medicare program are funded by general tax revenue, including Parts B (outpatient medical expenses) and D (prescription drugs), and a portion of Part C (managed care insurance).

The United States' entitlement programs are badly underfunded, which is why we've been hearing for years that they need to be shored up, either through trimming future benefits or increasing revenues. They cannot continue indefinitely as they are and they are emphatically not fully funded under current law, because they are both already spending down trust fund assets.

If you are young, this is a big reason why it is important that you save 10% of your weekly earnings in a retirement account of your own. You simply cannot rely on the Social Security system to be solvent when you retire—unless we put *our plan* in place to save Social Security and make it solvent for the next 80 years.

What to do if you are retired or soon to be retired?

For years you worked hard and were told that when you retired Social Security, Medicare and Medicaid would be available to help you through retirement.

For the past 20 years these programs have been under fire from Members of Congress who themselves have cushy pensions and great health care plans. Republicans have more often than not shown their lack of compassion by going after changes in Social Security and its related programs, either cutting budgets or forcing budgetary requirements on states. Democrats have done little to nothing to fix the problem. Senator Bernie Sanders is standing out in left field with nobody listening to him, except for perhaps Senator Elizabeth Warren.

Simply put, the people in Washington, DC who are supposed to make laws to ensure the benefit and safety of the American people, have been too concerned with re-election to face the truth and make the hard choices to fix entitlements.

The good news is, the fixes are not difficult--they simply require strong will and saying "no" to special interests.

As your voice in Congress, I will work to ensure Social Security, Medicare, and Medicaid ("SSMM") are not reduced or dismantled. There are dozens, perhaps hundreds of ways to strengthen SSMM, but I will focus on what can realistically be accomplished in the House of Representatives through our plan that can and will work to make SSMM solvent and sustainable for the next 80 years.

First of all, I believe Social Security is not only an entitlement—it is insurance Americans have paid for to fund retirement, disability, and survivor benefits earned through a lifetime of work. Social Security helped build the middle class; it is the most dependable part of most American's retirement planning. Plus, it is our government's most effective anti-poverty program.

Our plan will ensure that the government is able to continue to pay 100% of the benefits you have through nearly the end of the century, plus it will increase benefits for nearly all Americans.

Here's the hard truth that nobody is talking about: unless Congress expands Social Security, millions more retirees will be impoverished. Most people in Congress believe the remedy for an underfunded Social Security program is to privatize it or to cut benefits. Offering more benefits is hardly in their sights. **Ask anyone who is in Congress or who previously served in Congress what they did to extend Social Security's life by 80 years and they'll only look at you with a blank stare on their face. They can't say anything because they did not do anything.**

That's why the answer to solving Social Security's funding shortfalls for the future depend on an entirely different approach.

The real story is Social Security lifts Americans, including children, out of poverty and boosts our economy as a whole. This is a system we can count on, and by taking common-sense steps, we can ensure that Social Security benefits keep up with the needs of current and future generations. Remember these facts:

- Thirty-nine percent of Americans have no retirement savings.
- Fifty-seven percent have less than $1,000 saved.
- About half of American workers don't even have a retirement plan at work.

<u>Social Security is the only guaranteed retirement benefit most Americans have and it must be strengthened and expanded.</u>

Our plan addresses these key points:

- Social Security did not cause the federal deficit; its benefits should not be cut to reduce the deficit.
- Social Security should not be privatized.
- Social Security should not be means-tested.
- Those who are most able to afford it should contribute more for the benefit of society.
- Social Security's retirement age, already scheduled to increase from 65 to 67, does not have to be raised farther.
- Social Security's benefits will not be reduced, including by changes to the COLA or the benefit formula, and in nearly all cases will be increased.

How do we fully fund Social Security, ensure its survival, and increase benefits for retirees?

We'll ensure Social Security is solvent for at least the next 80 years by making some fundamental changes in the system that will positively affect current recipients and ensure future recipient receive benefits.

There will be NO privatization of Social Security accounts. There will be NO means testing. There will be NO loss of benefits. There will be long-term stability to the program. There will be an increase in benefits. There will be a plan in place and fully functioning as reach year 2100 and beyond.

1. We start with removing the cap from Social Security payments. We're going to ask millionaires and billionaires to pay the same rate of tax on income as everyone else. Simple, right? If we get the American people behind this, it will happen. Why hasn't this happened? Because most people in Congress who fight real reform of the programs are bought and paid for by wealthy campaign contributors, insurance companies, the medical industry, and the pharmaceutical industry. We have to change this way of thinking if we want to solve the Social Security funding crisis and I believe that I can find people and convince them that this is the best path forward.

[NOTE: One of my first actions as your new voice in Congress will be to convene all newly elected Representatives—from all political sides—to form a coalition to address the top concerns of our nation. These are the new faces who are going to Congress to enact change and we will begin with Social Security. They have not been corrupted by Party leaders nor special interests. If they see the positive changes we can make, together, they will join to change business as usual in Washington, DC.]

Presently, payroll taxes are not collected on wages over $128,400. Our plan applies the payroll tax to all wages earned regardless of income. If you earn $30,000 a year you pay Social Security taxes on $30,000. If you, like Members of Congress, earn $174,000 a year, all your income over $128,400 is free from Social Security taxes. That's $45,600 that is not taxed. If you're Aetna CEO Mark Bertolini, who had a base salary of $1.1 million and a bonus of almost $1.7 million, he'd pay Social Security taxes only up to $128,400 of his earnings, thus not owing any Social Security taxes on $2,671,600 of income. Does it seem unfair, punishing the men and women who are working 40 hours a week to earn $30,000? It is.

Under our plan, if you make $174,000 a year, you pay Social Security taxes on the full $174,000. *(Maybe this is why Members of Congress don't really want to solve the funding crisis.)* If you are CEO of Aetna and make $2.8 million in salary and bonuses, you pay Social Security taxes on $2.8 million. If you earn $50 million a year, you pay Social Security taxes n $50 million. **<u>It is simple and it is fair</u>** to ask all Americans to pay into our national retirement system on an equal basis regardless of income.

<u>This single change will generate approximately $100 billion a year more for the trust fund</u> and any excess funds would be used, along with changes in the health care system, to increase beneficiary payments and further fund Medicare and Medicaid. Yes, you read that correctly. Under our plan, there will be a surplus. When is the last time someone suggested that and actually had a plan to make it happen?

"But, Bill", some will cry, *"if I earn $5 million a year I will never get back what I paid into the program!"* That's fine. The majority of people making $300,000 a year or more have already invested privately for their retirement and they can continue to do so. Social Security is a program with national benefits. It improves the lives of low income retirees. It helps keep people off welfare. Its general benefits to our nation are such that high earners should not view this change as a penalty, but as a means to make contributions to the system fair for all Americans, which means every dollar earned pays into Social Security.

So as not to shock these high earners, we will phase in the increase on those earnings over $128,400. The first year's Social Security tax rate on income over $128,400 will be 20% of the standard rate. The second year's rate will be 35%. The third year's rate will be 55%. The fourth year it rises to 80% and by the fifth year, we will require all income to be taxed equally to support Social Security well into the future.

Raising the cap will mitigate the erosion of Social Security's payroll tax base caused by rising wage inequality and increased automation of jobs. Most workers' taxes would not change. While the degree of increase in high earners' taxes would go up, it will increase higher earners' benefits as well, depending on how Congress treated newly taxed earnings. Remember, there are 173 million workers contributing to Social Security and only about 12 million highly paid individuals ended up paying more in Social Security taxes when the taxable amount goes up. That's under 7% of the working population and it correlates with the top 1% of family incomes.

This big idea would close virtually all of Social Security's solvency gap, (remember, it is about $79 billion in the red and this program will generate $100 billion in new revenue, depending on how it is structured.

2. We will add to the Social Security tax in a very conservative way to ensure solvency remains on track should the wealthy shift their income to indirect compensation.

To be fair, everyone should pay a bit more to Social Security to ensure its long term survival. So as to not leave the wealthy feeling picked on, along with this removal of the FICA cap, we will further guarantee the Social Security system's solvency by phasing in a gradual increase in the contribution rate <u>over 20 years</u> so that workers and employers would pay an additional 1% by 2038. Just one percent over 20 years, which is equal to 1/20th of a percent each year. For example, suppose you earn $50,000 and receive a 3% raise each year: In the first year you'll pay 48 cents per week more. Most people spend ten times that with a single visit to Starbucks or McDonald's. At the end of 20 years, assuming you earn a 3% raise each year, you'll be earning $87,675.30 and pay just $16.86 a week in additional Social Security taxes. Over the 20 years implementation phase, you'll average just 0.0574% increase in Social Security taxes, which is a little more than half a percent. At the conclusion of 20 years, instead of paying 6.2% Social Security tax, all workers will pay 7.2% social security tax and all companies will pay 7.2%. This tiny increase provides the assurance that the program is fully funded for at least 80 years.

3. Allow a portion of the Social Security Trust Fund to be invested in America's economy.

If we're making positive changes to Social Security that will put more money into the pockets of beneficiaries who will turn around and contribute more to the economy, our program should benefit. As an additional measure, our plan allows a portion of the Social Security Trust Fund to be invested back into the American economy to bolster the system. Let me be clear, this is <u>*not*</u> privatizing. This idea is based on a plan put forth by former Social Security Commissioner Robert Ball and Social Security Works co-director Nancy Altman and is similar to what is currently done in the railroad retirement program, the Federal Reserve Board pension system, and many state pension systems. The investment in a broad-based, diversified index fund would be overseen by an independent board with fiduciary responsibilities and limited to no more than 15% of Trust Fund reserves.

There is currently a $2.8 trillion reserve for Social Security. By investing 15% we can put $420 billion dollars to work for retirees. If the stock market maintains its historical averages, this should double the rate of return that portion of the trust fund currently makes. Of the gains, 80% will be paid out as benificiary bonuses to all recipients and the remainder will be reinvested. The stock market has returned 7% annually over the past century (total return, net of inflation). If the future holds true to the past, the fund could generate almost $30 billion in returns, resulting in a yearly bonus payment of about $420 per beneficiary. Remember, the average beneficiary receives $16,104 a year in benefits, so this bonus payment is equal to about a 3% increase, far outstripping the recent cost of living allowances which were 0.0% for 2016 and 0.3% for 2017.

The best part is this will not negatively affect the benefits guaranteed to individuals as it will be not be count against regular benefits nor cost of living adjustments and the 20% balance will be solely used to bolster the Trust Fund for the future.

4. Tax relief for 10 million people.

We'll also provide tax relief for Social Security beneficiaries due to an increase in the threshold for taxation of Social Security benefits to $50,000 for individuals and $100,000 for joint filers, up from $25,000 and $32,000 respectively, creating a tax break for over 10 million Social Security recipients.

5. Protection for low income workers.

We'll protect low income workers through an increase in the special minimum benefit so that it equals up to 125 percent of the poverty level for an individual. This would be indexed in future years by increases in the average wage level prevailing in the national economy.

There you have it: 5 steps to saving and strengthening Social Security. It is actionable, measurable and can happen if Americans get behind it, which I believe they will.

This plan does not privatize Social Security, it does not cut benefits, nor does it create any sort of means test. What it does is fund Social Security for at least 80 more years, increases benefits tied to the cost of living allowance. The program will increase benefits every year, even if COLA stays flat, because we'll also take into account costs of living associated with three key expenditures that retirees face: health care and prescription drug costs, shelter costs, and food costs--all of which have historically increased year after year. Even with the additional benefits millions of Americans will receive, the program ensures Social Security is solvent for today's retirees and future beneficiaries.

This will require serious effort to educate other members of Congress and to pull senior groups such as AARP and others into the conversation. It's going to require many elected officials to step back and think differently about Social Security. If done correctly, we can show all stakeholders that the political capital gained by helping tens of millions of present and future retirees far outweighs any risk of being seen as a *"big government spender"*, and actually, by supporting this plan you are not one. Instead, elected officials who back this program will be seen as the **saviors of what is arguably the most important social insurance program the United States operates.**

We will be able to obtain buy-in from even conservative politicians concerned about the future of the country because we can show them that increasing Social Security and making it solvent helps those most in need, thus reducing strains on other social services. If they'll open their eyes and ears to something new, expanding Social Security may not be as difficult a task as many would think—particularly when it's combined with a solution to the funding problem.

Most Republicans and many Democrats claim that the trust fund is guaranteed to run out of money. <u>With our plan, that will not happen.</u>

Strengthening Medicare and Medicaid

With all of its benefits to millions of people, Medicare also has flaws. There are still significant gaps in coverage: vision, hearing and routine dental, plus long-term care. Traditional Medicare does not include a cap on out-of-pocket expenses or its own prescription drug benefit. Medicare Advantage adds costs to the system and significantly limits enrollees' provider choices. Assistance for low-income individuals is limited. People who choose traditional Medicare ought to have the same cap on out-of-pocket costs and the same *"one-stop-shopping"* opportunities as people in private Medicare Advantage. Like their counter-parts in Medicare Advantage, people who choose traditional Medicare should be able to obtain prescription drug coverage without having to purchase a separate Part D plan. If supplemental, Medigap insurance continues to be necessary to help with cost-sharing, it should be available and affordable for all people with Medicare, including people with disabilities and pre-existing conditions, which it is not the case in many states.

Our plan is another innovative approach to improving Medicare and Medicaid, which are the primary health insurance and coverage programs for seniors and the disabled.

1. Move to a value-based payment system.

We must stop using traditional fee-for-service payment methods that merely encourage volume, reward inefficiency, penalize clinical performance, and treat providers as piece workers. This is the equivalent of taking your Malibu to the Chevrolet dealer and them getting paid for how many times you bring it in instead of betting paid to fix it!

We can reform provider payment to **align financial incentives with positive clinical performance (quality of care, patient safety, and outcomes)** and cost efficiency – both for the provider's own services as well as the patient's entire episode of care. Congress can guide Medicare and state Medicaid programs, in concert with health plans and self-insured employers, to bring, I believe, at least 75% of all health care spending under value or performance-based payment by 2038. This will provide significant cost savings.

2. Increase market share to the statistically proven best performing providers.

We'll reward the best performing doctors, clinics, and other providers through various network and care management strategies. We'll weed poor performers out of the system by adjusting the co-payment structure so payments to poor performing providers are reduced, while payments to top performers are increased, potentially to the point the patients who seek top-rated performers have zero co-pay.

Given the impact of performance on patient's lives and taxpayer's wallets, charging Medicare beneficiaries the same 20% co-pay to see a high-quality physician as a low-quality doc doesn't make sense. It may have before the days of data-driven, evidence-based measures of quality, safety, and outcomes, but not anymore. Today we have the means to measure medical care that simply wasn't available 30 years ago. Even the variation of the nominal co-pays permitted in Medicaid could make a difference in expenditures and quality of service.

This will help address the problem that most consumers, including seniors, don't check out a provider's quality scores online. Value-based, differential cost sharing is a highly transparent way to drive attention to and understanding of the scores – by both consumers and the providers. It will help patients understand which doctors are better than others—something that is nearly impossible to judge today—and will push physicians, clinics, hospitals, pharmacies and others in the health care chain to ramp up their service levels.

3. Share savings with providers.

Medicare should pay Medicaid long-term care providers incentives or shared savings when they improve outcomes and thereby reduce the need for Medicare-funded acute and post-acute care.

Meanwhile, state Medicaid programs should pay Medicare-funded physicians, hospitals, and post-acute providers incentives or shared savings when their performance reduces or delays the need for Medicaid-financed long-term care services and supports (nursing home, home health, personal care, and non-medical home and community-based services).

Much of the need for long-term care can be prevented or reduced through proper care upstream by physicians, hospitals, and post-acute provider. For example, if a retiree breaks a hip and receives inadequate care, the likelihood she will need Medicaid long-term care skyrockets. **Our plan rewards physicians, hospitals, and post-acute providers for their performance in reducing the need for Medicaid-funded long-term care services and support through tracking how their patients do long after they leave their care.** The federal government can then share Medicaid savings with those Medicare providers that reduce or delay the need for long-term care services and support will improve patient care. Better care means better results and physicians and clinics will rise to serve consumers in improved ways while sub-performing doctors will be forced out of the system. This improves care for everyone.

Conversely, the performance of Medicaid long-term care providers can greatly impact inpatient admissions, emergency department visits, post-acute services paid for by Medicare. Nursing homes, home health agencies, and home and community-based waiver program providers paid by Medicaid have little or no financial incentive to take steps to, for example, prevent a hospitalization paid by Medicare. Similar to how Accountable Care Organizations are compared for their impact on overall per capita spending of patients they serve and allowed to share in any savings, Medicaid long-term care services and support providers should likewise be compared for their impact on Medicare per capita spending on acute and post-acute services.

4. Comprehensive care coordination.

We will work to incorporate comprehensive care coordination and chronic care management in the Medicare benefit package and fee-for-service delivery system, which lags well behind much of the Medicare Advantage delivery model.

5. Focus on prevention of long-term care.

We can enlarge the scope of state long-term care reform efforts to emphasize prevention or minimization of the need for nursing home level of care. Efforts to redesign the Medicaid long-term care services and support system have focused on building up home and community-based services and steering utilization away from institutional, nursing home care. This is certainly essential but again this deals with beneficiaries who are already at or near needing that level of care. Genuine long-term care reform should include large-scale efforts to, where possible, prevent or mitigate situations that generate or increase a person's need for long-term care services and supports in the first place. Home-based care, when done properly, plays a key role in preventing or delaying the need for nursing home or hospice care.

Medication non-compliance is a leading cause of hospitalizations and nursing home admissions by seniors. We must design programs to improve medication adherence as this is a highly cost effective place to start.

When we think of nursing homes and home care, we think of life's inevitabilities. We get old, frailties kick in, and we need assistance with day-to-day living. In most cases, the need for long-term care can be reduced, delayed, or even prevented entirely by ensuring seniors and persons with disabilities get improved primary, acute, and post-acute care.

6. Provide patients an annual benefits report.

Each year, every Medicaid and Medicare beneficiary will receive a personalized report on the benefits they received, including what the providers charged, the government paid on their behalf, what they paid in cost sharing, degree they used recommended preventive services, and how their use and costs compared to their peers (same age, sex, region, health status). For Medicare beneficiaries, it should also show their Medicare costs to date compared to what they contributed during their working years and how this compares to their peers. For children or families in Medicaid, the report would go to the parent, guardian, or head of household.

The report will be a simple, aggregate overview, reader friendly and emphasize use of clean infographics. The annual benefit report can be part of a larger effort to inform Medicare and Medicaid consumers about the performance (quality, safety, outcomes) of providers and to highlight high scoring providers in their community: yet another tactic to improve patient care.

Health care is one of the few industries where the people buying services—the patients—generally have no idea of the costs. By creating an Annual Benefits Report, beneficiaries will become more aware of costs. Yes, a lot of these reports may go straight to the trash, unread, but it's an important first step in empowering and respecting Medicaid and Medicare beneficiaries as consumers.

Many in Congress want to raise the age of eligibility for Medicare. This is a bad idea. It would save the federal government little money in the long-term, raise total health care spending, impose significant financial burdens on many financially vulnerable seniors and impose new costs on businesses and state governments.

7. Restore rebates and discounts.

Under current law, drug manufacturers are required to give rebates or discounts to the Medicaid program for prescription drugs purchased by Medicaid beneficiaries. However, Medicare Part D—the optional prescription drug coverage—does not require similar manufacturer rebates or discounts. Our proposal requires manufacturers to provide Medicare with the same rebates or discounts as those Medicaid receives for drugs purchased by certain low-income Part D enrollees. **Restoring the discounts will save the Medicare program $112 billion over the next decade.** This is a simple and effective way to save money for Medicare and help lower the federal budget deficit.

8. Reduce market exclusivity from 12 to 9 years.

Expensive biologic drugs (medications made from living organisms) are used to treat conditions like cancer, rheumatoid arthritis and multiple sclerosis. These types of drugs currently provide manufacturers with 12 years of exclusive market access before generic versions (known as biosimilars) can enter the market. Our proposal would reduce the exclusivity period to nine years for the Medicare/Medicaid system only, not the general insurance markets. Because generic medications have a lower retail cost, this would save money for Medicare and its beneficiaries. This will encourage lower prices and maximize savings for consumers and Medicare while giving manufacturers a nine year monopoly to recoup their drug development costs.

9. Fix issues around dual eligibles.

About 9 million low-income older and disabled people are covered by both Medicare and Medicaid. These people, called "dual eligibles" are generally a less healthy population, with higher costs and greater health care challenges. All low-income seniors should be encouraged to enroll in a managed care plan to improve the care they receive through better coordination among their many doctors and providers, and lower costs for the Medicare and Medicaid programs. Currently, people with both Medicare and Medicaid receive their health care through two programs, with different rules and different networks of doctors and providers. Better management of care could reduce wasteful or unnecessary use of health services and could reduce medical complications that can lead to more expensive care and treatment. To encourage enrollment, co-pays for the patient could be reduced.

10. Reduce prescription drug costs by implementing our Median Pricing Program.

The United States spends almost $1,000 per person per year on pharmaceutical drugs. That's around 40 percent more than the next highest spender, Canada, and more than twice as much as than countries like France and Germany spend.

Under our Median Pricing Program, if you are a pharmaceutical company and want access to the United States market, no drug provider will be allowed to charge American consumers more than 110% of the average price of their drug worldwide. This will upset Wall Street and the pharmaceutical companies, but it is only fair that Americans not be gouged by drug companies.

The pharmaceutical companies will adapt to earn more revenue overseas which will force them to raise their prices worldwide and not stick Americans with the biggest drug bills. If they want to sell in our market, they have to adhere to this rule.

Under this plan, Celebrex, a popular pain and inflammation drug, would not cost $330, but $132.80 ($120.73 average cost plus 10%). Cymbalta, which millions of Americans take to battle depression and fibromyalgia, would not cost $240, but $76.45 ($69.50 average cost plus 10%).

Enacting a Median Pricing Program requirement would dramatically lower the costs of drugs for the Medicare/Medicaid program and would likely reduce total drug expenditures by more than 40% nationwide.

The importance of trying to pass a Median Pricing Program isn't wed to an *average global price plus 10%* to be effective. It could be an average global price plus 30% and it would still save American families hundreds, if not thousands, of dollars annually.

I'll readily admit I am not an expert on the ins and outs of Medicare/Medicaid programs. I think you'll agree these are good starting points to control costs, improve care, and advance the wellness of beneficiaries. These savings could amount to well over $100 billion for Medicare and Medicaid. With these savings, some managed care plans may even be able to offer additional patient services and support, such as free dental services or access to doctor/nurse help telephone support. The savings could jump-start implementation of telemedicine and remote monitoring of chronic disease, lessening the need for patients to physically travel to doctors' offices and clinics. Most important, combined with changes to fund Social Security, the federal government would finally be taking the lead in lowering health care costs for retirees, the disable, the injured, and all Americans.

Learn more about our Median pricing Program in our policy paper, *"Affordable Health Care"*, available at www.TownsendForNevada.com/downloads.

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Bill Townsend is a candidate for United States House of Representatives in Nevada's 4th Congressional District.

What else can we do to improve the lives of seniors?
E-mail me at **Bill@TownsendForNevada.com**

To learn more about Bill Townsend's policies and our "12 Big Ideas for Nevada," please visit
www.TownsendForNevada.com