



Leadership Council of Aging Organizations

October 16, 2009

United States Senate
Washington, DC 20510

Dear Senator:

As the Senate considers health reform legislation, the undersigned members of the Leadership Council of Aging Organizations (LCAO) urge you to oppose provisions to allow insurance premiums to vary based on age, known as age rating. Data released last week by the Robert Wood Johnson Foundation (RWJF) and the Urban Institute show that age rating makes health insurance unaffordable for many older people, and analysis of markets where age rating is prohibited refutes insurance industry claims that it is needed to prevent premiums from becoming unaffordable for younger adults.

Contrary to arguments put forward by the insurance industry, age rating places unnecessary burdens on seniors. For example, the BlueCross BlueShield Association recently asserted that affordability is more a problem for younger people than for seniors, but the RWJF/Urban Institute study shows that affordability varies only slightly for young people but varies significantly for the 55-64 year old population. Older single adults, most of whom are women, will continue to suffer if age rating is allowed. According to the study, at 400% of the federal poverty level, people aged 55-64 will spend 19% of their annual income on premiums and co-pays, even after subsidies are applied.

We must focus on a way to cover all Americans regardless of age, gender, health status or pre-existing conditions, instead of creating a false choice between generations. Forcing older adults, mainly baby boomers, to pay unaffordable higher premiums undermines the principles of pooling that should make health insurance affordable to everyone. This seems particularly unfair, since baby boomers represent a large pool critical to providing cross-subsides that will keep premiums affordable for everyone. Moreover, age rating does not exist in large group employer sponsored coverage or the Federal Employees Health Benefit Program. This alone is evidence enough that insurers do not need age rating to manage premium costs, and a practice that is good enough for Members of Congress should be a minimum standard for everyone.

The Leadership Council of Aging Organizations is very concerned that older adults will not be able to afford coverage if they are charged two to four times the rate of younger adults. The study released by the Urban Institute notes that more than 90% of young adults age 18-24 enrolling in coverage through the exchange would be eligible for income-related subsidies, thereby protecting them from the full effects of broader based sharing of health care costs with their older counterparts. Given that pre-tax median annual income of uninsured 50-64 year olds

is just \$30,000 – only slightly higher than the \$28,500 median for younger uninsured individuals – nearly as high a percentage of older Americans would also receive income related subsidies. For those eligible for premium subsidies, additional taxpayer dollars will flow to insurance companies employing age rating. For those just over the level of subsidy eligibility, premiums will remain prohibitively high if age rating is allowed.

As you may know, New York requires private insurers to use true community rating for health insurance policies sold in the individual and small group markets. Research published in the American Economic Review in 2002 shows that while premiums increased for some younger Americans and decreased significantly for older Americans, premiums did not show the extraordinary increases of 69% some insurers are suggesting they will apply. Community rating did not result in younger people being unable to afford insurance or in those people choosing not to purchase coverage, though it did make premiums more affordable for many New Yorkers and show that spreading risk evenly works. Further, the implementation of community rating did not result in fewer people purchasing coverage, and because of low-income subsidies, more people were able to afford the coverage they needed.

LCAO supports comprehensive health care reforms and urges the Senate to meet the goal of eliminating discrimination in health care. We urge you to oppose age rating to ensure affordable premiums for everyone regardless of age – older Americans deserve nothing less. We look forward to continuing to work with Congress to enact legislation this year that would cover all Americans and improve quality and value throughout the system.

Sincerely,

AFSCME Retirees

Alliance for Retired Americans

American Federation of Teachers Program on Retirement and Retirees

American Society of Consultant Pharmacists

Association for Gerontology and Human Development

In Historically Black Colleges and Universities

Association of Jewish Aging Services of North America

B'Nai B'Rith International

Center for Medicare Advocacy, Inc.

Easter Seals

The Gerontological Society of America

Gray Panthers

Lutheran Services in America

National Academy of Elder Law Attorneys

National Active and Retired Federal Employees Association

National Alliance for Caregiving

National Association of Area Agencies on Aging

National Association of Nutrition and Aging Services Programs

National Association of Professional Geriatric Care Managers

National Association of State Long-Term Care Ombudsman Programs

National Association of State Units on Aging

National Committee to Preserve Social Security and Medicare
National Osteoporosis Foundation
National Senior Citizens Law Center
National Senior Corps Association
NCCNHR: The National Consumer Voice for Quality Long-Term Care
OWL - The Voice of Midlife and Older Women
Service Employees International Union
Wider Opportunities for Women (WOW)