



U.S. REPRESENTATIVE · 4TH CONGRESSIONAL DISTRICT · OREGON

PETER DEFAZIO

SENIOR REPORT

Congress of the United States
House of Representatives
July 2010

Dear Friend,

Everywhere I go, traveling the district in Southwest Oregon or at my local Bi-Mart in Springfield, seniors and others concerned with the recent health care reform stop me with questions. I've personally spoken with hundreds of people, and thousands more have written or called my office. The majority of this newsletter will be directed to answering those questions.

One point must be made absolutely clear at the outset: Medicare benefits will improve for the 580,000 seniors and Medicare beneficiaries in Oregon. I would not have voted for the health care reform bill without these needed reforms for Medicare and Oregon's seniors.

Doctors get paid by Medicare to care for seniors. How much they get paid is determined by a formula that has two major problems. The first problem is the 21 percent cut in payments to doctors across the nation that was threatened in June. That 21 percent cut is a problem that originated in a 1997 law (see **21 Percent Cut for Medicare Reimbursements?** below). The second problem is a geographic disparity that further reduces payments to doctors in Oregon and 16 other states (see **Health Care Reform, Medicare and Seniors** on page 2). The health care reform bill resolved the geographic disparities and Congress recently addressed the 21 percent cut in separate legislation.

There has also been a lot of discussion about billions of dollars in so called "cuts" to Medicare. The truth is these "cuts" will eliminate billions in on-going, organized fraud and unwarranted entitlements to pharmaceutical and insurance companies; and excessive Medicare and Medicare Advantage payments in Florida, Massachusetts, New York, and other extremely high cost states. **There will be no cuts to Medicare benefits.** The Medicare plans in those states have been allowed to pay up to three times the Oregon allowances for identical treatment (see **Medicare Advantage** on page 2).

All Medicare recipients will be eligible to receive free yearly physicals, and all co-pays will be eliminated for preventative services such as cancer, glaucoma, cardiovascular, diabetes screenings, and flu shots beginning in 2011. Later this year, reforms to the Part D program will begin to phase out the Medicare "donut hole" and lower drug costs for seniors (see **Prescription Drug Reform** on page 2).

I have heard many questions about the lack of a cost-of-living-adjustment (COLA) for Social Security recipients this year. Read about my efforts to get a one-time COLA for seniors and veterans and fix the formula so this doesn't happen again (see **Fixing the Social Security COLA** on page 3).

Oregon and many other states continue to suffer in the severe economic recession triggered by big investment banks and insurance companies on Wall Street. Congress must restore regulations to prevent massive speculation—some would say gambling—by the likes of Goldman Sachs. We need to get our taxpayer bailout money back and put some of these white collar criminals in jail (see **Wall Street Reform to Protect Your Retirement Years** on page 4).

If you have a problem with a federal agency, my staff and I are ready to help. Please call 1-800-944-9603 for assistance.

21 Percent Cut for Medicare Reimbursements?

My office has received numerous calls and letters from seniors wondering why their doctors are warning them about a 21 percent cut to Medicare payments in mid June. In 1997, a bill written by a Republican Congress and signed into law by President Clinton, established a flawed Medicare payment schedule to pay doctors. I voted against that law because I was convinced it would lead to unjustified cuts to physician payments. That is exactly what happened. **This has nothing to do with the recently passed health care reform legislation.**

Fortunately, Congress delayed these devastating cuts for more than a decade. I am glad that the House and Senate have passed yet another delay to these cuts through November. It is a start but it is not good enough. We cannot keep delaying this problem. We need to start over with a payment structure that fairly compensates doctors for their work. Last fall I voted for H.R. 3961, *the Medicare Physician Payment Reform Act of 2009*, which would have *permanently* ended the ongoing threat of huge payment cuts to doctors, but it was blocked in the Senate by Republicans.

Health Care Reform, Medicare and Seniors

First, let me be clear, there will be no cuts to Medicare benefits for Oregon seniors as a result of the recently passed health insurance reform bill. In fact, the bill will actually improve benefits and access to health care for 137,000 seniors on Medicare in Southwest Oregon and 580,000 statewide, according to the U.S. Census.

Improving Access to Medicare

The number one complaint I hear from seniors is how hard it is for them to find a doctor that will take new Medicare patients. It's been reported that there is a two year wait to get a new doctor in Florence. This is a result of a broken Medicare reimbursement formula that pays Oregon doctors, and doctors in 16 other states, considerably less than doctors on the east coast and in Texas. In Southwest Oregon the average Medicare spending per person was just above \$6,000 in 2007 compared to over \$17,000 in Miami, Florida, and over \$12,000 in New York City *for the same services* according to the Dartmouth Institute for Health Policy. This year the reform will begin to improve access to health care for Oregon seniors by fixing the broken formula so Oregon doctors are paid a fair rate.

I was a leader in a coalition that hammered out a fix to the unfair reimbursement formula after months of tough negotiations. **This negotiated fix was stripped from the legislation by a group of powerful east coast senators just days before the final vote. That is when I stood up and made it clear to congressional leaders and the president that if Medicare reimbursements weren't fixed I, and some of my colleagues, would not support this legislation.**

As a result, the language was restored and beginning later this year there will be a temporary increase Medicare payments for hospitals and doctors in Oregon and other states that are currently underpaid. A permanent fix to these "geographic disparities" in Medicare will be enacted in December of 2012. Every study done of this problem points to the need for higher reimbursements in Oregon and 16 other low cost states and a reduction in the excessive reimbursements in the high cost states. The Oregon Medical Association, the Oregon Hospital Association, and the Lane County Medical Society have stated these changes will improve access to health care for seniors on Medicare throughout Oregon.

Prescription Drug Reform

In 2003, the Medicare Part D Prescription Drug Program was passed by the Republican majority and signed into law by President Bush. I supported an alternative that would have provided a low cost drug benefit by allowing the government to negotiate drug prices. Instead we were saddled with a \$700 billion subsidy to the pharmaceutical and insurance industries that left seniors with the dreaded Part D "donut hole."

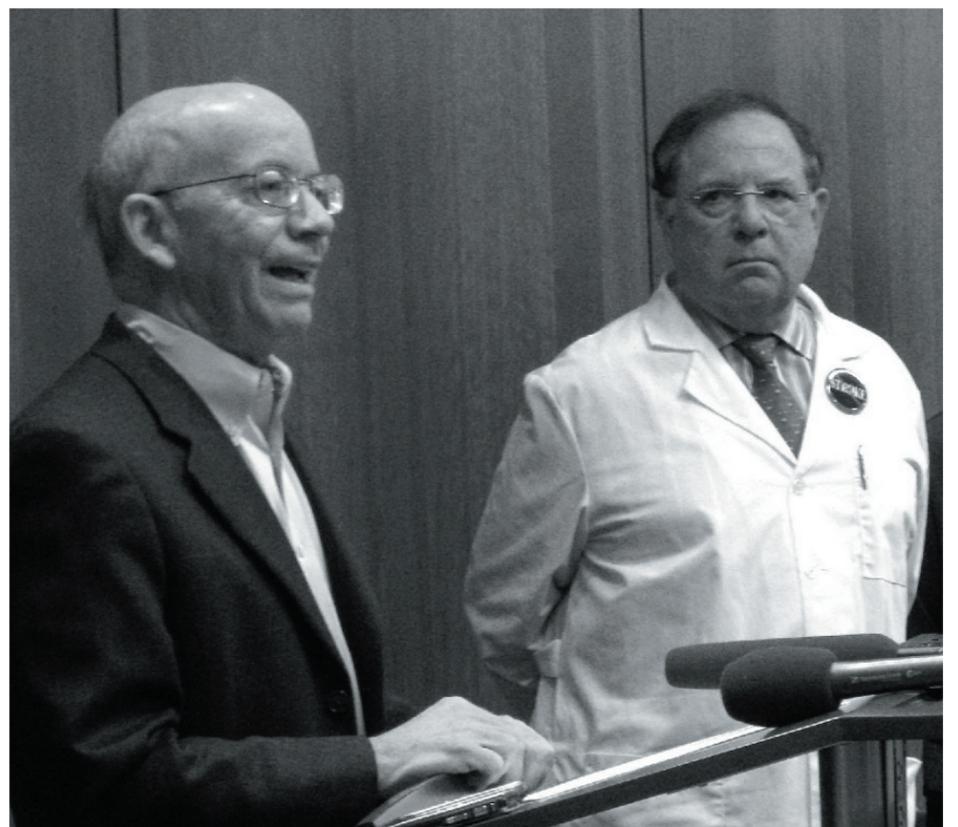
The health reform law will immediately begin to phase out the donut hole. Seniors who enter into the "donut hole" this year will receive a \$250 rebate. In 2011, seniors on Medicare will get a 50 percent rebate for brand name drugs as the donut hole is being phased out. These reforms will benefit more than 14,000 seniors in southwest Oregon that fall into the donut hole each year, according to the Centers for Medicare and Medicaid Services.

New Preventive Services

Starting next year, Medicare will offer a free yearly physical and eliminate all co-pays for preventative services, such as cancer, glaucoma, cardiovascular and diabetes screenings, and flu shots. No co-pays mean more seniors will get the services they need and many will get treatment earlier. These changes will improve the health of seniors, and healthier seniors will save the Medicare system money.

Medicare Advantage

There has been a lot of misinformation about changes to Medicare Advantage plans. The fact is that I support quality, affordable Medicare Advantage plans, like many of the ones we have in Oregon. There are Medicare plans in Florida, New York, and Boston that are hugely profitable, deliver dubious results, and cost Medicare billions of dollars in excessive payments. Those plans are the target of reform. The situation is different here in Oregon. **The majority of Oregon's Medicare Advantage plans are more efficient and high quality, which means they will actually receive bonus payments that will be used to provide extra benefits to seniors. This bill will actually improve Medicare coverage and protect beneficiaries, while eliminating overpayments to high cost, poorly performing plans, commonly seen on the east coast.**



Congressman DeFazio speaks in Eugene about the newly passed health care reform law.

More Primary Care Providers

Rural Oregon suffers from a lack of primary care doctors. According to the National Rural Health Association, only nine percent of physicians practice in rural America, but 20 percent of the population lives there. There is also a serious shortage of nurses and home health care aides. The bill begins to correct these problems by providing tuition incentives for people who enter these fields and increased payments for primary care physicians who practice in rural areas. The bill also includes funding to increase the number of community health centers, which are vital to affordable, accessible health care in some parts of Oregon.

Saving the Medicare Trust Fund

Before the health reform bill was passed, Medicare experts predicted that by 2017 Medicare would not have enough money to pay all of its bills. With the reforms in this legislation, particularly the cuts in the gold plated east coast Medicare Advantage plans, and elimination of fraud and abuse in Medicare that were long overdue, it is estimated that the trust fund will now remain solvent at least until 2026. Congress still needs to address the long-term solvency of Medicare, but the bill does give us some breathing room to come up with a long-term solution.

Fixing the Social Security COLA

Seniors will not be getting a Social Security cost-of-living-adjustment (COLA) this year. This is outrageous. Seniors need a COLA to help keep up with the rising costs of prescription drugs and other expenses.

In response to the lack of a COLA in 2010, I have introduced H.R. 3810, the Emergency Senior Citizens Relief Act. My bill would provide a one-time \$250 payment for Social Security recipients and veterans receiving pensions. The payment would not draw down the Social Security Trust Fund because it would be paid for by applying the Social Security tax to incomes above \$1.3 million, which are currently exempt. The one-time payment has received support from President Obama and numerous senior groups. However, congressional leaders have not yet passed this much-needed bill.

If seniors do not get a COLA this year, neither should Members of Congress. While it is good news that Congress already voted to block pay raises and COLAs for themselves in 2010 and 2011, I vowed years ago not to take pay raises while the government is running up huge deficits.

I have long criticized the formula used to calculate COLAs for Social Security beneficiaries. The current formulation does not accurately take into account the necessary purchases by seniors, who spend a disproportionate amount of their income on prescription drugs and health care. To remedy this, I have written and introduced H.R. 2365, which would base Social Security COLA's on the real things seniors purchase and use making the formula more accurate.



Congressman DeFazio speaks with Lorna Fischer of Albany after receiving a Bronze Star Medal for her late Husband.

Join my Telephone Town Hall

In the near future I intend to have a Telephone Town Hall. It is a chance to bring together thousands of Oregonians onto one large conference call where they can ask questions and hear more about issues before Congress.

Due to Oregon's Do-Not Call law, only people who contact my office wanting to participate, or who have not signed up on the Do Not Call registry can be included. If you would like to participate, please contact my office by calling 800-944-9603 or via email by going to www.defazio.house.gov. Leave your name and phone number so you can be included on the call.



Wall Street Reform to Protect Your Retirement Years

The recession is hurting older Americans on many fronts. Many are watching their children and grandchildren struggle with unemployment and foreclosures while dealing with the severe impact the recession is having on their own lives, including the perverse loss of a Social Security COLA.

Some seniors have had to delay retirement and keep working to pay their bills. Other seniors have lost their jobs and had to tap into Social Security before they planned to, which means smaller Social Security checks. According to the Urban Institute, the number of unemployed people ages 55 and older more than doubled from November 2007 to August 2009. Seniors have also seen their retirement savings dwindle thanks to near zero interest rates and major losses in pensions and 401k retirement savings.

What Happened?

Both the Clinton and Bush administration repealed critical New Deal reforms enacted in response to the Great Depression. **I opposed the 1999 repeal of Glass-Steagall, a Roosevelt era piece of legislation, that had successfully prevented Wall Street investment companies from intermingling with banking institutions.** The repeal allowed Wall Street banks to gamble their customers' money and federally insured deposits in high risk investments and speculative financial schemes. As speculators developed increasingly elaborate profit schemes, the financial underpinnings of the economy eroded. **The repeal of Glass-Steagel and other regulations allowed a flood of mergers and buyouts that created Wall Street financial firms deemed "too big to fail."** This should not have been allowed and must be stopped.

Wall Street Bailout Fiasco

The previous Republican administration poured \$700 billion into a bailout plan with no strings attached. **I voted against it.** The bailout did nothing to rebuild the crumbling foundations of our real economy. Despite the massive taxpayer bailout, businesses still closed, and millions lost their jobs, homes, and retirement as our nation plunged into a great recession.

The bailout jeopardized the nation's financial future by borrowing \$700 billion – \$2,300 for every man, woman, and child – and transferring it to Wall Street financiers. There were no conditions on the bailout funds, and the Treasury Department did not properly monitor the use of funds. Astoundingly, the Bush administration insisted some of the bailout money be used to encourage more bank mergers rather than increasing the availability of credit for consumers and small businesses. To add insult to injury, many of the banks have refused to reveal how they used the funds.

The previous Republican administration also almost doubled the federal debt to a whopping \$10.6 trillion. The Obama Administration's stimulus bill, which I also opposed, added another \$787 billion to the debt. **This debt threatens our economic future, puts a huge burden on our children and grandchildren, and hinders a sustained economic recovery.**

Last year, I urged President Obama to fire his Wall Street oriented economic team and bring in some practical main street minded economists. The administration is now finally beginning to reassert the regulatory tools needed to tame Wall Street. The Securities and Exchange Commission (SEC) recently charged Goldman Sachs, a Wall Street megabank, with fraud for its role in gambling on the housing market. I led 60 members of Congress in a letter that urges the SEC to investigate Goldman Sachs for similar bets made with AIG, the recipient of a \$180 billion bailout. Goldman Sachs pocketed \$12.9 billion of these taxpayer funds. The taxpayers deserve to get their money back.

Next Steps:

I support the *Wall Street Reform and Consumer Protection Act*, legislation to address many of the practices that created our current financial crisis. However, more must be done to protect working class families from Wall Street greed. To help rein in Wall Street, I recently introduced H.R. 4191, the Let Wall Street Pay for the Restoration of Main Street Act. The bill would levy a small tax on certain financial transactions. This tax exempts average investors and retirees and is designed to stabilize the market by targeting high volume speculative traders. This tax has little or no impact on anyone but major players on Wall Street. Half of the revenues generated would be redirected to investments that put people back to work, and the other half would be used to help pay down the federal debt.

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