Congress of the United States
Washington, DC 20515

July 8, 2011

The President
The White House
Washington, DC 20500

Dear Mr. President:

While we understand the immediate need to address the debt ceiling to a meet our obligations, we urge you to protect Medicare, Medicaid, and Social Security by keeping these important programs off the bargaining table. Making cuts to Social Security, veteran, disability, or children's benefits is a short-sighted economic policy that would perpetuate the myth that Social Security is a contributor to our national debt. Furthermore, we urge you to reject application of the chained Consumer Price Index (CPI) for purposes of calculating Social Security, veterans, and disability benefits cost-of-living adjustments (COLA) in your negotiations on raising the debt ceiling or reducing deficit spending.

The evidence is clear. Social Security has a $2.7 trillion surplus in 2011 that is projected to grow to $3.7 trillion by 2022, and is therefore not a contributing factor to our national debt.[1] Make no mistake, the chained CPI is a benefit cut for current and future beneficiaries. While we strongly support efforts to reduce our federal debt and curb deficit spending, we do not believe balancing our nation's budget should be done on the backs of seniors, veterans, the disabled, or children. Applying the chained CPI to current government benefit programs would cause deep cuts to current beneficiaries.

The modest average annual benefit of $13,000 a year for most beneficiaries and $14,000 for retirees is already declining in value because of the rising retirement age, the lack of a COLA adjustment for the past two years, and increasing Medicare Part B premiums. As a result, Social Security's replacement rate for the average worker is projected to go down from 39 percent in 2009 to 32 percent in 2030.[2]

If adopted, the chained CPI would:

- Further reduce Social Security benefits for current and future beneficiaries and would significantly jeopardize their economic security;
- Cut benefits more with each passing year, reducing annual benefits for an average earner by $1,000, and more than $10,000 in accumulated benefits, when the beneficiary reaches age 85;[3] and

[1] Social Security Trustees, "Table VI.F8- Operations of the Combined OASI and DI Trust Funds, in Current Dollars, Calendar Years 2011-86," in *Single-Year Tables*, 2011. Available at http://www.ssa.gov/oact/TR/2011/lr6f8.html
[2] National Academy of Social Insurance (NASI). *Fixing Social Security: Adequate Benefits, Adequate Financing*, October 2009, p. 2. Available at http://www.nasi.org/sites/default/files/research/Fixing_Social_Security.pdf
[3] Social Security Works (SSW) analysis of estimates by the Office of the Chief Actuary of the Social Security Administration (SSA). All amounts in this analysis are calculated using constant 2011 dollars. Inflation is accounted for by factoring out the CPI-W rate of increase, since this is the current measure the SSA uses to compute inflation for Social Security benefits. Average rates of increase for the CPI-W (2.8%) deduced from the SSA analysis of H.R. 5834, the "Preserving Our Promise to Seniors Act," October 8, 2010, available here: http://ssa.gov/oact/solvency/TDeutch_20101008.pdf. The rate of increase for the chained CPI (2.5%) can be deduced from the SSA analysis of an illustrative proposal commissioned by Rep. Earl Pomeroy, October 18, 2010, available here: http://ssa.gov/oact/solvency/EPomeroy_20101018.pdf.

- Result in harmful consequences particularly to minority and underrepresented communities, affecting some of our most vulnerable populations including, African Americans, Latinos and other minority communities, who tend to have lower income earnings throughout their lifetime, our seniors, who are disproportionately women, and individuals who become disabled early in life but live long lives despite the disability.[4]

In addition, the chained CPI is a less accurate measure of inflation for people on fixed incomes, especially retirees and disabled workers who make up the vast majority of Social Security beneficiaries. The chained CPI assumes that people will substitute for cheaper products as prices increase, however, that is not true of the elderly and disabled receiving Social Security benefits. There is no cheaper option or substitution for rising health care costs, which are often twice as large for the elderly and disabled as are those of the rest of the population. Unlike routine discretionary expenditures, health care cannot be substituted or short-changed. Under the chained CPI, Social Security benefits would grow at a rate that fails to keep pace with healthcare costs.

The existing consumer price index formula already understates the market-based expenses of seniors, and has resulted in no COLA increase the past two years. Instead of adopting the chained CPI, we urge you in your negotiations to insist upon the Consumer Price Index for the Elderly (CPI-E). The CPI-E gives greater weight to medical care and housing costs, more accurately reflecting the expenses of the elderly. From 1983 to 2007, the CPI-E grew faster than the CPI-W, increasing 126.5 percent, while the CPI-W rose just 110 percent.[5]

While a responsible deficit reduction plan is vital to our nation's sustainability, the chained CPI will result in detrimental cuts and harm Social Security beneficiaries, while not addressing the real problem of growing health care costs.

Social Security is a decades-old promise to the American worker for years of hard work and contributions to ensure dignity in retirement, disability, or to support their surviving children. Cutting Social Security's already modest benefits is unacceptable and we will reject any legislation that extends the chained CPI to Social Security, veteran and disability, or children's benefits. These are the Americans who are most deserving of our support.

Thank you for your consideration and we look forward to working with you at a future time to strengthen Social Security for our today's seniors and future generations. Below are the

Sincerely,

Donna F. Edwards

Donna F. Edwards
Member of Congress

[4] Data on higher rates of poverty for older seniors from John A. Turner, "Longevity Insurance: Strengthening Social Security at Advanced Ages," in *Strengthening Social Security for Vulnerable Groups*, 2009, pp. 45-46. Available at http://www.nasi.org/sites/default/files/research/Strengthening_Social_Security_for_Vulnerable_Groups.pdf

[5] Kenneth J. Stewart, "The experimental consumer price index for elderly Americans (CPI-E): 1982-2007," Monthly Labor Review Online, May, 2008. Available at http://www.bls.gov/opub/mlr/2008/04/art2exc.htm