

# What Does the Fiscal Cliff Debate Mean for Virginians' Retirement Security?

*AARP's By-the-Numbers Analysis Shows*

*What a Last-Minute Budget Deal Could Mean for Millions of Virginia Seniors*

**RICHMOND** – With the **Dec. 31** deadline to address expiring tax and spending cuts looming, many people across the nation and here in Virginia are left wondering what Washington's budget debate means for them. Unfortunately, some in Washington are considering cramming changes to Medicare and Social Security into a year-end budget deal. Today, AARP is providing a breakdown of the impact a shortsighted budget deal could have on the health and retirement security of Virginia seniors and their kids and grandkids.

## **Social Security by the numbers in Virginia and what a last-minute budget deal could mean:**

In Virginia, more than 900,000 seniors currently receive Social Security for an average annual benefit of \$14,100. Social Security makes up about 53 percent of the typical older Virginian's income, lifting 28 percent out of poverty. In addition, it pumps \$17.4 billion into the state economy. Changing the way cost of living adjustments (COLA) are calculated for Social Security beneficiaries by moving to a chained consumer price index, which is on the table in debt deal discussions, cuts benefits by taking roughly \$2.7 billion out of the pockets of Virginia's Social Security beneficiaries over the next 10 years – and \$112 billion for beneficiaries nationwide.

“The current Social Security COLA already understates what an average older Virginian spends and purchases each month. Assuming that most people receiving Social Security, who are already just getting by, will simply ‘trade down’ in their spending on prescription drugs, utilities and other fixed expenses for lower cost options is out of touch with reality,” said AARP Virginia State Director Bill Kallio. “Americans have worked too hard to earn their benefits to end up getting pushed over the edge in a fiscal cliff deal. Social Security is not a cause of the budget deficit and it shouldn't be used to solve it.”

## **Medicare by the numbers in Virginia and what a last-minute budget deal could mean:**

More than 950,000 Virginians are enrolled in Medicare, spending 13 percent or \$4,200 on out-of-pocket medical expenses. In 2011, Medicare spent more than \$8.2 billion on health care services in Virginia. The move being considered by Congress to raise the eligibility age from 65 to 67 would leave nearly 135,000 Virginians without health coverage (based on current beneficiary data), forcing them into the private insurance market, which is estimated to cost them an additional \$2200 per year\*. And, removing the youngest and healthiest older Americans from the Medicare risk pool will increase premiums for those remaining in the program.

“Raising the Medicare eligibility age would dramatically increase costs for recently retired and soon-to-retire seniors, drive up premiums for those enrolled in Medicare and increase overall health care costs,” Kallio said. “Seniors deserve guaranteed coverage, not higher costs.”

AARP looks forward to working with legislators on both sides of the aisle on proposals that strengthen Social Security and Medicare for all generations, but not by cramming changes to these vital programs into a last-minute deal that could harm all of us.

\*Kaiser Family Foundation study: <http://www.kff.org/medicare/med032911nr.cfm>

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