

Gov. Christie Outlines Entitlement Reform Proposal Centered on Fairness

Starts National Conversation With 12-Point Plan To Reform Social Security, Medicare, Medicaid, and Disability

Governor Christie has laid out a comprehensive series of proposals to reform entitlement spending, ensuring that America's safety net will continue to exist for today's seniors and future generations, while at the same time helping to reduce the explosion of national debt and demand for higher taxes that unrestrained growth of these entitlement programs will create. In total, the Governor's proposals will reduce the growth of entitlements by over \$ 1 trillion over the next 10 years.

SOCIAL SECURITY

Ensuring Economic Security For Future Generations of Seniors

Social Security has provided a critical safety net by helping millions of seniors to retire free from fear of falling into poverty. However, Security is not only the largest entitlement, but the largest federal program, with projected spending of \$896 billion in the current fiscal year. While it is not growing as fast as Medicaid or Medicare, it is slowly working its way to insolvency – which the actuaries say will come in the early 2030s, less than 20 years from now. With the program's trust fund on pace to be fully depleted in less than two decades, the challenge before us today is how to ensure this program can continue to provide that same level of economic security when today's children and grandchildren are ready to retire.

- **Social Security As Retirement Insurance:** Social Security exists so America's seniors, after a lifetime of hard work, don't fall into poverty. Governor Christie is proposing that Americans pay into this system throughout the course of their life knowing it will be there if they need it to support them, but if they are fortunate enough not to need it, they will have paid into a system that will continue to help Americans who need it most. This proposal will not impact current retirees, and will be phased-in gradually.
 - Future retirees with income - outside of SS benefits - up to \$80,000 a year will receive full regular benefits.
 - Future retirees with income of \$80,000 or more will receive benefits on a sliding scale, and benefits phase out entirely for those that have \$200,000 a year of other income.
 - For couples, these thresholds would be higher.
- **Raising The Normal Retirement Age To 69:** Americans are living longer and more productive lives today than at any point in our history. This development is an overwhelmingly positive one for our nation and our economy and the retirement system must be adjusted to reflect these new gains in longevity. Governor Christie is proposing to raise the retirement age to 69, gradually implementing this change starting in 2022 and increasing the retirement age by 2 months each year until it reaches 69.
 - Under current law, the Normal Retirement Age (NRA) is on track to increase to 67 for new retirees by 2022, but we must go further. Starting in 2022, the NRA will increase 2 months per year until it reaches 69, at which point it will be indexed to gains in longevity.
 - **Increasing The Early Retirement To 64:** Governor Christie is also proposing to raise the Early Retirement Age at a similar pace -- raising it by 2 months per year until it reaches 64 from the current level of 62.
- **Encouraging Work By Reducing Payroll Taxes For Working Seniors:** Governor Christie proposes eliminating the payroll tax to reward hard-working seniors who choose to stay in the workforce once they reach the early retirement age. Seniors who keep working past the age 62 have paid their fair share to the government and should no longer be taxed. This will have the effect of expanding the U.S. labor force and growing the U.S. economy.
- **More Accurately Measuring Inflation, While Giving Seniors Over 85 Added Protection:** Governor Christie proposes Social Security growth be based on the true growth in the cost of living (a concept economists call Chained-Consumer Price Index). To provide added protection for the elderly who are most impacted by fluctuations in consumer prices, a one-time 5 percent increase in monthly benefits will be provided to all beneficiaries when they reach the age of 85.

MEDICARE

Protecting Health Benefits For Today's And Tomorrow's Seniors

Medicare spending growth is placing an inescapable burden on future generations and failing to produce high-quality health care results for our seniors. In order to make these programs fiscally solvent for future generations and improve the kind of health care services and treatment those utilizing these programs receive, Governor Christie proposes keeping it simple - if you can afford to pay more for your health benefits you will and if you can't, you won't.

- **Expanding Existing Premium Means Testing:** Governor Christie proposes expanding the existing sliding scale for Medicare premiums for higher-income seniors.
 - Seniors with a \$85,000 a year income will pay 40% of premium costs, increasing it to 90% above \$196,000 a year.
 - Greater cost-sharing through higher income-related premiums will also be applied to the drug prescription program Medicare Part D.
- **Raising The Eligibility Age At A Gradual Rate:** Just as with Social Security, the Medicare program must be adjusted to reflect the longer, healthier and more productive lives Americans are living. Governor Christie proposes increasing the Medicare eligibility by one month per year so that by 2040 it would be 67 years old, and by 2064 would be 69 years old.
- **Creating Uniform, Single Combined Deductible:** The current rules for cost-sharing under Medicare are complicated and inconsistent, with different deductibles and levels of cost-sharing depending on the service provided and where it is provided. Governor Christie proposes making the rules simpler and less confusing.
 - Creating a uniform single annual deductible of \$550, with a uniform coinsurance rate of 20% above the deductible.
 - Providing catastrophic protection for seniors with just a 5% cost-share after out of pocket expenses reach \$5,500 in a year, and a hard cap of \$7,500 a year in cost-sharing. This will save money for the Medicare system while also providing greater protection against catastrophic costs for seniors.

MEDICAID

Empowering States To Focus On Better Services For The Individual

Medicaid now covers over 70 million Americans who are poor, disabled, or elderly. At the same time spending for this program is set to grow by 87% percent over the next decade, from \$305 billion at the Federal level to over \$570 billion. Governor Christie proposes making the program less complicated, easier and more focused on how to serve people.

- **Providing States with a Per Capita Allocation To Fund The Program:** Under Governor Christie's proposal, per capita caps are indexed to the number of enrollees in Medicaid, giving each state a set amount of funds per individual enrollee. The Governor also proposes to adjust this amount for inflation going forward. Under such an arrangement, Medicaid would continue to provide more funding for states and low-income individuals when the economy is doing poorly and unemployment increases. By implementing a per capita cap system, all states will have increased freedom to tailor Medicaid programs to their citizens in the best-suited manner for their state.
 - **Simplifying the Cumbersome Waiver Process:** Under the current system, states have to wait months to receive waiver approval in order to shape their Medicaid program to fit the specific needs of their state and people. The Governor is calling for a simplified waiver process where "waiver templates" of what has worked in one state, to make them easy to approve in another.
- **Better Coordinating Care For Dual Eligibles:** Over 9 million low-income seniors and individuals with disabilities are enrolled in both Medicare and Medicaid. And while these individuals represent just 13% of enrollees in either program, they account for 27% of all Medicare spending and 40% of Medicaid spending. These individuals would be better served if they received their coverage through a managed care organization. This will allow the services provided to them to be better coordinated through singular oversight across the spectrum of health care funding streams.
- **Requiring a Modest Copay for Those Above the Poverty Line.** Governor Christie proposes that those Medicaid with incomes above 100% of the Federal Poverty Level (FPL) would have a \$10 copay for a doctor's visit and a \$20 copay for a hospital visit. This will introduce economics into the health care purchase decision and encourage rational use of health care resources.

DISABILITY INSURANCE

Refocusing Assistance To Put People Back to Work

Reforming Disability Insurance (DI) is an urgent challenge. The DI trust fund will become insolvent next year. President Obama and the Democrats' solution is to make up the difference by using retirement fund payroll tax revenues without requiring reform. This is the opposite of a long-term solution. The best way to save this program and ensure it has the necessary resources to assist those who need it is by focusing on ways to help those beneficiaries who can keep working to return to the workforce and encouraging rehabilitation in lieu of permanent disability.

- **Focusing On Remaining In The Workforce:** Similar to reforms enacted in The Netherlands, for individuals applying for disability benefits the goal should be to find solutions that keep people in the labor force and living productive lives. Reforms in The Netherlands have had the effect of reducing the flow of new disability beneficiaries by 60% in 6 years.
 - **Workplace Solutions And Rehabilitation:** Require applicants to first work directly with employers and rehabilitation specialists to create a plan and explore alternatives and accommodations that can be made to address their specific needs in their current workplace.
 - **Employer Incentives:** Offer tax incentives that encourage employers to invest in prevention, accommodation and rehabilitation services for their workers as well as to provide short-term private disability insurance.
- **Incentivizing Individuals To Get Back To Work:** Governor Christie proposes reforming the DI program to encourage people to get back into the workforce by speeding up the qualification review process, updating the requirements for recency of work and for returning to work, as well as increasing funding for continuing reviews. At the same time the program should encourage vocational rehab, wage subsidies and preventive care services to keep an individual working with additional support.