

Congressman **Bob Lagomarsino's** **SOCIAL SECURITY AND HEALTH CARE UPDATE**

WASHINGTON OFFICE: 2332 Rayburn House Office Building • Washington, D.C. 20515 • (202) 225-3601

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Dear Friends,

As your representative in Congress, I want you to know that I am very much aware of the financial difficulties facing those on fixed incomes. While Congress must bring the budget under control in order to fight inflation, I do not believe that any of the federal retirement programs should be reduced in the process. In fact, since coming to Congress, I have never supported any effort to reduce or delay Social Security cost-of-living allowances. I have a proven record of service to the elderly, and support for those programs that effectively meet their needs. I have repeatedly voted against legislation burdensome to retired persons. My legislative record consistently reflects a commitment to helping seniors live comfortable and productive lives. The following are my thoughts on various issues that may be of interest to you.

Sincerely,

ROBERT J. LAGOMARSINO
Member of Congress

The Social Security Notch Problem

In 1977 Congress passed legislation, which President Carter signed into law, to revise the 1972 Social Security benefit computation formula. As a result, individuals born months, weeks, and even days apart receive widely disparate benefits. I voted against this bill. It represents a terrible breach of faith. Millions of Americans, who have worked long and hard for their benefits, suddenly find them arbitrarily reduced by substantial amounts. While I recognize and support the need to revise the faulty 1972 formula, I firmly believe there must be a fairer, more equitable solution than that adopted in 1977.

In an effort to remedy this disparity, I have cosponsored H.R. 1721, a fair and fiscally sound bill that allows for a uniform phase-in of notch benefits to people born between 1917 and 1921. The bill is a reasonable and responsible approach to the problem which would not unfairly tax current contributors to Social Security. I have also cosponsored H.Con.Res. 15 and H.Con.Res. 72, which direct the Commissioner of Social Security and the Secretary of Health

and Human Services to conduct a study of the notch problem and report back to Congress with recommendations on alternative ways in which it can be eliminated.



Congressman Lagomarsino (left) discusses the health care needs of America's senior citizens with Ed Durbin (center) and Howard and Phyllis Havens (right) of Ventura.

Senior Health Care Update

The most important action taken by Congress this year on health care for the elderly was passage of the **Medicare Catastrophic Coverage Act of 1988**. This legislation, which evolved over a period of two years from a bill originally proposed by Dr. Otis Bowen, Secretary of Health and Human Services, and endorsed by President Reagan, puts a cap on the amount which Medicare recipients have to pay for doctor and hospital bills, and for the first time, covers prescription drugs. Together these changes should shield senior citizens and disabled individuals from financially catastrophic medical expenses.

The bill, which was correctly described on the House floor as "the most significant federal health insurance legislation since the enactment of Medicare and Medicaid in 1965," was the final result of a House-Senate committee conference which lasted over six months. Although far from perfect, it represented the best efforts of all involved to draft a catastrophic coverage bill. The House passed the bill on June 2 of this year—with my support—and it was subsequently signed into law by President Reagan on July 1.

One failing of the bill, in my view, is the lack of adequate provision for **long-term** health care. I have cosponsored several bills, described elsewhere on these pages, to address the long-term care issue, and have offered my own solution, the National Voluntary Health Insurance Plan. Details of this plan, which is modeled after the Canadian health care plan, are described below.

In the meantime, however, the House was presented with an opportunity to vote on a comprehensive long-term health plan authored by Congressman Claude Pepper of Florida, chairman of the Aging Subcommittee on Health and Long-Term Care. The bill is controversial, but it provides a vehicle for addressing the issue. On June 8, six days after passage of the catastrophic care bill, a motion was offered on the House floor to allow the Pepper bill to be taken up. I voted for the motion, but it failed. On the opposite page, I have reprinted a portion of Congressman Pepper's letter to me discussing this matter.

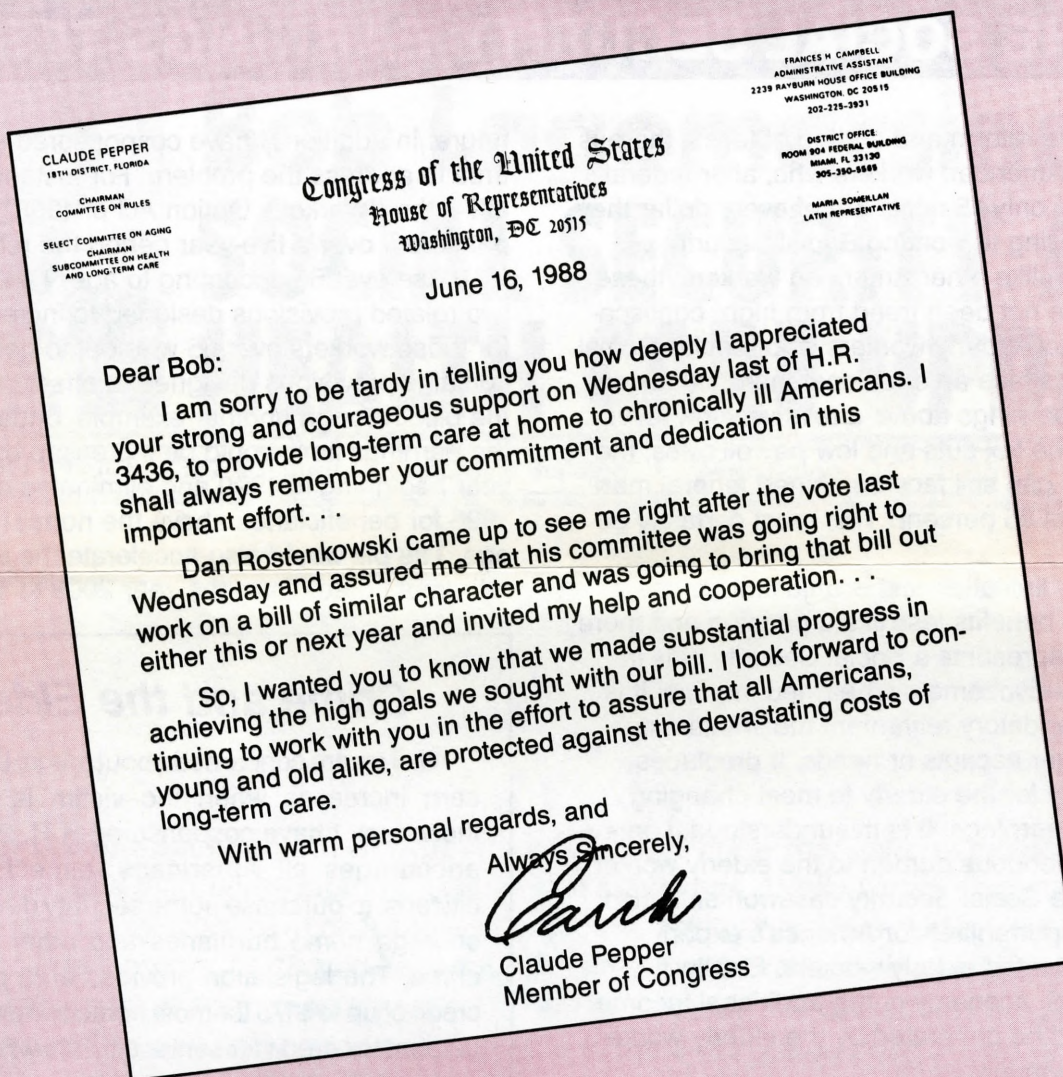
As usual, I welcome the opportunity to hear your views on these or any other issues. My office addresses and phone numbers are listed on the back page.



Congressman Lagomarsino (left) picks up some lawn bowling tips while discussing pending health care bills, including his National Voluntary Health Insurance Plan.

National Voluntary Health Insurance

I have introduced legislation, H.R. 169, which would establish a **National Voluntary Health Insurance Plan**. This plan would provide total coverage of all necessary medical and hospital care, without limits, exclusions or deductibles, at about the same cost to the government as the present and projected cost of Medicare and Medicaid. I believe the program would provide a practical and effective means of stopping the present rapid inflation of hospital costs by greatly reducing administrative, collection and malpractice insurance costs.



H.R. 3900 — THE LONG-TERM HEALTH CARE AMENDMENTS OF 1988

This measure does the following:

- ★ Allows Medicare coverage of home health services and nursing home care, requiring beneficiaries to pay a deductible which increases progressively in relation to beneficiary income (*no premiums or surcharges are demanded from beneficiaries and the plan is self-financing*).
- ★ Permits the following as incentives for the individual purchase of long-term care insurance: (1) the treatment of the costs of long-term care insurance premiums as an above-the-line deduction for income tax purposes (this applies to individuals over the age of 50); (2) the tax free withdrawal of monies from an IRA account as long as those

monies are applied toward the purchase of long-term care insurance; and (3) the tax free conversion (i.e., cashing in) of life insurance policies as long as the resulting funds are applied, as in the case of the IRAs, toward the purchase of long-term care insurance.

- ★ Provides incentives for employers to offer long-term health care benefits for current and retired employees through pension plans.

I believe the measure stresses balance and fairness—balance between the government and the private sector, and fairness to a population which is ever-increasing in age. I feel it represents a responsible means of addressing the financial and emotional devastation of long-term care and nursing home costs.

H.R. 2039

H.R. 2039 will allow families to remain intact and delay expensive institutionalization of loved ones by giving tax credit incentives to heads of households who care for elderly family members in their homes. The bill will also encourage care providers such as doctors and nurses to donate services to homebound patients by granting them a tax deduction in the form of an extension

of the charitable contribution for their services and, like H.R. 3900, will allow certain withdrawals from IRA accounts for the purpose of funding long-term care. Finally, H.R. 2039 will permit deductions of employer contributions to employee pension plans for the purchase of long-term care insurance.

THE SOCIAL SECURITY EARNINGS TEST

Despite all the reform and cutting of taxes, there is still a group of American workers who, after federal taxes, can keep only 15 cents out of every dollar they earn. I am referring to working Social Security beneficiaries. Unlike other American workers, these individuals have not been freed from high, confiscatory taxes. In fact, elderly workers who receive Social Security benefits face an additional marginal tax of 50 percent on earnings above a relatively low level. So despite all the tax cuts and low payroll rates, the working elderly can still face combined federal marginal tax rates of 85 percent! This must certainly be changed.

The earnings limitation test is unjust. It treats Social Security benefits less like a pension and more like welfare. It represents a Social Security bias in favor of unearned income over earned income. It is effectively a mandatory retirement mechanism our country no longer accepts or needs. It precludes greater flexibility for the elderly to meet changing needs through earnings. It is misunderstood, complex and a tremendous burden to the elderly worker as well as to the Social Security caseworker. It also prevents full opportunities for America's experienced, and educated elderly workers. Finally, it deprives the U.S. economy of the additional income tax which would be generated by the elderly workers. Overall, it is a bad law.

I have joined a congressional task force whose goal is to eliminate the earnings test in the near

future. In addition, I have cosponsored several measures to address the problem. For instance, H.R. 3794, the "Worker's Option Act of 1988," would phase out over a five-year period the retirement test for those over 65 according to age. The bill contains two related provisions designed to increase benefits for those workers over 65 who opt to delay filing, and contains provisions designed to offset the costs of the bill. Through another example, under H.R. 3934 the earnings limit would be increased by \$3,000 a year beginning in 1990 and eliminated entirely in 1995 for beneficiaries above the normal retirement age. The bill would also accelerate the eight-percent retirement credit from the year 2009 to 1995.

Crime and the Elderly

All of us are concerned about crime, but this concern increases when the victim is an elderly individual. I have cosponsored H.R. 2051, which encourages all Americans, especially senior citizens, to purchase home security devices to discourage home burglaries and other household crime. The legislation provides a 25 percent tax credit of up to \$175 for most homeowners and a 100 percent tax credit for senior citizens who purchase and install such devices.

HOW TO CONTACT CONGRESSMAN LAGOMARSINO

VENTURA
Suite 101
5740 Ralston
Ventura, CA 93003
642-2200

or
656-4344
(toll-free from Oxnard and Santa Paula)

SANTA MARIA
104 E. Boone Street
Suite E
Santa Maria, CA 93454
922-2131

SANTA BARBARA
Studio 121 El Paseo
814 State Street
Santa Barbara, CA 93101
963-1708

LOMPOC
The Lompoc office is open 1:00-5:00 p.m.
the 2nd and 4th Wednesday of each month.
Lompoc City Hall
100 Civic Center Plaza
Lompoc, CA 93436
736-1261

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Congress of the United States
House of Representatives
Washington, D.C. 20515

Official Business



Robert J. Lagomarsino

M.C.

Jane M Tolmach
Oxnard, CA 93030