Alliance *for* Retired Americans

Smart Ways to Improve the Economy While Protecting Social Security, Medicare and Medicaid

January 2013

Today's retirees want our economy to turn around. They worry about their children and grandchildren, and do not want a large debt to be the legacy they leave behind. They understand that there is a right and wrong way to do this. The wrong way is to continue giving tax breaks for yachts and corporate jets, or allowing big corporations like General Electric to avoid paying any taxes while many Americans go hungry. While the American Taxpayer Relief Act, which passed on January 2, 2013, did raise taxes on those individuals with incomes above $400,000 and couples above $450,000, the measure did not adequately address our fundamentally-flawed tax code, in which sacrifice is distributed terribly unfairly. The following are smart ways to reduce the deficit and improve our economy while protecting Social Security, Medicare and Medicaid:

✓ **Allow Medicare to negotiate the prices of prescription drugs with drug companies would save $200 billion over 10 years!** Every savvy consumer knows you should pay less when you buy in bulk, but Medicare is currently prohibited from doing just that. Allowing the U.S. health secretary to negotiate with pharmaceutical companies on behalf of Medicare's 48 million beneficiaries to lower the cost of prescription drugs would mean big savings for Medicare and the federal government! These savings should be used to further extend the life of the Medicare trust fund.

✓ **Require drug manufacturers to extend the Medicaid-level discounts to low-income beneficiaries on Medicare would save $135 billion over ten years!** Currently, the federal government receives a discount from prescription drug makers for purchases it makes for a Medicaid patient. That discount is lost, however, if the patient is also on Medicare. Applying the Medicaid discounts to the drug purchases by low-income Medicare beneficiaries could save the government $135 billion over ten years.

✓ **Close Tax Loopholes for the richest 2% (individuals making more than $200,000 a year, couples making $250,000) through tax reform!** Limiting deductions and exclusions for couples making more than $250,000 a year would bring savings of $410 billion!

✓ **Require a minor financial transactions tax of 0.25% on certain financial-market transactions such as the sale of stocks, bonds, options, or futures would raise $1 trillion in revenue in the next decade!** Such a tax would have the added bonus of discouraging the very sort of financial speculation that crashed the housing market and the 401(k)s of many Americans.

✓ **Close tax loopholes on Wall Street, which allows corporations to get away with paying nothing in taxes!** The United States has a lower effective (actual taxes paid) corporate income tax rate than other developed country. Closing this loophole would generate hundreds of billions of dollars.

✓ **Focus on jobs that help grow the economy will reduce the need to cut important government programs!** One of the best ways to improve our nation's finances and reduce the deficit is to create jobs. Congress' top priorities should be creating jobs by investing in infrastructure and education, raising wages, reducing inequality and improving economic security.

815 16th Street, NW, 4th Floor • Washington, DC 20006 • (202) 637-5399 • www.retiredamericans.org