

TESTIMONY OF

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REGARDING THE PROPOSAL TO

**PRIVATIZE THE MANAGEMENT OF THE PENNSYLVANIA
LOTTERY**

BEFORE THE SENATE FINANCE

COMMITTEE

JANUARY 14, 2013

Good morning Chairman Brubaker, Chairman Blake & members of the Senate Finance Committee. My name is Ray Landis and I am Advocacy Manager for AARP in Pennsylvania. AARP is a membership organization with more than 1.8 million members over the age of 50 across Pennsylvania. I appreciate the opportunity to discuss AARP Pennsylvania's views on the proposal to hire a private management company to operate the Pennsylvania Lottery.

We've said all along that the Corbett Administration's investigation into privatizing the operations of the Pennsylvania Lottery must focus on ensuring predictable revenue streams into the future and generating new resources for existing programs specifically created to help older adults remain at home. At the same time, we have called for an investigative process that emphasizes transparency so older Pennsylvanians have no doubt about the future scope and availability of lottery-funded programs.

At this point, I must note that AARP policy neither supports nor opposes the concept of private management of the Pennsylvania Lottery. Our interest in this issue is based solely on ensuring that any changes that take place maximize the revenues available to existing lottery-funded programs that provide essential assistance to older adults statewide and minimize the risk that funding shortfalls may take place.

We are specifically concerned with how lottery revenues are currently being utilized and what may happen in the future as a result of this proposal. Throughout the process, Administration officials have indicated they expect Lottery revenues to increase should the private management agreement be approved and the AFSCME proposal announced last week also anticipates higher revenues. In recent weeks, the Secretary of Aging has pledged to use this increased revenue to expand underfunded programs that help older Pennsylvanians remain at home and in the community.

AARP applauds this increased focus on home and community based care that is widely preferred by older adults. Our growing population of older Pennsylvanians and their strong desire to remain at home for as long as possible makes it important we increase funding for programs already in place to help achieve this goal. Recent history, however, shows the use of lottery revenues has strayed from this purpose.

Since the establishment of the Pennsylvania Lottery in 1971, the state's pharmaceutical assistance programs, PACE and PACENET, have helped millions of Older Pennsylvanians reduce or eliminate prescription drug costs. Lottery revenues have also funded the Property Tax/Rent Rebate program, provided free and reduced transportation services to older Pennsylvanians, helped Senior Centers, and funded PENNCARE, a range of programs that provide assistance to older individuals living at home. All of these programs have one thing in common – they help older Pennsylvanians to continue to live in their own homes and communities.

Over the past decade, some lottery-funded programs have benefitted from structural changes. PACE and PACENET have used funding from the federal Medicare prescription drug program to further improve the nation's premier prescription assistance program serving older adults. In addition, revenue from expanded casino gambling has supplemented the property tax and rent rebate program.

At the same time, lottery revenues took a dramatic upturn. According to last year's Legislative Budget and Finance Committee Report on the Pennsylvania Lottery, annual sales rose from slightly less

than \$2 billion in 2001-02 to a record \$3.4 billion in 2011-12—a record that is expected to be broken again this year.

The reduction in funding pressures for PACE and PACENET and the property tax and rent rebate programs combined with significant new revenues should have allowed all existing lottery-funded services, especially Senior Centers, transportation services, and the PENNCARE program to address increased costs and demand. Unfortunately, a change in the allocation of lottery revenues has taken place which has resulted in cutbacks in services such as home delivered meals, reductions of hours at Senior Centers, and fewer transportation options for older Pennsylvanians.

The driver of this change has been the staggering increase in the cost of nursing home care in Pennsylvania. Federal law mandates the Medicaid program to pay the costs of nursing home care for individuals who have exhausted their assets. With these costs straining the Commonwealth's General Fund budget, both the Rendell and Corbett Administrations, with the consent of the General Assembly, supplemented the Medicaid nursing home budget with Lottery revenues, rationalizing that nursing home care was a "program benefitting Older Pennsylvanians". In the 2012-13 budget alone, a record \$309 million was shifted from lottery revenues to the Medicaid nursing home budget. In fact over the last five years, more than a billion dollars have been diverted from the Lottery Fund to the Medicaid program, while the budget for other lottery-funded programs remained stagnant, generating significant waiting lists for services.

Starving or reducing lottery-funded home and community based service programs only serves to increase the need for institutional care for older Pennsylvanians as nursing homes become the only available option for older adults. This shortsighted policy is a bad idea on the individual level-- over 90% of Pennsylvanians in an AARP survey stated they would prefer to receive long-term services and supports in a community setting rather than a nursing home. It's also foolish from the long-term state budget perspective. More than 2 people can be helped to remain at home or in their community for the cost of caring for one person in a nursing home. A national AARP study, done in conjunction with the Scan Foundation and the Commonwealth Fund, shows Pennsylvania ranks very poorly in comparison with other states in our efforts to balance funding between nursing homes and home and community based care. We must do better.

While we understand that this hearing is not intended to debate the direction of long-term care policy in Pennsylvania, privatizing the lottery would represent a fundamental change in the funding source for many of the programs designed to help older Pennsylvanians stay at home and in their communities. Maximizing lottery revenues and guaranteeing that funding will be available year-to-year are worthy objectives, and AARP believes the results of the investigation of how to achieve those goals should be carefully considered. As the various components of the proposal are deliberated, we encourage parties to continue to share with older Pennsylvanians exactly how those two objectives will be achieved.

But we must stress that the impact of this decision will be greatly diminished if the lottery fund is not first used to support and expand existing programs that help older Pennsylvanians stay at home and in their community. In recent years, Pennsylvania has used lottery funding as a crutch to address runaway costs of nursing home care in the Medicaid program at the expense of programs specifically created to benefit from lottery revenues. AARP believes Medicaid nursing home expenses should return to the General Fund so the Lottery Fund can fulfill its intended purpose—providing essential assistance to help older adults remain at home. That's because in the end, everyone buying a lottery ticket in the

Commonwealth deserves to know that their purchase is truly helping older Pennsylvanians live where they want.

Again, thank you for the opportunity to be here today and I would be pleased to answer any questions you may have.