

Roll Call

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Goodman and Saving: Dissecting the Parties' Positions on Medicare

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In this election season, we are likely to hear many charges and countercharges about who is trying to harm the elderly and who is trying to protect them — especially on the matter of Medicare.

On the one hand, there is President Barack Obama and the 2010 health care law, what some call “Obamacare.” On the other hand, there is Wisconsin Rep. [Paul Ryan](#)'s Republican budget.

What makes all of this vehemence so surprising is that there is no important difference in Medicare spending under the two approaches — even when the estimates of the president's budget are made by his own Office of Management and Budget and the Ryan plan is specified by Ryan himself. Here is a brief overview:

- During the first 10 years, the 2010 law will reduce spending on Medicare by \$523 billion, and this reduction will be used as a source of funding for newly subsidized insurance for the younger population.
- The House Republican budget specifies essentially the same Medicare spending path (but without creating a new entitlement for young people) over the same period of time.
- Going forward, the Ryan plan follows almost dollar for dollar the health care overhaul spending path for everyone 55 years of age and older today.
- For those younger than 55 today, the Republican approach envisions “premium support” for private insurance, similar to the current arrangement under which 1 in 4 seniors enroll in Medicare Advantage plans. But everyone would have the option to remain in Medicare and the total amount spent would ultimately track the spending specified by the 2010 law.

If you look at the rhetoric of the Obama administration, the cuts in Medicare spending called for under the 2010 law will be painless. Demonstration projects and pilot programs will point the way to more efficient ways of delivering care, and these efficiencies will allow substantial spending cuts without impairing access to care. However, three separate Congressional Budget

Office reports have concluded that the demonstration projects are either not working or are producing lackluster results.

Under the law, if efficiencies cannot be found, the fallback mechanism is to let an independent panel (the Independent Payment Advisory Board) enforce the spending cuts. However, the real limiting factors are the continuation of the sustainable growth rate mechanism for doctors — which limits the growth of doctor fees — and a similar mechanism for other providers.

Here's the problem. As the most recent Medicare Trustees' report points out, Medicare payments to physicians are 80 percent of what private insurers pay and the SGR mechanism will reduce them to 40 percent over the next two decades. Medicare hospital fees are less than 70 percent of the amounts paid by private insurers, and this percentage will also decline over time. The Medicare actuaries predict that 1 in 7 hospitals will not survive these cuts over the next eight years and seniors will have increasing difficulty finding doctors who will see them.

Because neither the CBO nor the Medicare Trustees regard these spending reductions as realistic, both have issued “alternative” forecasts — showing what will happen if Congress overrides these spending restrictions, as has been its habit with the SGR. Just to make sure no one misses the point, the Medicare Trustees are now including the “alternative” estimates as part of the official report — something previously unheard of.

So, is there an important difference in the Republican and Democratic approaches to Medicare? For the near term, no. For the long term, there is fodder for attack dogs on both sides.

Democrats courting senior votes can point to the fact that by midcentury the Ryan plan will be spending slightly less on Medicare than the spending level under the 2010 law. Republicans, courting those same votes, can point out that the long-term growth rate for Medicare spending under Ryan is the per capita rate of growth of gross domestic product plus 0.5 percent, whereas the number for the 2010 law is about the GDP plus 0.2 percent. Because the Ryan proposal eventually raises the eligibility age to 67, there will be fewer people in the program — making it difficult to compare projected spending totals decades from now.

If there is a silver lining for the Republicans, it is this: The Democratic approach is spelled out in current law. Because the Republicans have not offered anything like that degree of specificity, they could conceivably take advantage of more promising ideas, including proposals we have made elsewhere. Both sides have the same goal for future Medicare budgets. The Republicans at least allow the possibility of making them less painful.

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