Medicare Rights Center

Medicare is the Solution

Response of Robert M. Hayes, president, Medicare Rights Center, to the Medicare Trustees Report, released on April 23, 2007

Today's Medicare Trustees report will give the Bush Administration an excuse to continue to raise false alarms about the financial health of the program. Transitory predictions must not be allowed to damage one of the most successful domestic programs in American history.

Medicare is the solution to our soaring health care costs, not the problem. Americans are living healthier and longer lives, in large part thanks to the reliable and affordable health care provided by Medicare. Independent economic analyses show that Medicare could cover all Americans—including the 45 million Americans currently uninsured—and still cut annual U.S. health expenditures by $60 billion[1] to $200 billion[2]. Medicare can achieve what for-profit insurers cannot: it reduces the high administrative costs of our fragmented health care system and cuts the paperwork that prevents us from getting health care to the people who need it.

Responsible leadership would meet the health care needs of people with Medicare—and all Americans—efficiently and directly by making Medicare available to everyone living in the country. The original design of the Medicare program—its universality, shared risk, simplicity and dependability—created the foundation for its success.

A key prediction of this year's report is that the surplus in Medicare's Part A trust fund, containing revenue from workers' payroll deductions that pay for inpatient care (hospitalization and skilled nursing care) will be gone in the next decade.

Don't be so sure. These predictions are based on the interplay of a number of factors. If economic growth exceeds the cautious forecasts used by Medicare trustees, or increased use of prescription drugs proves an effective substitute for expensive surgery, then the trust fund will be financially more secure then it now appears.

In 1997, the trustees reported the reserve would be depleted by 2001. In 1998, they said the reserve's demise would come in 2008. Then, just three years ago, they said there would be enough money until 2026.

Keep in mind that even if the reserve is completely depleted, money coming in from payroll taxes will continue to cover about two-thirds of the estimated costs of the Medicare Part A program.

In addition, Congress has the ability to take measured steps, as it has in the past, to shore up the trust fund. Payment adjustments enacted in 1998 averted the solvency crisis predicted for 2001. Overpayments to private, mostly for-profit Medicare Advantage plans, which cost between 12 and 19 percent more per enrollee than coverage under Original Medicare, are the first place Congress should look.

In addition, the Administration claims the rising expenditures in outpatient care (known as Medicare Part B) and in prescription drugs (Part D) are reasons to cut back care. These programs are paid for from general tax revenue, not the Medicare trust fund..

The Administration's claims of Medicare's impending "bankruptcy" (used by this Administration as a word of propaganda, not of law or finance) will be all the more shrill because the trustees report predicts that in the next decade some 45 percent of the cost of Medicare will be related to care that is largely provided outside a hospital. That is a false alarm, worthy of a shrug. People with Medicare should not panic and neither should members of Congress.

When Congress looks at ways to shore up Medicare's finances, it should keep in mind the promise of health security for older adults and people with disabilities that Medicare embodies. Proposals to restrict eligibility for Medicare or to transform Medicare from a universal social insurance program into a means-tested program for the poor are a betrayal of that promise. If we are committed to ensuring quality, affordable health care for older adults and people with disabilities, then we should be willing to secure the tax revenue, whether from the payroll tax or from general funds, that will enable us to meet that commitment.

If the government paid the insurance companies offering private Medicare Advantage plans the same amount it costs to care for someone in the government-run Original Medicare program, we would save $8.1 billion in 2008 and $159.8 billion by 2017.[3]

Also, it is estimated that if Congress required Medicare to use its huge buying power to negotiate lower drug prices directly with pharmaceutical companies it could save $30 billion a year.[4]

As long as this country believes that it should provide reliable and affordable health care to our mothers and fathers and grandparents, Medicare is not in jeopardy.

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[1] "An Analysis of Leading Congressional Health Care Bills, 2005–2007: Part I, Insurance Coverage," Sara R. Collins, Karen Davis, and Jennifer L. Kriss, The Commonwealth Fund, March 2007, pages 19-20

[2] "Proposal of the Physicians' Working Group for Single-Payer National Health Insurance," Journal of the American Medical Association (JAMA), Aug 2003.

[3] "The Medicare Advantage Program: Trends and Options," testimony before the Subcommittee on Health, Committee on Ways and Means, U. S. House of Representatives, by Peter Orszag, director, Congressional Budget Office, March 21, 2007, page 14.

[4] "Waste and inefficiency in the Bush Medicare prescription drug plan: Allowing Medicare to negotiate lower prices could save $30 billion a year," by Roger Hickey & Jeff Cruz, in cooperation with Dean Baker, Ph.D., Institute for America's Future, April 2007.

