

Medicare is the Solution

The Trustee's report should not be used as an excuse to slash Medicare spending without regard to its effect on the health and financial well-being of older Americans and people with disabilities.

In a Nutshell:

1. Medicare is the solution to our soaring health care costs, not the problem.
2. Congress should not allow transitory predictions to force changes to Medicare that will undermine the financial and health security of people with Medicare.
3. 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.

Talking Points:

1. **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 Medicare provides. 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 billion¹ to \$200 billion². Medicare can achieve what for-profit insurers cannot: low administrative costs of our fragmented health care system without the paperwork that prevents us from getting health care to the people who need it.
2. **Congress should not allow transitory predictions to force changes to Medicare that will undermine the financial and health security of people with Medicare.** Every year the trustee's report attempts to predict when 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 depleted. 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 than 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.
3. **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.** It is a question of priorities. 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 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 And there are many other ways our government currently wastes tax-payer money. When Congress looks at ways to shore up Medicare's finances, it should honor 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 are a betrayal of that promise.

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.