

Background Paper 3

Save, Improve and Expand Medicare

Save Medicare

We now know what the “Deficit Reduction Commission” proposes to cut in Medicare to balance the budget, and factions in the upcoming Congress promise to keep up their efforts.

- ***Limits Medicare Spending***
The co-chairs’ proposal limits the government’s total health expenditures (Medicare, Medicaid, Children’s Health Insurance Program (CHIP), exchange subsidies, employer health exclusion) at the Gross Domestic Product (GDP) + 1%. This radical spending limit does not account for new Medicare beneficiaries.
- ***Introduces Premium Support***
Currently, Medicare operates as a defined benefit system. It pays for medical care without limits. If the government does not meet its spending reduction target, the co-chairs’ proposal recommends using premium support, which means beneficiaries would receive a fixed amount of money to purchase health benefits.
- ***Raising Medicare Retirement Age***
While the co-chairs’ proposal does not single out raising the Medicare retirement age as a solution, the report does offer it as an option if the spending reduction targets are not met.
- ***Increase Beneficiary Premiums or Cost-sharing***
The Independent Payment Advisory Board (IPAB) is entrusted under the new health care law to provide recommendations on how to reduce medical costs under Medicare; however, they are forbidden from recommending changes that would impact beneficiaries, such as increases in cost-sharing or reductions in benefits. The co-chairs’ proposal recommends doing away with this prohibition and allowing IPAB to make cost-sharing changes.
- ***Restrict First-Dollar Coverage in Medigap Policies***
In an effort to discourage the use of Medicare benefits, the co-chairs’ proposal prohibits Medigap plans from covering the first \$500 of enrollee’s cost-sharing and limits coverage to 50 percent of the next \$5,000 in Medicare cost-sharing.

Improve Medicare

These are the suggestions that most supporters of Medicare mention as ways of improving a widely-accepted model of Single Payer financing of health care delivery.

- End the uneven payment formula that penalizes medical providers in states like Washington.
- Find a permanent "DocFix" to reimburse physicians and other providers fairly so that they can see Medicare patients without bankrupting their practices.
- Establish a direct Medicare prescription drug benefit that allows the Medicare governing body to negotiate prices.
- Establish an independent national board with the ability to set fair prices for health services, drugs, and devices and advise the Medicare governing body.
- Establish a national board to evaluate the effectiveness of diagnostic tests, therapies, drugs and devices, and to advise the Medicare governing body.

Expand Medicare

Any categorical expansion of Medicare can be financially sound. But schemes to allow the young or the healthy to opt out by shopping for cheaper coverage is not. Therefore, most plans for a *voluntary* 'Public Option' would bankrupt Medicare.

- Lower the Medicare eligibility age to 50 in five-year increments.
- Cover all children and young adults up to age 26, and then allow them to choose to continue with Medicare or change to a private insurance plan
- Cover all unemployed and those working part time, and then allow them to choose to continue with Medicare or change to a private insurance plan when they move to full-time employment.

During conversations with our elected officials

- Ask our elected state officials publicly to call for Congress to protect Medicare as a vital safety net to the vast majority of American seniors.
- Ask our elected state officials publicly to call for Congress to expand Medicare by 'federalizing' the Medicaid program, and fold it into Medicare, which would be a significant tax relief for state government.
 - In the first two years of this recession, the number of WA residents on Medicaid has risen from 862,500 [Dec 2007] to 1,006,800 [Dec 2009], 18% of our population.
 - The federal government currently [FY 2008] spends \$3.242 billion for WA residents on Medicaid - 51.5%. WA state taxpayers pay \$3.051 billion - 48%