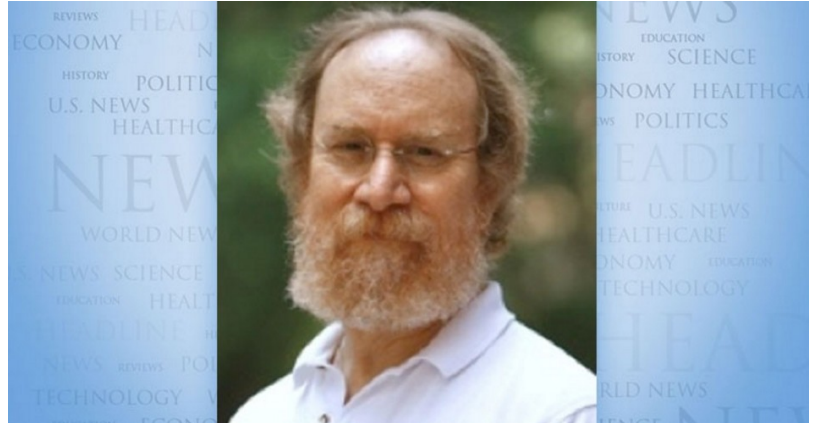




Medicare Is Doomed

When Democrats accuse Republicans of wanting to “end Medicare as we know it,” they are right. But Democrats do too. “Medicare as we know it” is no longer an option.

Leaving aside Medicare’s fatal moral defect — that it’s coercively funded — the program is doomed. It has tens of trillions of dollars in unfunded liabilities. It threatens working generations with a crushing tax burden. Because of the relative size of the Baby Boom generation, soon there will be only two workers to pay each retiree’s medical bills. Younger people might have other plans for their money.



So something’s got to give, no matter which party is in power. If the government promises to pay for older people’s medical care essentially without limit, one would expect the bill to grow fast. It’s the law of demand: as price falls, demand rises. Given that law, and assuming that taxes can’t be jacked up, there’s only one thing to do, short of abolishing the program: limit what the beneficiaries can buy.

But older people, who vote in great numbers, won’t like that. So politicians need to deceive.

President Obama’s health care plan would cut over \$700 billion from Medicare. (He needs the money for Obamacare.) But he insists this will not reduce benefits. How can that be? The money will be taken from providers (and insurers under the popular alternative, Medicare Advantage), not beneficiaries, he says. But if reimbursements to providers are reduced, how could that not reduce benefits?

Obama replies, “eliminate waste.” It sounds nice, but it means that government will second-guess the decisions of doctors and patients.

Obamacare sets up an Independent Payment Advisory Board (IPAB), consisting of 15 presidential appointees (confirmed by the Senate), whose job is to limit spending. Now we run into the law of supply: as the price of a service falls, supply tends to fall also. We can anticipate that fewer doctors will accept Medicare patients and some on-the-edge hospitals will close. Patients will wait longer for services.

Despite assurances that only “unnecessary” services will be eliminated, it is hard to have confidence that something as individualized as medical care can be managed by 15 distant “experts.” Medical care “by number” will become the standard in America.

So the choice appears to be between Medicare bankruptcy and increasing government control over retirees’ health-care spending.

The Republicans disagree. What do they propose? Mitt Romney and Paul Ryan would change Medicare from a “guaranteed-benefit” plan to a “guaranteed-contribution” plan. Instead of paying whatever bills retirees incur, the government would provide “premium support” to enable them to buy private coverage. Retirees would also have the option of staying in traditional Medicare, but since the



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Republicans predict that their plan will bring costs down through competition, they forecast that Medicare costs will be controlled without limiting people's choices.

Suspicion is warranted. "There's very little difference between the two [Obama and Ryan] plans," write John Goodman and Thomas Saving of the National Center for Policy Analysis. "There is no important difference in Medicare spending."

Ryan's misidentified voucher plan is not likely to deliver on cost control. The proposal would set up an insurance exchange in which companies offer government-designed policies. We know that providers will lobby the federal government to have their services included under the allowable plans. Moreover, Shikha Dalmia of the Reason Foundation writes, "Insurance companies selling coverage to seniors will have a bigger incentive to lobby harder, since the money will go to them." AARP will have a strong incentive to lobby too.

As a result, there will be more pressure to raise government spending — and we know where that leads.

There's no such thing as a free lunch. Money always has strings, and he who pays the piper eventually calls the tune. Opponents of Medicare warned of all this but were ignored. The welfare state is a snare and a delusion. It creates dependence at the point of a gun, and then, once dependency is achieved, it imposes restrictions that create hardship. All the while, the taxpaying generations bear an ever-greater burden.

It's time for the separation of medicine and state. Mutual-aid associations and other private for-profit and nonprofit organizations can provide for our medical needs — without bureaucratic intrusion and coercion.

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