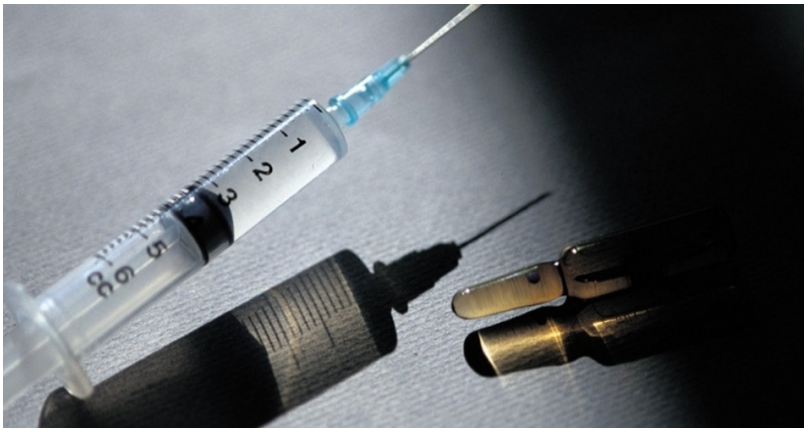
Written by **Michael Tennant** on July 30, 2015

Medicare: 50 Years of Socialized Medicine



Fifty years ago today — July 30, 1965 — the United States took a major step down the road to socialized medicine when President Lyndon Johnson signed Medicare into law, making millions of senior citizens dependent on the federal government for their healthcare.

Medicare was sold to the public as a way to protect seniors against high medical costs, particularly those arising from catastrophic, long-term illnesses. The nation's elderly were presented as relative paupers just one illness away from complete indigence.

"No longer will older Americans be denied the healing miracle of modern medicine," Johnson said at the bill signing. "No longer will illness crush and destroy the savings that they have so carefully put away over a lifetime so that they might enjoy dignity in their later years."

None of this was true; nor were the various rosy pictures painted of the program's benefits or expected future costs. "Medicare did not and could not achieve passage without the misrepresentation, cost concealment, tying [of unpopular provisions to popular ones], and incrementalism to which its supporters ultimately resorted," Charlotte Twight observed in a 1997 *Cato Journal* article.

Seniors, then as now, generally had lower incomes than younger Americans but more assets. Very few were genuinely unable to cope with medical bills, and there were already private and public programs in place to help them. Many doctors also provided free care to those in need. And as to those "catastrophes" from which Medicare was supposed to shield seniors, note that the law signed by Johnson in 1965 did not cover catastrophic illness.

Medicare Part A, which covers inpatient hospitalization, is financed by a payroll tax that is ostensibly split evenly between employer and employee, though in reality the employee pays all of it. There is no "Medicare trust fund"; all benefits are paid from current taxes. Costs are thus shifted from retirees, many of whom are well off, to workers, even if they are earning only minimum wage.

In Medicare's first year, the program covered 19 million Americans at a cost of $3 billion. Even though lawmakers knew at the time that over the years the program would be expanded and the number of seniors would increase, the House Ways and Means Committee projected Medicare would cost just $12 billion in 1990; in reality, it cost $107 billion. Today Medicare covers 55 million people at a price tag of $606 billion, two figures that are rising rapidly as 10,000 Baby Boomers turn 65 each day. The program is expected to become insolvent in 2030, and it has unfunded liabilities as high as $35 trillion. It is, in a word, broke.

This dire forecast notwithstanding, hasn't Medicare been a boon for seniors? To the extent that they have been able to shift the cost of their healthcare to younger people, it has. "For today's typical Medicare beneficiary, what they paid into the system represents just 13 percent to 41 percent of what

they can expect to get out of it," reported PolitiFact. "The rest is funded by younger Americans' payroll taxes."

When it comes to their actual health, though, seniors don't always fare so well.

For one thing, Medicare's low reimbursement rates restrict seniors' supply of healthcare providers. "Nationwide, physicians are paid 20% less from Medicare than from private payers," blogged Toni Brayer, M.D. "If you are not paid a sustainable amount, you can't make it up in volume. It just doesn't pencil out." Doctors are therefore increasingly opting out of Medicare or at least turning down new Medicare patients. "Additionally," noted Brayer, "70% of hospitals in the United States lose money on Medicare patients."

Patients suffer in other ways. Medicare penalizes physicians for spending more time with patients, forcing doctors to choose between quality and quantity of care. The program's price controls sometimes prevent patients from getting the treatment they need because bureaucrats — often high-school graduates with no medical training — deem it not "medically necessary" or simply believe the beneficiary is dead despite all evidence to the contrary. On the other hand, the price controls can also cause patients to undergo unnecessary treatments because doctors can make up for revenue lost on some treatments by ordering others for which Medicare pays more. Moreover, Medicare doesn't cover many services at all, forcing seniors to purchase additional coverage out of their own pockets.

Worse still, according to the *New York Times*, the Obama administration has directed Medicare to "reimburse doctors for conversations with patients about whether and how they would want to be kept alive if they became too sick to speak for themselves" — an obvious attempt at encouraging seniors to choose death, thus saving the government money.

Doctors, too, suffer at the hands of the bureaucracy. First they're forced to pay the American Medical Association (AMA) for the Medicare billing codes; the AMA rakes in millions of dollars from these and related fees. Then, if doctors use the wrong codes to submit Medicare claims, either by accident or because the codes they need don't exist, the government throws the book at them. (Patients also lose because the AMA has used its monopoly to stymie efforts to allow consumers to comparison shop for medical treatment based on price.) In addition, "lobbying groups for large hospitals used Medicare to squash their competitors, smaller physician-owned specialty hospitals," according to a press release touting Dr. David Hogberg's new book, *Medicare's Victims: How the U.S. Government's Largest Health Care Program Harms Patients and Impairs Physicians*.

"So many people think Medicare is a wonderful program," Hogberg said in the release. "My extensive research in writing this book shows just the opposite.... There are often hidden victims of Medicare."

Indeed, all patients, not just those on Medicare, are the victims of LBJ's healthcare programs. Through Medicare and Medicaid, the federal government has become the largest single buyer of healthcare in the country, meaning that political considerations, not patients' needs, are the driving force behind many decisions made by healthcare providers and insurers. Plus, these programs paved the way for ever more federal involvement in healthcare, including ObamaCare, which resembles Medicare in that enrollees are subsidized by taxpayers and benefits are disbursed through private insurance companies — with the government, of course, calling the shots.

Half a century after the establishment of Medicare, then-AMA president Dr. Edward Annis' 1962 remarks about the King-Anderson Bill, a failed forerunner of the Medicare law, appear eerily — and sadly — prophetic: "This bill would put the government smack into your hospitals! Defining services,

setting standards, establishing committees, calling for reports, deciding who gets in and who gets out — what they get and what they don't — even getting into the teaching of medicine — and all the time imposing a federally administered financial budget on our houses of mercy and healing. It will create an unpredictable burden on every working taxpayer. It will undercut and destroy the wholesome growth of private voluntary insurance and prepayment health plans for the aged which offer flexible benefits in the full range of individual needs. It will lower the quality and availability of hospital services throughout our country. It will stand between patients and their doctors. And it will serve as the forerunner of a different system of medicine for all Americans."