



Written by [Raven Clabough](#) on January 28, 2011

House Republicans Consider Privatizing Medicare

House Republican leaders are currently reconsidering an earlier GOP proposal to privatize the Medicare program. House Budget Chairman Paul Ryan is currently testing support for his idea to replace the program with a fixed payment to buy a private medical plan. Once tested, the Republicans will then decide whether they should include the plan in the budget they submit next spring.

The new plan would allow current Medicare recipients to stay in the program, as well as those between the ages of 55 to 64 who are on their way toward entering the program. Those 54 and under, however, would get into a fixed payment from the government when they become eligible at 65. With their voucher, they can purchase a Medicare-approved private plan from a menu of coverage levels and options.

The voucher's cost would depend on total current Medicare spending and would be indexed to grow yearly. But, as noted by Fox News, the level of growth would be far "less than the torrid pace of health care inflation now."

Republicans project that replacing the program with a fixed payment private plan would cut projected spending — a selling point for the proposal, as the Medicare program costs significantly [more than what is invested](#) in it.

At the start of the month, the [Associated Press](#) wrote of the program:

A newly updated financial analysis shows that what people paid into the system doesn't come close to covering the full value of the medical care they can expect to receive as retirees.

Consider an average-wage, two-earner couple together earning \$89,000 a year. Upon retiring in 2011, they would have paid \$114,000 in Medicare payroll taxes during their careers.

But they can expect to receive medical services — from prescriptions to hospital care — worth \$355,000 or about three times what they put in.

The cost of Medicare was already insurmountable when President George W. Bush expanded Medicare's prescription drug coverage in 2003.

A year later, *Wall Street Journal* economist Stephen Moore questioned the director of the Congressional Budget Office, Douglas Holtz-Eakin, on the costs of the long-term unfunded liability for Medicare.

His answer was, "It is infinite."

Michael Steel, a spokesman for House Speaker John Boehner (R-Ohio) says, "No decisions have been





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made on the details of our House GOP budget. There are a lot of ideas out there and we're going to listen to our members and the American people."

The proposal managed to garner support from the bipartisan debt-reduction panel, led by former Republican Senator Pete Domenici of New Mexico and Democratic economist Alice Rivlin. Likewise, Obama's debt commission indicated that the proposal should at least be considered.

Fox News explains the reason behind much of the support:

Republicans say it may be the only way to preserve taxpayer-funded health care for seniors in an aging society. The Congressional Budget Office reported this week that the government will borrow 40 cents of every dollar it spends this year, as the deficit hits a staggering \$1.5 trillion. Over the long term, health care costs that keep growing more rapidly than the economy are the biggest challenge to the budget.

Democratic opposition contends that the new plan would result in cuts to benefits.

Senator Charles Schumer, (D-N.Y.) indicates: "Anyone who doesn't think privatization will mean severe cuts to Medicare benefits, I have a bridge I'd like to sell them. Privatization will make the cuts previously proposed by either party look tame."

Whether Americans would be receptive to the idea is another potential issue for House Republicans. A 2010 *Associated Press-GfK* poll showed that 51 percent of Americans opposed a voucher plan for Medicare. Opposition was particularly strong among seniors and baby boomers. Those born after 1980, however, were more receptive to the idea, with 47 percent in favor of the voucher proposal and 41 percent opposed to it.



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