



Written by [Bob Adelman](#) on August 20, 2012

## Medicare: The Latest Political Football

With political ads defending and bashing various proposals about how to “fix” Medicare reaching a crescendo, [fact-checkers are having a field day](#) in sorting through who’s right and who’s wrong. The claim by Democrats that Paul Ryan’s reform bill would “end Medicare as we know it” was awarded the “lie of the year” by Politifact, while Factcheck.org named it one of the “Whoppers of 2011.” Even the liberal Washington Post gave the canard its highest — or lowest — rating of “four Pinnochios.”



Claims by Republicans that President Obama “raided” Medicare by cutting benefits and using bookkeeping entries as ways to fund ObamaCare without increasing the deficit are adding to the noise. They also claim that cuts to suppliers of medical services will ultimately result in reduced services for Medicare beneficiaries, reductions exacerbated by the unelected panel — the [Independent Payment Advisory Board \(IPAB\)](#) — charged with keeping costs in line through essentially dictatorial powers granted by ObamaCare.

What’s clear is that Medicare is in trouble, and has been [almost from the beginning](#). In 1965, when Medicare was signed into law by President Lyndon Johnson, costs were estimated to approach \$9 billion annually by the year 1990. It exceeded \$65 billion that year. Last year Medicare spending touched \$560 billion, and is headed toward \$1 trillion in less than eight years.

[Trustees are frightened about its future](#). Their 2012 annual report states:

Both Medicare and Social Security cannot sustain projected long-run program costs under currently scheduled financing, and legislative modifications are necessary to avoid disruptive consequences for beneficiaries and taxpayers.

In other words, left alone Medicare will implode, taking taxpayers and beneficiaries with it.

Part of the problem is that people on Medicare are living longer and using more medical services paid for under the program, such as hospital stays and physicians’ expenses. Part can be tied to technological innovation — MRIs, knee replacements, and heart stents — which save lives but cost massive amounts of money.

And part is inherent in the program itself: severing the connection between the payer and the provider. By inserting the program between the two parties, there is little incentive for controlling costs. Indeed, many procedures and tests are performed in order to protect doctors from malpractice suits rather than to diagnose a patient’s ills.

With the entry of Representative Paul Ryan into the political equation, attention and rhetoric about Medicare have ramped up considerably. On Sunday Ryan brought his 78-year-old-mother [into the debate](#):

Like a lot of Americans, when I think about Medicare, it’s not just a program, it’s not just a bunch



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of numbers. It's what my mom relies on, it's what my grandpa had....

Medicare was there for my family.

Referring to IPAB, Ryan added: "Mitt Romney and I will protect and strengthen Medicare so that the promises that were made, that people organized their retirements around like my mom, will be promises that are kept."

His approach is based upon repealing ObamaCare and installing the plan that he and Senator Ron Wyden (D-Ore.) [put together last December](#). In a joint press release, Ryan and Wyden emphasized that their intentions were to shore up Medicare and make it permanent:

Our plan would strengthen traditional Medicare by permanently maintaining it as a guaranteed and viable option for all of our nation's retirees. At the same time, our plan would expand choice for seniors by allowing the private sector to compete with Medicare in an effort to offer seniors better quality and more-affordable health care choices....

Most important, as representatives of hardworking Americans in Oregon and Southern Wisconsin, we realize our absolute responsibility to preserve the Medicare guarantee of affordable, accessible health care for every one of the nation's seniors for decades to come.

Their plan would have no impact on anyone age 55 or older who is currently covered, but younger participants would be given, starting in 2022, some options and choices among various private insurance plans in competition with Medicare. And there would be vouchers — "more help for those who need it" — which beneficiaries would use to purchase the coverage they want. There would also be "less help for those who don't. Wealthier seniors who need help least would see their assistance reduced."

There is a "free choice option" for small businesses as well so that employees "could use the amount that their employer contributes towards their health coverage to purchase their own health insurance."

In addition the age of eligibility would start increasing after 2023, pushing it to age 67 by the year 2033.

Those private plans would still be regulated by the Centers for Medicare and Medicaid Services (CMS) for adequacy and transparency.

Team Obama [jumped on](#) the Ryan-Wyden proposal immediately. Said the president to voters in New Hampshire:

Here is the bottom line: My plan saves money in Medicare by cracking down on fraud and waste and insurance company subsidies, and their plan makes seniors pay more so they can give another tax cut to millionaires and billionaires.

My plan has already extended the life of Medicare by nearly a decade. Their plan could put Medicare on track to be ended as we know it.

While Medicare is the political football "du jour," two forces are working to end Medicare as well as Social Security, the prescription drug benefit (Part D), and all other entitlement programs: the passage of time, and math. As Dan Mitchell, a scholar at the Cato Institute, [wrote](#):

One of the best features of the Ryan budget is that he reforms the two big health entitlements instead of simply trying to save money.



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Medicaid gets block-granted to the states, building on the success of welfare reform in the 1990s. And Medicare is modernized by creating a premium-support option for people retiring in 2022 and beyond.

This is much better than the traditional Beltway approach of trying to save money with price controls on health-care providers and means testing on health-care consumers....

But good entitlement policy also is a godsend for taxpayers, particularly in the long run. Without reform, the burden of federal spending will jump to 35% of GDP by 2040....

No, it doesn't bring the federal government back down to 3 percent of GDP, so it's not libertarian Nirvana.

But we manage to stay out of fiscal hell, so that counts for something.

That Nirvana is dependent upon several cold, hard political realities occurring in November: Romney and Ryan are elected, the Senate goes Republican, and the House stays Republican. Most important, all these campaign promises to replace and reform are actually kept.

What's certain is that nothing will change politically until at least 2022. By that time, the math covering government finances is likely to become so unattractive that investors will shun the Treasury markets and cause the reduction of funds for government, which will force major changes: terminating Medicare and forcing those dependent upon it to learn once again how to live on their own.



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