



March 26, 2012

Question and Answer: Medicare and the House Budget

This week the U.S. House of Representatives will consider its Fiscal Year 2013 budget resolution authored by House Budget Chairman Paul Ryan. Instead of proposing their own budget, which has not been done in more than three and a half years, Democrats are playing politics. One such claim is that the House budget would “end Medicare.” This claim is flatly untrue.

Does the House budget preserve Medicare?

Yes. In fact, Politifact [termed](#) the claim that the House budget would “end Medicare” the “Lie of the Year” for 2011. The House budget would preserve Medicare by strengthening the program for future generations of seniors.

How does the House budget strengthen Medicare?

Current Medicare beneficiaries—and those within 10 years of Medicare eligibility—can remain in the current Medicare program. When those who are currently age 54 and younger become eligible for Medicare, they will receive premium support to purchase a guaranteed Medicare health plan of their choice—similar to how Members of Congress receive their health benefits. The amount of the premium subsidy will total 100 percent of current Medicare spending, adjusted for the effects of competitive bidding. The program also strengthens the safety net. Those with high health care costs, including older and sicker people, will receive higher levels of support. Low-income seniors also will receive extra financial help. Additionally, for the first time in the program’s history, a new cap on out-of-pocket expenses will protect seniors from bankruptcy.

Without action, is Medicare going bankrupt?

Yes. Non-partisan experts at the Congressional Budget Office and the Medicare actuary’s office both estimate that Medicare will incur multi-billion dollar deficits forever. For instance, the CBO recently [reported](#) that Medicare Part A ran a \$33 billion deficit last year. In contrast, the budget

deficit faced by [Greece](#) for last year was about \$27 billion. President Obama's then-chief of staff Bill Daley [said](#) in July, "Medicare will run out of money in five years if we don't do something."

Does the House budget cut Medicare?

No. Medicare spending will grow every year under the House budget. The budget would simply slow the rate of growth of a program that is currently unsustainable.

Does President Obama's budget improve Medicare's solvency?

No. In fact the president's budget undermines Medicare's solvency. Under current law, physicians participating in Medicare will receive a 32 percent pay cut beginning January 2013, an outcome no one expects to occur. The CBO [found](#) that the president's budget would raise Medicare spending by \$83 billion.

Did Democrats' health spending law restore Medicare's solvency?

No. Former Speaker Pelosi said in a [November interview](#) that "we took half a trillion dollars out of Medicare in...the health care bill" to pay for new entitlements. President Obama [admitted two years ago](#) that "You can't say that you are saving on Medicare and then spending the money twice." However, that is exactly what Democrats did. That money cannot be used to finance new entitlements and improve Medicare's solvency simultaneously.

Have Republican actions improved Medicare's solvency?

Yes. The Budget Control Act passed last August included small reforms in Medicare reimbursement payments beginning next year. Unlike the health spending law, these payment reforms will be used to reduce the deficit and improve Medicare's solvency; not to create unsustainable new entitlements. While not a complete solution, these reforms represent the first step toward creating a more fiscally sustainable Medicare program.

Has competition like that envisioned in the House budget helped bring down Medicare spending, while increasing quality of care and choice of plans?

Yes. As a result of the intense competition among plans offering Medicare prescription drug benefits, independent actuaries at CMS found that the Part D drug benefit is projected to cost less than \$395 billion over its first 10 years—nearly 40 percent lower than the \$634 billion figure cited at the time the Medicare prescription drug plan became law in 2003.

Does premium support hold bipartisan appeal as a way to reform and strengthen Medicare for future generations?

Yes. The term "premium support" was first defined by two Democrats, Robert Reischauer and Henry Aaron, in a 1995 Health Affairs [article](#). Premium support was also endorsed by a bipartisan Medicare [commission](#) created under President Clinton in 1999; the commission's proposal was later introduced as [legislation](#) sponsored by Sen. John Breaux (D-LA). More

recently, former Clinton Administration official Alice Rivlin and [Sen. Ron Wyden](#) (D-OR) have endorsed various versions of the premium support model as one way to reform Medicare in a way that makes the program sustainable for future generations.