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Congress, fix Medicare 'reform' flaws first

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In 2007, efforts to reform American medical care have taken two distinct paths. Presidential debates have concentrated on the plans candidates have proposed for moving toward universal health insurance coverage. By contrast, the new Democratic Congress has concentrated on problems arising from the Medicare Modernization Act of 2003 (MMA). This has split the reform debate sharply.

That separation is a shame, a missed opportunity for a number of policy and political reasons. First, and most obvious, no major national health insurance plan worth enacting will be passed between now and the presidential election of 2008. The congressional Democrats cannot override a presidential veto, and whatever President George W. Bush might propose will not survive a Senate or House vote.

That's the political reason to turn initial attention to Medicare - and the problems created by the 2003 legislation, misleadingly labeled as "modernization" and widely misunderstood as only prescription drug coverage.

The MMA of 2003 was a major victory for the ideological enemies of social insurance. In more than a decade of efforts to privatize Medicare and Social Security, critics had combined unsubstantiated claims with dubious charges. Private health insurance, like private pension accounts, provided better value, they claimed. Medicare entitlements were supposedly an unaffordable burden on the economy. The reform focus was on the outpatient drug benefit while, under the radar, industry lobbyists worked on a massive effort to dismantle traditional Medicare.

That re-forming of Medicare produced a slew of faults. The MMA confuses and frustrates

millions of elderly beneficiaries by introducing "doughnut holes" and more complex cost-sharing. It aggressively and misleadingly promotes private managed-care plans and the vouchers to finance them. By stealth, it subsidizes these private insurers, and aims over time to erode the common benefits that Medicare's original social insurance design embodied.

Undue complexity, expensive and misdirected subsidies, burdensome patient cost-sharing, and fragmented risk pools and common benefits - these are precisely the problems most advocates of universal health insurance want to avoid.

Attacking these problems in the current Medicare program would, at the same time, demonstrate what should be the principles of public, universal health insurance. Unfortunately, most congressional attention has centered narrowly on the costs of drugs. That is important, but so are several other MMA problems requiring reform attention.

Rep. Pete Stark (D-Calif.), for example, is leading a fight against the excessive subsidies to private insurance plans. Under the MMA, these so-called Medicare Advantage plans, whose clients are healthier than average, are nevertheless paid some 12 percent more than it costs Medicare to cover those in its traditional program.

Another little-known provision of the MMA, misnamed "cost control," aims to curtail Medicare's access to federal revenues. By law, Medicare's Part B (physician insurance) and Part D (drug coverage) draw three-fourths of their funding from general revenues - basically, the federal income tax - and the rest from premiums paid by beneficiaries. But the MMA provisions have triggered presidential pressure on Congress to cap that funding at an arbitrary level. With no risk of a veto, Congress can and should resist that pressure.

Finally, there is the means test that, largely unnoticed, was woven into the MMA. The core principle of social insurance - central to the Medicare Act of 1965 - is common protection against widely shared risks, financed without reference to individual tests of means or of one's health status. The idea is to contribute to a common pool - in proportion to one's income - and for all to have uniform protection against the costs of illness. Neither Medicare's hospital insurance (Part A) nor Part B's physician insurance has ever varied financing by individual tests of means.

The new, scaled Part B premium will subject the very top percent of Medicare beneficiaries to three times the premium the rest would pay. This is a fiscally trivial contribution to Medicare's financial future. Yet, if retained, it is sure to divide Medicare's constituency over time and to erode political support for the program among those with higher incomes.

These problems are exactly what Sen. Benjamin Cardin (D-Md.) rightly attacks in his bill, the Preserving Medicare for All Act of 2007. These are challenges as serious for universal health insurance as for Medicare. But Medicare reform provides the best context in which to address them now. The 2008 presidential aspirants ought to join the battle to reverse these efforts to dismantle Medicare.

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