



YOU CAN'T SAVE MEDICARE BY ENDING IT

Thankfully, the US Senate rejected the House budget resolution that would have turned Medicare into a voucher program. A voucher system would provide a set amount of money for each beneficiary to purchase private insurance – this would eliminate Medicare as we know it. Further, according to the Congressional Budget Office, the proposed voucher plan would double out-of-pocket costs for people with Medicare. Fortunately the Senate rejected “Vouchercare” but the idea remains alive and supported by many policy-makers.

A VOUCHER SYSTEM IS NOTHING LIKE MEDICARE

The Budget introduced by Rep. Ryan and passed by Republicans in the House of Representatives **would eliminate Medicare as of 2022**. Instead of guaranteeing coverage for specific health care, like Medicare does, the Ryan Budget would provide a Voucher to each eligible person to buy private insurance. The Voucher would be worth a flat dollar amount. There is no guarantee that someone would be able to buy insurance for that amount. Further, there is no guarantee that whatever insurance is available would cover the same services as Medicare.

You can't save Medicare by eliminating it.

And you can't solve today's deficit problem with a plan that begins in 2022.



SO, WHAT WOULD YOU DO?

Medicare continues to face devastating cuts, and we have not heard sound, comprehensive solutions that would protect Medicare while reducing costs to taxpayers. The Center for Medicare Advocacy proposes a six-point solution that would accomplish both of these goals. These solutions, unlike current proposals, do not shift costs to beneficiaries, and do not completely restructure the Medicare program. They promote choice and competition while shoring up the solvency of Medicare. Adopting these solutions would be a responsible means of protecting Medicare and reducing the country's deficit.

1. Negotiate Drug Prices with Pharmaceutical Companies

The Medicare prescription drug law, passed in 2003, *prohibits* the Secretary of Health and Human Services from negotiating prices with pharmaceutical companies. These companies gained 47 million customers when Medicare began covering prescription drugs, but they did not have to adjust their prices in return. Requiring the Secretary to negotiate drug prices for Medicare would save taxpayers billions of dollars – potentially about \$200 billion over ten years. Taxpayers currently pay nearly 70% more for drugs in the Medicare program than through the Veteran's Administration, which does have direct negotiating power. Savings realized from reducing Medicare drug costs could be used to improve benefits for beneficiaries and reduce the deficit.

2. Stop Paying Private Medicare Plans Anything More Than Traditional Medicare

According to the Medicare Payment Advisory Commission (MedPAC), Medicare pays, on average, 10% more for beneficiaries enrolled in private Medicare (Medicare Advantage, also known as MA) than for comparable beneficiaries enrolled in traditional Medicare. Despite these extra payments, beneficiaries in private plans who are in poor health, or who have chronic conditions, often have more limitations on coverage than they would under traditional Medicare.

A large portion of the overpayments made to private plans actually goes to insurers rather than to benefit Medicare beneficiaries. Although the Affordable Care Act (ACA) changed the payment formula for Medicare Advantage plans, some plans will continue to be paid as much as 115% of the average traditional Medicare payment rate for their county when the new rates are fully implemented. MedPAC estimates that by 2017 Medicare Advantage payment benchmarks will average 101% of traditional Medicare. ACA also provides additional payments for plans that receive high quality ratings, increasing the likelihood that some MA plans will continue to be paid more than under

Traditional Medicare. Reducing private MA payments to 100% of traditional Medicare, as MedPAC proposed before the enactment of ACA, will increase the solvency of the Medicare program and curb costs for taxpayers. Private plans simply should not receive higher pay than traditional Medicare.

3. Include a Drug Benefit in Traditional Medicare

Offering a drug benefit in traditional Medicare would give beneficiaries a choice they do not now have, encourage people to stay in traditional Medicare, and save money for taxpayers. It would also provide an alternative to unchecked private plans that leave many with unexpected high out-of-pocket costs. A drug benefit in traditional Medicare would also insulate beneficiaries

from expensive and sometimes abusive marketing practices. Further, traditional Medicare's lower administrative costs could free up money for quality care, would result in lower drug prices for beneficiaries, and save taxpayers over \$20 billion a year.

4. Extend Medicaid Drug Rebates to Medicare Dual Eligibles

Dual eligibles (people eligible for both Medicare and Medicaid) comprise one-fourth of all Medicare drug users, and are among the most costly beneficiaries. Because Medicare, rather than Medicaid, covers most of their drugs and because Medicare cannot negotiate drug prices, their drugs are not eligible for the same rebates as they would be under the traditional *Medicaid* program. Extending these rebates for dual eligibles would save at least \$30 billion over ten years.

5. Lower the Age of Medicare Eligibility

People between 55 and 65 who are not disabled are currently unable to enroll in Medicare. Lowering the age of Medicare eligibility to allow this healthier population to enroll would add revenue for people who will likely need less care and fewer services than older and disabled enrollees.

6. Let the Affordable Care Act (Health Care Reform) Do Its Job

The Affordable Care Act includes many measures to control costs as well as models for reform that will increase the solvency of the Medicare program and lower the deficit while protecting Medicare's guaranteed benefits. The Congressional Budget Office estimates that repealing or defunding ACA would add \$230 billion to the deficit while ignoring the real issue of rising overall health care costs, which contribute heavily to the growing national debt. ACA includes strong measures to allow CMS to combat fraud, waste, and abuse that will bring down costs, as well as a variety of pilot and demonstration projects that aim to bring better care and quality to beneficiaries. The bipartisan Bowles-Simpson Deficit Commission recommended that these projects be implemented as quickly as possible. Allowing ACA to do its job will create a foundation on which to build by improving care and holding down costs for taxpayers.

Conclusion

"Protecting" Medicare by shifting costs from the federal government to beneficiaries and their families – whether through the creation of a voucher program or through measures that would be required by spending caps – is a perversion of Medicare's original purpose, which was to protect older people and their families from illness and financial ruin due to health care costs. The solutions proposed by the Center for Medicare Advocacy promote financial solvency without doing it at the expense of beneficiaries.