

## New Deficit Report Recommends Seniors Pay More For Medicare

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Offering the latest tough-love strategy to reduce the nation's debt, a panel of high-profile Republicans and Democrats is [scheduled](#) on Wednesday to recommend that Medicare beneficiaries pick up far more of their health care costs and the government substantially curb the amount both Medicare and Medicaid programs can grow in future years.

The panel, led by former Republican Sen. Pete Domenici of New Mexico and Alice Rivlin, the budget director under President Bill Clinton, also calls for a national debt-reduction sales tax of 6.5 percent, as well as changes in Social Security and income tax rates, according to a draft executive summary.

The debt reduction task force was created by the Bipartisan Policy Center, established by former congressional leaders of both parties. Its recommendations come a week after the chairmen of President Barack Obama's commission on controlling the national debt [proposed](#) increasing the age at which people qualify for Social Security to 68 by 2050.

Backers of the latest plan said they hoped it would spur a reluctant public and elected leaders to grapple with painful choices needed to get the country's spending under control. But others warned the political prospects of the plan seemed doubtful — particularly for some of the more far-reaching ideas, such as limiting the amount the government would spend on Medicare beneficiaries.

Right now, Medicare beneficiaries pay 25 percent of the cost of Part B, or the physician component of the program, with the government paying the balance. The task force would increase beneficiaries' share to 35 percent.

In addition, starting in 2018, traditional Medicare would be turned into a "premium support" program that would limit the rate of increase of federal spending per beneficiary to one percent above the growth rate of the economy. Medicare beneficiaries would be charged higher premiums if costs rose faster, and be given the option of buying a private insurance plan.

"It's hard to see either party embracing a full blown premium support plan," said Henry Aaron, a Brookings Institution expert. "The Democrats would be largely against it because of cuts in benefits and not enough Republicans would have a stomach for it. It would mean big benefit cuts and a substantial increase in out of pockets costs."

The task force also recommends slowing the growth rate of Medicaid, the joint state-federal program for the poor and disabled.

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In addition, the task force proposes phasing out by 2028 the tax exclusion on employer-provided health care benefits. That would go much further than the limits set in the health care law passed earlier this year. The law taxes a portion of high-cost plans beginning in 2018.

Michael Cannon, a health policy expert at the libertarian Cato Institute, said the premium support change to Medicare would have greater ramifications than the ideas offered last week by the chairmen of Obama's commission. Their report recommended increasing cost-sharing for Medicare beneficiaries, but didn't specify an amount, and changing the way doctors and hospitals are paid to encourage more efficient care.

"You can fiddle with the price control formulas as much as you want, but the people whose incomes are determined by those formulas are probably going to carry the day," Cannon said. He said the plan's short-term political prospects were few.

Other recommendations:

- \* On Social Security, raise the amount of wages subject to payroll taxes – now \$106,800 – so that 90 percent would be covered, and “slightly” reduce the growth in benefits for the top 25 percent of beneficiaries.

- \* Establish only two income tax rates, 15 percent and 27 percent; end deductions for mortgage interest and charitable contributions, replacing them with 15 percent refundable credits, and lower the top corporate tax rate from 35 percent to 27 percent.

But the task force also veered sharply in the direction of reviving the economy and creating jobs with a recommendation for a payroll “tax holiday” in 2011 that would excuse employers and workers from paying the 12.4 percent tax into the Social Security Trust Fund.

Taking these and other steps, by 2020 federal spending would be reduced from a projected 26 percent of GDP to 23 percent, and the federal debt would be brought down below 60 percent of GDP, the task force said.



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