Guest Post: Latest from Cato...

Posted by **Dan Crawford (Rdan)** | 4/11/2011 01:18:00 AM
Media Bias, medicare, Michael Halasy (healthcare)
1 comments

Guest post by **Michael Halasy**

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Kaiser Health News carries an article from Michael Cannon from Cato Institute on the benefits of Ryan's proposal on Medicare.

Cannon is wrong.

First, he begins by advocating for repeal by comparing the roughly 500 billion in cost of the program to the overall debt and deficit, never mentioning that the 500 billion is actually over 10 years. Next he proceeds to Medicare savings, and concludes that there were no mechanisms to constrain Medicare savings...and he's right here.

However, then he states: "Even if they were, ObamaCare just spends the presumed savings elsewhere". Which comes across snippy, and a little arrogant. Then he talks about vouchers, and the proposal by Congressman Paul Ryan.

Here's what he says:

Second, the budget should restrain Medicare spending by giving enrollees fixed vouchers they can use to purchase any private health plan of their choice. Poor and sick enrollees should get larger vouchers, but the average voucher amount should grow only at the overall rate of inflation. Because vouchers enable seniors to keep the savings, they will do what ObamaCare won't: reduce the wasteful spending that permeates Medicare. Seniors will choose more economical health plans and put downward pressure on prices across the board. Indeed, vouchers are the only way to contain Medicare spending while protecting seniors from government rationing. Skeptics worry that seniors will make bad decisions with their vouchers. They should keep in mind that, according to Obama's Council of Economic Advisers, "nearly 30 percent of Medicare's costs could be saved without adverse health consequences." In other words, vouchers come with a huge built-in margin of safety: seniors could consume one-third less care without harming their health.

There are some big problems with this, which Mr. Cannon never addresses, or even acknowledges.

To start with, many seniors are living on constricted, fixed incomes. Even with "larger" vouchers, as he suggests, keeping them tied to inflation without addressing the reason for healthcare cost escalation is the same as cutting them out of healthcare altogether...at least the effect will be the same over time. Healthcare has grown at a rate far above inflation for years (6.2% average over the past 10 years). What this will do is to force low income seniors to skip medications, avoid physician visits, and avoid preventative care. This will end up being more costly down the road.

The second problem, is that Mr. Cannon is misrepresenting what the Council of Economic Advisors said about Medicare spending. That 30% represents waste within the system, not necessarily (although likely a small percentage is) over treatment of Medicare patients. It's a dangerous statement to make.

Finally, the block grant idea has some merit, but let's be honest. That's not cost savings.....that's cost shifting. By removing a percentage of federal funding for this patient population, you are forcing the state to pay for it, which is a problem for many cash strapped states already. Mr. Cannon knows all of this, however, he is trying to put a rosy face on an ugly dog.