

MediScare returns

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Mitt Romney's naming of Rep. Paul Ryan as his running mate has moved the debate over Medicare reform back to the political forefront. As everyone in range of a TV knows by now, Ryan is the author of the "Ryan budget" that "ends Medicare as we know it."

According to New York Times columnist Paul Krugman, the plan "would kill people. No question." Democratic consultant Paul Begala calls it "deeply evil." Ryan's plan, warns Obama's campaign chairman, David Axelrod, would throw his 85-year-old, cancer-stricken father off Medicare.

If the Democrats are this hysterical already, what can we expect by Election Day? Ads showing Ryan throwing a wheelchair-bound grandmother off a cliff? Oh, wait ...

But here's a fact: No matter who wins this November, "Medicare as we know it" is doomed.

According to Medicare's trustees, the program ran a combined deficit of more than \$288 billion last year. Going forward, the most optimistic estimate puts Medicare's future unfunded liabilities at more than \$38.6 trillion. More realistic projections suggest the shortfall could actually top \$90 trillion.

To put this in perspective, the total wealth of every American earning more than \$1 million totals roughly \$11 trillion. So we could confiscate every penny belonging to every millionaire and billionaire in America and still cover less than a third of Medicare's red ink, even using the lowest estimate for its unfunded liabilities. There is no way to fix Medicare's finances just by raising taxes on the rich.

Faced with this reality, Ryan has put forward a plan, co-sponsored by liberal Sen. Ron Wyden (D-Ore.), to restructure Medicare for today's younger workers.

This is an important point. The Ryan plan wouldn't make any changes to Medicare for anyone age 55 or older today. Given the perilous state of Medicare's finances, it probably should include current seniors, but it doesn't. No one on Medicare now gets thrown off the program, forced to pay more or has his benefits cut. Axelrod's dad is safe.

Even those under age 55 would still have the option to stay in conventional Medicare if they wish. But the growth in spending under traditional Medicare

would be capped at the growth in the economy plus 1 percent. This likely means a reduction in future benefits, but what those cuts would be aren't specified.

For those who want another option, insurance companies would bid for the right to participate under Medicare. Plans would have to include certain minimum benefits and accept all applicants, regardless of age or current health.

Someone turning 65 after 2022 could choose to receive a voucher (which Ryan prefers to call premium support) equal to the second-lowest bid in his or her geographic area. If seniors chose a lower-cost plan, they could keep the difference. But if they choose to enroll in a more expensive plan, they'll have to pay the difference between the voucher and the premium.

Growth in the vouchers would also be limited to slightly more than the growth of the economy as a whole. So, over time, people would likely have to pay somewhat more out of pocket if they want to receive the same level of Medicare benefits provided today. The hope is that the combination of competition and consumer cost-sharing would help hold down the cost of the program.

How does Ryan's plan compare with President Obama's? Oops, the president doesn't have one. Faced with Medicare's looming crisis, Obama's Treasury secretary, Tim Geithner, told Congress, "We don't have a definitive solution to the problem. We just don't like yours."

The president did include roughly \$700 billion in Medicare cuts as part of ObamaCare. Republicans (including Romney and Ryan) have unfairly demagogued these cuts, showing that they will play the MediScare card. Given Medicare's finances, virtually any cuts should be welcome, and the Ryan budget actually incorporates some of the savings that the president put in place.

The problem with Obama's cuts isn't that he got them enacted, it's that he uses them to finance ObamaCare rather than to shore up Medicare. Plus, it's doubtful that those cuts will actually occur. The Congressional Budget Office recently pointed out that virtually none of the president's proposed Medicare reforms actually saved money in practice.

ObamaCare offers one other plan to reduce Medicare costs. Starting in 2017, the unelected, 15-member Independent Payment Advisory Board will have the authority to cut reimbursements to hospitals and physicians.

If those cuts happen, they could reduce Medicare's budget shortfall, but they'd also make it harder for Medicare patients to get care. Medicare's actuaries estimate that up to 15 percent of hospitals could be forced to close, and many physicians would stop treating Medicare patients.

That seems at least as frightening a prospect as Ryan's plan.

It's time to have an adult conversation about the future of Medicare. The program as it exists isn't sustainable. So the question isn't if Medicare will change, but how.

Whether or not one thinks Ryan's approach is the best answer to that question, it's time for MediScare to stop.