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Big changes in Medicare appear to be inevitable

By Jack Torry, Washington Bureau

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WASHINGTON — No matter which sides prevails in the intensely ideological and partisan debate in Washington over the mushrooming costs of Medicare, one thing is certain: The program as we know it is in for big changes.

Driving the sharply competing revisions outlined by President Barack Obama and House Budget Committee Chairman Paul Ryan, R-Wis., is the realization that it is nearly impossible to balance the federal budget without changing Medicare or the way it is financed.

The cost of the Great Society program, which covers more than half the health costs of the nation's seniors, has skyrocketed from $111 billion in 1990 to $509 billion in 2009. With the number of Americans eligible for the program expected to soar from 47 million today to 62 million in 2019, annual Medicare spending will increase to $895 billion by the end of the decade.

Even though changes in the new health law Obama signed last year have helped Medicare's long-term balance sheet, the Medicare Board of Trustees in its annual report to Congress last year warned that by 2029, the Part A trust fund — which pays for hospital and hospice care for the elderly — will be exhausted.

"Everybody admits doing nothing is not an option," said Michael Tanner, an analyst at the CATO Institute in Washington. "The president, most Democrats in Congress and all the Republicans admit we're going to have to do something."

Both Obama and Ryan's plans, Tanner said, "are going to cut future Medicare spending."

Judy Feder, a professor of public policy at Georgetown University and a two-time Democratic congressional candidate, said that "because of the changes" in the health law Obama signed, "Medicare cost per-beneficiary will grow at a slower rate than health care costs. (But) what is growing is enrollment."

Changing Medicare puts lawmakers on a direct collision with ordinary Americans. According to an ABC News/Washington Post poll last week, 65 percent of Americans oppose cutting Medicare as a way to reduce the national debt.

But the day of reckoning for Congress may fast be approaching. With the nation's publicly held debt approaching $10 trillion and the government expected to add another $7 trillion in debt between 2012 and 2021, Standard and Poor's lowered the U.S. credit outlook from stable to negative because of fears Obama and Congress will not agree on a plan to reduce the deficit.

Obama has talked of limiting Medicare's growth rate by giving greater power to an independent advisory board established in last year's health law. Every year, the board would establish a target of how much money Medicare could spend.

By contrast, Ryan has pushed for more of a free-market solution by eventually ending Medicare's fee-for-service system and providing seniors with federal dollars to buy insurance from private companies.

In both political parties, reaction has been visceral. Sen. Sherrod Brown, D-Ohio, has circulated a letter among his Senate colleagues in opposition to Ryan's plan. Brown flatly said that Ryan's approach is "not going to happen. It's not going to work," adding that it would leave seniors to being "prey to insurance companies trying to sell them plans."

But Obama's plan has run smack into opposition not only from Republicans, but physicians' organizations, such as the American Medical Association. Currently, 12 percent of physicians refuse to see Medicare patients, a number sure to rise if the advisory board cuts payments to physicians

Ryan's approach, which was passed this month by the House, would keep those 55 and older in the current Medicare program. In 2022, however, new enrollees would be given what is called a "premium support" — another word for a voucher — to buy insurance.

Although the voucher would average about $8,000, wealthier people would receive less, a way to means-test Medicare. The premium would rise annually with the rate of inflation.

Over the next few decades, Ryan's plan would generate huge savings for the federal government, with the deficit gradually disappearing. But the non-partisan Congressional Budget Office concluded that premiums and out-of-pocket expenses for the typical beneficiary "would be greater under the (Ryan) proposal than under traditional Medicare."

"The primary objection with Ryan is that it's not cost-containment, it is cost-shifting," said January Angeles, a senior policy analyst at the Center on Budget and Policy Priorities, a left-leaning nonprofit organization in Washington.

In addition, Ryan would repeal Obama's health law, which Brown and Feder argue includes major cost-saving changes in the way Medicare is delivered. Many Democratic analysts argue that until the federal government gets its arms around the rising costs of health care for all Americans, it will be difficult to generate major savings in Medicare and Medicaid, which covers health costs for low-income people.

In particular, they contend that health costs continue to rise because of the increase of such diseases as diabetes, caused in large part by preventable conditions such as obesity. They say that until hospitals and physicians become more efficient in preventing and treating the chronically ill, U.S. health care costs will continue to soar.
