



White House warns cutting Medicare will shift costs

By: [Kelly Kennedy](#) – March 26, 2013

If Congress addresses the nation's budget deficit by cutting Medicare, that will simply shift health care costs to the private sector and not address the underlying issues, Obama administration officials said Tuesday at a White House briefing.

"If you only focus on Medicare, you shift the costs," Health and Human Services Secretary Kathleen Sebelius said, adding that Medicare and Medicaid are not the reason health costs are going up. Costs in these programs are increasing at a slower pace than private-sector health care costs, she said. "You don't do anything about the trajectory the U.S. is on ... unless you concentrate on the underlying costs."

Medicare, as a "major, public financing system," can be used as a stimulus to drive down health care costs across the board, she said.

Sebelius again cited new numbers that show that, because of the Affordable Care Act:

-- Hospital readmission rates for Medicare beneficiaries were 20% two years ago and for many years before that, but are now at 18%, or about 70,000 fewer beneficiaries.

-- 4 million Medicare beneficiaries are now in 250 Accountable Care Organizations designed to reduce service replications and errors.

-- The Medicare spending rate is the lowest it has been in 50 years, and Medicaid spending went down 2% in 2012.

-- Private insurers returned \$2.1 billion to consumers last year after spending less than 80% of premiums directly on health care.

"I think that Congress hopefully will get to the point where they'll become more engaged in these systems," she said. "The early signs are incredibly reassuring."

But after watching Congress' actions over the past few weeks, including the House's 36th vote to repeal the law, Sebelius said she "doesn't have a lot of confidence" that her department will get any additional resources to enact the law. The Senate also voted to repeal the portion of the law that calls for a tax on medical devices, which the industry has lobbied heavily against. The tax was included in the law so that "not one dime" would

be added to the deficit, and as a "self-funding mechanism" for benefits of the law, Sebelius said.

These are "companies that will get 30 million new customers who will now be able to afford the devices," she said, explaining why the tax was enacted in the first place.

And while most agree the economy played some part in health care costs going down, Alan Krueger, chairman of the president's Council of Economic Advisers, said it could in part be attributed to the health care law. Health care costs grew more slowly in the states with the least unemployment, he said.

"It slowed down before the recession," he said. "It accelerated in the last couple of years. The recession had some impact, but not the biggest impact."

The law still faces harsh criticism from groups determined to defund it, even if the threat of repeal was essentially negated when voters re-elected the president. The libertarian Cato Institute last week again asked states not to participate in the health care exchanges or Medicaid expansion in order to save taxpayers money and lower the federal deficit. However, numerous studies have shown that Medicaid expansion could help local economies.

And the conservative Heritage Foundation has said the law will force small employers to downsize so they don't have to pay for insurance for their employees. They've also called for increasing the Medicare eligibility age to cut the deficit and to provide vouchers to purchase private insurance. Both Heritage and Cato say the new health care law ultimately raises taxes and increases spending.