



## Medicare row escalates with Romney's VP pick

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**WASHINGTON** - The US political fight over Medicare, the federal healthcare program for older Americans and some disabled people, was escalating after Mitt Romney's selection of Congressman Paul Ryan as his vice presidential nominee. But the nation's inefficient Medicare system cannot be saved by "Mediscare " demagogue, experts say.

Ryan's entrance energized the Republican base but also brought the Medicare issue into the limelight, as the lawmaker's latest budget plan included reform of the popular healthcare program. Given the role as the architect of the House-approved budget plan for the 2013 fiscal year starting in October 2012, Ryan has been attacked by Democrats as he would end Medicare "as we know it."

Seniors would get a voucher to buy private insurance under Ryan's plan, and because the voucher wouldn't keep up with healthcare costs, the plan would force seniors to pay an extra \$6,400 a year for healthcare spending, US President Barack Obama charged on August 15 during a campaign event in the US state of Iowa. Democrats were not totally right about him.

### PREMIUM SUPPORT

Ryan's latest budget plan would allow current seniors to keep their current Medicare coverage unchanged, but it would alter the arrangement for those turning 65 after 2022, offering "a list of guaranteed coverage options, including a traditional Medicare fee- for-service plan" to ensure a "strengthened Medicare program for future generations".

The plan also called for gradually raising the Medicare eligibility age from 65 to 67. The budget plan sailed through the Republican-controlled House of Representatives this March, but went nowhere in the Democratic-led Senate.

In essence, Ryan's defined-contribution Medicare plan would provide stipend-style premium support in the amount of about \$8,000 to seniors to shop around for healthcare coverage and forced different insurance plans to compete against each other and reduce costs.

The premium support program would change the current defined-benefit Medicare system, in which the federal government bought services whose costs were rising at a much faster clip than the economic growth rate.

Between 1985 and 2009, spending for Medicare program, which covers around 48 million people currently, grew almost 9 percent annually, compared with a 5-percent annual economic growth during those years, figures from the Kaiser Family Foundation showed.

Combined US healthcare spending including Medicare and Medicaid, a state-federal insurance program for low-income families, topped 2.6 trillion US dollars, or 17.9 percent of US economic output in 2010, highest among all developed countries, governmental data showed.

However, the United States did not fare well in terms of key health metrics including infant mortality rate, obesity rate and life expectancy, according to the Economic Cooperation and Development (OECD).

Even a number of Democrats once believed-- and some still do-- that a well-crafted version of premium support was part of a balanced and sustainable long-term fix for Medicare, noted William Galston, a senior fellow at Brookings Institution.

In this election year, demagoguing Ryan was bad for Democrats, warned Galston, a policy advisor for former US President Bill Clinton.

## COMPETING VISIONS

Ryan has also been criticized by some Democratic foes as he was the defender of the wealthy on issues including Medicare, and they are not accurate either. His budget blueprint would give less Medicare support to the wealthy seniors but provide additional assistance for the low-income beneficiaries and the sick.

In Ryan and other Republican lawmakers' views, Medicare's failed reliance on bureaucratic price controls, combined with rising health care costs, was threatening to bankrupt the system.

The different stances on the Medicare issue shed light on the starkly opposing views on health care reforms. Democrats intended to remain the current system largely intact with efforts to enhance its coverage and service quality, while some Republicans wanted market competition to do its work.

The premium-support option was much better than the traditional approaches including trying to save money with price controls on health-care providers. Price controls were notoriously ineffective, because health-care providers adapt by ordering more tests and procedures and they were politically unsustainable due

to lobbying pressure, contended Daniel Mitchell, a senior fellow at the Cato Institute, a Washington-based think tank.

A fairer question was whether market competition can always drive down healthcare costs more effectively than a government monolith.

Over the 40 years from 1970 to 2009, Medicare spending per enrollee grew by an average of 1 percentage point less each year than private health insurance premiums, due to factors including bigger bargaining power of the traditional government-run Medicare program, noted Paul N. Van de Water, a senior fellow at the Washington-based Center on Budget and Policy Priorities.

As Ryan's Medicare plan drew concerns from senior Americans as they were worried that the new plan might shred the current social safety net, US GOP presumed presidential nominee Mitt Romney seemed to distance himself from some parts of the controversial proposal.

Romney has been criticizing that the Obama administration intended to reduce 716 billion dollars from Medicare spending over the next decade through the "Obamacare," saying he would restore the \$716 billion to the Medicare trust fund and get Medicare on track to be solvent over the long run, although those cuts were part of Ryan's budget plan.

Government funding set aside for Medicare program in the trust fund, which was financed by payroll taxes, was expected to be exhausted in 2024, according to a recent report from the Social Security and Medicare boards of trustees.

In a recent analysis article, Ron Haskins, a senior fellow at Brookings Institution, held that "my fear is that Romney will find ways to back away from Ryan's budget plan and his proposal for premium support in particular. No matter what Romney does, Democrats are going to roll out all their 'Mediscare' tactics and try to make the elderly think Romney/Ryan have a plan to destroy Medicare."

Addressing seniors in the US state of Florida on Saturday to quell doubts about his proposal to overhaul Medicare, Ryan said Obama was running the election on "fear and smear," adding that "our plan does not affect the benefits for people who are in or near retirement" but Medicare needed reform "for my generation so it doesn't go bankrupt when we want to retire."