

It's time to unplug Medicare's third rail

By: Rituparna Basu – November 26th, 2012

This election Paul Ryan and other Republicans dared approach the third rail that is Medicare, and Democrats upped the voltage, branding Republicans every chance they got as wanting to “end Medicare as we know it.”

But whatever you thought of Ryan's particular proposals for Medicare, and whoever you voted for, there's one thing we must all come to agree on now — it is high time we unplug the third rail.

According to Medicare's trustees, Medicare will go bankrupt in the next 12 years (some argue it could happen as early as 2016). The program is already running combined deficits of close to \$290 billion, and its long-term unfunded liabilities top \$30 trillion (some argue they could be more than \$89 trillion). Cato's Michael Tanner puts the lower estimate of Medicare's unfunded liabilities in perspective: “[W]e 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.”

Despite these facts, we continue to treat Medicare as untouchable. Observe how both parties bent over backwards trying to convince us that it's their party that wants to preserve Medicare as we know it. Romney accused Obama of “robbing” Medicare, insisting that what the Republicans want to do is “save it.” Meanwhile, Obama maintained his health care law “strengthened” Medicare and that it was really Romney who has a “very different plan.” Meanwhile, neither Obamacare nor the Republican proposal makes a serious dent in Medicare's spending (spending actually *increases* under both plans).

Why, despite its impending fiscal collapse, is Medicare untouchable? Because we view the program as performing a crucial government function: paying for seniors' medical bills. That the government should do this, too many of us hold as sacrosanct, and it's why any proposal that seniors pay for a greater share of their medical care is met with ads showing granny being pushed off a cliff.

It's past time to question this, to question whether Medicare's basic purpose is proper.

Medicare is often characterized as an “earned benefit” — a fund you pay into during your working years and then become eligible to collect from once you retire. But in reality Medicare is no such thing — it's a redistribution program that taxes the income of current workers to pay the medical expenses of current seniors.

The portion of your wealth that is seized today for the program is not invested for your future medical costs, nor is it saved for you in a vault marked with your name until you turn 65. The Medicare “trust fund” is, in fact, a myth.

Any money the government collects from you is spent the minute it is received on today’s seniors. Those over 65 today collect at least \$3 in benefits for every dollar they paid in payroll taxes during their working years, which is only possible courtesy of today’s working population. And when you turn 65, Medicare will only exist to the degree the government taxes the then-working population.

Is it proper for the government to force people into such a scheme? Is it right to make the medical expenses of some the unchosen obligation of others? Is Medicare compatible with the founding principle of America — that each individual has a right to live for the sake of his own happiness and not have the fruits of his productivity confiscated for others?

These are the kinds of fundamental questions we must be willing to ask. It really should not be surprising that when we divorce benefits from costs — a person’s consumption from his production — as Medicare does, bankruptcy looms.

Ultimately, we will need to discuss the possibility of ending Medicare as we know it — of no longer forcing some people to pay the medical bills of others.

Instead, Romney, under immense voter scrutiny, recoiled earlier this year from a provision in Ryan’s plan that cut a mere \$716 billion from Medicare (Ryan also distanced himself from that provision). This kind of unprincipled backpedaling is the exact opposite of the leadership we need.

America is surely heading toward a financial reckoning. Let’s face this reality, unplug the third rail and have a real debate about the future of Medicare.