



## A CLOSER LOOK AT THE REPUBLICAN BUDGET PROPOSAL: WHAT'S WRONG WITH PREMIUM SUPPORT IN MEDICARE?

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The House Republican plan for Medicare, which passed on March 29, 2012, with only Republican votes, calls for replacing the current Medicare program with a voucher-based system called “premium support.” If enacted, this plan would have devastating consequences for seniors and people with disabilities who rely on Medicare today and for those who will need it in the future.

### Premium support is the latest version of the same conservative plan to turn Medicare over to private insurance companies.

- ▶ Conservatives, dating back to Newt Gingrich in the 1990s, have been trying for years to end Medicare as we know it and turn it into a privatized voucher program.
- ▶ The Republican plan ends Medicare’s current guarantee of coverage for everyone who qualifies and replaces it with a promise of a fixed amount of money (i.e., a voucher) to purchase health insurance.
- ▶ The Republican plan shifts risk and costs onto individuals: If the voucher is insufficient to purchase comprehensive coverage, individuals would either have to pay for the rest of their care out of their own pockets or go without it.

#### Here’s what the Republican Medicare privatization plan does:

- ▶ It does **not** “preserve” Medicare—it ends Medicare as we know it.
- ▶ It puts private insurance companies in control of Medicare.
- ▶ It raises beneficiaries’ out-of-pocket costs.
- ▶ It puts current beneficiaries at risk, too.
- ▶ It does **not** fix the problems of earlier Republican Medicare proposals.
- ▶ It does **not** address Medicare’s fiscal challenges—it just shifts costs to seniors and people with disabilities.

## Here's why:

- ▶ **The plan does not “preserve” Medicare—it ends Medicare as we know it.**
  - ▶ Even if something called “Medicare” still exists under the Republican plan, it will provide less protection and cost more than the program we have today.
  - ▶ Calling something “Medicare” does not make it Medicare. A vehicle that’s missing wheels, brakes, and doors is not a “car,” no matter what a salesman calls it.
- ▶ **The plan puts costly private insurance companies in charge of Medicare.**
  - ▶ Private insurance companies limit which doctors beneficiaries can see.
  - ▶ Private plans in Medicare have always, on average, cost more, not less, than the traditional Medicare program to *deliver the same care*.
  - ▶ Private health insurance companies have higher administrative costs than Medicare and must pay for marketing, salaries, advertising, and profits.
  - ▶ Private insurance companies’ poor track record in controlling Medicare costs suggests that premium support will not be able to save money without passing costs onto beneficiaries.
- ▶ **The plan raises beneficiaries’ out-of-pocket costs.**
  - ▶ The amount of the voucher will not keep up with increases in health care costs.
  - ▶ Over time, the voucher will buy less and less coverage, and the beneficiaries will have to either pay more or go without care.
- ▶ **The plan puts current beneficiaries at risk, too.**
  - ▶ Even if the premium support proposal is phased in and traditional Medicare remains an option in the future, current beneficiaries will face higher costs.
  - ▶ Healthier and wealthier beneficiaries will likely leave traditional Medicare for cheaper private plans that provide less protection because they can afford to pay additional out-of-pocket costs themselves.
  - ▶ Higher-cost patients will remain in traditional Medicare, thereby pushing up Medicare premiums for everyone left in the program. Higher premiums would encourage more people to leave traditional Medicare, increasing Medicare’s costs further.

- ▶ **The plan does not fix the problems of earlier Republican Medicare proposals.**
  - ▶ Although this year's plan permits the traditional Medicare program to remain an option for future beneficiaries, over time, traditional Medicare will become weaker and unaffordable.
  - ▶ The April 2011 House Republican plan shows Republican's goals: It called for abolishing the traditional Medicare program and forcing everyone into private plans.
  - ▶ All of these proposals would result in higher costs for people with Medicare, reduced access to care, or both.
  
- ▶ **The plan does not address Medicare's fiscal challenges—it just shifts costs to seniors and people with disabilities.**
  - ▶ The key to fixing Medicare's fiscal problems is to slow the rate of health care cost growth.
  - ▶ The Affordable Care Act lays the groundwork for making the health care system more efficient by encouraging doctors and other health care providers to work together to improve quality, keep people healthy, and reduce unnecessary care.
  - ▶ Already, Medicare's annual costs have grown more slowly in recent years than in prior decades. We need to let these reforms take root.

For more information on the 2012 and 2011 Republican plans for Medicare, see:

Families USA, *The Republican Budget Proposal: Ending Medicare As We Know It—Again* (April 2012), available online at <http://familiesusa2.org/assets/pdfs/budget-battle/Republican-Budget-and-Medicare.pdf>.

Families USA, *Health Hazard: How the House Republican Budget Resolution Would Dramatically Change Medicare* (April 2011), available online at <http://familiesusa2.org/assets/pdfs/Republican-Budget-Changes-Medicare.pdf>.

For these and other publications related to Medicare, visit the Families USA website at <http://www.familiesusa.org/resources/publications/by-topic/medicare.html>.



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