



A Closer Look at **MEDICARE**

From Families USA, a 501(c)4 Organization

October 2012

Five Ways the Romney-Ryan Medicare Plan Hurts People 55 and Older

At the first presidential debate, Governor Romney said that older Americans can ignore his Medicare plan because it doesn't affect them. Of course, one might ask, if his plan is such a good idea, why wouldn't he want to include them in it? Why would he leave them out? In fact, numerous analyses show that the Romney-Ryan Medicare plan would impose thousands of dollars in higher health care costs on future beneficiaries. But what about people at or near retirement today? Closer examination shows that there are at least five ways that people born before 1958—those who are allegedly not affected by the Romney-Ryan Medicare plan—would suffer substantial adverse consequences.

The Top Five Ways People with Medicare Are Hurt

1. Higher Medicare premiums and co-insurance
2. Higher costs for prescription drugs and preventive care
3. A gutted Medicaid program
4. A depleted Medicare trust fund
5. A weakened traditional Medicare program for today's seniors

1 Higher Medicare premiums and co-insurance

Medicare's premiums, like any insurer's, are in large part determined by how much the program pays health care providers for services. If services cost more, premiums go up. If services cost less, premiums go down. Likewise, the co-insurance paid by people with Medicare is set as a percentage of how much Medicare pays. When Medicare pays more, co-insurance goes up; when Medicare pays less, it goes down.

Governor Romney insists that he will undo all the \$716 billion in future reductions in Medicare spending that are part of the Affordable Care Act. These reductions are to be achieved by an overdue curbing of excessive payments to insurance companies, doctors, and hospitals. If these savings are reversed and Medicare spends more on insurers and providers, as Governor Romney wants, premiums and co-insurance for people enrolled in Medicare will go up, too.

(Ironically, Congressman Ryan's budget proposal—originally embraced by Governor Romney—would reduce Medicare spending by the same amount as the Affordable Care Act. The difference is that the Ryan budget uses those savings to pay for tax cuts for the rich instead of improving benefits for people in Medicare.)

How much would premiums and coinsurance go up under Governor Romney's latest position on the \$716 billion in Medicare reductions? According to a recent Department of Health and Human Services study, people in Medicare will save an average of \$347 on premiums and co-insurance each year from 2013 to 2022 under the Affordable Care Act (see Table 1 and Figure 1).¹ Conversely, under the Romney plan, without the Affordable Care Act's Medicare savings, everyone with Medicare will be looking at an average of \$347 a year more in out-of-pocket costs (not counting the higher costs many will face for their prescription drugs). That's an average over 10 years, of course: People who use more health services will pay more in co-insurance, and people who use fewer services will pay less. But by 2022, the average annual increase will have grown to \$629 per person, or \$1,258 per couple (see Table 1). That's a significant cost for everyone with Medicare that the Romney plan doesn't mention.

Table 1.

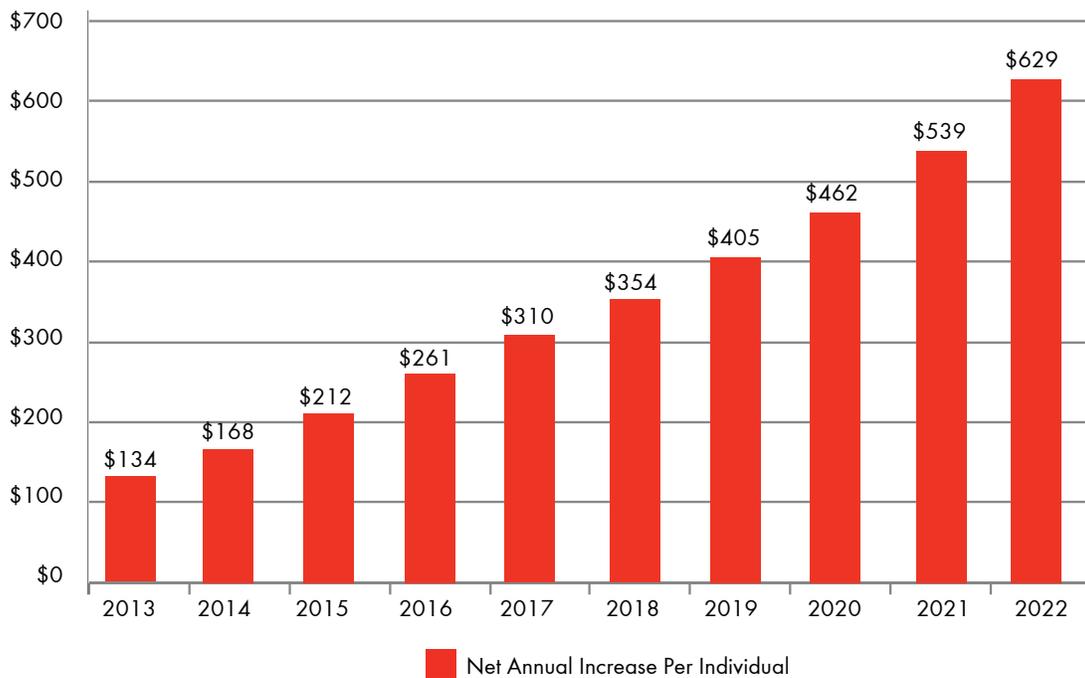
Net Increase in Part B Premiums and Part A & B Co-Insurance Under Romney Plan

Year	Net Annual Increase	
	Per Individual	Per Couple
2013	\$134	\$268
2014	\$168	\$336
2015	\$212	\$424
2016	\$261	\$522
2017	\$310	\$620
2018	\$354	\$708
2019	\$405	\$810
2020	\$462	\$924
2021	\$539	\$1,078
2022	\$629	\$1,258
10-Year Average	\$347	\$695

Source: Families USA calculations based on Assistant Secretary for Planning and Evaluation, *Estimated Savings of \$5,000 to Each Medicare Beneficiary from Enactment through 2022 under the Affordable Care Act* (Washington: Department of Health and Human Services, September 19, 2012), available online at aspe.hhs.gov/health/reports/2012/beneficiariesavings/ib.shtml.

Figure 1:

Higher Part B Premiums and Part A & B Co-Insurance under the Romney Plan



Source: Assistant Secretary for Planning and Evaluation, *Estimated Savings of \$5,000 to Each Medicare Beneficiary from Enactment through 2022 under the Affordable Care Act* (Washington: Department of Health and Human Services, September 19, 2012), available online at aspe.hhs.gov/health/reports/2012/beneficiariesavings/ib.shtml.

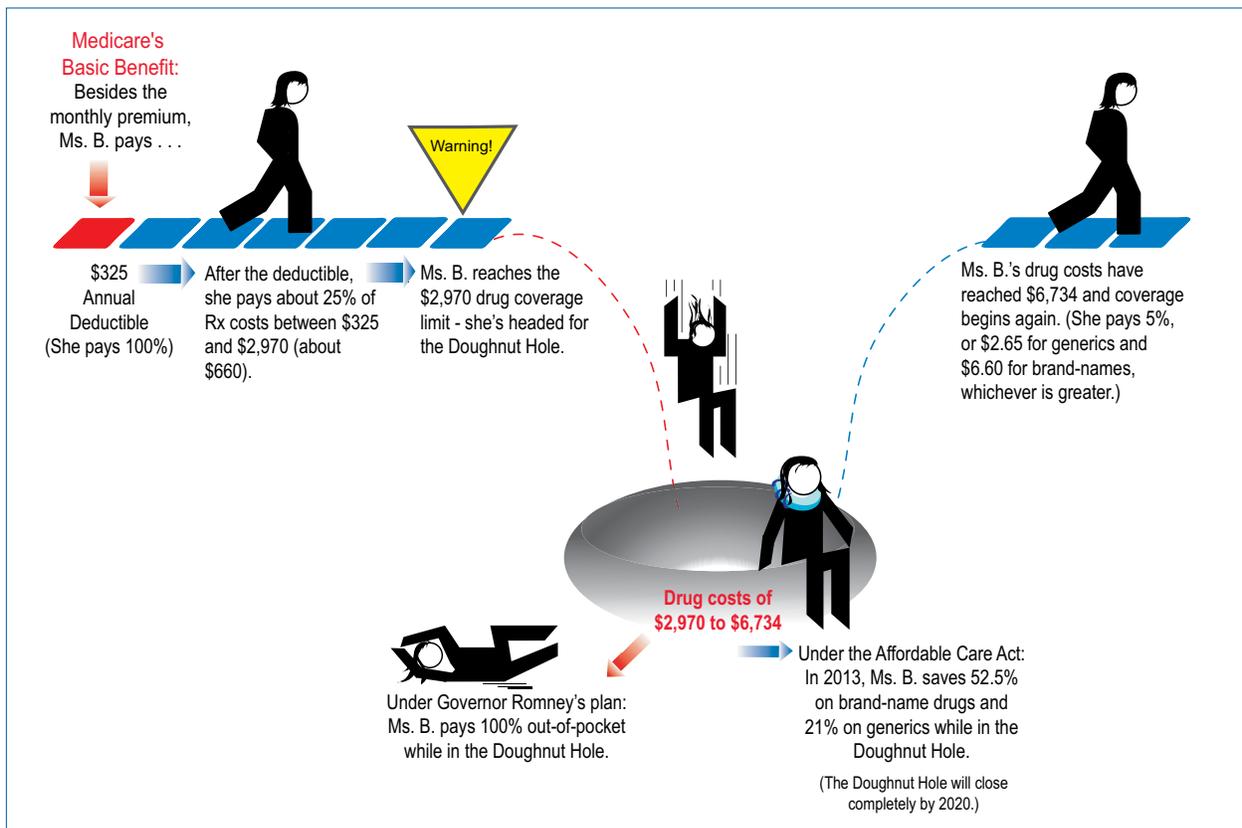
2 Higher costs for prescription drugs and preventive care

Governor Romney has been clear that he intends to repeal the entire Affordable Care Act. Two key Medicare provisions in that law are improving prescription drug coverage by closing the big gap in drug coverage—the so-called “doughnut hole”—and eliminating cost-sharing for Medicare’s preventive care services. Thanks to these provisions, last year nearly 4 million people with Medicare saved an average of \$613 on prescription drugs, and almost 26 million beneficiaries received at least one free preventive service, such as a “wellness visit,” a colonoscopy, or a mammogram.² If these provisions were repealed, as Governor Romney plans to do, people with Medicare would again face a growing gap in their prescription drug coverage. This gap would be nearly \$3,800 in 2013 (see Figure 2) and would grow each year thereafter. Cost-sharing obligations would also be reinstated for preventive services that are now free. The result? Higher out-of-pocket costs.

For more information:

A complete listing of the number of Medicare beneficiaries receiving free preventive services and help in the doughnut hole in each state in 2011 is included in *ObamaCare versus RomneyCare versus RomneyCandidateCare*, which is available online at www.familiesusa.org/2012-health-care-comparison.

Figure 2. Medicare’s Prescription Drug Benefit for 2013



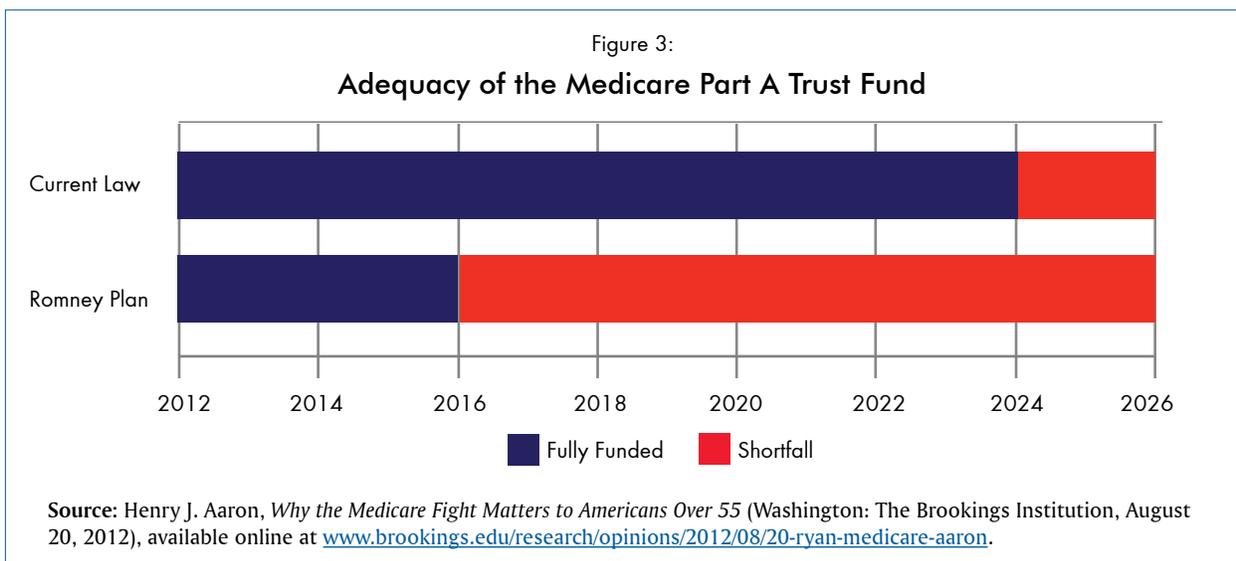
3 A gutted Medicaid program

Medicaid, not Medicare, is the main source of long-term care coverage for seniors and people with disabilities—coverage that pays for people to live in nursing homes or to receive services that allow them to remain in their home. Medicaid also covers many of Medicare’s out-of-pocket costs for lower-income beneficiaries. Governor Romney’s plan calls for slashing Medicaid. He proposes to cap growth in the program and turn it into a block grant to the states. The result would be a program about one-third smaller at the end of the decade than the one we have today.³ These cuts would begin to take effect right away, and they would grow with each passing year.

Cuts of this magnitude at the federal level would force states to dramatically reduce their coverage and/or eligibility criteria. That would certainly mean reduced access to nursing homes for people who need institutional care, and less care at home or in the community, putting more people at risk of institutionalization. The burden of these cuts would fall on frail elders and people with disabilities, as well as those who care for them—their children, their spouses, and other family members and loved ones.

4 A depleted Medicare trust fund

The Affordable Care Act extended the life of the Medicare trust fund so that, as of today, it is fully funded through 2024. The trust fund is in better shape now because the Affordable Care Act reduces the rate of Medicare spending in the future, and requires wealthy Americans (those with incomes over \$200,000 per year, or \$250,000 for a couple) to contribute more in Medicare taxes. Governor Romney’s plan promises to reverse all these provisions. As illustrated in Figure 3, this means that under his plan, the Medicare trust fund would run short in 2016—before the end of his first term.⁴



The Medicare trust fund pays for inpatient care. If it runs low on funds, Congress would need to find ways to make up the difference, including cutting benefits or increasing cost-sharing. By dramatically shortening the life of the Medicare trust fund, the Romney-Ryan plan would precipitate a fiscal crisis in Medicare that would likely result in reduced benefits, higher out-of-pocket costs, or both.

5 A weakened traditional Medicare program for today's seniors

Under the Romney-Ryan plan, anyone born after 1957 would experience a very different Medicare program than the one that exists today. Instead of the existing Medicare program, they would have to join a voucher-care system that would provide them with a limited subsidy to purchase coverage from either a private insurer or the traditional program. Over time, as the voucher covered a decreasing share of their premiums, younger people would pay thousands of dollars more out of their own pockets.⁵

But what about everyone born before 1958—those who remain in the “old” system? First, as younger seniors participate in voucher-care, the old Medicare program will be left to serve an increasingly older and sicker population. Private insurers will consider voucher-care a great bonanza because they are adept at attracting relatively younger and relatively healthier people by offering things like gym memberships and free office visits. The plans can offset the costs of these extra services⁶ by charging higher cost-sharing for other expensive services (for example, chemotherapy) that are needed by sick people. As a result, the old Medicare program will be left to cover sicker and older people with more costly health care problems. The inevitable result will be substantial premium increases for the old Medicare program that serves today's retirees and near-retirees. If you're 65 years old today and counting on using the traditional Medicare program, this means you'll face higher health care costs when you're 75 and older.

Second, people in the old system will find it harder to keep their doctor. Today, people with traditional Medicare have unparalleled access to physicians. This is because Medicare covers so many people that most health care providers find it worth their while to take Medicare. As the Romney-Ryan plan gets implemented, however, fewer and fewer people will have traditional Medicare coverage. This will make doctors less inclined to accept traditional Medicare.⁷ And although beneficiaries would have the option of switching to private plans, they would have to accept the insurance companies' limits on which doctors they can see. Either way, seniors and people with disabilities would have less control over their choice of doctor—a core principle of Medicare since its inception.

To claim that the Romney-Ryan Medicare plan has no effect on older Americans is disingenuous at best. It in fact has profound implications that would result in substantially higher out-of-pocket costs and reduced access to care. Older Americans have much to lose if the Romney-Ryan Medicare plan is adopted.

¹ Families USA calculations based on Assistant Secretary for Planning and Evaluation, *Estimated Savings of \$5,000 to Each Medicare Beneficiary from Enactment through 2022 under the Affordable Care Act* (Washington: Department of Health and Human Services, September 19, 2012), available online at aspe.hhs.gov/health/reports/2012/beneficiariesavings/ib.shtml.

² Ron Pollack, Kathleen Stoll, and Kim Bailey, *ObamaCare versus RomneyCare versus RomneyCandidateCare* (Washington: Families USA, September 2012), pp. 16-19.

³ Richard Kogan and Paul Van de Water, *Romney Budget Proposals Would Necessitate Very Large Cuts in Medicaid, Education, Health Research, and Other Programs* (Washington: Center on Budget and Policy Priorities, September 24, 2012), available online at www.cbpp.org/cms/index.cfm?fa=view&id=3658.

⁴ Henry J. Aaron, *Why the Medicare Fight Matters to Americans Over 55* (Washington: The Brookings Institution, August 20, 2012), available online at www.brookings.edu/research/opinions/2012/08/20-ryan-medicare-aaron.

⁵ David Cutler, Topher Spiro, and Maura Calsyn, *Increased Costs During Retirement under the Romney-Ryan Medicare Plan* (Washington: Center for American Progress Action Fund, August 24, 2012), available online at <http://www.americanprogressaction.org/issues/healthcare/report/2012/08/24/33915/increased-costs-during-retirement-under-the-romney-ryan-medicare-plan/>.

⁶ In insurance jargon, this is referred to as being “actuarially equivalent.”

⁷ Peter Orszag, “Ryan’s Proposal Would Shrink Medicare’s Doctor Pool,” *Bloomberg*, September 18, 2012, available online at www.bloomberg.com/news/2012-09-18/ryan-s-proposal-would-shrink-medicare-s-doctor-pool.html.

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This publication is available online at
www.familiesusac4.org/five-ways-romneyryan-hurts-medicare.

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