HOUSE REPUBLICAN MEDICARE PLAN: FALSE CHOICES AND PROMISES

REPUBLICANS ARE CAPPING MEDICARE

* Republicans limit Medicare spending to specific dollar amounts in the law.

* It is these caps, and not the so-called choice Republicans claim to provide beneficiaries, that lead to the enormous budget savings in Medicare under the House Republican plan.

* These caps bear no relationship to the cost of health care. Rather, they are designed only to produce $270 billion in savings, which Republicans then use for other purposes (see below).

* If inflation and/or the number of people enrolled in Medicare raise Medicare costs beyond these arbitrary budget caps, Medicare -- and the protection it has always promised the elderly and the disabled -- is at risk.

REPUBLICANS "REFORM" MEDICARE BY CONVERTING IT TO A PIGGYBANK

* House Republican Medicare "reforms" clearly will not benefit the elderly. They take away seniors true choice, strip away consumer protections and increase the cost of health care for Medicare beneficiaries.

* Protection of the Medicare Part A Trust Fund clearly is not the true agenda underlying Republican proposals.

    - A cut of $270 billion is more than double the amount needed to safeguard the Part A trust fund.

    - The majority of House Republican Medicare cuts ($137 billion of $270 billion) come from Part B. Not one penny of these cuts go into the Part A trust fund.

* Where, then, would the proceeds from the Republican Medicare cuts go? To finance their tax cut for the wealthy.

* Not only do House Republicans raid Medicare to pay for their tax cut, they attempt to hide these cuts by claiming the end result will be greater choice for Medicare beneficiaries. In fact, though, the end result will be to take away the most important Medicare protections for elderly and disabled citizens.

"MEDICAREPLUS," BY ANY OTHER NAME, IS STILL JUST A VOUCHER

- House Republicans create a new MedicarePlus, under which they claim seniors will have a choice of many new kinds of health plans. However, MedicarePlus guarantees beneficiaries nothing more than a defined contribution, or voucher, to purchase coverage under these new plans, which currently do not exist.

- The value of this voucher will decline over time. The voucher amounts are indexed to Republican's arbitrary budget targets (4.9% average annual growth from 1996-2002), not to the rising cost of health care coverage (on average, 7.1% annual growth rate from 1996-2002).

- If MedicarePlus plans cannot hold their cost growth to this level 30% below private sector health plans, House Republicans would permit plans to charge beneficiaries additional, higher premiums.

- As a result, beneficiaries will have to spend more and more out of their own pockets just to buy basic Medicare benefits in MedicarePlus.

  - Seniors already spend 21% of their income on Medigap insurance, prescription drugs, long term care services, and other health care needs not included in Medicare. They can not afford to shoulder an additional and increasing financial burden just to purchase basic Medicare coverage

BALANCE BILLING IN MEDICAREPLUS PLANS SHIFTS COSTS TO SENIORS

- Today, in traditional Medicare, seniors are protected from a practictice called "balance billing."

  - Hospitals may not charge beneficiaries one penny more than their allowed fee.

  - Doctors may not charge beneficiaries more than 15% above the fee Medicare allows.

- Given the tight budget caps Republicans are imposing on Medicare, the elderly will be particularly vulnerable to balance billing. Despite this fact, however, Republicans have included no statutory language in their plan protecting Medicare beneficiaries from balance billing under MedicarePlus plans. It appears that under MedicarePlus plans, doctors and hospitals could charge seniors any amount they want for Medicare services.

- Without balance billing limits, MedicarePlus providers would be able to shift costs to the elderly in order to maintain their own incomes.

- This hidden tax on seniors (75% of whom have incomes below $25,000) is a direct transfer to physicians (whose average income is $150,000) and to other providers.

"FAILSAFE" THREATENS AN END TO MEDICARE'S PROTECTION

- Medicare today offers beneficiaries unlimited choice of doctors and hospitals, protections against balance billing, and guaranteed coverage or all Medicare benefits for the premium established by law. All these protections are at risk under the House Republican plan.

- The House Republican plan applies tight budget caps, guaranteed by a "failsafe" in such a way as to make it harder for beneficiaries and providers to remain in traditional Medicare. Providers would have an incentive to move to MedicarePlus plans where they would be able to shift costs to beneficiaries. If enough providers migrate to MedicarePlus, beneficiaries would have little choice but to follow their doctors and hospitals.

  - The budget "failsafe" applies only to provider payments in traditional Medicare. The "failsafe" requires provider payments to be cut as deeply as necessary to bring program costs down to the arbitrary Republican budget target.

  - Amazingly, the budget "failsafe" requires that provider cuts then be cut further! The House Republican plan requires the Secretary to cut Medicare payments to doctors and hospitals by 133.33% of the amount required to reach budget targets)

  - Because healthier people are more likely to go into managed care plans, the average cost of those remaining in traditional Medicare is likely to rise. Therefore, the "failsafe" cuts in traditional Medicare will have to be even deeper.

  - Physicians and hospitals already complain that Medicare payments are too tight. The House Republican plan would drive provider payments down further.

- As provider payments in traditional Medicare decline, providers may be more inclined to move into MedicarePlus plans, where they have an opportunity to make up their losses through higher premiums and balance billing.

- Over time, traditional Medicare could become seriously underfinanced and unattractive to both providers and beneficiaries.

REPUBLICAN PLAN OFFERS SENIORS COERCION, NOT CHOICE

- Budget failsafe (see above) is designed to make traditional Medicare less attractive. If hospitals and doctors migrate out of traditional Medicare and into their own plans, seniors will have no choice but to leave Medicare for new plans with less protection.

- According to CBO, many low income seniors will be forced to move to HMOs if Republicans severely curtail Medicaid subsidies for cost-sharing.

- As seniors leave Medicare, they will also leave the protection of a powerful, nationwide health care program with the market clout to demand fair and affordable treatment on their behalf. By contrast, in MedicarePlus, seniors will be individual purchasers with a limited voucher in a market where insurance companies and powerful provider conglomerates call the shots.

- Very quickly, the choice facing seniors will be to pay more or get less.

MEDICAL SAVINGS ACCOUNTS WILL HELP BREAK UP MEDICARE

- CBO estimated that the Medical Savings Accounts (MSAs) included in the Senate Republican's Medicare bill, would rob the program of $2.3 billion. That works out to $1,000 per beneficiary in MSAs per year.

- Republicans propose to experiment with new, untested MSAs, using Medicare beneficiaries as their guinea pigs.

- Under MSAs, the MedicarePlus voucher could be used to buy a catastrophic health insurance policy (with a deductible as high as $10,000).

    - Any difference between the cost of that policy and the voucher amount would be placed in a tax-favored medical savings account.

- Only the healthiest and wealthiest seniors could afford to gamble with such a high deductible policy. As these individuals buy MSAs, the average cost of those remaining in Medicare would increase.

- It is ironic that Republicans, who profess concern for the Trust Fund solvency, nevertheless include in their Medicare bill a costly provision that will benefit only the most fortunate.

IN SUMMARY, HOUSE REPUBLICAN MEDICARE "REFORM" REALLY OFFERS FALSE CHOICE AND THREATENS AN END TO MEDICARE BENEFICIARY PROTECTIONS

* House Republican Medicare "reforms" clearly will not benefit the elderly. Their cut of $270 billion is too large. In addition, their "reforms" take away seniors true choice, strip away consumer protections and increase the cost of health care for Medicare beneficiaries.

* Protection of the Medicare Part A Trust Fund clearly is not the true agenda underlying Republican proposals.

* Introduction of untested MSA plans will cost Medicare billions, according to CBO, making the trust fund problems worse.

* Republicans break up Medicare by enticing out the healthiest and wealthiest, forcing out the poorest, and encouraging providers to leave fee-for-service. This transforms beneficiaries -- now a powerful group with market clout -- into 37 million individuals armed only with a limited voucher in an expensive health care market place.

* The Republican agenda for Medicare is clear: transform the program into a piggybank they can use to buy a tax break for the wealthy.

QUOTES FROM REPUBLICAN SENATORS ON MEDICARE AND MEDICAID CUTS

"If I had my druthers ... I would have said to my distinguished colleagues, both in the House and in the Senate, 'Don't link this business of tax cuts with fixing this badly flawed system. Put it aside.'"

Senator Al D'Amato
United Press International
9/72

"I have never been for a tax cut for the rich or anyone else. There are many Republicans who don't embrace that. I don't. I don't see how we can get there."

Senator Alan Simpson
The Associated Press
9/26

"The message of Medicare cuts at the same time we give tax cuts to the wealthy is resonating out there with the people. Senior citizens are concerned. It is difficult to make the case that we are doing this to strengthen Medicare."

Senator Al D'Amato
Associated Press
9/26

"I don't think we are going to have $245 billion in tax cuts. I don't think anybody thinks that."

Senator Orrin Hatch
Newsday
9/27