Written Statement for the Record by

Families USA

For the U.S. House of Representatives

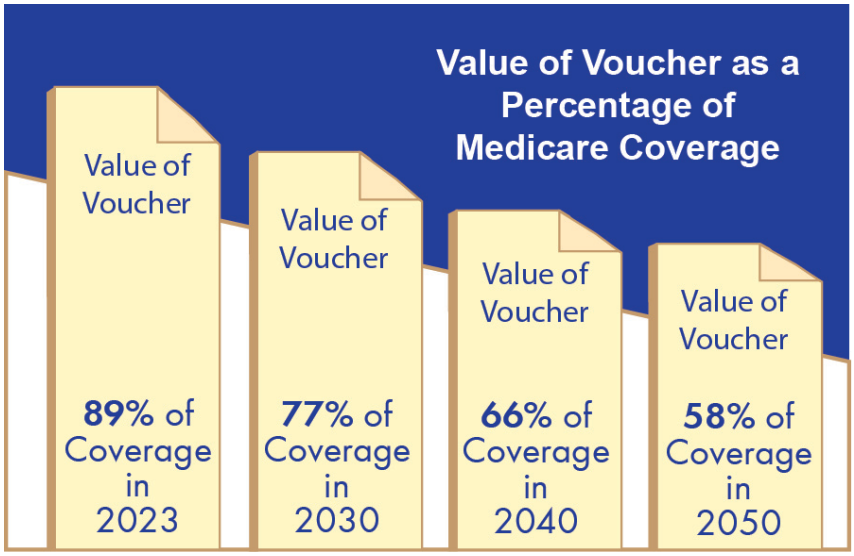
Committee on Ways and Means

Hearing on Medicare Premium Support Proposals

Friday, April 27, 2012

The House budget resolution (H. Con. Res. 112) passed on March 29, 2012 calls for replacing the current Medicare program with a voucher-based system called "premium support." Families USA is deeply troubled by the implications of such a system. 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.

Under this vision for Medicare, the program's current guarantee of coverage for everyone who qualifies will end and be replaced with a promise of a fixed amount of money (i.e., a voucher) to purchase health insurance. The plan shifts risk and costs onto individuals. If the voucher is insufficient to purchase comprehensive coverage, individuals would have to either pay for the rest of their care out of their own pockets or go without it. Medicare would face greater and greater cuts over time, with payments on behalf of beneficiaries being cut by 23 percent within seven years of the new system taking effect and a 42 percent cut after twenty-seven years.



Source: Families USA calculations based on CBO, *Long-Term Budgetary Impact of Paths Specified by Chairman Ryan,* March 2012. Current Medicare coverage based on alternative fiscal scenario

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The premium support plan does not "preserve" Medicare—it ends Medicare as we know it.

- Even if something called "Medicare" still exists under this plan for the program, 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 premium support 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 premium support plan relies on costly private insurance companies.

- 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 premium support 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 premium support 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.

The budget proposal is the latest attempt to turn Medicare into a private voucher system and comes with all the same problems as previous proposals. But the plan offers no explanation for how seniors and people with disabilities are expected to pay for the care they need as the value of their voucher declines. The roughly half of people with Medicare who have limited income would be forced to cut back on other necessities like food and shelter –or go without healthcare. If enacted, this proposal would fundamentally violate the promise that Medicare has made to current and future generations, which is to ensure access to comprehensive care at a time in their lives when they are most vulnerable.