

## HOUSE GOP BUDGET: A PATH TO POVERTY

*Destroys Medicare as We Know It*

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**Destroys Medicare and Converts Program to a Voucher.** The Republican budget destroys Medicare for everyone under age 55, instead providing individuals with an under-funded voucher to purchase coverage in a new undefined marketplace where there is no guarantee that insurance companies will even participate.

- ***Voucher is under-funded.*** Despite the dramatic strides made in the Affordable Care Act to strengthen Medicare's financial footing and slow its spending growth, the Republican budget waxes on about the need for further cuts to Medicare. While details on the voucher plan are scarce, the only way to achieve additional savings is to deliberately set the voucher below expected costs. And individuals who are healthy or earn higher incomes (e.g., above \$85,000) receive a far smaller voucher, perhaps up to 70 percent lower.
- ***No guarantee that insurers will want to serve this population.*** The vouchers can be used to shop for private insurance plans in a new - but undefined – Medicare “marketplace” or “exchange.” In general, insurance plans historically have always wanted to be paid more than Medicare's costs to serve this sick and vulnerable population. Under the House Republican budget insurers would be paid far less and will offer fewer benefits than Medicare or restrict access to care. Even more alarming, insurers could continue to charge much higher premiums based on age, gender and health status, or fail to offer insurance altogether. It is important to remember that Medicare was created because private insurers had stopped serving these populations. The Ryan proposal ignores the past.
- ***No guarantee that plans will take all beneficiaries.*** Despite platitudes about structuring the market so that plans are required to take all applicants, we know too well from experience with Medicare Advantage and Part D that there are many creative ways plans can avoid sicker, higher-cost beneficiaries. The Ryan plan does not protect against – and may well inadvertently encourage -- this more insidious discrimination.
- ***Ends Medicare's entitlement of guaranteed benefits.*** Even if seniors can find an insurer to cover them at a price they can afford, the plan is not required to cover a set benefit package, as Medicare currently does. The whole goal of moving to a voucher is to fundamentally change Medicare by converting it from a defined benefit program to a defined contribution program. Divorcing the voucher from a benefit package all but

guarantees it won't have the same purchasing power. According to the nonpartisan Congressional Budget Office's independent analysis of the Ryan-Rivlin voucher plan, upon which Ryan's Medicare budget proposal is based, "*voucher recipients would probably have to purchase less extensive coverage or pay higher premiums...*"

- ***Promotes rationing by private insurance companies.*** With declining dollars and an expensive population, private insurers that do choose to participate will have every incentive and motive to deny care. While Republicans accuse the government of rationing, nothing could be further from the truth. With transparency laws and accountability of federal agencies and lawmakers, policy decisions that have adverse effects are public and may be taken up for debate and changed. This is not the case for private insurance companies and their black box "decision making" when it comes to approving or disapproving treatments. They are accountable to shareholders and executives, not their patients.
- ***Sends the existing Medicare program into a "death spiral".*** Although Ryan claims that people age 55 and above would be able to remain or enroll in Medicare as we know it today, that may be a hollow promise. By restricting the current program to an ever-aging and more costly population, it will go into a so-called "death spiral" (an insurance term that describes a dwindling pool of increasingly expensive enrollees), which will raise both government spending and beneficiary premiums for this group. It appears that the Republican budget *may* shield beneficiaries from the increases resulting from segmenting the older and sick into one pool, but is not clear how that is done. And the fact remains that doing so will further increase government spending beyond the increase already resulting from the "death spiral."
- ***Fails to control overall health spending.*** Turning Medicare into a voucher isn't reform; it doesn't change the level of need or reform how care is delivered. While it might slow *government* spending, it will result in a massive cost shift to individuals and families and is thus unlikely to materially slow *overall* expenditures. Conversely, if it is shown to slow *overall* expenditures, it will be because people fail to get needed or timely care and, in extreme cases, may die earlier than otherwise expected.
- ***Increases waste, fraud and abuse.*** By eliminating the underlying Medicare program and its efforts to combat waste, fraud and abuse, the Ryan budget will turn billions of dollars over to private insurers with virtually no accountability. Efforts to track and eliminate waste, fraud and abuse will become exponentially more difficult when hidden behind the veil of corporate secrets. To the extent the plans themselves ferret it out, there will be no return to taxpayers.
- ***Ends Medicare's role as a leader in quality and payment innovations.*** Medicare will no longer play the role of driving delivery reforms that reward efficient, high-quality

care. A voucher plan also ends Medicare's incentives for health information technology.

- ***Ends Medicare payments to teaching hospitals and rural providers.*** The Republican budget will end Medicare payments for graduate medical education and that help cover the cost of the uninsured, as well as the numerous extra payments that go to rural providers and to promote primary care.

**Imposes automatic Medicare cuts.** The House Republican budget creates two new triggers to impose automatic across-the-board cuts to Medicare, which are arbitrary and will further shrink the voucher for new beneficiaries.

**Repeals coverage expansions in health reform but embraces Medicare savings.** After scaring senior citizens during the last election by running against Medicare provisions of the Affordable Care Act, Republicans now appear to be doing an about face by formally embracing the ACA's Medicare savings and dramatically increasing cuts in the out-years. (It is unclear whether they are retaining or repealing the ACA's benefit improvements for Medicare beneficiaries; however, even if they have retained them, they will disappear for those who receive only the new voucher.) Furthermore, because the Republican budget repeals the tax credits to help individuals and families purchase health insurance under the Affordable Care Act, hospitals and other providers will be stuck with Medicare payment reductions that were premised on increased payments resulting from the increased coverage under the ACA.