

# THE WALL STREET JOURNAL.

## Medicare As We've Known It Isn't an Option

**Paul Ryan's premium support plan is preferable to Obama's rationing panel.**

By BETSY MCCAUGHEY

April 27, 2011

The Democratic Party is urging Americans to choose Medicare as we've always known it rather than a new plan by Rep. Paul Ryan (R., Wis.) that would enroll seniors in private health insurance beginning in 2022. This choice is a hoax: Medicare as we've always known it is already gone. It was eviscerated by President Obama's health law. Yet if the president and the Democratic Party successfully bamboozle voters, they may win back independents and registered Democrats who voted for Republicans in 2010. The 2012 election could turn on this falsehood.

The truth is that the Obama health law reduces future funding for Medicare by \$575 billion over the next 10 years and spends the money on other programs, including a vast expansion of Medicaid. In 2019, Medicare spending under the Obama health law is projected to be \$14,731 per senior, instead of \$16,162 if the law had not passed, according to Medicare actuaries (Health Affairs, October 2010).

Such cuts might be justifiable if the savings extended the financial life of Medicare. Mr. Obama and Health and Human Services Secretary Kathleen Sebelius frequently make that false claim. Indeed, even Medicare's mailings to seniors repeat the claim that reducing spending on Medicare will make it more financially secure for future years.

The fact is that Mr. Obama's law raids Medicare. Mr. Ryan's plan, on the other hand, stops the Medicare heist and puts the funds "saved" in this decade toward health care for another generation of retirees.

Beginning in 2022, the Ryan plan offers each new Medicare enrollee a choice of private health plans and a premium paid to the plan they choose. The key is that the premium will be equivalent to what Medicare is projected to spend under the Obama health law: \$15,000 a year on average, more for the oldest enrollees, less for the youngest, all inflation adjusted.

Still, critics are howling that seniors will suffer under Mr. Ryan's plan. A Congressional Budget Office (CBO) report claims that the \$15,000 premium will quickly become inadequate because the cost of private health plans will outpace Medicare costs.

The CBO conclusion, reverberating nationwide, is that this will force seniors to "bear a much larger share of their health costs," and that it "would be particularly challenging for elderly people with less savings and lower income."

The CBO authors admit their analysis is "stylized." Deceptive is more like it.

After 2022, competing private plans are likely to control costs better than government-run Medicare, so the inflation-adjusted premium paid by government should be adequate. In the Medicare Part D drug benefit, competition between competing private drug plans has kept costs below what was predicted—nearly a first for a government program. A 2008 study from the National Bureau of Economic Research also demonstrated that regions with competing Medicare Advantage Plans have lower health-care costs because of the impact of competition.

The Ryan proposal also includes a \$7,800 annual medical savings account to help low-income seniors with out-of-pocket costs. Amazingly, the CBO analysts exclude this \$7,800 benefit from their calculations. Their warning about low-income seniors suffering is baseless.

So what can retiring Americans count on in 2022 and after? The Obama health law leaves that up to an unelected board of presidential appointees called the Independent Payment Advisory Board, a cost-cutting panel.

The board is a radical departure from Medicare as we've known it. Congress cedes nearly all control of Medicare spending to the board on the rationale that budgeting decisions should be shielded from outraged seniors and political pressures. On April 13, the president reiterated that the board would decide what care is "unnecessary" for seniors. Even the CBO cautioned that as the nation's debt crisis worsens, benefits will be put on the board's chopping block.

Will Americans now in their 40s and 50s choose to put their health care in the hands of this cost-cutting board, or pick their own health plan when they retire? Whatever decision the nation makes should not turn on the false claim that President Obama has protected Medicare.

*Ms. McCaughey is chairman of the Committee to Reduce Infection Deaths and a former lieutenant governor of New York.*