

BILL THOMAS, CALIFORNIA  
CHAIRMAN

PHILIP M. CRANE, ILLINOIS  
E. CLAY SHAW, Jr., FLORIDA  
NANCY L. JOHNSON, CONNECTICUT  
AMD HOUGHTON, NEW YORK  
WALLY HERGER, CALIFORNIA  
JIM McCRERY, LOUISIANA  
DAVE CAMP, MICHIGAN  
JIM RAMSTAD, MINNESOTA  
JIM NUSSLE, IDWA  
SAM JOHNSON, TEXAS  
JENNIFER DUNN, WASHINGTON  
MAC COLLINS, GEORGIA  
ROB PORTMAN, OHIO  
PHIL ENGLISH, PENNSYLVANIA  
J.D. HAYWORTH, ARIZONA  
JERRY WELLER, ILLINOIS  
KENNY C. HULSHOF, MISSOURI  
SCOTT McINNIS, COLORADO  
RON LEWIS, KENTUCKY  
MARK FOLEY, FLORIDA  
KEVIN BRADY, TEXAS  
PAUL RYAN, WISCONSIN  
ERIC CANTOR, VIRGINIA

ALLISON H. GILES  
CHIEF OF STAFF

# Congress of the United States

## U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

1102 LONGWORTH HOUSE OFFICE BUILDING  
(202) 225-3625

Washington, DC 20515-6548

<http://waysandmeans.house.gov>

November 14, 2003

CHARLES B. RANGEL, NEW YORK  
RANKING MINORITY MEMBER

FORTNEY PETE STARK, CALIFORNIA  
ROBERT T. MATSUI, CALIFORNIA  
SANDER M. LEVIN, MICHIGAN  
BENJAMIN L. CARDIN, MARYLAND  
JIM McDERMOTT, WASHINGTON  
GERALD D. KLECZKA, WISCONSIN  
JOHN LEWIS, GEORGIA  
RICHARD E. NEAL, MASSACHUSETTS  
MICHAEL R. McNULTY, NEW YORK  
WILLIAM J. JEFFERSON, LOUISIANA  
JOHN S. TANNER, TENNESSEE  
XAVIER BECERRA, CALIFORNIA  
LLOYD DOGGETT, TEXAS  
EARL POMEROY, NORTH DAKOTA  
MAX SANDLIN, TEXAS  
STEPHANIE TUBBS JONES, OHIO

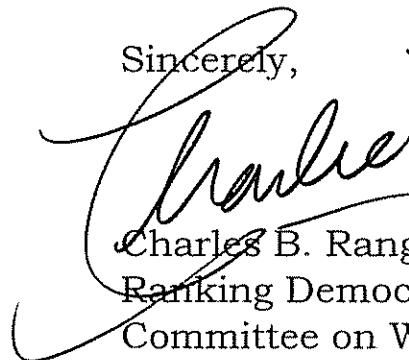
JANICE MAYS,  
MINORITY CHIEF COUNSEL

### Pending Medicare legislation: A Trojan Horse?

Dear Democratic Colleague:

I am writing to call your attention to the attached column from today's *New York Times*, in which Paul Krugman calls the evolving Medicare legislation a Trojan Horse. I couldn't say it better myself. What began as a debate to improve Medicare by adding a prescription drug benefit has now turned into a fight to save Medicare as we know it. We may see the results of the Republican Medicare conference soon. Let's hope, on behalf of our constituents, that Mr. Krugman is wrong. But I am not optimistic.

Sincerely,



Charles B. Rangel  
Ranking Democrat  
Committee on Ways and Means

PAUL KRUGMAN

# The Trojan Horse

What are we going to do about Medicare? That should be the subject of an open national debate. But right now Congressional leaders are trying to settle the question by stealth, with legislation that purports to be doing something else.

An aging population and rising medical costs will eventually require the nation to provide Medicare with more money or to cut benefits, or both. Meanwhile, there are demands for a new benefit: a gradual shift away from hospital treatment and toward the use of drugs has turned the program's failure to cover prescription drugs into a gaping hole.

A Congressional conference is now trying to agree on prescription drug legislation. But beware of politicians bearing gifts — the bill will contain measures that have nothing to do with prescription drugs, and a lot to do with hostility to Medicare as we know it. Indeed, it may turn out to be a Trojan horse that finally allows conservative ideologues, who have

---

## What's inside that Medicare bill.

---

unsuccessfully laid siege to Medicare since the days of Barry Goldwater, to breach its political defenses.

Some background: originally, Medicare provided only hospital insurance, paid for with a special tax on wages — and this tax, according to estimates from the trustees, will be enough to cover hospital insurance costs for at least 20 more years. Medicare now also includes additional benefits, but the costs of these benefits have always been covered out of general revenue — that is, money raised by other taxes.

But one of the proposals being negotiated behind closed doors — misleadingly described as “cost containment” — would set a limit on Medicare's use of general revenue, and would require action seven years before projections say that limit will be breached. This rule is reinforced with a peculiar new definition of “general revenue” that includes interest on the Medicare trust fund, accumulated out of past payroll taxes. The effect would be to force the government to declare a Medicare crisis in 2010 or 2011.

You might say it's a good idea to face up to Medicare's problems early. But the legislation would allow only two responses: either an increase in the payroll tax (a regressive tax that bears more heavily on middle-class families than on the wealthy) or benefit cuts. Other possibilities, like increases in other taxes or other spending cuts, would be ruled out. In short, this is an attempt to pre-empt discussion of how we want to deal with Medicare's future, and impose a solution reflecting a particular ideology.

Meanwhile, another proposal — to force Medicare to compete with private insurers — seems intended to undermine the whole system.

This proposal goes under the name of “premium support.” Medicare would no longer cover whatever medical costs an individual faced; instead, retirees would receive a lump sum to buy private insurance. (Those who opted to remain with the traditional system would have to pay extra premiums.) The ostensible rationale for this change is the claim that private insurers can provide better, cheaper medical care.

But many studies predict that private insurers would cherry-pick the best (healthiest) prospects, leaving traditional Medicare with retirees who are likely to have high medical costs. These higher costs would then be reflected in the extra payments required to stay in traditional fee-for-service coverage. The effect would be to put health care out of reach for many older Americans. As a 2002 study by the Kaiser Family Foundation judiciously put it, “Difficulties in adjusting for beneficiary health status ... could make the traditional Medicare FFS program unaffordable to a large portion of beneficiaries.”

What's going on? Why, bait and switch, of course. Few politicians want to be seen opposing a bill that finally provides retirees with prescription drug coverage. That makes a prescription drug bill a perfect vehicle for smuggling in provisions that sound as if they have something to do with improving Medicare, yet are actually designed to undermine it.

Faced with adamant opposition from Democrats, like Senator Edward Kennedy, who understand exactly what's going on, the Republicans are reported to have retreated a bit. The consequences of the crunch planned for 2011 will apparently be less drastic, and premium support will be introduced as an experiment — albeit one involving millions of people — rather than all at once. But this bill is still a Trojan horse. □

---

E-mail: [krugman@nytimes.com](mailto:krugman@nytimes.com)

---

Bob Herbert is on vacation.