

Frenzy of Cuts in Medicare Plugs Deficit

■ Budget summeeters take the easy route and stick it to the people least able to pay.

This summer Congress and the White House had public celebrations of the 25th anniversary of Medicare. Now a private party—the “budget summit”—has turned back the clock on 25 years of Medicare progress in providing health care to the elderly and disabled. The elderly—and the Medicare program they rely on—are bearing the burden of the summit’s failure to raise the revenues needed to reduce the deficit.

The summit participants have homed in on the Medicare program for massive savings. The budget summit requires \$60 billion in payment cuts and beneficiary cost increases over the next five years, an amount far larger than the cuts in any other domestic program. The President held on to his demand for capital-gains cuts until the end and “settled” for \$25 billion in tax incentives for businesses and investors. Meanwhile, rather than raising revenues from those best able to pay them, summeeters of both parties seem to have concluded that the elderly can shoulder the burden of deficit reduction.

So the summit requires an increase in the Medicare premium from about \$360 a year to more than \$650 in 1995—roughly equal to the average monthly Social Security check today. The summit endorses doubling the deductible, even for those struggling on subsistence budgets. Included in this frenzy of program cuts are also steep drops in payments for services, cuts that threaten the viability of many hospitals and health-care institutions on which millions of other Americans also rely.

The impact of these budget proposals will be dramatic. Raising the Medicare premium to cover 5% more of the program’s costs will affect every participant. This reduction will mean hardship for many—and a reminder to them all that they are being asked to solve a deficit problem they didn’t create.

How can we explain the surplus in the Social Security Trust Fund when a higher Medicare premium means a reduction in every Social Security check? And the situation will get worse, because cutting Medicare coverage by increasing deductibles and co-insurance will mean that private MediGap supplemental coverage will cost more as well.

All the news for the elderly in this budget is bad. Especially reprehensible are the effects of these budget proposals on the low-income elderly—40% of the elderly

‘All the news for the elderly in this budget is bad. Especially reprehensible are the effects of these budget proposals on the low-income elderly.’

have incomes of less than \$12,000 per year. Nearly half of all elderly women and two-thirds of all elderly minorities are in this group. While some of these people are so poor that they qualify for the minimal services of Medicaid, nearly one-quarter of all elderly Americans rely entirely on Medicare as their only form of insurance. For them the premium and deductible increases will be truly catastrophic.

These budget cuts and premium increases follow a decade of Medicare changes. Over the past 10 years Medicare premiums have risen more than 300%, or about six times the rate of inflation. While the price has gone up, protection has gone down. When Medicare was enacted 25 years ago the elderly spent about 15% of their incomes on health and long-term care; today, even with Medicare, they spend more than 18% for these services. There’s no help with prescription drugs, no protection against financial ruin from costs of nursing-home care.

Perhaps the most serious consequence of all is the great risk that will be created for Medicare itself. It is now unquestionably one of the most broadly supported federal programs. Much of that support comes from attracting all income classes to it, as well as all ages—because each of us knows that it is there for us in the future and, most important, for our parents today.

But reforming the way we pay physicians one year and renegeing on the reforms by freezing payments the next undermines Medicare. Redesigning it to provide catastrophic benefits one year and repealing them the next undermines it. Adopting income-tested premiums one year, repealing them the next and reconsidering them the year after undermines it. Letting premiums and deductibles soar undermines it and hurts all who depend on it.

It is remarkable that the budget negotiators have so quickly turned to the elderly to bear so much of the deficit burden. And in the end, it will not solve the deficit problem—only restructuring our tax system so that the wealthier carry their fair load will do that.

The urgency of the budget deficit must be tempered by the urgency of maintaining confidence and stability in the program of health care for the elderly and disabled. Now is not the time to turn our backs on 25 years of Medicare.

Rep. Henry A. Waxman (D-Los Angeles) is chairman of the House subcommittee on health and the environment.

OCT-1990
L.A.T.M.S.