

Paul Ryan's Plan to Change Medicare Looks A Lot Like Obamacare

President-elect Donald Trump and House Speaker Paul Ryan agree that repealing the Affordable Care Act and replacing it with some other health insurance system is a top priority. But they disagree on whether overhauling Medicare should be part of that plan. Medicare is the government-run health system for people age 65 and older and the disabled.

Trump said little about Medicare during his campaign, other than to promise that he wouldn't cut it. Ryan, on the other hand, has Medicare in his sights. "Because of Obamacare, Medicare is going broke," Ryan said in an interview on Fox News on Nov. 10. "So you have to deal with those issues if you're going to repeal and replace Obamacare."

In fact, the opposite appears to be true — Obamacare may actually have extended the life of Medicare. This year's Medicare trustees report says the program would now be able to pay all its bills through 2028, a full 11 years longer than a 2009 forecast — an improvement Medicare's trustees attribute, in part, to changes in Medicare called for in the Affordable Care Act and other economic factors.

And the irony of the Ryan Medicare plan, say some health policy analysts, is that it would turn the government program into something that looks very much like the structure created for insurance plans sold under the ACA. "The way it works is comparable to Obamacare," says physician and conservative policy analyst Avik Roy, founder of the Foundation for Research on Equal Opportunity.

Ryan's plan would set up "Medicare exchanges" where private insurance companies would compete with traditional government-run Medicare for customers. Obamacare exchanges sell only private insurance plans. People would get "premium support" from the government to pay for their insurance under the Ryan Medicare plan. The subsidy would be tied to the price of a specific plan offered by an insurer on the exchange, much like the Affordable Care Act subsidy is tied to the second-cheapest "silver" plans. And the payment would be linked to a recipient's income, so lower-income people would get a bigger subsidy. The subsidy would rise as beneficiaries get sicker, to ensure access to insurance.

As with Obamacare, people who choose plans that cost more than the government subsidy would have to pay the balance. Insurers would have to agree to issue policies to any Medicare beneficiary, to "avoid cherry-picking," and to ensure that "Medicare's sickest and highest-cost beneficiaries receive coverage." The changes would start in 2024, when people who are now about 57 become Medicare eligible.

Roy agrees with Ryan that Medicare is going broke and that a program structured in this way would save money through "the magic of competition." "If you have 10 insurers competing for that business, you're going to negotiate a better deal," he said.

Medicare is already a dual public-private program. Most seniors today are enrolled in what's known as traditional Medicare, where the government pays for medical appointments, tests and hospital stays on a fee-for-service basis. Alongside that program is Medicare Advantage, an insurance plan provided by a private insurer that may offer seniors additional services like dental care at the same price. The government pays a fixed monthly fee to the insurer for each Medicare Advantage patient, rather than paying for every service separately, as it does in traditional Medicare.

About half of Medicare's new enrollees choose Medicare Advantage plans, says Henry Aaron, a health care economist at the Brookings Institution. Aaron says Ryan's proposal aims to move almost all seniors into Medicare Advantage-style insurance by making traditional Medicare too expensive for the consumer. But, he says, there are risks to that approach. "The real question here is whether the requisite safeguards are in place to ensure that the elderly and people with disabilities would be able to maneuver in such a system," he says.

That's because the health care and health insurance systems are very complex. Doctors move in and out of networks, copayments can vary and plans can change. Millions of people on Medicare are also eligible for Medicaid, meaning they are poor and vulnerable, Aaron says. And at least 8 million Social Security beneficiaries have been declared financially incompetent and are assigned a representative to manage their money.

"What you've got here is a group of people who are very sick, poor, and often cognitively impaired one way or the other," Aaron says. "Tossing people like that into a health care marketplace and saying, 'Here, go buy some insurance,' is a recipe for problems." Seniors may feel the same way. Researchers at Brown University last year found that as people get older and sicker, they tend to drop Medicare Advantage and opt for traditional Medicare.

Ryan has been working on his plan to change Medicare for many years. A version of his "premium support" plan was included in several budget proposals he put forth when he was chairman of the House Budget Committee. The Congressional Budget Office says the proposals would reduce federal spending on Medicare.

At this point it's unclear whether Trump shares Ryan's ambitions to upend the current Medicare system. Trump didn't include Medicare reform on his campaign website. But since his election, "modernize Medicare" has been included on the list of health care priorities on his transition site.

Paul Ryan is determined to kill Medicare. This time he might succeed.

Bursting with the policymaking power that control of both houses of Congress and the [White House](#) gives [Republicans](#), House Speaker [Paul D. Ryan](#) (R-Wis.) has lost no time in teeing up a favorite goal: gutting [Medicare](#).

In an interview with [Fox News Channel](#) only days after the election, Ryan said: "Obamacare rewrote Medicare ... so if you're going to repeal and replace Obamacare, you have to address those issues as well. ... What people don't realize is that Medicare is going broke, that Medicare is going to have price controls. ... So you have to deal with those issues if you're going to repeal and replace Obamacare. Medicare has got some serious problems because of Obamacare. Those things are part of our plan to replace Obamacare."

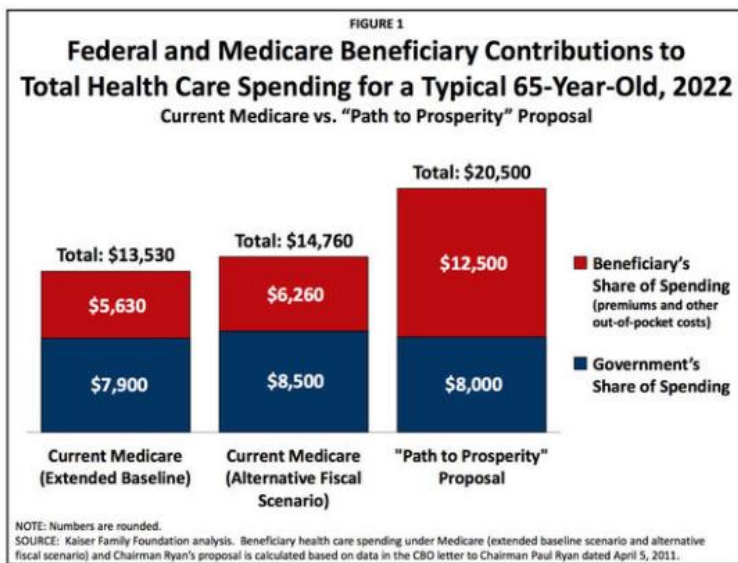
There's no secret about what specifically Ryan has in mind. He intends to replace traditional Medicare, an efficient program offering guaranteed treatment and featuring [rock-bottom administrative costs](#), with a privatized program. Seniors would get a federal voucher to help them pay premiums charged by commercial insurance plans. Ryan calls this system "premium support."

Medicare has got some serious problems because of Obamacare.

— House Speaker Paul D. Ryan (R-Wis.)



But since the value of the vouchers would rise at less than the rate of healthcare inflation, and the costs of private insurance typically rise faster than those of Medicare, an ever-larger share of healthcare costs would land on seniors' shoulders. In 2011, when Ryan first proposed this change, the [Kaiser Family Foundation](#) [calculated](#) that by 2022, healthcare spending would consume roughly half of the typical 65-year-old's Social Security check, compared to only 22% under the existing Medicare system.



Under House Speaker Paul Ryan's plan to "save" Medicare, total costs would rise and enrollees' share of the total would soar. (Kaiser Family Foundation)

Ryan's plan would do nothing to rein in healthcare costs, but would likely increase them, in part because Medicare beneficiaries would be saddled with paying not only for their care, but for the shareholder dividends and executive pay of private insurance companies. The savings Ryan touts would be illusory: They would merely be shifted from government to seniors.

His plan threatens to increase seniors' costs in another way: by severing the link between the reimbursements paid to doctors and hospitals by traditional Medicare rates and those paid by Medicare Advantage plans, which are semi-privatized plans that offer enrollees more services but narrower provider networks.

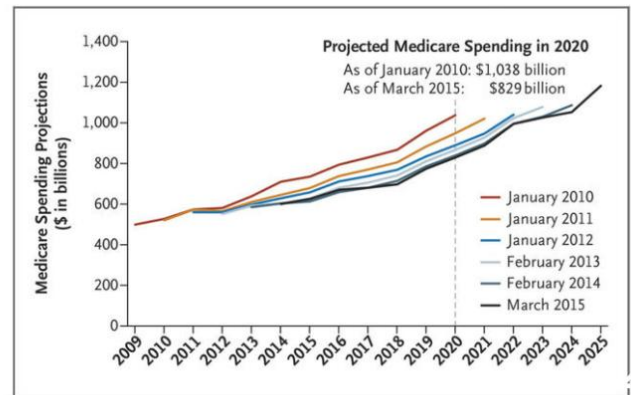
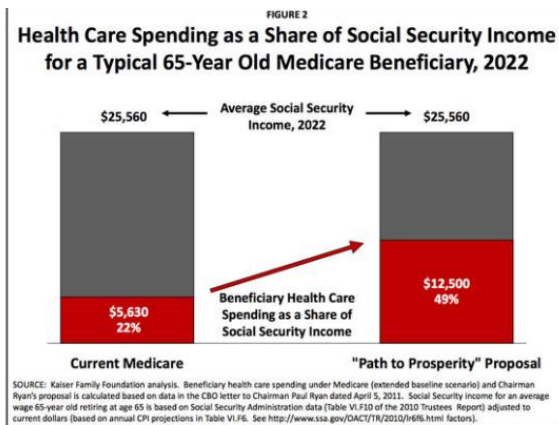
Medicare Advantage is growing in popularity, with an estimated 31% of all Medicare beneficiaries enrolled. But those private insurance plans' reimbursement rates are benchmarked to traditional Medicare rates, which are set by the government. Ryan has proposed removing the benchmark and allowing Advantage reimbursements to be set by competition. As [healthcare commentator Andrew Sprung](#) observes, "that would likely lift the lid on the payments insurers make to healthcare providers — and then, as costs rise, shift an ever-rising share of them to seniors."

It's unclear whether Ryan's ideas will pass muster with President-elect [Donald Trump](#), who promised during his campaign not to cut Medicare or Social Security and may see political dangers in backtracking. There's no telling whether Trump will stand fast or even if he'll sufficiently understand the nuances of Medicare financing to spot Ryan's fiscal legerdemain. His presidential website mentions the intention to "[modernize Medicare](#)" but doesn't say how.

Ryan, moreover, has surrounded his Medicare proposal with a bodyguard of lies. In his Fox News appearance, he said Medicare is "going broke" and ascribed its problems to the Affordable Care Act. Neither assertion is true.

Medicare faces fiscal problems, but it's not going broke, and according to both the Medicare trustees and the [Congressional Budget Office](#), the Affordable Care Act has in fact alleviated those problems rather than caused them. The [trustees reported in 2010](#) that passage of Obamacare had postponed the projected exhaustion date of the Medicare trust fund by 12 years — to 2029 from 2017. Projections of Medicare spending growth have consistently come down, year after year, at least in part due to changes in the program imposed through Obamacare.

The program's fiscal situation would be "substantially improved," the trustees said, because the ACA instituted new cost controls and provided new tax revenues for the program. Both those features would disappear if the GOP repeals the ACA, as is its intention.



Seniors would pay on average, under House Speaker Paul Ryan's plan, almost half of their Social Security income on healthcare by 2022, compared to 22% under the existing program. (Kaiser Family Foundation)

Projections of Medicare spending have been revised downward by the Congressional Budget Office every year since Obamacare's passage. (Congressional Budget Office via the New England Journal of Medicine)

In his Fox News interview, Ryan also took aim at the Independent Payment Advisory Board, or IPAB. This body, created by the ACA, is empowered to recommend changes in Medicare reimbursement rates for doctors and hospitals if the program's projected growth exceeds a target rate. IPAB hasn't actually been created yet, but that's not much of a problem because the Medicare growth rate has been well within bounds.

IPAB has been a major target of conservative ACA critics from the start, for reasons that have never been very clear. The board has no authority to recommend changes in benefits, enrollee costs or anything other than what doctors and hospitals get paid. Ryan wrung his hands on Fox about this board's ability to impose "price controls on Medicare," but he forgot to mention that it's empowered to step in only once all other efforts to control costs have failed.

The ACA includes all sorts of cost-control provisions aimed at how physicians bill patients and how hospitals manage their treatments, some of which already have yielded evident improvements in how American healthcare is delivered. Ryan's Medicare plan offers no alternatives to these ideas, other than airy promises to "strengthen ... health and retirement security" for seniors and to "foster a more patient-centered system," a GOP shibboleth with no discernible meaning.

Ryan's lies and insinuations have been abetted by ill-informed and supine press coverage. In 2011, for instance, the fact-checking outfit Politifact labeled as "the lie of the year" the accusation that Ryan and his fellow Republicans had "voted to end Medicare."

This was a remarkably ignorant finding, contradicted by Politifact's own description of the Republican plan. Politifact acknowledged that for anyone then younger than 55, the vote "dramatically changed the program ... by privatizing it and providing government subsidies." It takes a surfeit of obtuseness not to notice that privatizing a government program is tantamount to killing it, and bifurcating it into separate pools of young workers and people 55 and older is a formula for fiscal chaos and, eventually, annihilation. It takes a surfeit of obtuseness not to understand how a voucher program works to increase costs on beneficiaries.

Ryan's assault on Medicare, like other policies likely to be advanced by Republicans in the next few years, will place a premium on informed journalism, as well as concentrated organizing by defenders of programs that have been working very well for Americans and that need improvement, not evisceration. Medicare advocates beat down Ryan's initial sally against the program in 2011, but they need to remain vigilant. And unlike Politifact, reporters and editors covering these programs will need to know what they're talking about. The challenge is on.