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**The Spokesman-Review**  
Spokane, Washington  
**Thursday March 16, 2017**  
by **John Webster**  
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## **GOP Medicare plan: the Hidden details**

### *Republicans' health reform threatens funds that insure 55 million seniors, disabled*

Little noticed in the Republican proposal to repeal and replace the Affordable Care Act is a tax cut that would benefit the wealthy and undercut funding for Medicare, on which 55 million senior and disabled Americans depend for their health care.

This, in turn, threatens to trigger a second political crisis similar to the one now swirling around Obamacare — but bigger in scope because most Americans lose work-related insurance and turn to Medicare when they retire.

One possible solution: Republican House Speaker Paul Ryan, architect of the proposal to phase out the coverage of 20 million Americans insured by Obamacare, has for several years proposed a fundamental change to Medicare.

Known as “premium support,” Ryan’s concept would change Medicare from a national commitment to fund care for seniors and the disabled, into a cash grant that recipients then would use to help them purchase health coverage of their choosing. The gap between this grant and the actual cost of care would have to be absorbed by Medicare’s beneficiaries.

Medicare’s financial solvency hinges on the payroll tax that all working Americans pay. In 2009 when Congress was debating the Affordable Care Act, Medicare’s Hospital Insurance Trust Fund was forecasted to become insolvent in 2017.

To prevent this insolvency, the ACA increased the Medicare payroll tax rate by 0.9 percent, applying the increase only to taxpayers with income exceeding \$200,000 for an individual or \$250,000 for a couple.

Thanks to this tax increase, in 2010 Medicare’s trustees predicted the Hospital Insurance Trust Fund would remain solvent for another decade, until 2029.

The trustees’ most recent forecast, issued in 2016 and based on the latest cost and demographic data, forecasts insolvency by 2028.

However, on page 88 of the Republicans’ American Health Care Act is a little-noted section titled “Repeal of Medicare Tax Increase.” This section, to take effect Dec. 31, 2017, would remove from federal law the ACA’s 0.9-percent increase in the Medicare payroll tax.

What would the elimination of that tax’s revenue do to Medicare’s finances?

And what would it mean to Americans who depend on Medicare for their health care?

Juliette Cubanski, a health policy analyst at the nonpartisan Kaiser Family Foundation and the author of numerous publications about Medicare, said Medicare's actuaries predict that, without income from the 0.9-cent tax, Medicare's Hospital Insurance Trust Fund would become insolvent by 2025, three years sooner than expected under current law.

Insolvency, Cubanski said, has never happened in the history of Medicare.

For decades since Medicare's enactment in 1965, Congress has monitored forecasts by the Medicare trustees, and well ahead of time has adjusted the benefits and taxes to keep it solvent.

If the current Congress does repeal the 2010 tax increase, and if Congress then makes no further changes to Medicare, by 2025 there would be no cushion in the trust fund and Medicare's annual tax revenue would only be enough, Cubanski said, to pay 87 percent of Medicare's benefits. Whenever Medicare's benefits cost more than the program's annual tax revenue, the trust fund's balance fills the gap — but couldn't if the balance is gone.

"If the prevailing preference among policymakers is to not increase revenue and rather to decrease revenue, then they have fewer options for dealing with the insolvency," Cubanski said. "They could cut benefits, reduce provider payments (to hospitals and doctors), or seek other measures that would reduce spending."

A reduction in payments to hospitals and doctors could encounter powerful opposition, since health care providers already contend Medicare's reimbursement rates are too low.

"It's hard to tinker around the edges of Medicare and achieve significant savings," Cubanski said.

In recent years, policymakers who seek to cut federal taxes and spending have talked about changing Medicare into "premium support" — a cash grant seniors could use to try to buy health coverage.

Another possible reform, Cubanski said, would be to lift out-of-pocket spending limits so that Americans dependent on Medicare would be "potentially exposed to high out-of-pocket costs."

The original concept when Medicare was enacted was a national commitment that each generation of working Americans would shoulder most of the cost of health care for the elderly and frail who no longer can work.

"That promise could change fundamentally," Cubanski said, if Medicare became "the promise of a fixed payment to purchase coverage. That's a very different promise and would be a very different system than what Medicare beneficiaries enjoy today."

Even with the current Medicare program, beneficiaries face deductibles and co-pays; many purchase "Medigap" insurance to help cover the shortfall.

Medicare recipients, on average, have modest incomes. In 2015, for example, their median income was \$24,150. Sixty-six percent had three or more chronic health conditions, and 31 percent suffered from cognitive or mental impairments.

This week, the Kaiser Family Foundation published a briefing paper analyzing how Medicare would be affected by the Republicans' American Health Care Act. Regardless of how soon Medicare's hospital trust fund becomes insolvent, it said, "Medicare faces long-term financial pressures associated with higher health care costs and an aging population."

"By cutting taxes on high-income earners and thereby reducing revenue to the Medicare Part A (Hospital) trust fund, the AHCA would increase pressure on policymakers to take some type of action sooner rather than later," the Kaiser document says.

Given Speaker Ryan's advocacy for premium support, it leads the list of possible reforms. Kaiser has published briefing papers regarding the potential impacts of Ryan's proposals, which have been described in general terms on his website. However, Ryan's plans so far have not been detailed enough, Cubanski said, for analysts to run financial models calculating how it would affect the Medicare system's spending and benefits.

According to some concepts floating around Congress, premium support might apply only to the generations of Americans currently younger than age 55. This would give today's older Americans "grandfather" rights to remain on current Medicare. But, then the government would have to manage two Medicare systems, one for current Medicare recipients and another for future beneficiaries; it isn't known how two differing Medicare systems would affect one another, over time, in the complex health care marketplace.

Also, premium support might offer traditional Medicare as an option that Americans could buy with their cash grant. What the other insurance options might be, and how much they would cover, is unknown and depends on details of legislation yet to be revealed or debated.

### ***About Medicare***

Enacted in 1965, it funds medical care for 55.3 million people: 46 million aged 65 and older, plus 9 million disabled.

Traditional Medicare has three parts:

- Part A is hospitalization insurance and covers inpatient stays and hospice. It comes with a deductible and does not cover long-term care in nursing homes. Its funding comes from the payroll tax on working people. Its trust fund holds excess revenue saved in years when Medicare's tax revenue exceeds the cost of benefits. In most future years, forecasts show costs will exceed revenue; when that occurs, the trust fund is drained to fill the gap.

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- Part B covers outpatient and preventive care such as medical tests, home health visits and treatment at the doctor's office. Part B coverage requires beneficiaries to pay a monthly premium, plus co-pays and deductibles.
- Part D covers outpatient prescription drugs, through private insurance plans regulated by federal Medicare authorities. Enrollment is voluntary; beneficiaries must pay a premium, plus co-pays and deductibles that vary for each drug.

Medicare also offers two options:

- MediGap coverage: Many Americans who subscribe to Parts A, B and D also purchase private MediGap insurance policies to pay their share of Medicare's deductibles; these MediGap policies are regulated by federal law.
- Part C, also known as "Medicare Advantage," is an alternative to Parts A, B and D. It offers private health insurance, regulated by federal Medicare authorities and covering everything in Parts A, B and D plus additional benefits. Only 32 percent of Medicare beneficiaries have opted for Part C plans.

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