

From *The American Spectator*:

Medicare For All Is A Killer

By Peter Ferrara

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America's Left/Liberals, and their spokesman Barack Obama, insist that everything about health care would be wonderful if only the government would take it over. Their preferred plan, embraced by Obama, is to throw Medicare open to everyone, and then over time force everyone into it. They say if you have employer-provided insurance, you can keep it. But that choice will be up to the employer, not you. As the government forces costly regulatory burdens, like guaranteed issue and community rating, onto private insurance, employers facing the soaring premiums will just dump their workers into Medicare. These costly regulatory burdens, plus the taxpayer subsidies for Medicare, will eventually drive out all private insurance alternatives.

This is what the left has been proposing for many years now. They have called it "Medicare for All." No point in denying that now, when they have got the President and Congressional majorities to pass it. The question to consider is, "Is Medicare for All a good idea?"

Medicare Is Already Bankrupt

The Medicare Board of Trustees released their latest annual report earlier this month. It shows that Medicare is already hopelessly bankrupt. We don't know how we are going to pay for all the Medicare promises we have already made.

The Trustees Report estimates that the unfunded liability for Medicare alone is \$89 trillion. Social Security adds another \$15.1 trillion in unfunded liabilities, for a total of \$104 trillion. And that doesn't even count Medicaid. The entire American economy right now only produces about \$14 trillion a year.

By 2018, less than 10 years from now, Medicare Part A alone will be running a deficit of close to \$100 billion. General revenue contributions for Medicare Parts B and D that year are now projected to be \$364 billion. Consequently, the deficit for Medicare alone that year will be close to \$500 billion. And this assumes a scheduled reduction in doctor and hospital reimbursements under Medicare of over 20% starting in 2010.

Medicaid will also be costing the federal government close to \$500 billion per year by then, with another \$300 billion spent on the program by the states. That is a total burden on general taxpayers for these two programs alone of \$1.3 trillion by 2018, in addition to payroll taxes and Medicare premiums. Medicare premiums by 2018 are projected to be about \$750 per month per beneficiary, covering only 14% of expenditures. Medicare will be spending by that year close to \$17,000 per beneficiary.

Medicare Part A will run out of funds to pay promised benefits by 2017, with a 20% shortfall in revenues. Paying all promised benefits for Part A alone over the long run would require raising the total Medicare payroll tax from 2.9% today to 12%. That is in addition to the Social Security

payroll tax of 12.4% today, which would have to increase to close to 18% to pay all promised benefits for that program. That would result in a total payroll tax rate of 30%.

Given this overwhelming financial disaster, does it make sense for the government to take on even more financial burdens through Medicare? Medicare is supposed to be for retirees. What would all these new financial burdens for everyone do to the program originally intended for them?

Indeed, one has to ask, do the Medicare for All nuts even understand numbers? Or are they what they appear to be, numerically illiterate?

Government Health Care Rationing

Medicaid, which pays for health care for the poor, shows where Medicare for seniors is headed. Medicaid promises free health care for the poor, but then refuses to pay the doctors and hospitals for it, or at least pay them enough to provide quality health care for the poor. As a result, about 40% of doctors and hospitals already refuse to take Medicaid patients.

This translates into real suffering for the poor on Medicaid. They have to scramble to get appointments with the doctors who will see them, and the doctors give them shorter appointments and less attention to fit what the government is willing to pay for them. They have to wait longer to see the essential specialists or for admissions to the hospitals willing to take Medicaid patients. The end result studies show is that the poor get less adequate health care, and suffer worse health outcomes, including more and earlier deaths from heart disease and cancer. This should be no surprise, because it is the inevitable result of all government-run health care throughout history the world over.

Medicare is already headed down this same road. The fees it pays are not as bad as Medicaid, but already doctors and hospitals are starting to opt out of the program, and it will be a lot closer to Medicaid after the 20% cut for doctor and hospital reimbursements now scheduled for next year. If Congress reverses those planned cuts, then all of the already unbearable spending numbers for the program discussed above will be 20% higher.

With the already intractable financial gaps in Medicare discussed above, more cuts in payments for doctors and hospitals serving seniors are inevitable. And that means less quality health care for seniors. When everyone is then dumped into Medicare under the perspicacious "Medicare for All" reforms, what is going to happen then?

Since we already can't pay for Medicare as it is, the result is going to be government health care rationing for all, just as happens everywhere such government-run medicine has been tried. The government will pay even less to doctors and hospitals for care under the program. The doctors and hospitals will all be working for the government that is paying them, not you. The government will decide what health care for you is worth paying for, and when you are going to get it.

Leading liberals are already calling for such government health care rationing. Tom Daschle, who Obama originally picked for health care czar because of his health policy insights, writes in his recent book, *Critical: What We Can Do About the Health Care Crisis*, that the British model

of health care rationing is ideal for the U.S. The British government brazenly decides whether the health care its citizens need is worth the costs to the government. They even openly weigh the benefits of health care for seniors as worth less because seniors have fewer years left to live and enjoy the advantages of the health improvements the government is paying for. That is why the Orwellian named NICE, National Institute for Clinical Effectiveness, in Britain recently ruled that it would not pay for treatment for macular degeneration for seniors until the patient went blind in one eye. Seniors have been denied treatments for cancer on the same grounds. In Canada, they just make you wait to see a cancer specialist until it is too late to save you.

Milton Friedman called it "The Black Hole of Socialized Medicine," the term he used to explain the tendency of government health care systems to cost more and more while producing less and less in quality health care. A national health plan increases costs by increasing demand. This comes not only from the formerly uninsured, but from the incentives faced by everyone. With the government paying the bill, the incentive is to consume health care until the net benefit from it is equal to zero, rather than equal to costs as in an efficient market. In other words, consume it until it hurts. The natural political features of a national health plan exacerbate this, with broad coverage for everything from mental health to dental care, satisfying political interests. And, of course, only minimal deductibles and co-pays.

A national health plan also reduces supply, further increasing costs. A government monopoly taking over health care is not exactly going to inspire a new influx of human and physical capital into the health industry to meet the increased demand. Quite to the contrary, the government's long policy of underpaying doctors and hospitals under Medicare and Medicaid will be extended to the entire health care system under a national health plan. That will cause both human and physical capital resources to flee health care, reducing supply and raising costs. That is why health care under national health plans always suffers from deteriorating facilities, and a severely short supply of the latest, most advanced, high tech medical equipment, which requires high levels of capital investment. These policies adopted in America will kill a lot of people in the end, including some reading this article.

Liberals who insist that Obama's health plan would not involve anything like this are whistling past the graveyard. They are like Bambi prancing in the woods while the hunters advance in search of venison. Even top liberals who have studied the issue like Daschle are telling us that such government rationing is the only way to control costs under national health care. The Brookings Institution has said the same for many years now, long publishing books calling for government health care rationing.

This is the bleak health care future for seniors under Medicare, and every one else in the program. As for the doctors and hospitals under this Medicare for All, don't look to the fiscal conservatives to bail you out once you are government dependents yourselves. We represent taxpayers, not doctors and hospitals living off of the government. I would expect doctors and hospital administrators eventually to have to move out of their fancy suburban homes, and move into public housing, getting about the same income as under AFDC and food stamps, right behind those bank executives still looking for their bonuses. You can turn to ACORN for your bailout, since the AMA is now thoroughly failing you. The AMA is interested only in keeping its own Washington nest feathered, not in maintaining your lifestyle.

The Patient Power Alternative

Barack Obama says his health care reforms are all about preserving choices. But as on every other issue, this is meant only to distract you from what is really going to happen, which is just the opposite. The only choice you will have left after his reforms is the much heralded "Medicare for All," with your health care choices made by the government for you, as discussed above.

The health care reform plan that does preserve and expand choices is the Republican alternative led by Rep. Paul Ryan (R-WI) in the House and Sen. Tom Coburn (R-OK) in the Senate. That plan provides an income tax credit of \$2300 for individuals and \$5700 for families to help pay for any health coverage they want. Even if you have employer insurance and you want something else, you can take this money and choose the alternative you prefer. If you are poor and suffering on Medicaid, in addition to this money you can choose a health insurance voucher paying up to \$5,000 more for the insurance of your choice. If you are on Medicare, the freedom to choose alternative private insurance coverage that close to 25% of seniors already enjoy is expanded.

So everyone under this Ryan-Coburn plan has more choices. *But the health care reforms promoted by Obama and the Democrat Left include none of these choices!!* That is because their real goal, openly professed, is Medicare for All, where the government will have total power and control to run health care in the left's vision of social justice, and everyone will be dependent on the left's political machine to get health care.

The vastly increased choices under Ryan-Coburn give workers, the poor, retirees, and patients all of the power, instead of the government, employers, and even private health care bureaucracies like HMOs. These individuals are all free to choose the health coverage they each prefer, and insurers have to compete to give them what they want. This includes most importantly health plans like Health Savings Accounts (HSAs), which maximize patient choice and control.

With an HSA, the individual keeps most of the money in his own health savings account, with the rest going to purchase catastrophic coverage paying for all expenses over a high annual deductible chosen by the individual, usually \$2,000 to \$5,000 per year. (Smart people would choose deductibles of \$5,000 to \$6,000 per year). The cost of such catastrophic coverage is greatly reduced, allowing the savings in the account to grow quickly to cover the entire deductible. The patient is free to use the money in the account for any health care he or she chooses, including preventive care, check-ups, prescriptions, dental care, eye care, and the full range of alternative medicine. Nothing could do more to put the patient in control of his own health care.

At the same time, HSAs restore powerful market incentives to control costs. Money kept in HSAs can be used for health care in later years, or for anything in retirement. So patients are effectively using their own money for non-catastrophic care. That means they will avoid overly costly or unnecessary care, and look for doctors and hospitals that can provide them quality care at lower cost, creating real market competition to reduce costs. These incentives have proven highly effective, and are the only morally sound means of reducing health care costs across the board.

Save Yourself

In contrast, if the health policy reforms favored by Obama and the Left are passed, the only alternative for the American people to protect themselves and their families is to buy health insurance covering health care provided overseas. Since such insurance will be outside the jurisdiction of the U.S., it will not be regulated for fairness, which means it will be low cost and affordable. Of course, you will have to travel to the Caribbean or elsewhere to get care for serious illnesses like heart disease or cancer. But that is where you will find all the smart doctors and surgeons, living in Caribbean villas, and driving hot rod sports cars with old-fashioned gas combustion engines.

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