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Why Turning Medicare into Vouchers Will Not Work

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When people get older, they go to the doctor and find themselves in the hospital more often. Before Medicare started in 1965, many senior citizens struggled to pay for their medical care, and their children and grandchildren suffered too. Medicare now makes physicians and hospital stays more affordable for older and disabled people, and since 2003 the program covers part of the cost of lifesaving prescription drugs. Not surprisingly, Americans of all ages value and support Medicare.

So why are so many DC pundits and members of Congress looking for ways to fundamentally change the program? Some claim that slashing Medicare is the only way to reduce future federal budget deficits. The Republican budget plan championed by Congressman Paul Ryan and GOP presidential candidate Mitt Romney aims to get rid of Medicare's guarantee of affordable health care and ask future retirees to buy private insurance plans with limited vouchers that would cover less of rising costs as time goes on. That would take America back towards the world before 1965, because private insurance companies do not really want to offer affordable health care to older people.

Myths and Misleading Claims

Many criticisms of Medicare are driven by ideology, not evidence – and opponents of the program sometimes run fast and loose with the facts.

- Critics often claim that growth in federal health spending is America's largest fiscal challenge. But U.S. deficits have burgeoned over the last decade primarily because the Bush administration of 2000 to 2008 sponsored unsustainable tax cuts and at the same time mismanaged the economy, launched costly wars, and hiked defense spending.
- The new Republican budget calls for deep cuts in Medicare and Medicaid, and at the same time promises continued and expanded tax cuts for upper-income Americans. According to independent analysts, this approach would actually increase future federal budget deficits. Many who say they will cut Medicare to reduce the deficit are engaging in double-speak.
- As the Baby Boomers retire, Medicare is bound to require additional revenues. But it is crucial to distinguish predicable growth in costs – due to more Americans becoming eligible for Medicare – from avoidable increases in the price of care. Prices that are increasing too fast are a problem for all forms of U.S. health care, not just Medicare.
- Costs need not spiral out of control. The experience of other nations with aging populations shows that costs can be met and limited without abolishing guaranteed care for all. The recent U.S. health reform law, the Affordable Care Act, includes steps to limit per-person price increases in health care. Medicare is already benefitting from such cost-saving efforts.

Competition among Insurance Companies is Not the Answer

Republican voucher plans assume that if senior citizens have reduced help to pay for their health care, private insurance companies will try to deliver cheaper, more efficient plans. But there is little reason to expect things to work out that way.

- Insurance companies can use marketing tricks to try to avoid older, sicker people whose care is likely to cost more. Overall, the federal government has lost money on competing private insurance plans that contract with Medicare. Those plans have not improved coverage or the quality of care, even though they spend more per patient.

- Nearly thirty percent of Medicare beneficiaries have cognitive impairments. How are frail older people supposed to deal with complex, often confusing “choices” among private insurance plans? They can easily get lost or misled in a lot of evasive fine print.

- Medicare currently bargains for lower prices and does better at such bargaining than most private insurers. Experiences in other industrialized countries suggest that vouchers would be less effective than Medicare in controlling price increases. Canada and France spend far less on medical care than the U.S. without using a voucher system. In contrast, countries that allow private competition suffer from high administrative costs (as in Switzerland) or face declining enrollments in higher-cost plans (as in Holland).

Vouchers Would Reduce Choice, not Costs

Although supporters of vouchers speak glowingly about allowing the elderly to shop for private plans that would better meet the “changing demands and preferences of consumers,” the reality would be much less appealing.

- In its analysis of the voucher approach, the nonpartisan Congressional Budget Office projects that a slight reduction in future federal spending would be accompanied by rising costs for older Americans and their loved ones. Vouchers with slowly increasing buying-power would leave people facing higher out-of-pocket payments for escalating medical bills.

- Vouchers would also force the United States to pay more overall. The unified bargaining power of today’s Medicare would be lost, and health providers and private insurance companies would find it easy to raise prices and shove the sickest people off onto tax-supported welfare programs.

- “Consumer choice” in the context of vouchers is a euphemism for cutting benefits, shifting costs onto the elderly, and letting profiteers run riot. Real choices would actually be reduced if seniors no longer enjoy traditional Medicare’s guarantee of access to a wide range of hospitals and physicians. Patients care much more about choosing providers than about shopping for costly insurance plans with misleading fine print.

Medicare is one of America’s greatest success stories. Current Republican ideas to transform the program would not really control costs, but merely shift them to future senior citizens. Medicare would also become less efficient. There is no good reason to abandon a program that has met the needs of America’s elderly and disabled for decades. If we use sensible methods to control costs and provide needed revenue, Medicare can survive and flourish in the twenty-first century.