Sens. Burr and Coburn Unveil Medicare Reform Bill

The two Republican Senators say they are not out to win a political popularity contest, but instead they want to stimulate a "grown-up" conversation among fellow lawmakers and the public about the need to reform an entitlement system that, in its current state, will induce serious fiscal consequences. "All of us in Congress are running around fixing everything except our biggest problem," Coburn affirmed in an interview. "If you don't start fixing Medicare now, you can't save it."

"Tom [Coburn] and I believe that we have a moral obligation to save Medicare for our parents and our children, and to provide seniors a choice in the system so they can have a cheaper health care system," Sen. Burr added on MSNBC's *Morning Joe*. "It's less expensive I might say, but with a better health outcome."

Medicare finances healthcare for 49 million seniors and disabled people, but the so-called "trust fund" for inpatient care is estimated to become insolvent by 2025 — meaning, payroll tax revenues will be insufficient to cover the expected benefits. In actuality, there is no trust fund, as Dr. Lawrence R. Huntoon explains:

> Medicare beneficiaries are under the impression that the money they paid in payroll taxes over the years was put into an actual fund somewhere, where it earned interest and grew over the years, and that fund is now being used to pay for their medical care. That type of fund, however, does not exist. Medicare is financed in a "pay as you go" fashion, whereby wealth is transferred from current workers to retirees to pay for their medical care.
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> Medicare Part A is funded primarily from payroll taxes, so Medicare beneficiaries who are not currently working and paying payroll taxes aren't contributing anything to Part A (hospitalization) expenses. Part A is strictly a wealth transfer program. Medicare Part B (physician services + home health care) is funded by a combination of beneficiary premium dollars and general tax revenue dollars: 25% from premiums and 75% from general tax revenues. Overall, 87% of total Medicare revenues for Part A + Part B comes from current taxpayers, and only 13% comes from Medicare beneficiaries' premiums and tax payments.

The Coburn-Burr plan has been reviewed by the Congressional Budget Office, and the Senators have projected savings of between $200 billion and $500 billion in the next 10 years. The Medicare overhaul bill, called the Seniors' Choice Act, would raise the eligibility age to 67 for those born after 1959 and increase Medicare premiums by three percent each year until a nine-percent adjustment is achieved in 2016. Avik Roy, writing for *National Affairs*, explained why he believes increasing the eligibility age is not only critical for the program to remain solvent, but long overdue:

> When Medicare was enacted in 1965, the average life expectancy at birth was 70.2 years. In other words, it was anticipated that Medicare would cover an average person's health expenditures for the last 5.2 years of his life. In 2010, the average American lived to the age of 78.4; Medicare thus covered the last 13.4 years of his life — a 158% increase in the coverage period. The U.S. Census Bureau projects that, in the coming decades, American life expectancy will continue to elongate by approximately one year for every eight years that pass.

The Senators' proposal would usher in a premium support plan in 2016, four years earlier than a similar Medicare reform proposal put forth by Rep. Paul Ryan (R-Wis.) and Sen. Ron Wyden (D-Ore.). In short, the bill would allow seniors to begin shopping for competing health plans within the next five years, which, proponents contend, would result in fierce competition among health plans for enrollees' business. Moreover, the bill would boost the ceiling on out-of-pocket costs for individuals earning more than $85,000 a year and couples earning more than $170,000.

The bill also proposes a new independent agency, the Medicare Consumers' Protection Agency (MCPA), which would operate outside of the Department of Health and Human Services. "This is key," asserted Roy, writing for *Forbes*, "as the HHS bureaucracy would otherwise be likely to undermine competitive bidding and premium support as to maintain its bloated Medicare budget." Roy notes that the MCPA is modeled after the Office of Personnel Management, which manages a similar plan for the Federal Employee Health Benefits Program (FEHBP). "The intent is not [regulatory] compliance," assured Sen. Burr, "but also decisions around the construction of the plans, so people have the security of knowing they're getting the plans they purchased."

Coburn and Burr acknowledged that Republicans will question the political prudence of rolling out an entitlement reform bill just months before a presidential election. "They're probably going to be pretty nervous but I think the one thing we'll take the responsibility for is to educate our colleagues why we feel this sense of urgency," Burr asserted. "We'll have some that probably healthcare is not on their interest [list] but they're willing to engage and watch and we'll have some that are politically less risky who will say, 'How in the world could you do this?'"

"They are rightly afraid," suggested Joseph Antos, a scholar in healthcare and retirement policy at the American Enterprise Institute. "For the professional politicians, their goal is to get re-elected. And if you want to get re-elected, you can't say anything that is going to drive away the people who reliably vote for you election after election."

To put it mildly, Medicare is in desperate need of reform. Overextended entitlement programs — Medicare, Medicaid, and Social Security — are big-time contributors to the federal debt, and of the Big Three, Medicare is fiscally the most exhaustive. But merely suggesting entitlement reform is perceived as politically toxic, as it purportedly "isolates" a key segment of the American electorate. However, as Sen. Coburn stated, "It is morally unacceptable to ignore the biggest elephant in the room, which will have a very negative impact on this country's future, just because there is an election year coming up." But Coburn seems to be ignoring a bigger beast in the room: our country's fiscal insolvency. Greece, Portugal, Spain, Italy, and other European countries are facing imminent insolvency because their debt has risen to a point where creditors no longer believe they can pay it off.

The United States is not far behind those EU countries in fiscal irresponsibility, and to forestall a crash of the dollar, we cannot continue to add to the debt. Medicare alone has unfunded liabilities on nearly

$82 trillion. This fix, besides being blatantly unconstitutional because it keeps the federal government in the healthcare business, largely does not address the primary drivers of rising healthcare costs — administrative and legislative burdens — is like trying to stop a flood with a dam made out of papier-mache.

Photo: Sen. Tom Coburn

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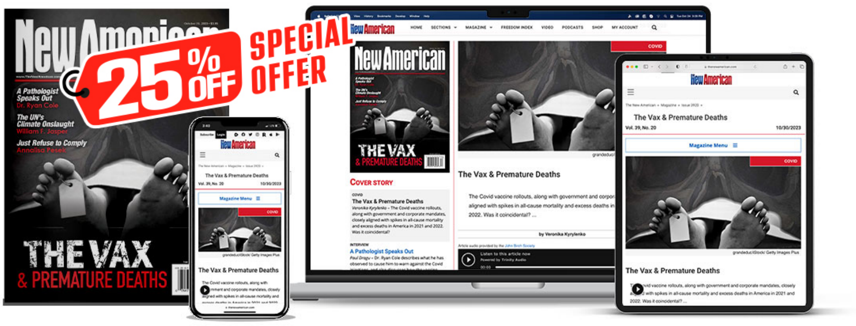

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