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Impacts of the Republican Medicare Plan In Indiana's 9th Congressional District

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The budget passed by House Republicans in April 2011 makes radical changes to Medicare. The Republican plan raises costs for seniors and individuals with disabilities enrolled in Medicare, reduces their benefits, and puts private insurance companies in charge of the program. For current beneficiaries, important benefits – such as closing the hole in Medicare's drug coverage – would be immediately eliminated. For individuals age 54 and under, Medicare's guarantee of comprehensive coverage would be replaced with a "voucher" or "premium support" to buy private health insurance. By design, this federal contribution does not keep pace with medical costs, shifting thousands of dollars in costs onto the individual.

This analysis shows the immediate and long-term impacts of these changes in the 9th Congressional District in Indiana, which is represented by Rep. Todd C. Young.

The Republican proposal would have adverse impacts on seniors and disabled individuals in the district who are currently enrolled in Medicare. It would:

- Increase prescription drug costs for **10,400 Medicare beneficiaries** in the district who enter the Part D donut hole, forcing them to pay an extra **$102 million** for drugs over the next decade.
- Eliminate new preventive care benefits for **113,000 Medicare beneficiaries** in the district.

The Republican proposal would have even greater impacts on individuals in the district age 54 and younger who are not currently enrolled in Medicare. It would:

- Deny **530,000 individuals age 54 and younger** in the district access to Medicare's guaranteed benefits.
- Increase the out-of-pocket costs of health coverage by **over $6,000 per year in 2022** and by almost **$12,000 per year in 2032** for the **115,000 individuals in the district who are between the ages of 44 and 54.**
- Require the 115,000 individuals in the district between the ages of 44 and 54 to save an additional **$26.9 billion** for their retirement – an average of **$182,000 to $287,000 per individual** – to pay for the increased cost of health coverage over their lifetimes. Younger residents of the district will have to save even higher amounts to cover their additional medical costs.
- Raise the Medicare eligibility age by at least one year to age 66 or more for **64,000 individuals** in the district who are age 44 to 49 and by two years to age 67 for **417,000 individuals** in the district who are age 43 or younger.

The Republican Medicare Proposal

On April 15, 2011, House Republicans passed their budget proposal (H. Con. Res. 34) for FY 2012. Their budget would make three major changes in Medicare.

First, the Republican budget significantly cuts spending on Medicare by eliminating benefits and shifting costs to seniors and individuals with disabilities. These reductions in benefits and cost shifts affect both current and future Medicare beneficiaries. By 2050, the Republican budget would cut Medicare nearly in half, corresponding to about $20 trillion in cuts in today's dollars, according to projections by the nonpartisan Congressional Budget Office.

Second, the Republican budget ends traditional Medicare for individuals age 54 and younger. Seniors who become eligible for Medicare in 2022 would no longer be allowed to join the traditional Medicare program; instead, they would receive a federal contribution, sometimes called a "voucher" or "premium support," to use to purchase private insurance coverage. According to CBO, the private insurance coverage would cost 50% more than traditional Medicare in 2022. The value of the federal contribution would increase at the rate of inflation, which is a slower rate than the increase in health care costs. Over time, because of the higher cost of private plans and the reduced value of the federal contribution, beneficiaries would be forced to pay an ever-growing portion of their health care costs. By 2032, CBO estimates that beneficiaries would be required to pay 68% of their health care under the Republican plan, compared to about 25% under traditional Medicare.

Finally, the Republican budget increases the eligibility age for Medicare, which is currently 65. Beginning in 2022, the eligibility age increases by two months each year, until it reaches age 67 in 2033. These changes will mean that millions of Americans will have to wait an extra two years until they can receive Medicare benefits.

Impacts on Current Medicare Beneficiaries in the District

The Republican leadership has asserted that "if you're a person who is 55 years of age or older, there's no change in Medicare for you" and that "we protect Medicare for current seniors."[1] In fact, the Republican plan would immediately cut benefits for thousands of seniors and individuals with disabilities in the district.

Higher drug costs. The Affordable Care Act, which Congress enacted last year, reduces drug costs for seniors and the disabled on Medicare by closing the gap in prescription drug coverage known as the "donut hole." This year, beneficiaries who use between $2,840 and $6,450 worth of prescription drugs will receive a 50% discount on those brand-name drugs; by 2020, the donut hole is completely eliminated.

The Republican budget repeals the provisions in the Affordable Care Act that close the donut hole. This will increase costs for the 10,400 Medicare beneficiaries in the district who entered the donut hole last year. For the average beneficiary, the cost increase will be $520

[1] Statement of Congressman Paul Ryan, Congressional Record, H2825 –H2826 (April 14, 2011),

this year and more than $9,800 over the next decade. The total increase in drug costs for Medicare beneficiaries in the district will be $5.4 million this year and $102 million over the next decade.

Elimination of new preventive care benefits. The Affordable Care Act provides Medicare beneficiaries with free preventive care benefits starting January 1, 2011. The new preventive benefits include a free annual wellness visit and the elimination of any deductible or copayment for preventive services such as breast or colon cancer screening. The Medicare Actuary estimates that the free preventive care, combined with other cost saving measures in the Affordable Care Act such as changes in provider reimbursement, will save the average beneficiary $2,500 over the next decade.

There are 113,000 seniors and individuals with disabilities in the district that are currently enrolled in Medicare. Under the Republican plan, they would no longer be entitled to free preventive care or benefit from the other cost-saving provisions in the Affordable Care Act. In the aggregate, the Republican plan would increase their spending by $283 million over the next decade.

Impacts on Future Medicare Beneficiaries in the District

The implications of the Republican budget on individuals who are not yet enrolled in Medicare are even greater than the adverse impacts on current beneficiaries. In effect, the Republican budget eliminates Medicare as we know it for anyone age 54 or younger.

Elimination of Medicare's guaranteed benefits. Medicare provides essential guaranteed benefits for all who qualify and enroll – the right to basic health coverage, including coverage for doctor and hospital visits, stays in skilled nursing facilities, home health care, and other health care needs; the right to go to any doctor or hospital that accepts Medicare; and strict protections that do not require older Medicare enrollees to pay higher premiums. The Republican budget eliminates these guaranteed benefits for anyone age 54 or younger. It replaces the entitlement of coverage with a federal contribution of diminishing value that the individual can use to purchase health insurance on the private market. This change will affect 530,000 individuals in the district, which is 75% of the district's population. Starting in 2022, all new enrollees in Medicare will be forced to buy private insurance using underfunded federal contributions, with no guarantees that they will receive the health care benefits they need.

Increased annual costs. The private health plans required under the Republican budget would cost more than today's Medicare, and the federal contribution provided to purchase the plans would not cover all costs of care. According to the nonpartisan Congressional Budget Office, a newly enrolled beneficiary in 2022 would face out-of-pocket costs that are $6,000 higher than their costs under traditional Medicare. By 2032, these out-of-pocket costs would be approximately $12,000 more than traditional Medicare.

In the district, there are 115,000 individuals who will enroll in Medicare for the first time between 2022 and 2032. Under the Republican plan, their cumulative out-of-pocket costs for Medicare coverage during their first 20 years of program eligibility would increase by $37.3 billion compared to their costs under traditional Medicare, an increase of 235%.

Increased retirement burdens. The Center for Economic and Policy Research did an analysis of the additional savings that today's 44 and 54 year-olds would need to cover their increased out-of-pocket costs for health coverage under the Republican budget. According to the Center, the average 54 year-old would need to save an extra $180,000 by age 65 to pay for the extra costs. For today's 44 year-olds, the additional savings required would be $287,000.

There are 115,000 individuals in the district between ages 44 and 54. Using the Center's methodology, they would have to save a total of $26.9 billion more over their working lives to pay for the increased cost of their health coverage after they turn 65.

Increase the Medicare eligibility age. Beginning in 2022, the Republican budget increases the age at which seniors obtain Medicare eligibility, raising the eligibility age two months per year from its current level of 65 until the eligibility age reaches 67 in 2033. There are 481,000 individuals in the district age 49 or younger who would have to wait at least one extra year to join Medicare. There are 417,000 individuals age 43 or younger who would have to wait two extra years to join Medicare.

Data sources: Data on Medicare enrollment and the number of seniors in the Part D donut hole was obtained from the Centers for Medicare and Medicaid Services. Data on the age distribution of district residents was obtained from the U.S. Census. Data on increased costs for Medicare enrollees under the Republican plan was obtained from the Congressional Budget Office and the Medicare Actuary and the Center for Economic and Policy Research. Data on increased savings needed to pay for health care costs under the Republican budget was obtained from the Center for Economic and Policy Research (CEPR and are based on CEPR analysis of CBO data .