

THE PATH
_____ TO _____
PROSPERITY

THE HOUSE REPUBLICANS' PLAN TO SAVE MEDICARE

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PREPARED BY HOUSE BUDGET COMMITTEE STAFF

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WHAT AMERICANS NEED TO KNOW ABOUT MEDICARE

WHAT IS THE REPUBLICAN PLAN FOR MEDICARE?

The patient-centered reforms to *protect and strengthen* Medicare begin by repealing the President's disastrous health care law that cuts Medicare in ways that result in denied care for current seniors. Our bipartisan plan ensures no changes for those in or near retirement, and offers guaranteed coverage options, including a traditional Medicare option, to guarantee affordability and make good on Medicare's critical promise to seniors for generations to come.

WHAT IS THE DEMOCRATIC LEADERSHIP'S PLAN FOR MEDICARE?

Their plan is the President's health care law. It raids Medicare by over \$500 billion to fund Obamacare, and empowers an unaccountable board of 15 unelected bureaucrats to cut Medicare in ways that will result in restricted access and denied care for current seniors, while leaving the program bankrupt for future generations.

IS IT TRUE THAT REPUBLICANS WANT TO END MEDICARE?

NO – independent, non-partisan fact-checkers called this claim the 2011 “Lie of the Year.” The Republicans have the only plan that *saves and strengthens* Medicare:

- It protects those in or near retirement by repealing the new health care law, which raids and rations Medicare for current seniors.
- It provides future seniors with true choice and competition: guaranteed coverage options – including a traditional Medicare option – subsidized by Medicare, with less help for the wealthy and more for the poor and the sick.

WHAT ABOUT MEDICARE “AS WE KNOW IT”?

The President's health care law ended Medicare as we know it, raiding it by over half-a-trillion dollars, empowering 15 unelected bureaucrats to make decisions that will deny care to millions of seniors, and leaving the program bankrupt for the next generation.

WHAT DOES THE PRESIDENT'S HEALTH CARE LAW MEAN FOR SENIORS?

Raiding money from Medicare will hasten the program's collapse. Slashing reimbursements will force doctors to stop seeing Medicare patients. Bureaucratic rationing will lead to seniors being denied treatments and forced onto waiting lists for care they need and deserve.

DOES THE REPUBLICAN PLAN SHIFT COSTS TO SENIORS?

NO – while the President's law raids and rations Medicare, shifting costs to seniors and taxpayers, the bipartisan reforms advanced in the House-passed budget actually control costs and guarantee affordability:

- True choice and competition guarantee lower costs and better quality.
- Less help goes to wealthy seniors and more help goes to seniors with lower incomes and greater health risks.
- Guaranteed coverage protects all seniors, regardless of health history, from being denied the care they deserve.

THE FACTS ON MEDICARE

Washington has not been telling you the truth on Medicare. Here are the facts:

FACT NUMBER 1: THERE ARE **10,000** BABY BOOMERS RETIRING EVERY DAY, WITH FEWER WORKERS PAYING INTO THE PROGRAM TO SUPPORT THEM.

- In 1965, when Medicare was created, baby boomers were teenagers. Today, **10,000 baby boomers retire every day**.
- Additionally, life expectancy has risen from age 70 when Medicare was created to age 79 today, more than doubling the years they use Medicare.

FACT NUMBER 2: HEALTH CARE COSTS ARE SKYROCKETING AT ABOUT **8 PERCENT** A YEAR, OVER **THREE TIMES** THE RATE OF INFLATION – DIRECTLY THREATENING MEDICARE’S ABILITY TO DELIVER QUALITY, AFFORDABLE CARE TO SENIORS.

- A decade ago, Medicare contributions by workers represented 60 percent of what Medicare pays out. A decade from now, Medicare contributions will only cover 33 percent of Medicare benefits.
- Independent experts agree that Medicare itself is a top driver of these unsustainable costs. If left on its current path, Medicare spending will **increase by 82 percent** over the next decade, as Medicare’s trust funds are pushed to the point of exhaustion in the early 2020s.
- The best way to fight out-of-control inflation in health care costs is to give patients and their doctors more control over health care decisions and let competition bring costs down.

FACT NUMBER 3: NON-PARTISAN EXPERTS HAVE MADE CLEAR THAT MEDICARE WILL GO BANKRUPT IN A FEW SHORT YEARS – EXHAUSTING THE AVAILABLE FUNDS TO COVER SENIORS’ HEALTH CARE EXPENSES.

- Medicare’s own trustees have warned that the Medicare Trust Funds will be exhausted in 12 short years – just when those in or near retirement will be most reliant on Medicare to deliver on its promise.
- Medicare’s trustees have confirmed that making Medicare solvent in this kind of emergency scenario would require an **immediate 21 percent tax increase** or an **immediate 17 percent benefit cut**. Those clinging to the broken status quo represent the greatest threat to the economic security of hardworking taxpayers and the health security of seniors.
- Gradual, patient-centered reforms avert the looming collapse of Medicare’s finances – protecting current seniors from any disruptions and guaranteeing affordability for generations to come.

MEDICARE 101

1. MEDICARE IS A FEDERAL PROGRAM THAT PAYS FOR HEALTH CARE FOR SENIORS AND THE DISABLED.

- About 50 million seniors get their health care through Medicare.
- About 8 million Americans with disabilities are also enrolled in Medicare.
- That means 1 in 6 Americans receive Medicare benefits in one form or another.

2. FOR MOST IT'S A GOVERNMENT-FINANCED, GOVERNMENT-ADMINISTERED, FEE-FOR-SERVICE BENEFIT.

- Three-fourths of Medicare beneficiaries are enrolled in "traditional fee-for-service Medicare." (FFS Medicare)
- Government sets prices in FFS Medicare through laws and administrative mechanisms.
- A senior goes to a doctor or hospital, gets treated. The government reimburses that provider.
- In FFS Medicare, the government directly reimburses providers through a predetermined formula.

3. MOST SENIORS PURCHASE SUPPLEMENTAL INSURANCE TO COVER ADDITIONAL COSTS.

- Many seniors have employer-provided "wraparound" coverage;
- or they purchase supplemental "Medigap" insurance;
- or the poor have Medicaid cover their cost-sharing.

4. THERE ARE THREE MAIN SOURCES OF FINANCING MEDICARE.

- Payroll taxes: 2.9 percent of all wages. ½ paid by employee, ½ by employer.
- Premiums from Medicare beneficiaries.
- Borrowing from the rest of government.

5. MEDICARE IS GROWING AT AN UNSUSTAINABLE RATE.

- The federal government spent \$566.7 billion providing Medicare benefits in 2013.
- Medicare is projected to grow 6.3 percent per year for the next decade.
- Per beneficiary net government spending ≈ \$11,300
- 70/10 rule: 10 percent of the seniors account for 70 percent of the costs. The healthiest 50 percent of seniors account for only 4 percent of the costs.
- Medicare's Trustees estimate the Medicare Trust Funds will be exhausted in 2024.

Sources:

- Congressional Budget Office, Medicare Baseline – <http://www.cbo.gov/budget/factsheets/2011b/medicare.pdf>
- Medicare's Board of Trustees, 2011 Annual Report – <https://www.cms.gov/ReportsTrustFunds/downloads/tr2011.pdf>
- Keith Hennessey, "Medicare as we know it" – <http://keithhennessey.com/2011/04/20/medicare-as-we-know-it/>

RESPONDING TO CHARGES THAT SENIORS WOULD PAY AN ADDITIONAL \$6,400 FOR THEIR HEALTH CARE

First: That analysis applied to the FY2012 House budget, not the FY2013 House budget.

Second: It wasn't true then, and it's even less true now.

Not true then:

- That analysis failed to include the extra \$7,800 our plan provided to lower-income seniors to ensure that no senior is denied access to quality, affordable health coverage.
- That analysis, performed by the Congressional Budget Office (CBO), failed to account for what CBO's director admitted was a "gap in [CBO's] toolkit": CBO cannot quantify the waiting lists and denied care that would hit seniors if the price controls and bureaucratic rationing in the President health care law take full effect.
- In other words, the impact of the FY2012 House budget was not measured against the diminished value and denied care that the President's health care law ensures. Nor was it measured against the bankruptcy of Medicare that will occur in 12 years if Congress fails to act. It was measured against a fiscal fantasy.
- True choice and competition – providers competing against each other for patients' business – is the only way to reduce costs and improve quality.

Less true now:

- The FY2013 House budget improved upon last year's budget, using a competitive-bidding process to determine the growth in premium support payments. Under competitive bidding, participating plans compete to deliver the same package of guaranteed benefits as traditional Medicare at a lower cost, and Medicare's payment to seniors is set at the second-lowest bid.
- Under competitive bidding, there is **no risk** that any senior will be unable to afford his or her guaranteed Medicare benefits. There will always be one plan that is fully covered by the premium-support payment.
- Like last year, lower-income seniors and those with greater health risks receive extra protection – fully funded savings accounts to offset out-of-pocket costs and risk-adjusted payments to cover greater health care needs.
- Premium support, competitive bidding, and more assistance for seniors with lower incomes or greater health needs will ensure guaranteed affordability for all seniors.

ADDITIONAL FAQs ON THE HOUSE REPUBLICANS' PLAN TO SAVE MEDICARE

RESPONDING TO CONFUSION BETWEEN “VOUCHERS” AND “PREMIUM SUPPORT”

- Under our plan, individuals would not receive a voucher, and would not go shopping for a plan in the private insurance market, as many commentators have falsely suggested.
- Under our plan, a future retiree would receive a list of Medicare-approved guaranteed coverage options offered on a regulated Medicare exchange, including a traditional Medicare option, and would select a plan that best meets his/her needs.
- The **premiums** that pay for that plan would be **supported** by Medicare.
- The premium-support payment goes directly to the plan, with wealthier seniors not receiving as much assistance as lower-income seniors or those with greater health risks.

RESPONDING TO CHARGES OF PRIVATIZATION AND AN END TO THE MEDICARE GUARANTEE

- Our plan preserves the Medicare guarantee, protecting seniors from being denied care by government bureaucrats or insurance company bureaucrats. Only through true choice and competition can Medicare deliver on its promise of high quality care at an affordable cost.
- Medicare already relies on private providers:
 - Today, seniors have the freedom to choose from a list of private Medicare Advantage plans to help cover their medical expenses. **The plans compete** for the patient's business – on a regulated Medicare exchange; **the patient chooses** from a list of Medicare-approved options; **Medicare helps pay**.
 - Today, seniors have the freedom to choose from a list of private Medicare Part D prescription drug plans: **the plans compete** for the patient's business – on a regulated Medicare exchange; **the patient chooses** from a list of Medicare-approved options; **Medicare helps pay**.
 - The House-passed budget offers future Medicare beneficiaries the ability to choose from a list of Medicare-approved guaranteed coverage options, with greater Medicare subsidies provided to those with lower incomes and greater health risks. **The plans compete** for the patient's business – on a regulated Medicare exchange; **the patient chooses** from a list of Medicare-approved options; **Medicare helps pay**.

MEDICARE FLOOR SPEECH

STOP THE RAID; REPEAL THE RATIONING BOARD; SAVE MEDICARE

REP. PAUL RYAN OF WISCONSIN – REMARKS ON HOUSE FLOOR – JUNE 1, 2011

<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=244178>

Let's for a moment talk about Medicare. Medicare as we know is already gone. Our friends on the other side of the aisle – when they passed the Affordable Care Act – stopped the Medicare status quo.

The President's new health care law already ended Medicare as know it. It does two things: It *raids* Medicare; and it *ration*s Medicare.

Obamacare Raids Medicare: It takes over \$500 billion from Medicare to spend on the President's new health care law, not to extend Medicare's solvency. Just as people have complained for years that we are raiding the Social Security Trust Fund, the President's health care law does that to Medicare now.

Obamacare Rations Medicare: Starting next year, the President will appoint 15 unelected, unaccountable bureaucrats to price control and to ration Medicare for current seniors.

Status Quo Bankrupts Medicare: What's worse is the President and Senate still have yet to put out a plan to save Medicare to prevent it from going bankrupt.

1. **We stop the raid of Medicare** in our budget and make sure that \$500 billion stays with Medicare to advance its solvency.
2. **We repeal the Medicare rationing board** so we don't put bureaucrats in charge of determining what kind of health care benefits seniors do or do not get.
3. **We save Medicare**. If you are on Medicare or if your ten years away from retiring – 55 and above - government already made a promise to you. We want government to keep that promise. Under our budget we keep that promise.

We stop the raid. We repeal the rationing board. And for those of us 54 and below who have a bankrupt system that we right now cannot count on, we reform Medicare so it works like the system Members of Congress and federal employees have. It is a system that looks like Medicare Advantage or the Medicare Prescription Drug Benefit Program today: seniors get a choice of plans offered to them by Medicare – guaranteed coverage options – from which they can choose and Medicare subsidizes that plan. It doesn't subsidize people as much if they are wealthy and subsidizes them a lot more if they are low income or sick.

This saves Medicare. This puts Medicare on a path to solvency. And more importantly, by saving it for future generations, we can keep our promises to current seniors. **We stop the raid. We repeal the rationing board. And we save the program.** That is what our budget proposes to do.

ADDITIONAL RESOURCES ON MEDICARE

- FY2012 Budget Resolution – The Path to Prosperity: <http://budget.house.gov/fy2012budget/>
- Setting the Record Straight: <http://budget.house.gov/SettingtheRecordStraight/>
- The Facts on Medicare and How to Save It (web video):
<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=242914>
- Paul Ryan responds to Medicare question at town hall hosted by CBS News:
<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=246581>
- Paul Ryan’s Medicare Fix – by James Capretta, *National Review* – April 20, 2011 –
<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=237843>
- The Defined Contribution Route to Health Care Choice and Competition – by Thomas Miller and James Capretta, American Enterprise Institute – December 7, 2010 – <http://www.aei.org/paper/100164>
- Consumer Choice and Competition Can Save Medicare – by Paul Ryan, *Bloomberg View* – May 25, 2011 –
<http://www.bloomberg.com/news/2011-05-26/how-consumer-choice-can-save-health-care.html>
- On Medicare, It’s Ryan Plan Versus Bureaucrats – by Ramesh Ponnuru, *Bloomberg View* – May 31, 2011 –
<http://www.bloomberg.com/news/2011-05-31/on-medicare-it-s-ryan-plan-versus-bureaucrats-ramesh-ponnuru.html>
- The Other Medicare Cutters – *Wall Street Journal* editorial – April 20, 2011 –
<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=237834>
- GOP plan to change Medicare is rooted in bipartisan history – by Amy Goldstein, *Washington Post* – April 26, 2011 – http://www.washingtonpost.com/national/gop-plan-to-change-medicare-is-rooted-in-bipartisan-history/2011/04/26/AF8f2FRF_story.html
- The Radical Gradualism of Paul Ryan – by Yuval Levin, *The Weekly Standard* – April 11, 2011 –
<http://budget.house.gov/News/DocumentSingle.aspx?DocumentID=235261>
- Saving Medicare from Itself – by Avik Roy, *National Affairs* – June 27, 2011 –
<http://www.budget.house.gov/News/DocumentSingle.aspx?DocumentID=249139>

SAMPLE
MEDICARE
MAIL PIECE



Congressman Paul Ryan's Medicare Update
A RESOURCE FOR WISCONSIN SENIORS



UNITED STATES
 HOUSE OF REPRESENTATIVES
 WASHINGTON, DC 20515

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This mailing was prepared, published
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Contact Paul Ryan

MAIL:

20 S. Main Street, #10
 Janesville, WI 53545

TOLL FREE PHONE:

1-888-909-RYAN (7926)

FAX:

(202) 225-3393

WEBSITE/EMAIL:

paulryan.house.gov

Helpful Contacts for Seniors

Medicare

www.medicare.gov
 1-800-633-4227

Federal VA Disability Benefits

www.va.gov/vba
 1-800-827-1000

Social Security

www.ssa.gov
 1-800-772-1213

Internal Revenue Service

www.irs.gov
 1-800-829-1040

Veterans Health Care Benefits

www.va.gov/health
 1-800-827-1000

Health Care Law and Your Medicare:

The Health Care Law signed by the President creates a new bureaucracy—the Independent Payment Advisory Board (IPAB)—to decide how much Medicare will spend and what services will be covered. Under this system, Medicare will be managed by 15 unelected bureaucrats, appointed by the President. I believe the President is giving Washington bureaucrats more control over your health care decisions when he should be giving patients more control.

Here's how it will work: Starting next year, if Medicare spending is on pace to exceed a predetermined budget target, the IPAB will be instructed to cut costs and limit coverage until spending is brought in line. In other words, services for current seniors on Medicare would be reduced or denied. The IPAB bureaucrats—not patients and their doctors—will essentially decide what health care seniors would receive.

In contrast, the House-passed budget repeals the IPAB, makes no changes for those in or near retirement (age 55 and older), and offers future generations a strengthened Medicare program they can count on, with guaranteed coverage options. The plan gives less help for those with higher incomes, and more help for those with low incomes and poor health. In addition, the plan gives future seniors control over their health care by allowing them to change providers as they choose, unlike the Health Care Law signed by the President, which gives government the power to deny care to seniors.

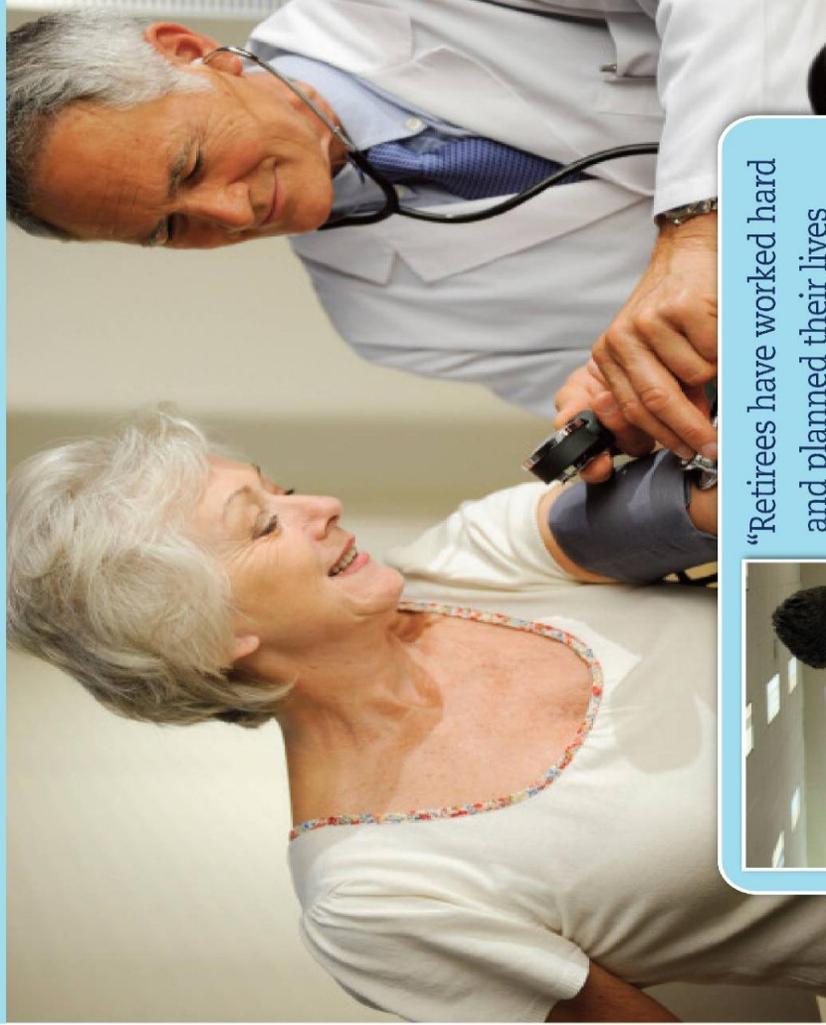


Rep. Ryan listens to seniors' concerns over their retirement security.



“Retirees have worked hard and planned their lives around their benefits. I am fighting to protect and strengthen those benefits.”

THE FACTS ABOUT PRESERVING MEDICARE



Congressman Paul Ryan

Leading the Way to Preserve Medicare for Current and Future Generations of Americans



Congressman Paul Ryan

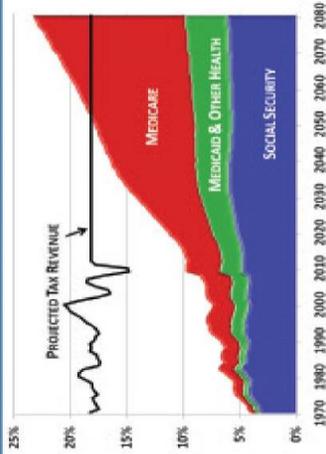
Patient-Centered Reforms That Save Medicare

I am working to get America's budget and spending under control, while saving and strengthening Medicare. The House-passed budget, which I helped author, keeps America's promises to seniors and those near retirement, while saving Medicare for future generations.

You will hear politicians and news sources repeat inaccurate statements about the House-passed budget, so I want you to hear the truth from me about the plan and what the future holds if we make the right decisions today.

WHAT DRIVES OUR DEBT

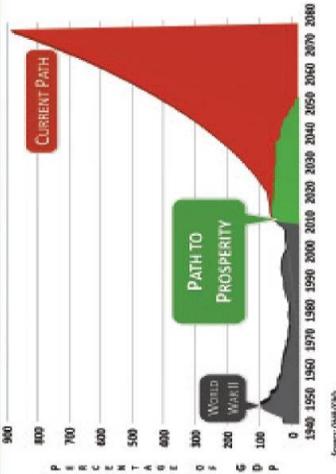
(GOVERNMENT SPENDING AS SHARE OF ECONOMY)



Source: CBO

A CHOICE OF TWO FUTURES

(DEBT AS A SHARE OF THE ECONOMY)



Source: OMB/CBO

THE PROBLEM:

Washington has not been honest with you about Medicare. This critical program—unless action is taken to save it—is headed for a painful collapse.

With 10,000 baby boomers retiring each day, and fewer workers to pay for their benefits, social insurance programs such as Medicare are headed toward financial ruin. According to the nonpartisan, independent Congressional Budget Office, Medicare will go bankrupt in 9 years, and as its finances worsen, current seniors will receive lower quality care and face abrupt cuts in benefits at a time when they need them most.

THE SOLUTION:

Rather than allowing Medicare to go bankrupt, the Path to Prosperity budget proposal that I helped advance saves Medicare and ensures a debt-free, prosperous future.

The House-passed plan preserves the existing Medicare program with no changes for current retirees and those near retirement. But unless we take action, Medicare will be bankrupt for future generations. For those currently 54 and younger, the plan offers a strengthened, personalized Medicare program they can count on when they retire. The plan gives future seniors more choices and more security, and stops the President's plan to ration Medicare for current seniors and leave the program bankrupt for the next generation.

THE PATH TO PROSPERITY

Protecting Medicare for Today's Seniors

Strengthening Medicare for Future Generations

FOR CURRENT RETIREES

ANYONE AGE 55 OR OLDER: **NO CHANGES.**

✓ The Medicare reforms I helped advance do not affect benefits for those in or near retirement.

FOR FUTURE GENERATIONS

✓ For those currently 54 and younger, Medicare will offer a list of comprehensive, government-approved and regulated health care plans that future seniors will choose from each year—similar to the system that serves Members of Congress and federal employees.

✓ Medicare will subsidize each person's plan—averaging \$15,000 annually when fully phased in. This benefit will increase each year. Low-income individuals and those with greater medical needs will receive additional help. No one will be denied coverage because of pre-existing conditions.

✓ Establishes and fully funds Medical Savings Accounts (MSAs) for low-income Americans to cover out-of-pocket costs. Those with greater health care needs will receive additional support, and high income Americans will receive smaller increases in their support payments.

✓ Eliminates waste, fraud, abuse and unnecessary overpayments so that Medicare dollars are used to provide seniors the care they need.

✓ Fixes Medicare permanently, based on Congressional Budget Office (CBO) estimates and consultation with the actuaries for Medicare.



Congressman Ryan meets with area residents at one of his many listening sessions around the district on the subject of the budget, spending reform and preserving Medicare.

HOUSE PLAN vs. THE HEALTH CARE LAW SIGNED BY THE PRESIDENT

PATH TO PROSPERITY FOR CURRENT SENIORS-AGE 55 AND OLDER

- ✓ No Changes
- ✓ Repeals Medicare Rationing Board
- ✓ Stops Medicare funds from being spent on new health care law

PATH TO PROSPERITY FOR FUTURE SENIORS-AGE 54 AND YOUNGER

- ✓ Personalized Medicare, similar to what Members of Congress have
- ✓ Those with poor health & low income receive more support, while the wealthy receive less
- ✓ Guaranteed Medicare plan

HEALTH CARE LAW SIGNED BY THE PRESIDENT FOR CURRENT SENIORS-AGE 55 AND OLDER

- ✗ Uses Independent Payment Advisory Board (IPAB), run by unelected bureaucrats to determine cuts and benefits
- ✗ Takes \$500 billion from the Medicare Trust Fund to pay for the new health care law

HEALTH CARE LAW SIGNED BY THE PRESIDENT FOR FUTURE SENIORS-AGE 54 AND YOUNGER

- ✗ No plan to save Medicare
- ✗ Allows Medicare to go bankrupt in 9 years