Medicare Reform: Premium Support Proposals Would Impact Current Medicare Beneficiaries

Description

The topic of Medicare reform has been in the national discourse for what seems like decades now. Reforming Medicare, without a doubt, is something that must be done in some form in order to sustain the program moving forward to future generations. However, how that will be done is a topic that is certainly up for discussion and debate.

paul ryan medicare proposal

Recent proposals center on the idea of â??premium supportâ?• model. Under this type of model, Medicare beneficiaries would receive a set, standard amount of money that they could use towards the purchase of a traditional Medicare type program or a private plan. While this idea sounds appealing, it frankly is not a significant change from what we have now â?? where Medicare beneficiaries have the option of staying with traditional Medicare or choosing a privatized (and subsidized) version of Medicare called a Medicare Advantage plan (What is the Difference in Medigap and Medicare Advantage?).

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Most calls for Medicare reform focus on not changing the program for current beneficiaries. In fact, President Trump repeated the refrain in his campaign that he did not want to touch Medicare. It is, indeed, a highly popular program among beneficiaries â?? a recent study by the Kaiser Family Foundation found that approximately 75% of people on Medicare are happy with it. Changing it out from under current beneficiaries may be the â??third railâ?• in the current political environment; however, future beneficiaries are where the current Medicare reform talk comes in.

Speaker Paul Ryan and other advocates for Medicare reform have focused their proposals on those under age 55 currently. In other words, current beneficiaries and those over age 55 would be â??grandfathered inâ?• to the current plan structure, whereas those under age 55 would fall under a new system of â??premium supportâ?•.

Where these plans miss the mark is in stating that there will be no impact on those over age 55 or those already on Medicare. In reality, thatâ??s not how health insurance works. We need to look no further than the ACA as an example â?? the hope was that younger beneficiaries would sign up to offset those in higher age brackets. When that didnâ??t happen in the numbers projected, much higher premiums resulted. The same thing would/will happen with Medicare â?? if younger beneficiaries are separated from older beneficiaries, actuarially, then the costs for the older group would rise more rapidly than they otherwise would. Older Medicare beneficiaries, without a doubt, cost Medicare more per person, on average (see chart below).

medicare reform - older beneficiaries cost medicare more

What many people do not realize is that Medicare premiums and cost-sharing are directly tied to average Medicare spending per person. So, increases to the growth rate of Medicare spending per person (due to having no new, younger people to offset older beneficiaries), would have a

consequential direct impact on Medicare premiums, deductibles and cost-sharing for todayâ??s Medicare beneficiaries as well as those between the ages of 55 and 65.

In addition, changes to the Medicare deductibles and cost-sharing would also have a detrimental impact on premiums for plans like Medigap, Medicare Advantage and Medicare Part D. Overall, it is disingenuous at best, false at worst, to say that current Medicare reform proposals would not affect current Medicare beneficiaries.

medicare reform necessary to cut debt

There are some options for offsetting these effects. Medicare premiums, deductibles and coinsurance amounts could be set in a different manner, so that they were not automatically tied to per-person spending. That is one option. Other options include providing some sort of subsidies or support to older seniors that are staying with Medicare to offset the anticipated increases. However, both of these would likely increase the overall Federal Medicare spending and offset the desired effects of the changes in the first place.

There are no easy answers in Medicare reform. Thatâ??s why it is has been a hot, divisive, political topic for years now. Without a doubt, something must be done if we are too prolong the viability of the program. However, the effects on current Medicare beneficiaries must not be ignored when we are seriously considering proposals to â??cut offâ?• current beneficiaries from future beneficiaries.

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Date Created
March 14, 2017
Author
65medicare