

Medicare War Opens With Skirmishes Over

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An epic political battle over the future of Medicare intensified yesterday with Republicans and Democrats arguing over a single, simple word: cuts.

Republicans insist that the budget proposals they have unveiled over the past two days will cure the federal health care program for the elderly by letting it continue to grow, but more slowly than it would otherwise.

Spending, said Rep. Christopher Shays (R-Conn.), "just won't continue to increase as much. And only in Washington would this be considered a cut."

Democrats counter that the GOP plan would do great harm to the cherished program by drastically shrinking it.

"You can't make cuts of that order and not hurt people," Senate Minority Leader Thomas A. Daschle (D-S.D.) told a news conference.

Can both Daschle and Shays be right?

The answer to that question—is Medicare being cut or not—lies at the heart of the debate, but it is certainly not the only point of contention.

The political parties, advocacy groups and experts also disagree over whether such stringent cuts are necessary and whether proposals to overhaul the program—giving elderly persons government vouchers to buy care, for example, or shifting elderly into managed care plans—would work.

Despite these controversies everyone agrees that something has to be done to reduce the skyrocketing cost of Medicare.

The Medicare trust fund that pays for hospital bills is expected to go bankrupt by the year 2002, the result of annual increases in Medicare spending of more than 10 percent a year.

Medicare costs have been driven up by a combination of factors, including the rising number of elderly and the increase in health care costs generally. But a significant portion of the rise is due to the fact that the nation's

elderly are getting more health treatment, from hip replacements to bypass surgery to cataract removal.

Still, finding a politically painless way to rein in this spending is proving to be enormously difficult. First, many Americans view Medicare with a sense of entitlement. Unlike welfare, Medicare is financed in part by a payroll tax, giving the program an image close to that of Social Security—a benefit many Americans feel they have earned.

Second, the program has grown so large—it delivers health care to one-seventh of the population—that it has become a major source of revenue for the nation's doctors and hospitals.

Finally, the elderly in this country remain a powerful political force. Medicare spending has been expected to grow by about 10 percent a year.

The Republicans proposed this week holding that growth rate to 7.1 percent, which would reduce expected spending by some \$256 billion to \$283 billion over the next sev-

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Terms: What Constitutes a Cut?

en years. To accomplish this they outlined several options, such as:

- Offer the elderly financial incentives to join managed care plans. Typically, these plans are in the form of health maintenance organizations, or HMOs, which provide health care for an annual fee.

- Give Medicare enrollees government vouchers that allow them to choose among a number of health care plans, with incentives to choose cheaper options. The voucher would be worth a fixed amount, adjusted for age, gender, disability and location. If enrollees wanted a plan costing more than the voucher, they would have to pay the additional premiums.

- A series of other options are also under consideration. They include holding down increases in payments to hospitals, doctors, nursing homes and other providers; increasing the portion of the treatment costs paid by patients; increasing premiums; and making well-to-do recipients pay higher premiums

than others. Democrats, however, have attacked many of the GOP proposals, arguing that, if spending does not climb fast enough to keep up with inflation and the growing number of elderly, it will mean less money per person in Medicare. Daschle argues that it will be \$900 less per person in the year 2002. And that, Democrats insist, is a cut.

Republicans do not accept this logic. Shays, for example, argued that spending per Medicare beneficiary would rise under the GOP plan from \$4,684 in 1996 to \$6,293 in 2002. That, he said, is not a cut.

Democrats are also likely to argue that such drastic spending cuts are not necessary to rescue the Medicare trust fund from bankruptcy.

That view was supported by Marilyn Moon, senior health specialist at the nonprofit Urban Institute, who argued that spending reductions of about \$100 billion over the next seven years would enable the hospital trust fund to remain solvent until about 2008.