Clinton's Medicare plan would undermine universal health insurance for the elderly

Martin McLaughlin
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Nearly all the social measures adopted under the Clinton administration have combined a superficially reformist political coloration with a basic thrust which is fundamentally conservative or even reactionary. The Medicare plan, which was unveiled at the White House Tuesday, is no exception.

The reformist packaging was evident in the stage-managed unveiling of the plan before a selected group of congressmen. Clinton presented the new Medicare Part D, a limited subsidy for prescription drug purchases by the elderly, to be phased in beginning in 2002, as an enormous advance.

He declared, “In a nation bursting with prosperity, no senior should have to choose between buying food and buying medicine.” This statement itself is worth pondering. It acknowledges the acute social need, and the reality that many elderly people, especially those with chronic illnesses, are compelled to make such an unacceptable choice. At the same time, it leaves open the possibility that under other economic circumstances—i.e., under conditions of a recession or major financial crisis—the elderly might have to fend for themselves.

The leading House Democrat, Minority Leader Richard Gephardt, echoed Clinton's rhetoric, calling the proposal “the greatest single improvement to the Medicare program since its inception.” That this might be literally true only demonstrates how anemic American liberalism is. Since the establishment of Medicare in 1965 under Lyndon Johnson, when health coverage for the elderly was considered the first step towards a universal system, there has been virtually no expansion of Medicare in the face of entrenched resistance from private capitalist interests in the health care sector—drug and equipment manufacturers, profit-making hospitals, HMOs, insurance companies and, of course, the American Medical Association.

Clinton's plan has drawn praise from liberal Democrats in Congress and denunciation from sections of the health care industry and in the pages of the *Wall Street Journal*, all of which is predictable. Congressional Democrats like Senator Edward Kennedy have learned to rejoice over any crust thrown their way by the Clinton administration. The HMOs, hospital chains and drug companies howl about “price controls” and even “socialized medicine,” because such conduct has been rewarded in the past with record profits. As for the arch-reactionaries at the *Journal*, one can only conclude that they will not be satisfied until the “unproductive” elderly—i.e., those without substantial stock holdings—are put into landfills.

The lack of prescription coverage under Medicare is a national scandal. Two-thirds of the elderly obtain prescription coverage from private “Medigap” policies, in some cases provided by employers, which patch the holes in the Medicare benefit package. But 35 percent of the elderly, some 15.5 million people, cannot afford such coverage. Of these, half now spend more than $40 a month out of pocket on prescriptions.

The prescription drug benefit will be partially paid for by the elderly themselves, who will pay $110 billion in increased premiums, compared to $118 billion in new spending by the federal government. Under current law, the Medicare premium will rise from $45.50 a month to $101 by 2009. With the added prescription coverage, the premium will go up an additional $24 a month in 2002 and an additional $44 a month by 2008. The eventual combined premium of $145 a month would represent a significant expense for many elderly people living on fixed incomes.

The benefit is also subject to a 50 percent co-payment and a cap on total annual spending, set at $2,000 in 2002 and rising to $5,000 in 2008. Higher bills would be entirely the responsibility of the patient. According to one study, 13 percent of Medicare beneficiaries already spend more than the $2,000 ceiling in Clinton's plan.

As the *Washington Post* observed in its analysis: “Clinton's plan won't do any good for people who can't pay their share. When monthly drug costs can run $100 a month for an ulcer treatment, $200 a month for a drug to lower cholesterol, or $1,000 a month for an arthritis medicine, a 50 percent co-payment can be prohibitive.”

Then there is the social impact of the prescription drug plan. Implemented within the present health insurance system, it would amount to a huge subsidy to large corporate employers who already provide prescription coverage for their retirees. It could even result in major cuts in benefits for these retirees, who today pay no deductibles, have co-payments of $15 or less, and have no ceiling or cap on total spending.

The plan would also reinforce the stranglehold of the private drug monopolies and profit-making HMOs and pharmacy benefits management (PBM) companies that supervise the use and distribution of medicines. One market analyst told Reuters, “Clinton's plan actually looks very encouraging for drug companies. It doesn't say anything about mandated price controls and would drive up the volume of prescription drugs used in this country.”

The new Medicare plan is the latest stage in what might be described as the systematic cannibalization of the program. Incremental increases are made in certain areas, those which have become particular sore points with the public, but these are offset by larger cuts elsewhere, which are usually disguised or indirect. Gene Sperling, chairman of Clinton's National Economic Council, said in a television interview, “The reason why it is going to cost very little is because the plan overall is going to include significant savings in the Medicare plan.”

Thus the Clinton plan eliminates co-payments for preventive

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services like cancer screening, for an additional benefit of $3 billion over ten years. But it adds a 20 percent co-payment for lab tests and adjusts for inflation the $100 deductible for doctors visits and other outpatient treatments, (raising the deductible an estimated $2-$3 each year), cutting $11 billion in government outlays over the same period. The net result: $8 billion in additional costs for the elderly.

Not counting the prescription drug benefit, Clinton's plan will actually reduce estimated Medicare spending by $72 billion over ten years. This will include $39 billion cut from reimbursements to hospitals and other providers by extending cuts first imposed in 1997, which were scheduled to expire in 2003. This burden will fall disproportionately on the northeastern states, with the highest concentration of medical facilities. One published estimate said that hospitals in New York state alone would lose nearly $5 billion, $1.7 billion for New York City facilities and $3.2 billion for those outstate.

Another $25 billion will be cut through increased subcontracting of services and equipment purchases—i.e., largely through lower wages for janitors, orderlies, nurses and other health care workers. And $8 billion will be saved by giving the elderly an incentive to choose low-cost rather than high-cost HMOs if they choose to opt out of the traditional fee-for-service plan.

Providing incentives for HMOs, competitive purchasing of supplies and imposing greater costs on patients represent structural changes, which move Medicare in the direction of private health insurance. The whole process ends up undermining the basic premise of Medicare as a universal program that guarantees adequate health care for all the elderly, regardless of their income.

This goal is most clearly articulated by the congressional Republicans, who replied to Clinton's initial proposal with a plan to provide prescription drug benefits on a means-tested basis, allowing only the poorest elderly to qualify. A White House spokesman, health policy coordinator Chris Jennings, rejected this alternative, arguing, “If you say that certain people on Medicare can have drug coverage and others don't, you will undermine the broad support that exists for the program.”

However, as in the bipartisan agreement to end federal welfare benefits, Clinton ends up accepting the basic premise of the right wing while cushioning the immediate impact of the policy change. Thus the official debate, as framed by Clinton and his Republican opponents, becomes a conflict between those who want to destroy Medicare immediately and those who wish to prolong the agony.

Besides the prescription benefit, the main focus of media coverage of the Medicare plan has been Clinton's proposal that $794 billion from projected budget surpluses should be funneled into the program, in order to guarantee its solvency through the year 2034.

This proposal would seem to border on the absurd, since it incorporates entirely unrealistic assumptions that the American economy will grow between 2.1 percent and 2.6 percent a year for the next 15 years, with no recessions and no significant inflation or unemployment. As one columnist observed, “Any corporate CEO planning for 15 continuous years of growth as the basis for large capital spending plans would be laughed out of the boardroom.”

But there is a serious, and reactionary, political purpose behind the budgetary pipe dreams. The Medicare plan is the opening bid in what is likely to become the most sordid political auction in American history—the competition among Democratic and Republican politicians to offer tax cuts to wealthy individuals and corporate interests in time for the 2000 elections.

Clinton has signaled his willingness to do a deal with the Republican Congress in which a Medicare “reform” plan is adopted along the lines of his proposal, in return for Democratic and White House support for a substantial reduction in taxes for the rich.

“If we can get agreement on the fundamentals of this,” Clinton said in an interview Thursday, “then I think there is enough funding left over, given this new budget, that we can probably make it a kind of omnibus agreement covering other things.” This would include the Republican tax cuts, he said.

Congressional Republicans have already drafted plans for $775 billion in tax cuts over the next ten years. In the light of new and higher estimates of the projected federal surplus, there have been suggestions of a tax cut as high as $1 trillion, which would include elimination of taxation on inherited wealth and the virtual elimination of the capital gains tax.

The *Wall Street Journal* summed up corporate America's attitude toward the tax debate in an editorial with a headline—“Give it Back Now!”—which vented the insatiable greed of US big business. The newspaper urged Democratic Senator Joseph Lieberman and Republican Senator Orrin Hatch, who co-sponsored the last cut in taxes on capital gains, to “return to the capital-gains gold mine,” claiming it was responsible for one-fourth of the total increase in stock-market prices.

Clinton has quietly shelved his previous position that no funds would be made available for tax cuts until the solvency of Social Security was assured for the next 75 years, as required by law. He also has acceded to Republican demands that none of the excess Social Security taxes be used for new spending.

While the Treasury projects larger and larger surpluses for the next two decades, the White House has suggested a mere $156 billion in new domestic spending over the next ten years, barely 5 percent of the available funds. Even this is only an initial bargaining position, subject to further whittling down in negotiations with Congress.

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