

# US: New attacks on Medicare and Medicaid

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In advance of President George Bush's January 28 State of the Union address, the White House has leaked several proposals for the "reform" of the Medicare system of health care coverage for the elderly. These plans amount to the introduction of for-profit medicine into the Medicare system. As the *New York Times* acknowledged in its report on the plans, the changes "could eventually make Medicare look more like private insurance."

Medicare beneficiaries have never been covered for the cost of prescription drugs since the inauguration of the federal social insurance program in 1965. These costs have skyrocketed in recent years, forcing millions of retirees subsisting on meager Social Security benefits to choose between food and medicine. Now, facing growing calls for the inclusion of prescription drug coverage in Medicare, the White House is insisting that the price for even limited drug benefits must be major steps towards the dismantling of the present system.

One of the proposals, for instance, would hold out the possibility that Medicare beneficiaries could get cash rebates if they enroll in private health plans instead of the current Medicare system—but only if the private plans hold down costs below current Medicare rates. Another proposal would give beneficiaries the option of "enhanced benefits"—in exchange for higher premiums.

These changes are explained as part of the necessary injection of "market forces," of "competition in Medicare." The premise, generally accepted within the political establishment and promulgated by the media, is that government programs equal bureaucracy, waste, and inefficiency.

Several codewords are universally employed to advance this conception. Bush insists on making prescription drug benefits part of "reforms" because, according to an unnamed White House source, "We shouldn't just add liabilities onto a program that's

antiquated and likely to go bankrupt." Democratic Senator John Breaux of Louisiana echoed the White House, declaring that "just adding prescription drugs to an outdated Medicare program is like throwing lead weights onto a sinking ship."

Tossing around words like "antiquated" and "outdated" is a transparent attempt to depict Medicare itself as the problem. What is really outdated about Medicare, however, is the fact that it is so woefully underfunded that it is incapable of providing decent care for millions of retirees and other beneficiaries.

This is a crisis that has been to a large extent created by the government's administration of the program. Rapid advances in medical care are making new treatments possible and adding tens of billions of dollars to the cost of health care. The Congressional Budget Office estimates that Medicare's annual cost will increase from \$256 billion in 2002 to about \$470 billion ten years from now, without adding any new benefits.

The federal authorities, however, have been starving Medicare for years. Medicare fees to doctors were cut 5.4 percent last year and 4.4 percent this year. Only a few months ago (See: Bush administration proposes crippling cuts in Medicare) the Bush administration proposed massive cuts in reimbursements for outpatient services and other benefits.

Medicare never provided anything approaching the free medical care that is generally available to the whole population, not only the elderly, in most of the major industrial countries. Enacted as part of Lyndon Johnson's "Great Society" program, it was one of the social reforms legislated in response to the upsurge of labor and civil rights struggles during the post-World War II boom years. It has functioned as a contributory program, based on substantial payroll taxes that are automatically deducted from workers' paychecks. At age 65, the payroll deductions are followed by monthly

premiums, now running at \$58.70. This premium rises in proportion to the level of doctors' fees and outpatient costs at hospitals. The Congressional Budget Office expects it to reach \$105 by 2012, even without prescription drug benefits, which are expected to add another \$25 to \$33 a month to premiums, even if they are enacted as the Democratic and Republican politicians currently promise.

This inadequate program, which has at best protected workers against economic devastation, has been steadily undermined and now faces a new onslaught. This is the meaning of the current proposals.

The ideological basis of the proposed changes is spelled out in a recent *Wall Street Journal* editorial. Applauding Bush's refusal to provide additional assistance to the states as they face cumulative budget deficits of more than \$80 billion this year, the *Journal's* editors zero in on the need to "fix" Medicaid, the federal/state program, alongside Medicare, that provides health care for the poor. As poverty and income inequality have grown in recent years, national Medicaid spending has grown to an estimated \$258 billion in 2002, a figure that for the first time is higher than the spending for Medicare.

"Like Medicare, Medicaid is an increasingly expensive relic of the big government year of 1965," the *Journal* complains. "And like Medicare, the solution lies in scrapping its ineffective price controls and bureaucracy in favor of a market-driven system. States should help beneficiaries purchase private insurance, not handle each and every medical bill. Washington can help states make the shift...the last thing it should help them do now is bail out a broken system."

As the *Journal* editors make clear, both Medicaid and Medicare are targeted for elimination. The states must pick up substantial percentages of the costs of Medicaid, and state governments across the country are facing the worst budget deficits in more than 50 years. The Bush administration is seeking to deal with this crisis by ruthlessly slashing the medical benefits for 40 million of the poorest and most vulnerable people in the U.S.

Only days after the publication of this editorial, a change was announced in Medicaid policies established by Congress in 1997. The 1997 law allowed the states to try to control costs by forcing Medicaid recipients to

enroll in health maintenance organizations and other forms of managed care. At the same time, Congress passed certain protections, including mandates that HMOs cover Medicaid recipients for visits to hospital emergency rooms. The states will now be allowed to reduce this and other benefits.

The attacks on Medicare and Medicaid are part of a health care crisis that is having a serious impact, not only on the elderly and the poor, but on virtually every section of the population except for the wealthy. The economic slowdown that began in 2001 has led to a jump in the number of the medically uninsured, including white collar workers and sections of the middle class who have lost health benefits along with their jobs and are unable to afford continuing coverage. Fewer employers are offering health care coverage and those that do are requiring big increases in employee contributions. The growth of for-profit medical care is having an impact on quality of care that is readily apparent in doctors' offices, clinics and hospitals.

This is part of attacks on public and social services that have literally no precedent in the U.S. Over the past quarter of a century, minimal social benefits in areas such as pensions, unemployment insurance, health care and education have been subjected to a relentless onslaught in the name of "market forces" and the elimination of "big government."

The Bush administration—with little or no resistance from the Democrats in Congress—is accelerating these attacks, seeking new sources of profit for the financial speculators and stepping up the campaign for the transfer of wealth from the working class to the wealthy.



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