

# The politics of US Medicare “reform”: cynicism, cowardice and social reaction

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Only the incurably naïve could believe that the most reactionary administration in American history, and a Congress controlled by a party that has opposed Medicare from its inception, have suddenly embraced a huge expansion of the federal program that pays for medical care for the elderly and disabled. Yet that is the picture being presented by the American media, which has largely hailed Friday’s passage by the House and Senate of conflicting bills establishing a limited prescription drug benefit under Medicare.

Because of the major differences between the House and Senate bills, it is entirely possible that no legislation will actually be adopted and the prescription drug plan will be stillborn. But even if the program is finally enacted and signed into law by George W. Bush, there is still no guarantee that the federal government will pay for a single prescription for a senior citizen. Neither bill provides a penny for prescription benefits until 2006, when the federal budget is widely expected to be in such a crisis that drastic cutbacks, not increased spending, will be the order of the day.

The real purpose of the legislation, as far as Bush & Co. are concerned, is to provide political cover for the 2004 elections, allowing the administration to disguise its single-minded pursuit of tax cuts for the wealthy and resume the cynical pretense of “compassionate conservatism” that was dropped so abruptly after the 2000 campaign. In the longer term, the administration’s goal is to destroy Medicare as a federal guarantee of health care for the elderly, not expand it. This is demonstrated by provisions in the current bills, especially the House version, which create loopholes to promote privatization.

As for the congressional Democrats, they have largely embraced the position of Senator Edward M. Kennedy, the leading Senate liberal, that it is better to make a deal with the Bush administration, whatever the terms, than to fight it. This kind of political cowardice characterizes the Democratic Party in every sphere, above all in its support to Bush’s invasion and occupation of Iraq. It is particularly grotesque in relation to Medicare, where Democrats claiming to uphold and strengthen Medicare as a universal social program have made common cause with Republicans whose avowed goal is to put an end to any government role in the provision of health care, and turn the elderly over to the tender mercies of the capitalist market.

Both versions of the legislation, passed in the early morning hours of June 27, provide extremely limited drug benefits—and in some cases no benefits at all—for beneficiaries of Medicare, the universal entitlement program that pays for health care for the country’s 40 million citizens over the age of 65. Both versions are estimated to cost \$400 billion over 10 years, only 22 percent of the \$1.8 trillion seniors are expected to spend on prescription drugs over that period. This was

the amount set down by the Bush administration in its initial proposal to Congress, and accepted by Senate Democrats.

The two bills open up the program to private market forces and will benefit the pharmaceutical and insurance industry far more than American seniors, many of whom are already spending a disproportionate part of their incomes on prescription drugs. The Medicare program would administer and partially subsidize the prescription drug benefit, but both plans assume that private insurance companies would provide the actual coverage, even though no US company currently offers such insurance to the elderly.

Both the House and Senate measures call for the expansion of the role of preferred provider organizations (PPOs), privately run managed care systems, in Medicare. Bush, who promised drug coverage for seniors in his 2000 election campaign, initially sought to use the prescription drug legislation as a mechanism to push seniors off Medicare completely and into privately run health maintenance organizations (HMOs). The first draft of the legislation produced by the White House would have given only nominal prescription benefits to senior citizens who remained within traditional Medicare, reserving most of the benefits to those who enrolled in HMOs. Nearly 90 percent of the elderly have stayed with the traditional fee-for-service plan, frustrating the efforts of the right-wing free-market proponents, who want to dismantle the popular program and force the elderly to “choose” the more restrictive private plans.

Bush was forced to abandon this heavy-handed effort to promote privatization and ultimately backed the passage of a prescription drug plan, whatever the form, through both houses. This proved more difficult in the House of Representatives, where the extreme right of the Republican Party exercises its greatest sway; the bill passed by a single vote, 216-215, when several Republicans switched their votes after the initial roll call showed it would be defeated. Bush invited House Republicans to the White House Wednesday to urge passage of the legislation. A section of ultra-right Republicans are opposed to any legislation expanding benefits and felt the House bill did not go far enough in injecting private competition into Medicare, thereby setting the program up for destruction.

Though the current legislation does not dismantle Medicare, it makes serious inroads in this direction. After seven years, the House version would require the traditional fee-for-service part of Medicare to compete with private health plans, throwing all Medicare services open to private bidding.

Most House Democrats opposed this legislation as a move towards dismantling Medicare. Rep. Charles B. Rangel, Democrat of New York, commented, “This is the first step that has been specifically designed not to reform the Medicare system as we know it, but to

dissolve it.” One of the authors of the House bill, Rep. Bill Thomas, Republican of California, countered, “Some of our friends on the other side of the aisle are saying that if this bill becomes law, it will be the end of Medicare as we know it. Our answer to that is, we certainly hope so.”

The Senate version—sponsored by Senator Charles Grassley, Republican of Iowa, and Senator Max Baucus, Democrat of Montana—passed by a comfortable margin of 76 to 21, again with some Democrats maintaining the drug benefit was too limited, and some Republicans claiming not enough was being done to promote privatization.

While the formulas for benefits in the House and Senate plans are extremely confusing and convoluted, an examination makes clear that both provide paltry coverage for prescription drugs for seniors. Both feature a \$420 annual premium to be paid before any benefits become available, plus a deductible—\$250 in the House legislation and \$275 in the Senate.

In the Senate version, Medicare would cover drug costs at a 50 percent rate up to \$4,500 a year. For costs between \$4,500 and \$5,800, seniors would receive no benefits. Then after \$5,800—in the so-called catastrophic coverage category—Medicare would cover 90 percent of costs. Under the House plan, 80 percent of drug costs would be covered up to \$2,000 a year. From \$2,000 to \$4,900, seniors would foot all costs. Over \$4,900, Medicare would cover 100 percent of costs.

No logical explanation has been offered for the “doughnut hole” gaps in both versions—where zero coverage is provided—except that the \$400 billion over 10 years proposed by the Bush administration can only cover so much, and Republicans and Democrats alike are unwilling to challenge this woefully inadequate figure.

An analysis by *Consumer Reports* magazine calculates that the average out-of-pocket spending on prescription drugs by Medicare beneficiaries, currently \$2,318 a year, would actually *increase* in 2007 under the proposed House bill to \$2,954, in constant dollars. Under the Senate bill, the magazine estimates the average spending would rise to \$2,524 in 2007, taking into account premiums, deductibles and co-payments.

Only people with more than \$1,100 in drug costs annually would be better off for enrolling in the drug plan. This means that about two-thirds of seniors, who spend less than this amount, would gain nothing from the new prescription drug plan.

In the likely event that healthier people opt out of the Medicare drug plan, the average cost per member would go up. With the rise in plan costs, even fewer would enroll, pushing more and more people into privately run plans, whose profit margins would increase.

Critics of the Medicare prescription measure also warn that employers would seek to cut back or eliminate drug coverage they now provide to retired workers. The Congressional Budget Office estimates that 37 percent of retired employees with company-sponsored coverage would lose it. This would translate into 11 percent of the 40 million Medicare beneficiaries.

One component of the Senate plan actually punishes those most in need. About 6 million very low-income seniors would be ineligible for any prescription drug benefits under Medicare. Instead, they would be required to get their drug benefits from Medicaid, a health care program for the poor administered separately by US states. Benefits for these low-income seniors would vary widely, as drug coverage is not mandatory under Medicaid and varies widely from state to state. In addition, separating out this group of beneficiaries undermines the

universal nature of Medicare, which from its inception has provided the same benefits for all seniors, regardless of health or income.

Given the significant differences between the House and Senate bills, and the tenuous nature of their Congressional backing, it is uncertain whether they can even be reconciled into legislation to be signed into law by Bush later this summer. If a Medicare prescription drug bill is passed, however, it is clear that the big winners will be the giant pharmaceutical and insurance companies, which stand to earn billions. Both versions of legislation place no restrictions on prescription drug pricing, and private medical insurers will be unwilling to participate unless they are guaranteed huge profits.

Medicare enjoys wide support among seniors and the US population as a whole. Signed into law in 1965 by Lyndon Johnson, it remains—along with Social Security—the last bastion of government-run and financed entitlements. These programs have been enormously successful, and have played key roles in improving the health and living conditions of millions of American seniors.

A poll of 1,424 adults released June 18 by the Kaiser Family Foundation and the Harvard School of Public Health found that an overwhelming majority of Americans—63 percent versus 19 percent—prefer Medicare to private health plans for seniors. This same survey also showed that a majority would also like to see any new prescription drug benefits delivered by Medicare, not private plans—55 percent versus 29 percent. In addition, 54 percent said they preferred a government benefit at least as good as that provided by employers, even if that meant more government spending and higher taxes.

However, in opposition to this widespread popular support for government-sponsored health care, these programs have become the target of the right-wing elements dominating the Republican Party and the Bush administration. These forces see any entitlement—or any expansion of its benefits, such as a national health care plan—as tantamount to socialism and have waged a concerted effort to undermine both Medicare and Social Security.

The role of the Democratic Party has been to enter into a filthy compromise with the Bush administration and the Republican far right—accepting the minuscule benefits and the open moves toward privatizing Medicare. Senator Kennedy, Democrat of Massachusetts, has played a particularly despicable role, promoting the notion that some prescription drug coverage is better than none at all, even though the effect of this alliance is to politically strengthen those who want to do away with Medicare entirely.

The Congressional wrangling over Medicare prescription drug benefits—and the miserable outcome reflected in both the Senate and House versions of legislation—demonstrate the impossibility of promoting any type of social reform under conditions where the political establishment is so dominated by big business and the corporate elite. Any significant expansion of public services, let alone the enactment of a universal health care program, can only come about as the byproduct of a political mobilization of working people against both parties and the profit system as a whole.



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