Medicare bill marks major step in destruction of government health plan for US seniors

A windfall for drug companies, private health insurers

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The US Senate passed President Bush's Medicare legislation Tuesday by a vote of 54 to 44. The measure, which provides partial coverage of prescription drugs for seniors, marks a significant step toward the privatization and ultimate destruction of government-sponsored health care for those over age 65.

Eleven Democrats, nearly a quarter of the Democratic caucus in the Senate, voted with 42 Republicans and one independent to pass the measure. The margin of passage would have been wider if not for the defection of a number of right-wing Republicans who voted against the bill because they opposed the level of spending it entails and wanted a more sweeping assault on the traditional government-run program.

An attempted filibuster led by Senator Edward Kennedy (Democrat of Massachusetts) collapsed when 22 Democratic senators voted with the Republicans to end debate.

The bill is now awaiting Bush's signature. In the early morning hours of Saturday, November 22, the Republican leadership of the House of Representatives, working in tandem with the White House, used an extraordinary and patently anti-democratic maneuver to gain approval of the legislation after the measure had been initially voted down. (See: "Bush, House Republicans rig vote to pass Medicare bill").

The provision of a prescription drug benefit is the first major change in Medicare since the system was established in 1965. However, the manner in which the addition of limited drug coverage is being implemented demonstrates that the underlying aim is to attack the foundations of the Medicare system itself, not strengthen or expand it.

The enactment of Medicare during the Democratic administration of Lyndon Johnson was the high water mark of liberal social reform in the post-Word War II period. Even then, it faced fierce opposition from more right-wing sections of the ruling class and the political establishment.

At that time, universal health coverage was a standard plank in the program of the Democratic Party. The institution of government-managed health care limited to those over age 65 was justified as a temporary compromise dictated by political realities. Democrats generally presented the health plan for seniors as the first step toward a system of universal health insurance. In the event, Medicare was the last major social reform covering all income groups to be enacted in the United States.

One of the plan's chief deficiencies was its lack of coverage for prescription drugs. Over the past two decades, this inadequacy has become increasingly glaring as life-expectancy increased—in large part because of the availability of health care under Medicare—new drug new treatments proliferated, and the prices charged by the pharmaceutical giants soared. While the pharmaceutical industry amassed huge profits, many of the 40 million seniors on Medicare saw their incomes sharply eroded by the high cost of essential prescription medicines.

From the standpoint of cost, efficiency and the needs of seniors and society as a whole, the logical step would have been to place the management of prescription drug coverage under the existing Medicare system. This, as all opinion polls show, is the overwhelming desire of older Americans and the population as a whole. There is virtually no popular support for the privatization of Medicare, which, despite its many limitations, is one of the most successful and highly regarded government-run social programs in the US.

A government-run program, as a massive purchaser of drugs, would be in a position to negotiate sharply lower drug prices. In virtually every other industrialized country, where medical care is managed by the government, pharmaceutical prices are a fraction of those that prevail in the US. Even in the US, government programs such as Medicaid, the health insurance program for the poor, and the Veterans Administration are able to obtain drugs at reduced prices.

The plan enacted by Congress on Tuesday does precisely the opposite. It places prescription drug coverage entirely in the hands of private insurance companies and health care plans. It explicitly forbids the government from negotiating with drug companies for lower prices. And it effectively blocks the import of drugs from Canada, where, because of the existence of a national healthcare system, drugs are up to 75 percent cheaper than in the US.

The law is tailor-made to allow the drug companies to continue their practice of price-gouging, while guaranteeing windfall profits from the unhindered exploitation of an expanded market for their products. One study estimates that the legislation will add $139 billion to the coffers of US drug makers over the next eight years. An article published in the October 31 edition of the *Washington Post* cited Alan Sager, director of the Health Reform Program at Boston University's School of Public Health, who said drug industry profits could rise 30 percent.

That, however, is only part of the story. The law allocates tens of billions of dollars in federal monies to subsidize private health plans and insurers, who otherwise would refuse to cover most senior citizens, so that they can compete against the traditional Medicare system. The bill incorporates a series of provisions that place the government-run system at a huge disadvantage. Thus the federal government will pay private for-profit firms huge sums to help them undermine the government's own health care program.

Estimates of the handouts to private insurers and health plans over the next ten years vary from $14 billion to $40 billion. Whatever the ultimate figure, one thing is patently clear: the law drawn up by the Bush administration and passed by Congress makes no sense, if one assumes that it is motivated by its ostensible purpose—to help older Americans. It makes all the sense in the world, however, if it is recognized for what it really is: a scheme—exploiting the need of senior citizens for help in paying for drugs—to bankrupt Medicare, end all regulation and control over the insurance, pharmaceutical and health care industries, and ration health care along class lines.

The actual prescription drug coverage provided by the legislation is very limited. The program does not go into full effect until 2006. At that point those eligible will be able to sign up for private insurance, funded by Medicare, that will cover 75 percent of prescription costs up to $2,250, subject to a $250 annual deductible and a $35 monthly premium. After this point, beneficiaries will receive nothing until they spend another $2,850, and their out-of-pocket costs reach $3,600. Only after that point will Medicare cover 95 percent of additional costs.

According to a number of studies, the new law will cover less than one-quarter of the total drug costs of elderly and disabled people. For seniors with annual prescription costs less than $1,000, the majority of Medicare recipients, or those who cannot afford the premium and deductible, there are no savings under the plan. Those who decide to sign up for the plan but incur drug expenses that amount to less than the cost of the deductible and premium would actually lose money.

According to the Center on Budget and Policy Priorities, a liberal think tank, three-quarters of the 6.4 million low-income seniors who quality for both Medicare and Medicaid will end up being charged more for drugs than under current law. This is because the new law eliminates the so-called Medicaid wrap around, under which Medicaid fills gaps in Medicare coverage and picks up most co-payments and premiums. In addition, some Medicaid recipients could lose access to drugs they currently receive if those drugs are not covered by Medicare.

In a direct attack on the government-run system, the legislation mandates “demonstration projects” in six as yet unspecified metropolitan areas beginning in 2010, where private insurers will compete directly with traditional Medicare. The government will give beneficiaries a fixed amount of money to purchase private insurance. Those who choose to stay with traditional Medicare will have to pay a premium calculated, in part, on the cost of private plans. Since private insurers will “cherry pick” the healthiest retirees, the relative cost of insuring those remaining in traditional Medicare, the poorest and the sickest, will inevitably rise, driving up premiums.

Studies show that having Medicare compete with private insurers could cause Medicare premiums to rise sharply and fluctuate widely from state to state and even within states. By one estimate, seniors in Baltimore, Maryland could be paying $190 a month in premiums by 2013. The current premium for traditional Medicare is $58.70 a month.

Another provision in the bill with serious implications for the future of Medicare institutes a mechanism that automatically requires deep cuts in benefits, increases in premiums or an increase in the regressive payroll tax when Medicare spending reaches a certain threshold. It rules out any rise in corporate or income taxes to fund increases in Medicare costs, which are expected to go up dramatically when the post-World War II “baby boom” generation begins retiring after 2010. This provision would make it virtually impossible for Congress to enact future increases in drug benefits or other services.

A separate provision of the bill will, over time, lead to sharp increases in premiums for workers enrolled in employer-based comprehensive health insurance programs. This provision establishes a new, health-insurance related tax shelter—so-called medical savings accounts. These accounts are designed to lure healthier and more affluent employees to opt out of their company health plans, leaving a pool of employees in those plans who are, on average, older and sicker. As a result, the company plans will become more costly and workers’ premiums will be driven upwards.

Those who have sponsored and promoted this bill, the Bush administration and corporate lobbies, represent the same forces that opposed the Medicare system in the first place and have been consistently seeking to undermine it. According to a report in the November 25 edition of *Newsday*, pharmaceutical companies have handed out over $60 million in campaign contributions to Republicans and Democrats over the past three years, and have spent $37 million in lobbying expenses this year alone.

Thus this measure to undermine and eventually dismantle a program upon which tens of millions of people depend is the product of the shameless vote-buying and bribery that pervades the American political system.

Of central political importance is the role of the Democratic Party in this attack on American working people. The “opposition” mounted by the Democrats exhibited their trademark combination of cynicism, cowardice and complicity. A number of leading Senate Democrats—including such “liberals” as Dianne Feinstein of California and Ron Wyden of Oregon—came out openly in support of the bill in the run-up to the floor vote. Senate Majority Leader Tom Daschle, while nominally opposing the bill, refused to support the filibuster mounted by Edward Kennedy of Massachusetts and several others.

Kennedy’s short-lived filibuster was a hollow gesture—a demonstration of impotence and bad faith. He had played a crucial role in disarming opposition to the Republican attack on Medicare. He worked closely with Republicans in crafting preliminary versions of the legislation, promoting the illusion that collaboration with such reactionaries could produce progressive reforms.

Kennedy’s willingness to make large concessions to Republicans on Medicare provoked a picket outside his office by members of the Massachusetts Senior Action Council. He only balked when the House-Senate conference, from which House Democrats were excluded, produced a final version of the bill that included a wish list of right-wing demands that had been eliminated in the Senate version.

The Democrats’ acquiescence was facilitated by the decision of American Association of Retired Persons (AARP), a traditionally liberal-oriented advocacy group, to lobby in support of the measure. Its backing for the Republican bill reflected changes in the organization itself, which has become a large business enterprise that profits from its relationship with private insurers.

The passage of the Medicare bill demonstrates once again that the Democratic Party is incapable of opposing the Republican right. The Republican Party proceeds ruthlessly to achieve its aims, which most completely and directly reflect the consensus policy of big business. The Democrats, lacking any cohesion or serious commitment to democratic principles, and themselves dependent on the drug companies and health care industry for campaign cash, inevitably fall into line.

This party, which long ago abandoned its past association with liberal social reforms, cannot and will not defend the programs it once championed. In so far as the working class remains politically tied to this second-ranking right-wing party of big business, it is unable to prevent the destruction of past social gains, let alone achieve new ones.

No progressive social reform is possible under the two-party system and the social and economic relations that these parties uphold, where all social needs are subordinated to the accumulation of personal wealth and private profit.

The only basis for countering the ruling class offensive is the development of an independent political movement of the working class that directly challenges the interests of the corporate elite. A basic element of its program must be the establishment of health care as a social right. This means taking the profit out of health care by removing it from the control of billionaire owners and investors and transforming the insurance giants, health care monopolies and drug companies into public utilities under the democratic control of the working people.

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