

# Obama to propose cuts in Medicare, Medicaid

**Patrick Martin**  
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White House aides have confirmed the President Obama will outline a deficit reduction plan Wednesday that will put his administration on record in favor of substantial new cuts in Medicare and Medicaid, the major federal programs underwriting health care for the elderly and the poor.

Obama will give a major speech on the deficit-cutting plan at a university in the Washington DC area Wednesday, officials said, although the exact time and place were still in flux.

The speech signals a further concession to congressional Republicans in the wake of the administration's capitulation in last week's conflict over the threatened partial shutdown of the federal government. Obama caved in, accepting a deal that makes an unprecedented \$39 billion in cuts in current spending.

Congressional negotiators were still working out the final details of these cuts on Monday, with both the House and Senate scheduled to vote on them before a new deadline of Thursday, April 14. But a White House spokesman, Dan Pfeiffer, provided a broad outline of the cuts in a statement posted on the White House web site.

The biggest cuts, \$12.5 billion in all, will come from programs at the departments of Labor, Education and Health and Human Services, many of which were already targeted for termination in Obama's budget for the 2012 fiscal year. There will be a \$1 billion across-the-board cut in nonmilitary agencies, and \$8 billion in cuts from foreign aid and the State Department.

The balance of the cuts, about \$18 billion, will come not from discretionary social spending, as originally proposed by the Republican-controlled House, but from one-time cuts in mandatory programs or from accounts with unspent money. Democrats sought to present these as "victimless" cuts, but the reductions are real, if indirect. For instance, funds are cut from the Children's Health Insurance Program (CHIP) that had been set aside to subsidize states that expanded coverage under the program. Given the enormity of the states' budget crises, no states expanded CHIP coverage this year, so the funds would have been rolled over to the following year. Now they are eliminated.

The next stage in the austerity drive comes over Republican demands for a pledge of large-scale spending reductions as the price of passage of legislation increasing the federal debt ceiling, now set at \$14.3 trillion. The Treasury said last week it would hit the debt ceiling in early May and run out of

alternatives to additional borrowing by July 8, threatening a default by the federal government.

The leader of the Republican-controlled House, Speaker John Boehner, said there would be no vote to increase the debt ceiling without "something very, very big attached" to it, in terms of spending cuts. Senate Republicans have also threatened to filibuster a debt-limit increase.

The debt-ceiling vote is the next step in the drive to cut spending on domestic social programs, including the "entitlement" programs like Medicare, Medicaid and Social Security. Both parties have embraced far more sweeping cuts than in previous years, with the Republicans proposing to use the savings to pay for major new tax cuts for the wealthy.

The plan introduced into the House by Budget Committee Chairman Paul Ryan last week would eliminate both Medicare and Medicaid, the two programs created in 1965 under the Democratic administration of Lyndon Johnson and which account for more than one third of all health care spending in the United States.

Medicare would continue to exist for those now aged 55 or over, albeit with significant spending caps. The program would be phased out for those under 55, who would receive a government voucher to buy private insurance. The age of eligibility would also be increased from the present 65 to 67.

Medicaid would be replaced by federal block grants to state governments, which would have complete discretion to structure the health care program for the poor. Since the block grant would be a fixed amount, the states would be compelled to sharply reduce benefits and eligibility as health care costs rise.

The real meaning of the Ryan plan was spelled out by another top House Republican, Majority Leader Eric Cantor, in an interview on Fox News Sunday. Cantor declared, "The unfunded obligations on entitlement programs are really what are so daunting and causing global investors, as well as Americans, to doubt whether this country can deal with its fiscal challenges. So, what we've said is this: we're going to protect today's seniors and those nearing retirement. But for the rest of us, all of us who are 54 and younger, I know those programs are not going to be there for me when I retire, just like everyone else 54 and younger. They can't. We cannot sustain that kind of trajectory."

Appearing on the same program, chief White House political

strategist David Plouffe said that Obama supports those elements of the Ryan plan that incorporate cuts in Medicare that were part of the health care reform legislation enacted by the Democratic-controlled Congress last year.

The Obama health care bill included some \$500 billion in “savings” on future Medicare spending to pay the costs of the plan. In a separate appearance on CNN’s “State of the Union” interview program, Plouffe declared, “The president already has been able to get real savings in Medicare. But his approach to Medicare will be this: How do we really preserve the program, not end it? How do we squeeze every dollar out of inefficiencies without putting all the burden on seniors?”

One should take note of the provocative language of this supposed “defense” of Medicare: the Democrats want to “squeeze every dollar out of inefficiencies” in health care for the elderly. Their only difference with the Republicans is that the Democrats do not favor “putting *all the burden* on seniors”—only most of the burden.

There were multiple reports in the press Monday about the type of cuts that the Obama administration would support, all suggesting that the White House would present the proposals of the bipartisan Simpson-Bowles commission on the federal deficit as an alternative to the Ryan plan. The Simpson-Bowles commission called for major cuts in entitlement spending as well as tax cuts for the wealthy, but none of its proposals were incorporated into the budget proposed in February by the White House for the 2012 fiscal year.

The *Washington Post* reported: “In recent days, administration officials have expressed interest in the work of a bipartisan group of senators, known as the Gang of Six, who are meeting to develop a strategy for implementing the fiscal commission’s recommendations. People familiar with those meetings said National Economic Council Director Gene B. Sperling spoke with members of the group last week to discuss the deliberations.” An unnamed official told the *Post*, “The White House is eager to attach themselves to this.”

The web site Politico.com reported: “The most likely route Obama would take, based on the way he and other administration officials have been talking about health care, is to borrow ideas from the bipartisan deficit reduction plan by Erskine Bowles and Alan Simpson. Obama and his allies like to talk about the root causes of rising costs, and there are ideas from the Simpson-Bowles commission, on which Ryan served, that would make more aggressive reforms to the way the federal government delivers and pays for health care...”

“The biggest source of Medicare savings in the Bowles-Simpson plan,” Politico noted, is “making seniors share more of the costs of their care. The plan would save \$110 billion through 2020 by making seniors pay a \$550 annual deductible for hospital and doctor services, plus 20 percent of all medical costs after that.”

The Obama administration’s virtual silence over the Ryan plan has provoked consternation among liberals both in

Congress and the media, who correctly understand that this failure to respond to the threat of outright abolition of Medicare and Medicaid means that the White House is prepared to consign them to the scrap heap.

*Washington Post* columnist E.J. Dionne bemoaned Obama’s capitulation to the Republicans first on the Bush tax cuts for the wealthy, now on the agreement on 2011 budget cuts reached Friday night. He wrote: “Of both big policy battles since the 2010 elections, Obama insisted that the most important thing was to get them behind us so we could move on to the main act. But when, exactly, will the main act begin? When will he fully engage? When will he challenge the idea that government’s central obligation is to shrink itself?”

Economist Paul Krugman, writing in the *New York Times* Monday in a similar vein, asked, “What have they done with President Obama? What happened to the inspirational figure his supporters thought they elected? Who is this bland, timid guy who doesn’t seem to stand for anything in particular?”

He went further than Dionne, condemning Obama’s Saturday radio address for embracing spending cuts as a positive good. “Did Mr. Obama have to celebrate his defeat?” he asked. “Did he have to praise Congress for enacting ‘the largest annual spending cut in our history,’ as if shortsighted budget cuts in the face of high unemployment—cuts that will slow growth and increase unemployment—are actually a good idea?”

Noting the extremely reactionary nature of the Ryan plan to abolish Medicare and Medicaid, and to provide \$2.9 trillion in additional tax cuts for the wealthy, Krugman added, “You might have expected the president’s team not just to reject this proposal, but to see it as a big fat political target. But...the White House response was a statement from the press secretary expressing mild disapproval. What’s going on here?”

There is an answer to the plaintive questions voiced by the liberal columnists, but it is one they, as defenders of capitalism and opponents of an independent movement of the working class for socialism, evade or reject. Obama, like all the Democratic and Republican politicians, is a defender of the profit system who does the bidding of the financial aristocracy. He was elected with the support of Wall Street and repaid that support richly by continuing and expanding the bailout of the banks and an array of policies—including healthcare “reform”—tailored to corporate interests.

Under conditions of a deepening world crisis of capitalism, both big business parties, Democrats as well as Republicans, are turning to policies that will devastate the living standards, jobs and social services of the vast majority of the American people.



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