



GRAY MATTERS

Medicare costs may drive away almost everyone

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We shouldn't have been so shocked when the Bush administration sneaked out the news under cover of the Labor Day weekend that the Medicare Part B monthly premium is rising next year by 17.4 percent, from \$66.60 to \$78.20 - the highest dollar increase ever. In April, chief Medicare actuary Richard Foster predicted as much.



Remember Foster? He's the fellow who was threatened with dismissal by then-Medicare chief Tom Scully (now a health industry lobbyist) for blowing the whistle on the real cost of the administration's Medicare privatization bill. And based on that cost (\$534 billion over the next decade), Foster predicted the Part B premium would increase next year to \$78.10. He was 10 cents off.

The Medicare bill passed in 2003, ostensibly to provide beneficiaries with affordable prescription drugs, has become chiefly responsible for making Medicare less affordable for 39 million elderly and disabled Part B subscribers. For the low-income elderly, Medicare is becoming unaffordable.

Robert Hayes, president of the New York-based Medicare Rights Center, called the premium increase "a body blow to millions of older Americans living on fixed incomes...." The Part B premium increase for this year, on top of the 13-percent raise for this year, is the second double-digit increase in two years. The premium is expected to go higher than \$80 a month in 2006 and even higher the following year. If the Medicare law stands, individuals with incomes of \$80,000 a year will be required in 2007 to take a means test, disclose tax returns and pay even more. It's a good bet they'll desert Medicare, leaving the program without an affluent constituency.

Moreover, for Part B, which pays 80 percent of doctor visits and lab work, the yearly deductible is rising from \$100 to \$110 next year and is expected to reach \$142 by 2010. And as the gaps in Medicare coverage widen, the cost of a Medigap policy or your former employer's supplemental insurance will inevitably rise.

This does not count the estimated \$35-a-month premium when beneficiaries sign up for one of the private Part D prescription drug plans. These take effect in 2006, and the annual Part D deductible will be \$250. So in 2006, yearly out-of-pocket Medicare costs will run more than \$1,740, not counting co-payments.

In addition, if you need hospitalization or in-patient rehabilitation, covered by Part A, the deductibles and co-payments also are going up next year. The deductible for each hospitalization is increasing from \$876 to \$912. And the co-payments will rise from \$219 a day to \$228 for days 61-90, from \$438 to

\$456 for days 91-150, and from \$109.50 to \$114 for days 21 to 100 in a skilled nursing facility.

Medicare chief Mark McClellan blamed the increases on higher medical costs, the need to build up the Part A trust fund to levels required by law, and new benefits in the Medicare drug legislation, including preventive medical exams for newcomers to Medicare, which will offset the hikes.

But Judith Stein, director of the Connecticut-based Center for Medicare Advocacy, said, "Not one of these [reasons] is true." The Part A trust fund, which pays hospital costs, is financed from payroll contributions and has no effect on Part B and the 2005 premium, she said. Also, the new prescription drug benefit doesn't begin until 2006, and benefits for Medicare newcomers are minimal.

By law, premiums must account for 25 percent of the Medicare budget with the U.S. Treasury paying the rest. And, in part, it's true that the Medicare budget and the premiums are rising because of higher medical costs. Also, the 2003 law includes increases of 1.5 percent in physician fees which had been due to decline by 4.5 percent.

But the biggest chunk of the Medicare budget is \$83 billion in bonuses to HMOs, including \$5 billion in 2005, to lure HMO participants back to the Medicare market. More than 15 percent of the 2005 increase is earmarked for subsidizing private plans. "Think of it," Stein said, "next year, already strapped older people and people with disabilities will be paying more ... to help entice private plans into Medicare ... even though private plans have left Medicare beneficiaries high and dry. ... Who is Medicare for, anyway?"

The administration's answer was supplied, unintentionally, by McClellan, when he pointed out that people may wish to enroll in Medicare HMOs and Preferred Provider Organizations to get a better benefit package than under traditional Medicare. As the Medicare Rights Center's Hayes put it, "The premium hike reflects the administration's efforts to make private health plans more attractive" and further "privatize Medicare." Today, only 11 percent of Medicare beneficiaries are enrolled in private plans, which cost 14 percent of Medicare's budget. But the administration aims to replace Medicare with private insurance. What better way to lure us from Medicare than by making it unaffordable?

Finally, I've promised reader Dennis Baer that I'd pass along his petition to Congress to repeal or fundamentally fix the 2003 Medicare bill. Go to Google; type in 383366962. It's free.

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