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The Senior Protection Plan

\$385 Billion in Health Care Savings Without
Harming Beneficiaries

The Center for American Progress Health Policy Team November 2012

Introduction and summary

Many proposals to reduce federal spending on health care would simply shift that spending to individuals, businesses, and states. Such proposals would fail to reduce overall spending on health care without rationing care. In some cases they would actually increase overall health care costs.

In this report we present a superior approach: the Senior Protection Plan. Instead of harming seniors and others, the Senior Protection Plan would improve the efficiency of the health care system, eliminate waste, and improve the quality of care. This approach would reduce overall health care costs—the best way to reduce federal health care spending.

The wrong approach

The Senior Protection Plan is a comprehensive alternative to the following proposals that would simply increase costs for seniors, children, disabled people, businesses, and states:

- **Proposals to transform Medicare into a voucher program.** Under this year's House Republican budget, seniors turning 65 in 10 years would pay about \$60,000 more for Medicare over their retirement.¹ Since the vouchers would not keep pace with health care costs and Medicare would become increasingly privatized over time, those who are currently under age 50 would pay over \$124,600 more for Medicare over their retirement.²
- **Proposals to raise Medicare's eligibility age to 67.** This policy would affect coverage for 5.4 million seniors, increasing costs for seniors, employers, and states.³ In fact, these cost increases would be twice as large as the federal savings, increasing overall health spending.⁴ About 270,000 seniors would become uninsured.⁵ Moreover, shifting younger, healthier seniors from Medicare to new health insurance marketplaces under the Affordable Care Act would increase premiums in both insurance pools.⁶

- **Proposals to increase cost-sharing substantially.** Under several recent proposals, cost-sharing would increase by an average of \$780 for almost 6 million beneficiaries—including 2.1 million beneficiaries in poor or fair health and more than 3 million beneficiaries with incomes below 200 percent of the federal poverty level.⁷
- **Proposals to slash Medicaid and increase the costs of long-term care for seniors.** Medicaid is a lifeline for millions of seniors, children, pregnant women, and disabled people—the most vulnerable people in our society. This year’s House Republican budget would cut benefits for seniors who rely on Medicaid by an average of \$2,500 per year.⁸

Such proposals represent the wrong approach to reducing health care spending. As George C. Halvorson, chairman and chief executive officer of Kaiser Permanente, an integrated managed care company, put it, “There are people right now who want to cut benefits and ration care and have that be the avenue to cost reduction in this country and that’s wrong... it’s an inept way of thinking about health care.”⁹

All told, the Senior Protection Plan would produce federal savings of about \$385 billion over 10 years.

Estimates of savings from the Senior Protection Plan

We estimate how much our proposals would reduce federal health care spending, relying on estimates by the Congressional Budget Office and the Medicare Payment Advisory Commission wherever possible. These are conservative estimates, and in many cases we did not attribute any savings to a proposal—even though the proposal would likely produce at least some savings.

The Senior Protection Plan proves that it is possible to produce substantial savings, as scored by the Congressional Budget Office, without harming beneficiaries. All told, the plan would produce federal savings in excess of \$385 billion over 10 years. In addition to the plan’s savings, its tax policies related to health care would generate up to \$100 billion over 10 years. But most importantly, the plan includes an array of reforms that would bend the cost curve over the long term.

The Senior Protection Plan is aggressive; it would be difficult to secure additional savings without harming beneficiaries. The plan’s savings must be combined with substantial revenues to achieve a fair and balanced debt-reduction package.¹⁰

This report details the following proposals:

- Enhance competition based on price and quality
- Increase transparency of price and quality information
- Reform health care delivery to provide better care at lower cost
- Repeal the Sustainable Growth Rate mechanism
- Reform graduate medical education and the workforce
- Reform Medicare premiums and cost-sharing
- Reduce drug costs
- Bring Medicare payments into line with actual costs
- Cut administrative costs and improper payments
- Reduce the costs of defensive medicine
- Reform the tax treatment of health insurance
- Promote better health

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