

The Republican Medicare Plan: Health Care Expenditures Would Double for Elderly in Every State

Medicare is a lifeline for older Americans and currently serves 48 million people. However, the House of Representatives recently passed a Republican budget plan that would end Medicare's role as a health insurance provider. Instead, individuals will be forced to purchase private health insurance, for which they will receive a payment from the government that will not keep up with rising health care costs. This report provides a state-by-state analysis of the Republican proposal's impact on the health care costs of the typical 65-year-old in 2022. The report finds that the Republican plan for Medicare will double the out-of-pocket health care expenses of the elderly in every state, with some paying over \$7,000 more than what they would have paid under traditional Medicare. The Republican plan will impair the income security of millions of retirees and undermine the goal that Medicare has aspired to achieve for nearly five decades, which is to provide older Americans with universal access to high-quality, affordable health insurance in their retirement years.

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Access to health insurance is vital to all Americans, especially older Americans (those who are 65 and older), who utilize health care services the most out of any age group. In 1965, only half of older Americans had health insurance, and the insurance usually provided limited coverage.¹ To address the limitations of the private health insurance market and ensure that all older Americans had access to high-quality and affordable health insurance, the government established the Medicare program in 1965. At the outset, Medicare offered insurance coverage for a wide range of inpatient and outpatient health care services for eligible individuals who were 65 or older. Over time, the program was expanded to cover permanently disabled individuals and now provides Medicare beneficiaries with prescription drug benefits and subsidies for those who opt to purchase private health insurance.

The Medicare program has been remarkably successful in ensuring that older Americans have access to health insurance; in 2009 fewer than two percent of older Americans were uninsured.² Indeed, nearly all older Americans are Medicare beneficiaries, and the program currently serves an estimated 48 million people.³ Providing access to health insurance is not the only benefit of Medicare, however. Older Americans are healthier because of Medicare. One study found that Medicare-eligibility had a positive effect on health outcomes for patients entering the emergency room with non-deferrable conditions.⁴

However, the Republican budget plan passed by the House of Representatives in April makes drastic changes to Medicare. Under the Republican plan, Medicare will no longer function as a health insurance provider. Instead, Medicare beneficiaries will only receive a payment that they could use to purchase private health insurance. Medicare beneficiaries will bear the full brunt of all remaining health care expenses not covered by their insurance provider. Moreover, the Republican plan reopens the “donut hole,” which is the gap in Medicare Part D that had forced beneficiaries to pay 100 percent of their drug costs after they exceeded an initial coverage limit and until they qualified for catastrophic coverage. As a consequence, millions of older Americans will pay higher prescription drug costs.

The Republican plan will significantly increase the out-of-pocket costs of health care for Medicare beneficiaries. In fact, out-of-pocket health care costs will more than double under the Republican plan. Based on estimates from the non-partisan Congressional Budget Office (CBO), the typical 65-year-old’s out-of-pocket health care costs will increase from \$6,154 to \$12,513 in 2022—or an extra \$6,359.⁵ However, this national figure does not reflect state-specific differences in health care costs. This report sheds light on how the Republican plan will impact individual health care spending at the state level using estimates from CBO and data from the Centers for Medicare and Medicaid Services.⁶ As **Table 1** shows, the out-of-pocket costs for Medicare beneficiaries in some states could rise by more than \$7,000.

The Republican plan will also weaken the retirement security of older Americans and leave some without health insurance. According to CBO, people covered under the Republican’s Medicare plan will “reduce their use of health care services, spend less on other goods and services, or

save more in advance of retirement than they would under current law.”⁷ Greater out-of-pocket health care expenses will leave older Americans more financially vulnerable. Moreover, CBO has highlighted how higher costs under the Republican plan will even cause some to “choose not to purchase insurance,” which runs counter to the goals of the Medicare program.⁸

Not only does the Republican plan shift costs to older Americans, but it will bend the health care cost curve in the wrong direction. Overall health care spending rises under the Republican proposal since private health insurance plans are less effective than Medicare at controlling spending. This is because Medicare enjoys substantial cost-savings, relative to private health insurance plans, due to the size of its patient pool—which allows for greater diversification of risk—and negotiating power. CBO estimates that average spending for the typical 65-year-old—the sum of what the government and individuals pay out—will actually be 39 percent higher in 2022 under the Republican Medicare plan than under traditional Medicare.⁹ Older Americans will not only pay a greater share of their health care bill, but will also see the bill itself expand under the Republican Medicare plan. The Republican proposal will only worsen the problem of rising health care costs and make older Americans bear all the consequences.

Medicare is a lifeline for older Americans. The Republican Medicare plan will force millions of elderly Americans to pay more for medical care and could accelerate the rise in health care costs. More ominously, the Republican plan steers Medicare away from the goal the program has aspired to achieve for nearly five decades, which is to provide older Americans with universal access to high-quality, affordable health insurance in their retirement years.

Sources

¹ Congressional Service Report (R40425). “Medicare Primer.” May 9, 2011, p. 2.

² U.S. Census Bureau. “Income, Poverty, and Health Insurance Coverage in the United States: 2009.” September 2010, p. 23. This report is available [here](#).

³ Congressional Service Report (R40425). “Medicare Primer.” May 9, 2011, p. 1.

⁴ Card, David, Carlos Dobkin, and Nicole Maestas. “Does Medicare Save Lives?” *Quarterly Journal of Economics*, May 2009, pp. 597-636.

⁵ This calculation is derived from estimates of government payments and an individual’s share of health care costs in CBO’s *Long-Term Analysis of a Budget Proposal by Chairman Ryan*, available [here](#). In their analysis, CBO estimated that the typical 65-year-old purchasing private health insurance that had a “standardized benefit” in 2022 would receive an \$8,000 payment from the government. Since the government would bear 39 percent of health care costs and individuals would bear 61 percent, according to CBO, this implies that an individual would spend \$12,513 out of pocket under the Republican plan. Since individuals only bear 30 percent of the private plan’s costs under traditional Medicare (in CBO’s alternative fiscal scenario), they would pay \$6,154 out of pocket. Therefore, out-of-pocket costs for individuals would rise by \$6,359 under the Republican plan.

⁶ Specifically, the state-by-state figures are calculated using 2009 state-level data from the CMS on cost-sharing liabilities for Medicare enrollees, available [here](#). (Refer to the final column of Table 4.3 for Cost-Sharing Liability Per Enrollee.) Although a typical Medicare beneficiary in the U.S. would pay \$6,359 more under the Republican plan, the higher payments would vary by state. The cost-sharing liability of one state, relative to that of the entire country, is used to adjust the \$6,359 by state. (States with greater cost-sharing liabilities would face higher out-of-pocket costs relative to the country as a whole.) One should note that the CMS figures exclude Medicare enrollees under managed care. In 2009 these individuals constituted 23.7 percent of Medicare beneficiaries in the U.S.

⁷ *Long-Term Analysis of a Budget Proposal by Chairman Ryan*. Congressional Budget Office, p. 19.

⁸ *Ibid.*, p. 13.

⁹ *Ibid.*, p. 22.

Table 1: State-by-State Impact of Republican Medicare Plan

| STATE | Out-of-Pocket Health Expenses for the Typical 65-Year-Old Enrollee in 2022 with Traditional Medicare | Out-of-Pocket Health Expenses for the Typical 65 Year-Old-Enrollee in 2022 under the Republican Plan | Additional Out-of-Pocket Health Expense |
|-----------------------|---|---|--|
| United States | \$6,154.00 | \$12,513.00 | \$6,359.00 |
| Alabama | \$5,882.05 | \$11,960.05 | \$6,078.00 |
| Alaska | \$5,066.90 | \$10,302.59 | \$5,235.69 |
| Arizona | \$5,363.96 | \$10,906.61 | \$5,542.65 |
| Arkansas | \$5,589.41 | \$11,365.01 | \$5,775.60 |
| California | \$5,861.82 | \$11,918.90 | \$6,057.09 |
| Colorado | \$5,585.87 | \$11,357.81 | \$5,771.94 |
| Connecticut | \$6,486.38 | \$13,188.83 | \$6,702.45 |
| Delaware | \$6,046.31 | \$12,294.03 | \$6,247.72 |
| Florida | \$7,145.14 | \$14,528.31 | \$7,383.16 |
| Georgia | \$5,950.26 | \$12,098.74 | \$6,148.48 |
| Hawaii | \$4,072.92 | \$8,281.52 | \$4,208.60 |
| Idaho | \$5,190.34 | \$10,553.59 | \$5,363.24 |
| Illinois | \$6,515.80 | \$13,248.65 | \$6,732.85 |
| Indiana | \$6,404.31 | \$13,021.96 | \$6,617.65 |
| Iowa | \$5,805.97 | \$11,805.34 | \$5,999.37 |
| Kansas | \$6,037.70 | \$12,276.52 | \$6,238.82 |
| Kentucky | \$6,196.14 | \$12,598.69 | \$6,402.55 |
| Louisiana | \$6,610.20 | \$13,440.60 | \$6,830.40 |
| Maine | \$5,479.05 | \$11,140.61 | \$5,661.56 |
| Maryland | \$6,574.44 | \$13,367.89 | \$6,793.45 |
| Massachusetts | \$6,310.02 | \$12,830.23 | \$6,520.22 |
| Michigan | \$6,658.46 | \$13,538.72 | \$6,880.26 |
| Minnesota | \$6,029.44 | \$12,259.73 | \$6,230.29 |
| Mississippi | \$6,470.43 | \$13,156.40 | \$6,685.97 |
| Missouri | \$6,356.64 | \$12,925.02 | \$6,568.39 |
| Montana | \$5,356.76 | \$10,891.96 | \$5,535.20 |
| Nebraska | \$6,368.56 | \$12,949.27 | \$6,580.71 |
| Nevada | \$5,673.37 | \$11,535.72 | \$5,862.36 |
| New Hampshire | \$5,716.96 | \$11,624.36 | \$5,907.40 |
| New Jersey | \$6,832.43 | \$13,892.47 | \$7,060.03 |
| New Mexico | \$4,601.97 | \$9,357.24 | \$4,755.27 |
| New York | \$6,308.07 | \$12,826.26 | \$6,518.20 |
| North Carolina | \$5,927.18 | \$12,051.81 | \$6,124.63 |
| North Dakota | \$5,531.51 | \$11,247.29 | \$5,715.78 |
| Ohio | \$6,482.51 | \$13,180.97 | \$6,698.46 |
| Oklahoma | \$5,749.09 | \$11,689.69 | \$5,940.60 |
| Oregon | \$4,587.00 | \$9,326.80 | \$4,739.80 |
| Pennsylvania | \$6,100.07 | \$12,403.34 | \$6,303.27 |
| Rhode Island | \$5,581.49 | \$11,348.92 | \$5,767.42 |
| South Carolina | \$5,900.83 | \$11,998.22 | \$6,097.39 |
| South Dakota | \$5,663.42 | \$11,515.51 | \$5,852.08 |
| Tennessee | \$6,173.50 | \$12,552.66 | \$6,379.15 |
| Texas | \$6,453.88 | \$13,122.74 | \$6,668.87 |
| Utah | \$4,975.15 | \$10,116.03 | \$5,140.88 |
| Vermont | \$5,701.01 | \$11,591.93 | \$5,890.92 |
| Virginia | \$5,528.35 | \$11,240.87 | \$5,712.51 |
| Washington | \$5,181.27 | \$10,535.13 | \$5,353.86 |
| West Virginia | \$5,967.93 | \$12,134.67 | \$6,166.73 |
| Wisconsin | \$5,694.15 | \$11,577.98 | \$5,883.83 |
| Wyoming | \$5,147.10 | \$10,465.65 | \$5,318.55 |

Source: JEC Chairman's Staff based on data from the Congressional Budget Office and the Centers for Medicare and Medicaid Services.