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## STATEMENT BY ROBERT GREENSTEIN ON THE NEW REPORT FROM THE MEDICARE TRUSTEES

Today's report shows why it is so important for Congress to stand up to the health insurance companies and eliminate the large overpayments Medicare is making to private health insurance companies. Those overpayments, which the insurance companies have launched a multi-million-dollar lobbying campaign to protect, are worsening Medicare's long-term financing problems and accelerating the program's date of insolvency.

MedPAC, Congress's official advisor on Medicare finances, has recommended that Medicare pay private insurers the same amount per beneficiary as it pays to serve people under the regular Medicare program — as opposed to overpaying the private insurers by an average of 12 percent, as it now does. MedPAC's recommendation to "level the playing field" would strengthen Medicare's finances, move back the date of insolvency, and reduce the size of the benefit cuts or tax increases that ultimately are likely to be needed to shore up the program's finances.

The Trustees' report also estimates that within six years, 45 percent of Medicare funding will come from general revenues. This threshold is misguided: Medicare is *supposed to be* financed in significant part with general revenues. That at least 45 percent of Medicare will be financed with general revenues is no more a problem than that 100 percent of defense, education, or most other federal programs are financed with general revenues.

Medicare's basic problem is the degree to which its costs are projected to rise, *not* what *share* of its funding will come from general taxes rather than payroll taxes.

Moreover, the 45-percent standard hinders agreement on a balanced Medicare reform package. It allows increases in regressive payroll taxes, increases in beneficiary premiums, and cuts in Medicare benefits as part of such a package. But increases in progressive income taxes, such as from paring back the tax cuts for people at the top of the income scale or curbing corporate tax shelter abuses, could *not* be used to meet the standard. This is unwise; everything should be on the table.

Medicare's long-term financing problems are serious, but they stem primarily from the continuing sharp rise in health care costs in the public and private sectors alike, not from structural problems with the program. For several decades, increases in Medicare costs per beneficiary have mirrored the increases in costs in the health care system as a whole. Reforms in the overall health care system, as well as reforms in Medicare itself, will be needed to put Medicare on a solid long-term foundation.