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STATEMENT BY ROBERT GREENSTEIN, EXECUTIVE DIRECTOR

Trustees' Report on Medicare Underscores Urgency of Health Care Reforms to Slow Health Care Cost Growth, Starting with President Obama's Proposed Medicare Reforms

The new trustees' disturbing report on Medicare underscores the urgency that Congress enact health care reform that slows the growth of health care costs, while extending coverage to the uninsured.

In particular, the report should prod Congress to adopt the President's proposed Medicare reforms, which would reduce Medicare costs by an estimated \$266 billion over the next ten years, and additional reforms from Congress' expert advisory body on Medicare, the Medicare Payment Advisory Commission (MedPAC).

Congress has amassed a poor record this decade in addressing Medicare costs. Many lawmakers, while decrying deficits and urging "entitlement reform" without offering details, have consistently ignored or rejected MedPAC's recommendation that Congress stop sending billions in overpayments each year to private insurance companies participating in Medicare. MedPAC has reported that Medicare now pays the private insurers, who provide Medicare coverage to about a fifth of Medicare beneficiaries, *14 percent more* on average — about an estimated \$1,000 more per beneficiary each year — than it would cost to cover the same beneficiaries under regular Medicare. The House in 2007 adopted MedPAC's recommendation to pay the private insurance companies what it would cost to treat these patients under regular Medicare, but the Senate failed to act on it.

The President proposed a comparable reform this year, but the insurance companies are working to defeat it, protecting their profits from these overpayments at the expense of Medicare's financial health. Adopting this and the President's other Medicare proposals is an essential first step toward shoring up Medicare for the long term.

The fundamental cause of Medicare's financing problems is the rapid rise of health care costs throughout the U.S. health care system, not the nature or structure of Medicare itself. For more than 30 years, the rate of growth in Medicare costs per beneficiary has essentially mirrored the rate of growth in health care costs systemwide, including in the private sector. Numerous health and budget experts across the political spectrum —

including White House budget director Peter Orszag, former Comptroller General David Walker, and Republican health care expert Gail Wilensky — have noted that addressing Medicare’s financing problems will entail slowing health-care cost growth systemwide.

But Medicare-specific reforms are warranted as well, and in fact, such reforms can help slow cost growth systemwide. Innovative cost-saving reforms that Medicare initiates often are then adopted by private-sector health care.

This means that the President’s and MedPAC’s proposed Medicare reforms could provide a triple benefit: make Medicare’s finances less precarious and point the program toward financial stability; help slow the growth in health care costs in the private sector; and help pay for national health care reform that contains further measures to restrain costs while covering the uninsured.

To adopt those reforms, however, Congress will have to take on the insurance industry and other powerful special-interest health care lobbies. If Congress can do so, then future trustees’ reports should show some improvement in Medicare’s financial status, although Congress will have to take very large additional steps in the U.S. health care system in the years and decades to come.

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