April 11, 2011

The Honorable John Boehner
United States House of Representatives
Washington, D.C.

The Honorable Nancy Pelosi
United States House of Representatives
Washington, D.C.

The Honorable Harry Reid
United States Senate
Washington, D.C.

The Honorable Mitch McConnell
United States Senate
Washington, D.C.

Dear Speaker Boehner, Minority Leader Pelosi, Majority Leader Reid, and Minority Leader McConnell,

Because the private health insurance market failed to serve senior citizens and the disabled, Congress in 1965 created the Medicare program. For nearly half a century, Medicare has successfully brought standard health care to tens of millions of Americans who are old or suffer from disabilities. It has done so at per-capita costs that have grown less rapidly than the costs of private insurance for comparable services. Nonetheless, Medicare's costs have risen along with overall national health care spending. As the nation moves to curb large and unsustainable budget deficits, it is essential to contain all medical costs, including those in the Medicare program. Against that background, some analysts and elected officials have proposed to replace Medicare with a voucher system, sometimes mislabeled as "premium support."

As health economists and health policy experts who recognize the nation's fiscal challenges and the need to meet them, we join in opposing current efforts to replace Medicare with a voucher program and to urge that the best road to containing health care spending is systemic reform, along the lines called for in the Affordable Care Act.

There are two broad strategies to reduce Medicare expenditures.

The right way, in our view, is to create a health care delivery system that provides patients with the right care at the right time. That means developing information on what works and for whom and creating incentives for providers to deliver that care and to do so in cost-effective ways. It means reducing the unnecessary care and needless administrative expenses that cost Americans hundreds of billions of dollars each year.

The Affordable Care Act takes this approach. It supports research on identifying those procedures that work best. It emphasizes payment reforms and new ways of organizing the delivery of care to slow spending growth while improving care. Findings from these pilots and demonstrations should be implemented nationwide as tech-

niques are proven. The Congressional Budget Office projects that the Affordable Care Act will slow annual growth of per-person Medicare spending over the next decade below the rate of general economic growth. It will yield even greater dividends as reforms are tested and implemented.

The second approach is exemplified by voucher proposals that are tied to economic indexes, chosen because they hold growth of spending below the projected increase in health care costs. That approach guarantees budget savings. Yet it does so by shifting costs to patients or to providers. These cost shifts would burden all beneficiaries but they would most seriously injure the millions of elderly and disabled beneficiaries with incomes too high to qualify for Medicaid but not much above official poverty thresholds. Shifting risks to vulnerable aged or disabled beneficiaries is ethically unacceptable.

Advocates of vouchers claim that the shift would give Medicare enrollees choices they now lack. This claim is the reverse of the truth. Typical Medicare beneficiaries now may choose between traditional Medicare and more than two dozen widely varying plans under Medicare Advantage. The voucher plans would remove the option of traditional Medicare, now preferred by three-quarters of enrollees, despite the fact that subsidies for Medicare Advantage plans exceed those for traditional Medicare.

Advocates of vouchers seem unwilling to label what they are advocating for what it is, and seek to rechristen their plan as "premium support." Premium support referred to payment linked to health costs, not a more slowly growing economic index. It entailed aggressive regulation to promote informed choice by patients. The voucher proposals now being advanced have none of those protections.

We are particularly concerned by recent Congressional Budget Office analyses, which indicate that current proposals would link voucher payments to growth in the Consumer Price Index adjusted for population growth. Because medical care costs are rising much more rapidly than the CPI, this guarantees that the value of the proposed Medicare vouchers would erode over time. By 2030, the Congressional Budget Office estimates that a typical 65-year-old would pay more than twice as much for health care under the voucher proposal than that individual is predicted to pay under current law.

Just as the Affordable Care Act is mobilizing Medicare's buying power to encourage delivery system reform, this is the wrong time to abort those efforts. A large payer can promote innovation in payment methods to encourage high-quality, low-cost care in ways unavailable to myriad small buyers. That strategy is recommended by physicians' organizations, hospital organizations, and experts across the spectrum.

In summary, turning Medicare into a voucher program would undermine essential protections for millions of vulnerable people. It would extinguish the most promising approaches to curb costs and to improve the American medical care system. We urge responsible members of Congress to reject calls for repealing traditional Medicare and to support vigorous implementation of the Affordable Care Act.

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