



Republican Health Proposals: Smoke and Mirrors, Not Real Savings

Republicans continue to hold middle-class tax cuts hostage to unaffordable tax breaks for the wealthiest 2% of Americans, claiming that any deficit deal needs to include health care cuts. But, they have yet to put forward any plan that does more than just shift costs to seniors and working families. Politically motivated Republican smoke and mirrors plans fail to produce real savings.

Bogus Idea #1: Premium Support

Republican Proposal: The Republican plan to end Medicare as we know it contained in the Ryan Budget would replace Medicare's guaranteed benefits with a voucher that could be used in a market that includes private companies. Republicans argue that increased competition between traditional fee-for-service (FFS) Medicare and private plans would reduce federal spending.

Fact: The Congressional Budget Office (CBO) indicates that this type of proposal would actually *increase* total health spending.

- **Increased competition through premium support would increase spending.** Although Republicans claim using premium support vouchers would drive down health care costs, CBO indicates that their proposal would increase total health care spending (public and private combined). Under the Republican budget proposal to replace Medicare with a voucher, health spending per senior would increase by forty percent. Medicare's costs would rise as private insurance companies skimmed away healthy seniors, leaving Medicare to care for the sickest, most costly patients. And, plans to give seniors a voucher to use in marketplaces that include private companies would undermine Medicare's ability to control costs by weakening its market power. [CBPP, [9/26/11](#); CBO, [4/5/11](#)]
- **Shifting costs to seniors does not create real savings.** Instead of making real savings, the Republican plan would simply shift costs to seniors. The Republican plan would voucherize Medicare and force seniors to pay an additional \$5,900 more out of pocket each year for their health care and prescription drugs. [CBO, [3/20/12](#); CAP, [3/12](#)]
- **There's no evidence pitting private plans against Medicare saves money.** There is no real-world evidence that increased competition between traditional Medicare and private plans saves money. In fact, experience shows that private plan costs grow faster than traditional Medicare. FFS Medicare spending has grown more slowly than private insurance premiums for more than 30 years, and private Medicare Advantage plans bid above FFS Medicare – resulting in overpayments of \$2,000 per beneficiary, according to the most recent data. As a result, CBO has repeatedly refused to score increased competition for potential savings. [Bloomberg - Orszag, [8/20/12](#); Brown, Duggan, Kuziemko, Woolston, [4/11](#); NYT, [12/30/11](#); CBO, [4/5/11](#)]
- **National Bipartisan Commission proposal failed because of lack of cost control.** The National Bipartisan Commission on the Future of Medicare issued a proposal that included premium support, but failed to achieve the supermajority necessary to move forward. The swing votes on the commission cited concerns that premium support savings “almost certainly would not be as large as those assumed in the commission plan,” as part of the reason they voted no. [NYT, [12/30/11](#); CBPP, [9/26/11](#); Washington Post, [3/29/09](#)]

Bogus Idea #2: Expand State Flexibility under Medicaid

Republican Proposal: Republicans contend that states need additional flexibility to administer Medicaid programs. They included proposals to do so in the Republican Governors Association’s Medicaid Reform Report and during negotiations to raise the federal debt limit.

Fact: With hundreds of waivers in operation, states already have plenty of flexibility to administer Medicaid. Even Republicans fail to specify how their proposals would achieve additional savings. [Medicaid.gov, accessed on [12/3/12](#); Unofficial Cantor proposal, [7/11/11](#)]

- **Additional flexibility would not necessarily reduce federal spending.** Republicans advocate for additional flexibility under Medicaid, while failing to detail how such proposals would reduce federal spending. In fact, previous efforts to expand state flexibility have actually resulted in increased federal spending on a state’s Medicaid program. [Unofficial Cantor proposal, [7/11/11](#); CBPP, [3/22/11](#); RWJF, [10/01/05](#)]
- **CBO: shifting costs to states and working families does not create real savings.** Republicans propose to block-grant Medicaid and increase state flexibility, cutting \$1.7 trillion in benefits for seniors, families and those in nursing homes. According to CBO, however, states would be challenged to find significant savings through increased flexibility. Although “additional flexibility to design and manage their [states] Medicaid programs might achieve greater efficiencies... the large reduction in federal payments would probably requires states to reduce payments to providers, curtail eligibility for Medicaid, provide less extensive coverage...” [CBO, [4/5/11](#); CBPP, [3/27/22](#); KFF, [10/23/12](#)]
- **States are already innovating under Medicaid.** With hundreds of Medicaid waivers issued during this Administration, states are already innovating under the program. And while Republicans propose to “allow states to invest in alternative programs that reduce hospital emergency visits and other community-based programs to reduce hospitalizations,” many states are already implementing these measures. Furthermore, states already have great flexibility, including new home and community based care options – which reduces spending on costly institutional care. [Kaiser Commission on Medicaid, [5/12](#); Washington Post, [8/31/11](#); Medicaid.gov, accessed on [12/3/12](#); Texas Tribune, [1/17/12](#); KHN, [12/13/11](#)]

Bogus Idea #3: Repeal the Affordable Care Act

Republican Proposal: Republicans continue to make the false, repeatedly debunked claim that the Affordable Care Act adds to the deficit, earning a “false” rating from PolitiFact. [PolitiFact, [6/28/12](#)]

Fact: The Affordable Care Act reduces the deficit, and Republican plans to repeal it are the real budget busters.

- **Republican efforts to repeal the law would increase the deficit by \$144 billion.** CBO determined that repealing the Affordable Care Act would actually *increase* the deficit by \$144 billion, including savings tied to an increase in prescription drug coverage. Far from generating savings, this Republican proposal would make our fiscal situation worse. [CBO, [7/24/12](#); CBO, [11/29/12](#)]
- **Republican proposals would weaken Medicare, shortening the life of the trust fund by 8 years.** Health reform investments in Medicare extend solvency by empowering CMS with new tools to fight health care fraud, encouraging better coordination of care to weed out duplication of tests and improve outcomes, and eliminating overpayments to private plans. Eliminating these critical investments would increase federal spending by over \$716 billion. The Medicare Trustees projected that the program will remain solvent through 2024 – extending solvency 8 years since the Trustees made their projections prior to the enactment of the Affordable Care Act. If Republicans were to repeal the health reform, Medicare would go bankrupt in 2016, just four years from now. [CMS, [4/23/12](#); CBO, [7/24/12](#)]