

Reasons to Increase the Eligibility Age for Medicare

“Now, I realize there are some in my party who don’t think we should make any changes at all to Medicare and Medicaid, and I understand their concerns. But here’s the truth: Millions of Americans rely on Medicare in their retirement. And millions more will do so in the future.....But with an aging population and rising health care costs, we are spending too fast to sustain the program. And if we don’t gradually reform the system while protecting current beneficiaries, it won’t be there when future retirees need it. We have to reform Medicare to strengthen it.” - President Obama, September 8, 2011

Medicare is the principal driver of federal deficits and debt.

The Medicare program rapid growth is the biggest driver of structural federal deficits and ballooning deficits. As former Clinton adviser, Alice Rivlin, explains, “The principal driver of future federal deficits is the rapidly mounting cost of Medicare....Without a significant change in this trend, the cost of Medicare will continue to rise faster than the economy can possibly grow. Even if revenues are raised and other spending is restrained...the exploding cost of Medicare is unsustainable. Simply put, there can be no lasting solution to the U.S. debt crisis without structural changes in the Medicare program to slow its cost growth.”¹ President Obama acknowledged this fact in October 2010 when he said “I want to talk about ... talk about Medicare, because that’s the big driver of our deficits right now.”² As *New York Times* columnist David Brooks highlighted, “Medicare spending is set to nearly double over the next decade. This is the crucial element driving all federal spending over the next few decades and pushing federal debt to about 250 percent of G.D.P. in 30 years.”³

Medicare is rapidly approaching insolvency ; the status quo is mathematically unsustainable.

The Medicare program unfunded liabilities of nearly \$37 trillion dollars over the next 75 years. The Actuary of the Medicare program has warned the Hospital Insurance (Part A) Trust Fund could be insolvent as soon as 2017, and legal analysis reveals there is no way for the program to pay its bills once the HI Trust Fund is insolvent.⁴ As an article in the *New York Times* pointed out, “there are no conceivable tax increases that can keep up with [Medicare’s] spending rise.....As a result, health care spending, which people really appreciate, is squeezing out all other spending, which they value far less. Spending on domestic programs — for education, science, infrastructure and poverty relief — has already faced the squeeze and will take a huge hit in the years ahead.”⁵

Across-the-board cuts to reimbursements are unsustainable and will harm access to care.

According to the Office of the Actuary of the Medicare program, the across-the-board reimbursement cuts in current law could force providers to “withdraw from providing services to Medicare beneficiaries.” The Office of the Actuary explains: “by 2019 the update reductions would result in negative total facility margins for about 15 percent of hospitals, skilled nursing facilities, and home health agencies. This estimated percentage would continue to increase, reaching roughly 25 percent in 2030 and 40 percent by 2050. In practice, providers could not sustain continuing negative margins and...would have to withdraw from providing services to Medicare beneficiaries, merge with other provider groups, or shift substantial portions of Medicare costs to [other] payers.”⁶ This is why the Actuary said “it is reasonable to expect that congress would find it necessary to legislatively override or otherwise modify the reductions in the future to ensure that Medicare beneficiaries continue to have access to health care services.”⁷ In the same Actuary’s report, former OMB Director for President Obama, Peter Orszag, acknowledges if payments to providers continue to be “reduced, for example, providers would shift the costs to other patients and also accept fewer Medicare and Medicaid patients.”⁸

Since the creation of the Medicare program, life expectancy has increased significantly.

Since the creation of the Medicare program in 1965, life expectancy –and consequently, the average length of time that people are covered by Medicare – has risen dramatically. According to the Centers for Disease Control, when Medicare was passed in 1965, the average lifespan for Americans was 70.2. In 2006, the average lifespan for Americans was 77.7 – an increase of 10.6% from 1965. This increase in the length of time an enrollee may be

¹ <http://bipartisanpolicy.org/sites/default/files/Domenici-Rivlin%20Protect%20Medicare%20Act%20.pdf>

² <http://www.cnn.com/2012/10/03/politics/debate-transcript/index.html>

³ http://www.nytimes.com/2013/01/08/opinion/brooks-why-hagel-was-picked.html?_r=0

⁴ http://www.coburn.senate.gov/public/index.cfm/pressreleases?ContentRecord_id=86c1900e-dbb9-4080-90e0-ca341e62ce0a&ContentType_id=d741b7a7-7863-4223-9904-8cb9378aa03a&Group_id=7a55cb96-4639-4dac-8c0c-99a4a227bd3a

⁵ http://www.nytimes.com/2013/01/08/opinion/brooks-why-hagel-was-picked.html?_r=0

⁶ <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2012TRAlternativeScenario.pdf>

⁷ <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2012TRAlternativeScenario.pdf>

⁸ <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2012TRAlternativeScenario.pdf>

covered by Medicare has significantly raised the costs of the overall program. Increasing the eligibility age could strengthen Medicare while bringing the eligibility of the program more in line with its original structure.

Today, more adults above age 65 are participating in the workforce than ever before.

Older Americans are working longer than ever before. Government data shows the percentage of people over 65 in the work place is at its highest rate since Medicare was created, with nearly 2 million older workers entering the workforce since President Obama took office. In fact, roughly a third of seniors aged 65-69 are in the labor force, and most of those workers are aged 65-57. There are currently almost 7.7 million workers over age 65.⁹

More older-age workers will help grow the economy and reduce the deficit.

As the Congressional Budget Office said, CBO also noted “a higher age threshold for Medicare eligibility would reinforce incentives created by increases in Social Security’s NRA that encourage people to delay retiring. Disability among elderly people has declined over time, and jobs are generally less physically demanding, suggesting that a larger fraction of the population might be capable of working beyond age 65. Many who would do so might have access to employment-based insurance.”¹⁰ CBO also noted that more older-age workers will result in economic output what will “be slightly greater and budget deficits slightly smaller than would otherwise be the case.”¹¹

The “Normal Retirement Age” for Social Security is already 67.

As the Congressional Budget Office notes, adjustments to Medicare’s eligibility age “are similar to increases currently scheduled for the normal retirement age (NRA) in Social Security, which is the age at which workers become eligible for full retirement benefits.” CBO explains the eligibility age for Medicare could “remain below Social Security’s NRA until 2019, when both would be age 66; from that point on, the two would be identical.”¹²

Changes to insurance make health plans cheaper for seniors, relative to younger adults.

Some have opposed increasing the age of eligibility for Medicare because they say will increase premiums on individuals under age 65. However, due to provisions of the federal health reform law, health insurance costs are already increasing for many segments of the population. Moreover, in 2014, insurance plans have to comply with the Affordable Care Act that requires “community rating,” which tightly restricts the variation in premiums that can be offered to consumers. The net effect of this provision is that health coverage for older individuals will be less expensive, relative to health coverage for younger individuals who will see significant premium increases.

Adjusting the age of eligibility for Medicare is a relatively incremental approach.

Most proposals being discussed would increase the age of eligibility for Medicare by two months every year until the eligibility age reaches 67 in 2025. This means a 64-year-old would only have to wait an additional two months until they participated in Medicare. A 63-year-old would wait an additional four months, a 62-year-old would wait an additional six months, and so on. Some have opposed increasing the age of eligibility for Medicare because they say it removes individuals from Medicare who are younger and healthier relative to the overall mix of the Medicare population. But traditional Medicare is as a fee-for-service system, and does not have a risk pool like a traditional commercial insurance company. Moreover, with 10,000 Baby Boomers aging into Medicare each delay, merely delaying their entry into the program by two months each year has a marginal impact on the overall beneficiary composition, while offering significant budgetary benefits.

Increasing the age of eligibility is a proposal that has enjoyed bipartisan support.

The White House floated this proposal in 2011, as part of President Obama’s negotiations with House Speaker John Boehner. Former Democratic Vice Presidential candidate Joe Lieberman endorsed the proposal as part of a bipartisan plan to save Medicare.¹³ The Washington Post editorial board noted “It’s eminently possible to rein in entitlements without imposing hardship on the neediest...gradually raising the Medicare eligibility age from 65 to 67 would save roughly \$150 billion over 10 years, according to the Congressional Budget Office, while aligning the program with modern life expectancy. With health-care reform now entrenched, those younger than 67 need not fear going uninsured.”¹⁴

⁹ <http://thetimes-tribune.com/news/business/number-of-seniors-working-is-at-highest-rate-since-1965-1.1317630>

¹⁰ <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/99xx/doc9925/12-18-healthoptions.pdf>

¹¹ <http://www.cbo.gov/publication/43834>

¹² <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/99xx/doc9925/12-18-healthoptions.pdf>

¹³ http://www.coburn.senate.gov/public/index.cfm/pres/releases?ContentRecord_id=ae711529-741a-4f52-89eb-4e6ef1c861a7

¹⁴ http://www.washingtonpost.com/opinions/entitlement-reform-must-be-on-the-table/2012/11/14/6f63ca64-2e9b-11e2-9ac2-1c61452669e3_story.html