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Expanding Health Coverage and Shoring Up Medicare: Is It Double-Counting?

By [ROBERT PEAR](#)

WASHINGTON — At the heart of the fight over health care legislation is a paradox that befuddles lawmakers of both parties.

Separate bills passed by the Senate and the House would squeeze nearly a half-trillion dollars from projected spending on [Medicare](#) over the next 10 years. These savings would help offset the cost of providing coverage to people who are uninsured.

At the same time, federal accountants say the money would shore up the Medicare trust fund, so the program could continue paying [hospitals](#) to treat older Americans in the future.

In other words, Medicare savings mean both more money available to spend now and the appearance of more money to spend later on Medicare.

How is this possible?

The [Congressional Budget Office](#) tried to answer the question last week. In effect, it said, the same money cannot be used for both purposes without double-counting.

“To describe the full amount of hospital insurance trust fund savings as both improving the government’s ability to pay future Medicare benefits and financing new spending outside of Medicare would essentially double-count a large share of those savings, and thus overstate the improvement in the government’s fiscal position,” the budget office said.

But the clarification came too late to affect the outcome of debate over the legislation, passed Thursday in the Senate by a party-line vote of 60 to 39.

For weeks, Republicans had been saying that Democrats would plunder Medicare, raid it, use it as a “piggy bank” to pay for coverage of the uninsured under a new entitlement program.

Such fusillades frightened some older voters and prompted defensive maneuvers by Democrats, who said their bill would “save lives, save money and save Medicare,” while providing additional benefits to older Americans.

Senator [Michael Bennet](#), Democrat of Colorado, offered an amendment that said nothing in the bill would result in a reduction of “guaranteed benefits” under Medicare. The amendment was approved, 100 to 0, on Dec. 3.

Richard S. Foster, the chief Medicare actuary, agrees with the Congressional Budget Office. He traces the confusion to different accounting rules used for the [federal budget](#) and for the Medicare trust fund.

The Senate bill would reduce the growth of Medicare spending and increase the Medicare payroll tax on high-income people. The combination of less spending and more revenue would lower the deficit, based on budget accounting rules, and extend the life of the Medicare trust fund.

However, Mr. Foster said, the same money “cannot be simultaneously used” to cover the uninsured and to extend the Medicare trust fund, “despite the appearance of this result from the respective accounting conventions.”

Senator [Jon Kyl](#) of Arizona, the No. 2 Republican in the Senate, summarized the situation with a pithy metaphor. “You can’t sell the same pony twice,” he said.

After issuing its clarification, the budget office reaffirmed its earlier estimate that the Senate bill would reduce the deficit by \$132 billion in the next 10 years, compared with the deficits expected under current law.

The issue involves not only technical accounting matters, but also a huge political issue: the impact of a health care overhaul on Medicare and its beneficiaries, whose numbers are about to explode — to 60 million in 2019, from 46 million now.

On a purely technical level, the federal budget deficit — \$1.4 trillion in the last year — is the difference between federal receipts and federal spending in a given year. It measures cash flows into and out of the Treasury. If Congress cuts Medicare spending, it reduces the deficit, assuming everything else stays the same.

By contrast, Medicare’s hospital insurance trust fund serves, in the words of the Congressional Budget

Office, “primarily as an accounting mechanism.” Payroll taxes paid by workers and employers are credited to the trust fund. Medicare draws on this account to pay hospitals, [nursing homes](#) and certain other health care providers.

Under federal law, the Medicare hospital trust fund exists “on the books of the Treasury.” It may have a positive balance — enough money to pay expected claims for a decade or more — even though the government as a whole runs a deficit every year and borrows immense sums to pay its bills.

In one sense, money that “goes into” the Medicare trust fund cannot be used for other purposes. But it is part of a unified federal budget, which includes spending for dozens of other federal programs. So if Congress reduces Medicare payments to hospitals or private Medicare Advantage plans — and if everything else stays the same — the federal budget deficit will be lower and the balance in the Medicare trust fund higher than they otherwise would be.


The Congressional Budget Office says the Senate bill would cover 31 million uninsured people — about 10 percent of the population — while the House bill would cover 36 million. The budget office has not estimated the effects on total national health spending, but Mr. Foster, the Medicare actuary, has done so.

Mr. Foster estimates that the Senate bill would increase national health spending by a total of \$234 billion, or 0.7 percent, in the decade from 2010 through 2019, while the House bill would increase it by \$289 billion, or 0.8 percent.

If the savings in the Senate bill are achieved, Mr. Foster said, they would add nine years to the life of Medicare’s hospital trust fund, so it would be exhausted in 2026, rather than 2017.

But, Mr. Foster said, some of the estimated savings “may be unrealistic” because they assume increases in productivity that can probably not be attained by hospitals, nursing homes and home health agencies.

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