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# Messing With Medicare

By PAUL KRUGMAN

At the time of writing, President Obama's hoped-for "Grand Bargain" with Republicans is apparently dead. And I say good riddance. I'm no more eager than other rational people (a category that fails to include many Congressional Republicans) to see what happens if the debt limit isn't raised. But what the president was offering to the G.O.P., especially on Medicare, was a very bad deal for America.

Specifically, according to many reports, the president offered both means-testing of Medicare benefits and a rise in the age of Medicare eligibility. The first would be bad policy; the second would be terrible policy. And it would almost surely be terrible politics, too.

The crucial thing to remember, when we talk about Medicare, is that our goal isn't, or at least shouldn't be, defined in terms of some arbitrary number. Our goal should be, instead, to give Americans the health care they need at a price the country can afford. And throwing Americans in their mid-60s off Medicare moves us away from that goal, not toward it.

For Medicare, with all its flaws, works better than private insurance. It has less bureaucracy and, hence, lower administrative costs than private insurers. It has been more successful in controlling costs. While Medicare expenses per beneficiary have soared over the past 40 years, they've risen significantly less than private insurance premiums. And since Medicare-type systems in other

advanced countries have much lower costs than the uniquely privatized U.S. system, there's good reason to believe that Medicare reform can do a lot to control costs in the future.

In that case, you may ask, why didn't the 2010 health care reform simply extend Medicare to cover everyone? The answer, of course, is political realism. Most health reformers I know would have supported Medicare for all if they had considered it politically feasible. But given the power of the insurance lobby and the knee-jerk opposition of many politicians to any expansion of government, they settled for what they thought they could actually get: near-universal coverage through a system of regulation and subsidies.

It is, however, one thing to accept a second-best system insuring those who currently lack coverage. Throwing millions of Americans off Medicare and pushing them into the arms of private insurers is another story.

Also, did I mention that Republicans are doing all they can to undermine health care reform — they even tried to undermine it as part of the debt negotiations — and may eventually succeed? If they do, many of those losing Medicare coverage would find themselves unable to replace it.

So raising the Medicare age is a terrible idea. Means-testing — reducing benefits for wealthier Americans — isn't equally bad, but it's still poor policy.

It's true that Medicare expenses could be reduced by requiring high-income Americans to pay higher premiums, higher co-payments, etc. But why not simply raise taxes on high incomes instead? This would have the great virtue of not adding another layer of bureaucracy by requiring that Medicare establish financial status before paying medical bills.

But, you may say, raising taxes would reduce incentives to work and create wealth. Well, so would means-testing: As conservative economists love to point out in other contexts — for example, when criticizing programs like food stamps — benefits that fall as your income rises in effect raise your marginal tax rate. It doesn't matter whether the government raises your taxes by \$1,000 when your

income rises or cuts your benefits by the same amount; either way, it reduces the fraction of your additional earnings that you get to keep.

So what's the difference between means-testing Medicare and raising taxes? Well, the truly rich would prefer means-testing, since they would end up sacrificing no more than the merely well-off. But everyone else should prefer a tax-based solution.

So why is the president embracing these bad policy ideas? In a forthcoming article in *The New York Review of Books*, the veteran journalist Elizabeth Drew suggests that members of the White House political team saw the 2010 election as a referendum on government spending and that they believe that cutting spending is the way to win next year.

If so, I would respectfully suggest that they are out of their minds. Remember death panels? The G.O.P.'s most potent political weapon last year — the weapon that caused a large swing in the votes of older Americans — was the claim that Mr. Obama was cutting Medicare. Why give Republicans a chance to do it all over again?

Of course, it's possible that the reason the president is offering to undermine Medicare is that he genuinely believes that this would be a good idea. And that possibility, I have to say, is what really scares me.



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