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Rep. Ryan's Dubious Sales Pitch

Representative Paul Ryan is rebutting critics of his plan to turn Medicare into a “premium support” program, pointing to two existing programs that he says prove his approach would be better for beneficiaries. Don't believe it.

The two programs he cites as prototypes — the insurance program for members of Congress and the Medicare prescription drug program — differ in critical respects from his proposal to sharply limit federal spending. The losers will be the beneficiaries who have to pay more.

Mr. Ryan's plan would terminate the traditional Medicare program for everyone now under the age of 55 and give them instead a subsidy to buy health insurance from companies that would compete for their business on new insurance exchanges. The catch is that the premium subsidy would grow much more slowly than health care costs, leaving beneficiaries stuck with an ever increasing portion of the bill or forced to accept skimpier coverage.

In his latest video, Mr. Ryan suggests his plan would give beneficiaries “the same kind of system members of Congress enjoy today.” What he fails to mention is that the Federal Employees Health Benefits Program ties the government's contribution to the increase in premiums. If they go up, so does the amount government pays. In the Ryan plan, the share paid by government would shrink and beneficiaries would pay more with each passing year.

Mr. Ryan has also cited the Medicare prescription drug program, enacted under President George W. Bush, as proof that competition among private plans can lower costs, save money for the government and give beneficiaries a wide choice of plans to meet their needs.

It is true that government spending on the program has been much less than originally projected, but the role of competition, an idea we support in most contexts, is unclear in this instance. After the program was enacted in 2003 there was a sharp drop in prescription drug spending and much greater use of low-cost generics throughout the entire health care system. Participation in the program and applications for low-income subsidies were also much less than originally expected.

The key issue here is that in both the prescription drug program and the insurance program for members of Congress, the federal subsidies rise as the cost of the drug benefit rises. Unlike in the Ryan plan for Medicare, they are not capped at a painful level that will inevitably shove more of the cost onto the beneficiary.



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