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## Fact Sheet on CBO's Estimate of the Republican Budget's Impact on Medicare Beneficiaries' Cost Sharing and Premiums

Committee on Energy and Commerce, Democratic Staff  
Henry A. Waxman, Ranking Member

On April 5, 2011, the Congressional Budget Office (CBO) released an analysis of the Republican budget proposal offered by Rep. Paul Ryan. Its estimates show that the Republican budget will double Medicare beneficiary premiums and cost-sharing for seniors and persons with disabilities entering the program in 2022, and continue increasing those costs in 2030 and beyond.<sup>1, 2</sup>

Ranking Member Henry A. Waxman states, "The Republican budget is devastating for Medicare beneficiaries. Over the next decade, it would more than double beneficiary costs for new enrollees, increasing the average senior's out of pocket health care expenses by more than \$6,000 annually. All of that extra spending by seniors and people with disabilities would go to private plans."

Health Subcommittee Ranking Member Frank Pallone, Jr. states, "The findings by the non-partisan experts show that the Republican Medicare plan will result in reduced coverage for seniors and force them to pay more for what they get. Their plan will end Medicare as we know it by eliminating guaranteed coverage and converting it into a voucher program. By turning the program over to the private marketplace the insurance industry will see a financial windfall, but seniors will literally pay the price. The GOP plan is a bad prescription for Medicare and for the seniors who have long relied on the vital health care it provides."

Key findings from the CBO letter include:

- The Republican proposal would more than double beneficiary costs in 2022, from \$6,150 to \$12,513.<sup>3</sup>
- That is an increase of more than \$6,000 per year in beneficiary premiums and co-insurance.
- *Not one dollar* of that increase in beneficiary costs goes to reducing the deficit in 2022 – it all goes to cover the higher costs of private plans that the Republicans would force seniors to join.<sup>4</sup>

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<sup>1</sup> Source: Figure 1, Congressional Budget Office, *Letter to Hon. Paul Ryan*, April 5, 2011 (online at <http://www.cbo.gov/doc.cfm?index=12128>).

<sup>2</sup> An earlier version of this fact sheet contained slightly different figures for additional beneficiary cost sharing under the Republican budget. Those figures were drawn from comparisons to CBO's "extended baseline" scenario, which does not include an allowance for a correction to the sustainable growth rate (SGR) gap in Medicare. This fact sheet instead uses CBO's "alternate fiscal scenario," which assumes that the payment cuts mandated by the SGR are overridden.

<sup>3</sup> Source: Committee staff, based on simple calculations using CBO estimates provided in CBO's letter to Rep. Ryan. Additional detail available upon request.

<sup>4</sup> CBO's footnote 17 says, "In 2022, the government contribution under the proposal is expected to be about 1 percent more than under the extended-baseline scenario and about 6 percent less than under the alternative fiscal scenario." Deficit reduction arises only from the changes in the government contribution, which is minor in each case in 2022, in comparison to the increase in beneficiary costs.

- All of that cost increase in 2022 is a result of CBO's assessment that private plans cost much more than traditional Medicare.<sup>5</sup>
- Beneficiary costs would increase by \$11,600 in 2030 and would continue rising thereafter. These increases are caused by both the higher costs of private health plans and direct shifting of costs to the beneficiary.
- Millions of seniors would immediately begin paying higher costs for prescription drugs because the Republican budget would re-open the Part D drug donut hole.

### Medicare Costs for a 65-year old in 2022 Under Republican Budget



CBO explained how these Medicare cuts would be shifted directly to beneficiary pocketbooks under the Republican voucher system: “Medicare beneficiaries . . . would bear a much larger share of their health care costs than they would under the traditional program. That greater burden would require them to reduce their use of health care services, spend less on other goods and services, or save more in advance of retirement than they would under current law.”

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<sup>5</sup> “A private health insurance plan covering the standardized benefit would, CBO estimates, be more expensive currently than traditional Medicare,” page 21.