BMJ

BMJ 2012;345:e8653 doi: 10.1136/bmj.e8653 (Published 21 December 2012)

NEWS

Raising age of Medicare eligibility is no panacea for budget woes

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Raising the age when people became eligible to receive Medicare would provide some modest fiscal relief for the program, but the costs would shift instead to senior citizens themselves, to businesses, and to other government health programs and would increase overall national spending on healthcare, experts told a congressional briefing on 17 December.

Changing the eligibility criterion from 65 to 67 years in incremental steps would reduce net federal spending by $113bn (£70bn; €85bn) over 10 years, an analysis by the Congressional Budget Office calculated.[1] And long term spending would decline by about 5%.

But total national healthcare spending would rise by $5.7bn, said Juliette Cubanski, citing a study she coauthored at the Kaiser Family Foundation.[2] That is largely because the burden would be shifted to other payers and to programs with higher administrative costs.

The biggest burden would be borne by consumers. Two thirds (66%) of people affected by the change would pay an average of $2200 more out of their own pockets for their healthcare, Cubanski said. An estimated 31% would pay less out of their own pockets, on average $2300 a year.

Gail Wilensky, a former Medicare administrator and policy analyst with Project HOPE (Health Opportunities for People Everywhere), said that increasing the age for Medicare eligibility should be seen as part of a series of changes "to encourage individuals to change their vision of an appropriate retirement age, from something first annunciated by Bismarck in the late 19th century, to something that is reflective of the increased longevity that has occurred [over the past century]."

It would "encourage people to stay in the labor force longer, not only for our [society's] sake but for their sake as well," she said.

Medicare spends less per person than many other health insurance programs. "But paying less isn't the same as services costing less," Wilensky said. She criticized the Affordable Care Act for doing little to rein in the costs of healthcare.

The AARP (formerly the American Association of Retired Persons) opposes raising the age of Medicare eligibility. Its legislative director, David Certner, said that three quarters of Medicare recipients have a household income of $40 000 a year or less and that senior citizens already spent about 17% ($3200) of their annual income on healthcare, more than Medicare paid per person.

"Is it fair to ask this group to bear such a burden of deficit reduction?" he asked. Certner noted that $700bn of projected spending was taken out of Medicare as part of the Affordable Care Act.

Several of the speakers at the briefing questioned whether low income people affected by changes in Medicare eligibility would be able to get health insurance coverage elsewhere. Low wage jobs tended not to provide health insurance benefits, and the trend was to cut back on those benefits rather than expand them.

The safety net of expanded coverage under Medicaid for low income workers, envisaged under the Affordable Care Act, has run into resistance in more than half the states that would administer those programs. The future of the health insurance exchanges created under the act remains murky, as does the affordability of the products they might offer.

Speakers agreed that the public debate needs to move from one about shifting costs among payers to one about controlling the growth of overall national spending on healthcare.

A webcast of the briefing and supporting materials are available at www.allhealth.org/briefing_detail.asp?bi=268.

1 Congressional Budget Office. Raising the ages of eligibility for Medicare and social security. www.cbo.gov/sites/default/files/cbofiles/attachments/01-10-2012-Medicare_SS_EligibilityAgesBrief.pdf.
2 Kaiser Family Foundation. Raising the age of Medicare eligibility. www.kff.org/medicare/upload/8169.pdf.

Cite this as: *BMJ* 2012;345:e8653