

# The Push for Privatization of Medicare and Medicaid Spells Disaster

Will Accelerate Health Costs and Deaths

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Republican and Democratic Plans for Medicare and Medicaid Misguided: Push for Privatization will Accelerate Costs and Deaths

Leadership in Washington recognizes the damage our soaring health care spending is doing to our entire economy. Although their rhetoric differs, recent budget proposals from both Republicans and Democrats mistakenly place the blame on Medicare and Medicaid. Cuts to and privatization of these important public insurances will place us on a dangerous path that will leave health care costs soaring and more patients unable to afford necessary care.

Medicare and Medicaid must be left out of the discussion entirely until leadership has the courage to address the real reasons why our health care costs are rising, the toxic environment created by investor owned insurances and the profit-driven health care industry.

Health care spending in the United States is the highest in the world and in some cases is two times higher than spending in other industrialized nations, which achieve nearly universal coverage with better health outcomes than the U.S. Our soaring health care costs outpace our growth in GDP, inflation and wages. By any measure it is an unsustainable situation.

If we look at the various health care models in the United States, we find that the rise in [spending is lower](#) for traditional (non-privatized) Medicare and Medicaid than it is for the private sector. Our public insurances are our most efficient insurances with administrative costs of around 3%, despite the fact that they cover our most vulnerable and least healthy populations. Administrative and marketing costs for private plans are 15% or more, and the plethora of private plans further increase cost and complexity as patients and health professionals try to navigate their arbitrary and ever-changing rules.

Medicare and Medicaid are the victims of our current fragmented and profit-driven model of paying for health care which has resulted in high prices for health services and medications.

Private health insurers are financial institutions designed to create profit by obstructing, denying and restricting access to health care. They add no value to our health and in fact their business practices have polluted health care financing causing all insurances to adopt their practices in order to 'compete'. They have also fragmented the health care market and thus the ability to negotiate for fair prices for goods and services leading to the [highest prices](#) for pharmaceuticals and procedures.

The commonsense solution is to eliminate wasteful and costly private health insurance and adopt a universal health care system modeled on the strengths of Medicare and given the power to negotiate for reasonable prices.

It is counterproductive to even discuss cuts to Medicare and Medicaid before addressing the fundamental reasons for rising costs. Yet, both Democrats and Republicans have focused on cuts to Medicare and Medicaid in their budget proposals.

The Ryan budget proposal, the Path to Prosperity, would fully privatize Medicare by moving to a voucher system in 2022 forcing all seniors to purchase private insurance. The vouchers are not designed to keep up with the rate at which health care costs are increasing so that over time seniors will either have to pay more out of pocket for health insurance premiums or will choose skimpier insurance plans that leave them unprotected should they have a serious illness or accident. Nearly half of Medicare enrollees have an income that is [less than twice the federal poverty level](#) and so have little room to absorb an increased share of health care costs.

Medicaid is significantly limited under the Ryan budget proposal which plans to cut overall Medicaid spending by \$800 billion over ten years and change to block grants for each state. Block grants will mean that individual states will continue to be under economic pressure to limit who and what services are covered. As fewer are covered by Medicaid, they will have to either purchase private insurance through the exchanges or either seek a waiver from or be penalized for not purchasing insurance.

The Obama administration supports cuts to Medicare through the Independent Payment Advisory Board (IPAB) which is tasked with keeping per capita Medicare spending below a target level which is set to be lower than the current rate of health care cost inflation. Rather than blatantly privatizing Medicare as called for in the Ryan proposal, the President's plan will slowly strangle Medicare leaving seniors struggling to find physicians able to care for them.

The IPAB was actually created in the Affordable Care Act (ACA). The President's budget proposal would increase the power of the IPAB to cut Medicare costs. Medicaid spending is also capped under the President's budget.

Sadly, [the Peoples Budget](#) put forth by the Congressional Progressive Caucus rubberstamps the President's approach to cutting Medicare and Medicaid spending.

Underneath cuts to Medicare and Medicaid is a dangerous trend of increasing privatization of health care in the U.S.

There is a growing trend to put more of our population into private insurances and a growing privatization of our public health insurances. Over the past few years as the number of people able to afford employer sponsored health insurance has fallen, private health insurance profits have continued to grow as they move into providing insurance to or administering plans for the Medicare and Medicaid populations.

The ACA puts more people into the private insurance market by mandating that all uninsured who do not qualify for public health insurance purchase private insurance through the exchanges starting in 2014 and subsidizes the purchase of private insurance using public dollars.

Half of the newly insured under the ACA are eventually supposed to come from an expansion of Medicaid eligibility. However, the Department of Health and Human Services has already allowed state expansions in Medicaid coverage to lapse. A recent [White House Fact Sheet](#) also supported allowing states to place their Medicaid population into private insurance through the health insurance exchanges.

Privatization of health care is a failed experiment in the United States.

The United States differs from other nations in allowing investor-owned corporations to profit at the expense of human suffering and lives. After decades of experience with this unique privatized model of financing health care, the results are clear and startling.

The United States has the highest per capita health care costs, the highest prices for medical goods and services (and lower overall usage rates) and no control over health care spending. Despite attempts to patch the current health care situation, the number of uninsured and those with skimpy health insurance that leaves them unable to afford health care or at risk of medical bankruptcy continues to grow. Suffering and preventable deaths are higher in the U.S. than in other industrialized nations.

In addition, there have been no significant gains in important measures of health such as life expectancy and infant and maternal mortality rates. Our health disparities continue to grow, especially for those who have chronic conditions. And our health care workforce continues to be inadequate as health professionals quickly burn out from trying to practice in our complex and irrational health care environment.

It is time to recognize the failure of the market model of paying for health care and embrace comprehensive and effective health reform. The model for our 'uniquely American' solution lies in traditional Medicare, a single payer health system for those who are 65 years of age and over. Since its inception 45 years ago, Medicare has lifted seniors out of poverty and improved their health status.

Physicians for a National Health Program advocates for an improved Medicare for all health system, one that builds on the strengths of Medicare such as its universality, administrative efficiency and the patient's freedom to choose a health provider, and also corrects the weaknesses of Medicare such as the lack of comprehensive benefits, out of pocket costs and low reimbursement rates.

Both Democrats and Republicans are missing the point by putting the emphasis on controlling Medicare and Medicaid costs without effectively addressing the reasons for our rising health care costs. Rather than embracing the Republican rhetoric which blames our public insurances, Democrats would do well to call out the real reason for our health care spending crisis, our current fragmented and profit-driven model, and advocate for a national improved Medicare for all.

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