

## Extra medicare charges for the rich a slippery slope, expert says

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A growing trend toward higher Medicare premiums for the richest Americans could ultimately creep into the retirement income of less-wealthy seniors, a University of Illinois expert on federal health insurance warns.

Law professor Richard L. Kaplan says President Obama's bid to charge well-to-do retirees more for prescription-drug benefits is just the latest in a nearly two-decade shift that has saddled wealthy seniors with a rising share of [Medicare](#) premiums.

Only the top 6 percent of Medicare enrollees would pay more under Obama's proposal for Plan D [prescription coverage](#), mirroring a change enacted in 2003 for doctor's visits, diagnostic tests and other medical services covered under Plan B.

But the president's plan could lock in earnings caps rather than adjusting for inflation, which would slowly expand the pool of retirees required to pay, said Kaplan, who wrote a 2006 article examining the impact of means testing under Plan B.

"History offers an example of that with Social Security," he said. "When taxes were imposed 25 years ago on benefits for recipients with income over \$25,000, it affected only the top 10 percent. But it was never adjusted for inflation, so now nearly 40 percent are affected."

Kaplan says Congress also has a host of other options to expand the

program now that Plan B income limits have pushed the notion of extra Medicare charges over its biggest hurdles - getting the politically sensitive concept enacted and setting up an institutional framework to administer it.

Among other things, he says the inflation adjustment could be stripped from Plan B, or Congress could lower income thresholds that now stand at \$85,000 a year for individuals and \$170,000 for married couples.

"I think people's biggest fear is that means testing is already in place, so it doesn't take much effort for Congress to dial down those numbers and hit more people," Kaplan said. "Congress doesn't like to enact new taxes, but it's very easy to modify old taxes."

Obama proposed charging wealthy retirees more for prescription-drug benefits to help fund his goal of providing health-care coverage for an estimated 48 million uninsured Americans.

According to government projections, the proposal would net \$7.8 billion over 10 years, or up to \$10 billion if there is no inflation adjustment. The projected costs to seniors for Part D benefits have not yet been determined, but the highest earners now pay up to three times more for Plan B coverage.

Kaplan called the plan "an upper-income irritant more than a major revenue producer," saying the money pales in the scope of a roughly \$440 billion Medicare program.

"I think the additional revenue is hardly worth the hassle," Kaplan said. "It destroys the concept of social insurance - that Medicare is an entitlement for everyone who reaches a certain age and has worked a certain amount of time. But when President Clinton had Congress lift the Medicare payroll-tax cap in 1993, Part A (hospital coverage) began to be

calibrated according to income, and the notion of social solidarity in Medicare was eroded."

He says Congress will likely approve extra prescription-drug charges for wealthy retirees. For one, he says, Plan B has already implemented the concept. For another, high earners "are not a sympathetic category these days."

"The art of raising revenue was once described as getting the most feathers from the goose with the least amount of hissing," Kaplan said.

Obama's prescription drug proposal, coupled with his vow to reduce the middle-class tax burden at the expense of the wealthy, could be a window into his still-developing national health-insurance plan, Kaplan said.

"This suggests that paying more based on income could be the paradigm for President Obama's national [health insurance](#)," he said. "And as the administration looks for ways to fund it, they probably like the idea that upper-income retirees would be paying for the health care of the struggling single mom."

Source: University of Illinois at Urbana-Champaign

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