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OP-ED COLUMNIST

Medicare Saves Money

By PAUL KRUGMAN
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Every once in a while a politician comes up with an idea that's so bad, so wrongheaded, that you're almost grateful. For really bad ideas can help illustrate the extent to which policy discourse has gone off the rails.



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overall inflation, Medicare spending per beneficiary rose more than 400 percent from 1969 to 2009.

But inflation-adjusted premiums on private health insurance rose more than 700 percent over the same period. So while it's true that Medicare has done an inadequate job of controlling costs, the private sector has done much worse. And if we deny Medicare to 65- and 66-year-olds, we'll be forcing them to get private insurance — if they can — that will cost much more than it would have cost to provide the same coverage through Medicare.

By the way, we have direct evidence about the higher costs of private insurance via the Medicare Advantage program, which allows Medicare beneficiaries to get their coverage through the private sector. This was supposed to save money; in fact, the program costs taxpayers substantially more per beneficiary than traditional Medicare.

And so it was with Senator Joseph Lieberman's proposal, released last week, to raise the age for Medicare eligibility from 65 to 67.

Like Republicans who want to end Medicare as we know it and replace it with (grossly inadequate) insurance vouchers, Mr. Lieberman describes his proposal as a way to save Medicare. It wouldn't actually do that. But more to the point, our goal shouldn't be to "save Medicare," whatever that means. It should be to ensure that Americans get the health care they need, at a cost the nation can afford.

And here's what you need to know: Medicare actually saves money — a lot of money — compared with relying on private insurance companies. And this in turn means that pushing people out of Medicare, in addition to depriving many Americans of needed care, would almost surely end up increasing total health care costs.

The idea of Medicare as a money-saving program may seem hard to grasp. After all, hasn't Medicare spending risen dramatically over time? Yes, it has: adjusting for

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And then there's the international evidence. The United States has the most privatized health care system in the advanced world; it also has, by far, the most expensive care, without gaining any clear advantage in quality for all that spending. Health is one area in which the public sector consistently does a better job than the private sector at controlling costs.

Indeed, as the economist (and former Reagan adviser) Bruce Bartlett [points out](#), high U.S. private spending on health care, compared with spending in other advanced countries, just about wipes out any benefit we might receive from our relatively low tax burden. So where's the gain from pushing seniors out of an admittedly expensive system, Medicare, into even more expensive private health insurance?

Wait, it gets worse. Not every 65- or 66-year-old denied Medicare would be able to get private coverage — in fact, many would find themselves uninsured. So what would these seniors do?

Well, as the health economists Austin Frakt and Aaron Carroll [document](#), right now Americans in their early 60s without health insurance routinely delay needed care, only to become very expensive Medicare recipients once they reach 65. This pattern would be even stronger and more destructive if Medicare eligibility were delayed. As a result, Mr. Frakt and Mr. Carroll suggest, Medicare spending might actually go up, not down, under Mr. Lieberman's proposal.

O.K., the obvious question: If Medicare is so much better than private insurance, why didn't the Affordable Care Act simply extend Medicare to cover everyone? The answer, of course, was interest-group politics: realistically, given the insurance industry's power, Medicare for all wasn't going to pass, so advocates of universal coverage, myself included, were willing to settle for half a loaf. But the fact that it seemed politically necessary to accept a second-best solution for younger Americans is no reason to start dismantling the superior system we already have for those 65 and over.

Now, none of what I have said should be taken as a reason to be complacent about rising health care costs. Both Medicare and private insurance will be unsustainable unless there are major cost-control efforts — the kinds of efforts that are actually in the Affordable Care Act, and which Republicans demagogued with cries of "death panels."

The point, however, is that privatizing health insurance for seniors, which is what Mr. Lieberman is in effect proposing — and which is the essence of the G.O.P. plan — hurts rather than helps the cause of cost control. If we really want to hold down costs, we should be seeking to offer Medicare-type programs to as many Americans as possible.

A version of this op-ed appeared in print on June 13, 2011, on page A23 of the New York edition with the headline: Medicare Saves Money.

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