

## Does Anyone Really Understand Medicare? Richard Kaplan Does, and You Can, Too

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Richard L. Kaplan, [Top Ten Myths of Medicare](#), 20 *Elder L.J.* 1 (2012).

When former Massachusetts Governor Mitt Romney chose Paul Ryan to be his running mate in the 2012 United States Presidential election, he guaranteed that Medicare would become a central battleground of the campaign. Ryan, a veteran Congressman from Wisconsin, is widely known for his efforts to turn the federal Medicare program into a voucher program (with the value of the vouchers deliberately calibrated *not* to keep up with health care costs over time), a transformation that would change everything about Medicare except its name.

Ryan's proposal is sufficiently controversial that the Romney/Ryan camp has gone to significant lengths to distance itself from it – refusing to use the word “vouchers,” for example, which they evidently believe is toxic politically. At the same time, the Republican team's strategists have made a point of highlighting the decreases in Medicare spending that have been projected as a result of various cost-saving measures in the Patient Protection and Affordable Care Act, calling those measures “cuts in Medicare” for which President Obama should be blamed. Both parties apparently believe that there is such strong support among likely voters to preserve Medicare that they must try to convince voters that the other candidate is going to gut the program, even though only the Republican side has ever proposed actually doing so.

*Jotwell* readers who wish to know more about Medicare might lament the lack of an accessible source of basic facts about how Medicare works. That is where Professor Richard L. Kaplan comes in. Kaplan, a noted tax scholar who teaches at the University of Illinois College of Law, is the founding advisor of the *Elder Law Journal*, and a noted expert in the field of elder law. Professor Kaplan draws on his wealth of knowledge about the subject of health care for the elderly in “Top Ten Myths of Medicare,” which was published this past summer. The article expertly walks the line between being technically accurate and broadly understandable. Neophytes, as well as those of us who think we know a lot about these issues, will come away from Professor Kaplan's short article (fewer than 14,000 words) with both knowledge and insight that are sorely lacking in public discussions about this crucial program.

To put the importance of this article in some perspective, readers might consider that the forecasts of long-term U.S. budget deficits that are so often mentioned in the press are driven almost entirely by projected increases in health care costs. As the economist Paul Krugman once put it, any long-term fiscal problem that the United States faces can be summarized “in seven words: health care, health care, health care, revenue.” In other words, other than replacing the revenues lost to the Bush tax cuts of 2001 and 2003, the only thing that matters in our long-term fiscal picture is getting health care spending under control. (I should also note that this means, as both Professor Kaplan and I have each written about in many other venues, Social Security is most definitely *not* part of the problem, nor need it be any part of a solution.)

Professor Kaplan's article, however, does not merely enlighten readers about the costs of the program and its interaction with federal budgeting (although he does that well). He also includes explanations of the nuts and bolts of the program, while trying to correct the public's misunderstandings about a wide range of issues regarding Medicare beneficiaries, medical providers, and so on.

The article, as its title makes clear, is usefully organized as a “top ten” list. In a short review like this one, one must fight the temptation simply to list the ten subject headings, even though each one offers its own enticing hint of what

one might learn by reading the article. In addition to debunking a few obvious myths (#2: “Medicare is Going Bankrupt,” and #10: “Increased Longevity Will Sink Medicare”), the reader is treated to some genuinely unexpected revelations, perhaps the most surprising of all being Myth #1: “There is One Medicare Program.” Some readers will know that Medicare has multiple parts (Part A, Part B, and so on), but few will know the specifics of those separate programs as well as Professor Kaplan does.

This kind of academic article does, however, often run the risk of simply becoming a summary of a statute. Fortunately, the myth-busting format provides an over-arching narrative to the article that allows Professor Kaplan to make some larger points – points that are truly counter-intuitive, or that are at least contrary to the conventional wisdom in U.S. policy circles today.

One theme that infuses the article is that Medicare is not the gold-plated, overly generous big government program that so many portray. On page 13 of the article, for example, we learn how stringently (and, I would argue, absurdly) the program restricts benefits for nursing home care. After detailing five surprising requirements before a patient can qualify for such coverage at all, Kaplan notes that Medicare pays for only twenty days of such care, and then for no more than an additional eighty days, with an inflation-adjusted deductible currently set at \$144.50 *per day*.

This theme – that Medicare is hardly a freebie, forcing its enrollees to have serious financial “skin in the game” – is not merely a point about how well or poorly we actually provide for our elders’ care. Professor Kaplan’s concern is also about planning, noting that too many people believe that Medicare simply covers everything, and so they fail to prepare for the large costs that they will actually face when they inevitably need health care. Failure to plan, under the many onerous rules that Kaplan describes, is truly disastrous for many elderly Americans and their families.

Finally, although Professor Kaplan is very obviously a passionate proponent of Medicare in its current basic form, he is more than willing to acknowledge some troubling facts – facts that might (at least partially) support those whose views of Medicare are less favorable than Kaplan’s.

One of the common themes among supporters of Medicare is to point to the very low administrative costs associated with the program, compared to the costs borne by private, for-profit health insurers. Even while debunking the myth that “Medicare Is Less Efficient than Private Health Insurance” – a myth that, as he points out, is based on little more than the presumption that government programs must be inefficient, because they are government programs – Kaplan carefully discusses why one key statistic is misleading: “Medicare spends only 1.4% of medical benefits paid on administrative expenditures, while private insurers spend 25% or more for such costs.”

The most cynical explanation for this “apparently excellent result” is that any program can keep its administrative costs down if it does not put much effort into policing false claims. Medicare, we learn, sometimes has a “practice of paying apparently reasonable claims for medical services with little verification of the claims’ validity.” Moreover, some of the program’s administrative needs are already covered by other agencies, such as the IRS’s role in collecting Medicare premia from workers’ paychecks. This means that Medicare itself need not expend those resources, but the government as a whole does.

Still, the reader cannot help but come away with the sense that the lower administrative costs of Medicare mostly reflect genuine advantages over private plans. Medicare need not advertise, and, perhaps most importantly, it has no reason to try to exclude sick people from its coverage, which is a major activity of private plans that must (for reasons of profit maximization) try to cherry-pick the healthiest customers and deny benefits to as many people as possible.

In short, readers could not find a better article to explain Medicare’s basic workings, its budgetary and political realities, and its combination of shortcomings and truly significant benefits to American society. Even if the next U.S. President were not going to be chosen on the basis of his commitment to protecting Medicare, reading this article would be worth anyone’s time.

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