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Talking Points: The President's Framework to Strengthen & Improve Medicare
Private Health Care Choices within Medicare * a Major Step in Medicare Reform

America has the world's best health care system because it relies on the innovations of the private sector. A competitive free market system provides incentives to develop better drugs, better treatments, better care, and better forms of health care delivery.

The President's Framework for Medicare reform would apply the best practices of the private health care market to Medicare. As successful as

Medicare has been, it has not kept pace with dramatic improvements in health care because it is a government program immune to many market forces. Medicare still does not provide seniors with an outpatient prescription drug benefit, full coverage for preventive care, or limits on high out of pocket expenses. As a result, seniors lack many of the choices and benefits available to millions of Americans who have private health insurance.

The President's goal is a strong, up-to-date Medicare system that relies on innovation and competition, not bureaucratic rules and regulations. This would allow seniors more choices and better benefits. It would also help modernize the program and improve its long-term finances.

The leading Medicare bills in the House and Senate include the following key elements of reform from the President's Framework:

Individual Choice vs. One-size-fits-all

Seniors would be able to choose the health plan that best meets their own personal health needs rather than having only the choice of a one-size-fits-all government plan. There would be flexibility for private plans to offer a variety of benefit designs, not just standard coverage.

Providing seniors with more choices will give them not the government more control. When seniors retain the power of choice, there will be competition among health care providers and insurers. The result? Seniors will get the best coverage, services and quality of care.

Private Sector Competition vs. Government Price Setting and Price Controls

Private insurers would deliver drug benefits to seniors, and costs would be controlled using marketplace competition, not government price setting. This is a fundamental departure from the current Medicare command and control pricing system.

Under the President's Framework and the House and Senate bills, health plans would compete for seniors, business on the basis of quality and price. Federal employees and members of Congress enjoy the benefits of a competitive market for their health insurance, as do millions of working Americans. Seniors should have the same opportunity.

Currently, Medicare fixes payments to doctors and hospitals. The result is that Medicare does not often cover the true cost of care. Under the President's Framework, private plans would bid against one another and then the government will select the lowest three bids that qualify. Such competition will be good for seniors and for taxpayers.

Innovation vs. Bureaucratic Delays

Whenever government gets involved in the business of micromanaging health care, innovation suffers and access to the newest and most effective treatments depends on the often arbitrary decisions of a slow-moving bureaucracy. When prescription drugs and medical devices are approved by the Food and Drug Administration, private insurers can adopt them for use soon after but not Medicare. For example, Medicare did not cover mammograms until nearly a decade after private insurers made them a standard benefit. It even took an act of Congress to get Medicare to cover mammograms.

The participation of private health plans in Medicare will help ensure more up-to-date coverage for breakthrough medical technologies. This is a significant improvement over the way benefits are provided in the traditional Medicare program today *where politicians and regulators, rather than the market, decide what is covered.

Long-Term Savings vs. Spiraling Costs

The President and Congress have budgeted \$400 billion over 10 years to make these reforms a reality. By contrast, Democratic leadership proposals in both the House and Senate would likely cost more than double the amount *perhaps nearly \$1 trillion *pumped into an unreformed, one-size-fits-all government-run system.

Over time, reforming the Medicare system to allow more choices and private sector competition is expected to bring savings to the program. Medicare actuaries estimate that the most efficient private plans have the potential to beat Medicare's costs by an average of 2.3 percent.

Far from being an open-ended entitlement, most seniors will be responsible for a deductible, and co-pays, and, for the first time, the Medicare Part B deductible would be indexed to inflation, which will help reduce government expenditures. At the same time, seniors with the lowest incomes and the highest prescription drug bills will receive the most assistance and protection under the bill. This focuses resources on those individuals who need the most help.

Free Market vs. Government Dictates

The President's vision for a reformed Medicare stands in stark contrast to a centralized, government-run health care system that dictates coverage and stifles innovation and quality.

The President's Framework for Medicare reform would combine the best practices of traditional Medicare with those of the competitive free market system that benefits Americans so well. By keeping the existing government system, building on its strengths and incorporating the best ideas of the private sector, we can create a modern and efficient Medicare program for the 21st century.

The President is encouraged by the bipartisan progress that has been made to date and is urging Congress to seize the opportunity to pass legislation this year that will reform Medicare for the first time in its 38-year history.

White House Office of Communications