CWA Local 4250 RMC
Steve Tisza, President

May 6, 2011

Under 55-Year-Olds Need an Extra $182,000 to Pay for Republican Medicare Plan

A 54-year-old today will have to save an additional $182,000 in their IRA or 401(k) before he or she retires to pay for the House Republican plan to dismantle Medicare, an analysis released Thursday by U.S. Rep. **George Miller** (D-CA) found. The Center for Economic and Policy Research (CEPR) estimated that individuals born in 1957 would need $182,000 by the time they retire at 65 to pay the additional costs imposed by the Republican plan if they live to 84. The analysis was included in a letter to Rep. Miller. "Under the Republican plan, seniors will go into debt. They will be forced to sell their homes that they spent a lifetime paying off. And they will have to rely on their children just to pay for basic medical care," said Miller. Last month, House Republicans voted to end the guaranteed benefits of Medicare, and replace them with a plan that would force seniors to find private insurance with the assistance of a voucher. Since the voucher‟s value relative to health care costs would decrease over time, and private insurance costs are higher than traditional Medicare, seniors retiring in 2022 under the Republican plan would be forced to pay much higher costs than under current law. As a result, CEPR found that the average senior beginning in 2022 would have to save $182,000 to cover these additional costs. The data assumes a return of 3% in real interest during the retirement years. To view the letter from CEPR to Rep. Miller, go to http://bit.ly/jQpFVN.

In Unity-Strength & Solidarity:

Steve Tisza, President
CWA Local 4250 Retired Members' Chapter

PS: CEPR Letter To Rep. Miller Attached

CENTER FOR ECONOMIC AND POLICY RESEARCH

The Honorable George Miller
2205 Rayburn House Office Building
Washington, DC 20515

Dear Representative Miller,

Thank you for your interest in our report "Representative Ryan's $30 Trillion Medicare Waste Tax."

According to Figure 1 of the Congressional Budget Office's letter to Paul Ryan, the cost of purchasing private health insurance equivalent to that which Medicare provides is 12 percent higher than the cost to Medicare in 2011. CBO projects that the additional cost from providing care through private insurers will grow to 67 percent of the total cost of Medicare by 2030.

Consequently, under the Ryan plan, a person born in 1957 must spend approximately $16,900 (in today's dollars) to purchase Medicare-equivalent insurance in 2022. Through Medicare, the insurance would cost only $11,200. This implies $5,700 of waste.

As this beneficiary ages, both the general increase in health care prices and the increased burden of providing health care with age will conspire to raise this person's cost of insurance. At age 65, a person born in 1957 will require an *additional* $182,000 in retirement savings—earning 3 percent real interest—in order to purchase private insurance rather than accept coverage through Medicare through age 84.

In part, this $182,000 reflects additional sharing of costs imposed the Ryan plan. The Ryan plan would shift approximately $20,800 in costs from the government to this beneficiary between 2022 and 2041. Thus, the shift requires the beneficiary to set aside $14,000 in retirement savings by age 65 as well as $6,800 in interest income in order to make up for the reduced support from the government.

The remaining $168,000 in required retirement savings—again generating annual interest at a rate 3 percentage points above inflation—reflects the additional cost of private insurance. The total cost of private insurance would be $557,300, compared to $322,200 through Medicare. The principal and interest on $168,000 would suffice to cover this $235,100 difference in insurance costs from age 65 through age 84.

Please do not hesitate to contact me if you have further questions.

David Rosnick
Center for Economic and Policy Research