Study:

Privatized Medicare Would Raise Premiums

WASHINGTON (AP) — Nearly six in 10 Medicare recipients would pay higher premiums under a hypothetical privatized system, with wide regional differences leading to big hikes in some states and counties, a study released Monday finds.

The report by the nonpartisan Kaiser Family Foundation immediately became fodder for the presidential campaign. Republican Mitt Romney and his running mate, Wisconsin congressman Paul Ryan, have proposed changing Medicare from an open-ended benefit program to a system dominated by private plans that are paid a fixed amount by the government. President Barack Obama says that would shift costs to seniors.

The Medicare change would mirror the difference between traditional workplace pensions and modern-day 401(k) plans, in which the employer contribution is limited. While financing Medicare would become less of a challenge for taxpayers under Romney's "premium support" approach, the risk is that retirees could end up paying more if medical costs rise unchecked.

In the senior-rich political swing state of Florida, the hypothetical plan modeled by Kaiser would boost premiums for traditional Medicare by more than $200 a month on average. In Nevada, another competitive state, 50 percent of seniors would face additional monthly premiums of $100 or more. That's part of a new pattern of regional disparities that would emerge from overhauling Medicare's payment system, the report said.

The study carried a prominent disclaimer that it should not be taken as an analysis of the Romney-Ryan proposal, partly because their plan lacks specifics. However, Kaiser says the approach it modeled is similar to what Romney and Ryan propose.

Like the Romney-Ryan plan, government health insurance payments for individual seniors would be tied to the cost of the second-lowest private insurance plan in their geographical area, or traditional Medicare, whichever is less expensive. Seniors could pick a private plan or a new public program modeled on traditional Medicare. But if their pick costs more than the government payment, they would have to pay the difference themselves.

One of the biggest differences, however, is that the report assumes the privatization plan is already implemented. Under Romney-Ryan, current beneficiaries and those 10 years from retirement could stay in the traditional system. But the Kaiser study assumed the change has already taken place, and all Medicare recipients are already in the new system.

The study also did not model the effects of additional financing help that Romney has promised for low-income seniors and those in frail health, because details have not been filled in.

The Obama campaign pounced on the findings, while the Romney camp pointed to the disclaimer, saying the report does not reflect the candidate's own plan.

"As the authors stress, this is not a study of the Romney-Ryan plan," said Romney spokeswoman Andrea Saul. "Our plan would always provide future beneficiaries guaranteed coverage options with no increase in out-of-pocket costs from today's Medicare."

The Obama campaign posted a link to the study on its website.

"Under Romney's plan, millions of people —especially those with complicated health needs who see a lot of different doctors— would have to give up their doctors or pay extra to maintain access to their choices," said Obama spokesman Adam Fetcher.

Kaiser's top Medicare expert, Tricia Neuman, said the organization has been working on the report since the early part of the year, well before Romney picked Ryan as his running mate and cemented his support for the Medicare plan the congressman developed as chairman of the House budget committee.

Kaiser serves as an information clearinghouse about the health care system. Neuman, a vice president of the group, said the goal of the study is to help inform next year's budget debates, regardless of who is elected president.

The study's main finding is that changing Medicare from an open-ended program that covers the same benefits across the country will have profound local implications. Because the government's contribution would be limited under the new system, seniors in areas with high medical costs would see an increase in their premiums unless they switch to a low-cost plan.

Obama vs. Romney — Everyone's Taxes Up In The Air

BY LESLEY CLARK
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WASHINGTON — Reflecting their political philosophies, President Barack Obama and Republican challenger Mitt Romney take sharply divergent paths when it comes to taxing individuals and corporations.

Their basic approach is easy to distinguish: Obama wants to raise taxes on the wealthiest Americans; Romney would slash rates across the board.

But many key details — for Romney's plan in particular — are lacking and make side-by-side comparison a challenge. And experts warn that neither plan appears sustainable, as they wouldn't scratch the nation's mounting deficit unless they're offset by other tax hikes or matched by sweeping cuts in spending.

"The biggest flaws are that at some point we need to be talking about not looking for more and more tax cuts, we need to talk about how to get the revenue to pay for our spending promises," said Joshua Gordon, policy director at the nonpartisan Concord Coalition, which advocates fiscal responsibility. "The fiscal challenges over the long term are too much to deal with just on the spending side."

Here's what each proposes to do:

INCOME TAXES

Income taxes are about to increase for all Americans when the George W. Bush-era tax cuts expire on Dec. 31. The two candidates differ on what to do.

Obama proposes to:

• Extend the Bush-era tax cuts for incomes below $200,000 for individuals and families above $250,000.

• Repeal the Alternative Minimum Tax that hits middle-class taxpayers as their incomes rise.

• Let Bush-era tax cuts expire for individual incomes above $200,000 and family incomes above $250,000.

• Enact a 30 percent minimum tax on all income in excess of $1 million.

The focus of Obama's plan is to extend tax cuts for the middle class and to raise taxes on higher incomes, what he calls an issue of fairness.

He could raise taxes, though, on incomes below $200,000. Most notably, he's likely to agree to let a temporary 2 percentage point cut in the payroll tax expire as scheduled on Dec. 31. That would raise every American's taxes, regardless of income.

Treasury Secretary Tim Geithner signaled in recent congressional testimony that the administration is unlikely to push for an extension of the payroll tax cut for individuals. However, Obama's stalled jobs bill does propose a payroll tax holiday for most small businesses if they add jobs or raise wages.

Romney wants to:

• Extend the Bush-era tax cuts for all incomes.

• Cut all income tax rates by another 20 percent.

• Limit some deductions so higher income taxpayers still pay the same despite the cut in tax rates.

• Repeal the Alternative Minimum Tax.

• End taxes on capital gains, interest and dividends for incomes below $200,000.

Romney also appears ready to let the payroll tax rise by 2 percentage points.

Generally, Romney looks to tax cuts and tax simplification to put more money in people's pockets and help boost economic growth. They could, however, add to the annual budget deficits and the accumulating debt more than Obama, which could be a drag on growth.

By themselves, the cuts in tax rates would give the biggest break to wealthier Americans, who pay more in taxes.

Those making more than $600,000 would save about $150,000 and those at the very top — making nearly $3 million — would get a $725,000 break, according to the nonpartisan Tax Policy Center.

For households earning between $70,000 and $120,000, the average savings would be about $2,000. Those making between $40,000 and $70,000 would save about $800. The bottom 20 percent — those making less than $20,000 — would see their average federal tax rate increase $149.

Comparing the two candidates on income taxes carries a giant asterisk.

Romney pledges to make his plan "revenue neutral" and says the wealthy would continue the same share of the government's total tax collection. But he's refused to identify which tax breaks he'd target to balance the books, and experts with the Tax Policy Center said that makes a side-by-side comparison impossible.

The center said there aren't enough tax breaks for the wealthy for Romney to target and that he'd be unable to keep his promise to keep his plan revenue neutral without eliminating tax breaks for the 95 percent of households with incomes under $200,000.

"The details are so sparse, it is impossible to figure out whether they can achieve their goals, especially Romney," said David Kautter, managing director of the Kogod Tax Center at American University.

Romney's campaign rejects the policy center's report, and Romney during last week's presidential debate insisted that he wouldn't raise taxes on the middle class or grow the deficit.

Before the debate, Romney floated the idea of a cap on income tax deductions to pay for lost revenues. The principle is something Obama has also entertained, but there has been little interest on Capitol Hill, analysts say. In an interview with a Denver TV station, Romney suggested up to a $17,000 limit for families, though his campaign says he's not necessarily endorsing the approach.

CORPORATE TAXES

Romney would repeal the corporate alternative minimum tax, cut the corporate tax rate from 35 percent to 25 percent, make a research tax credit permanent and switch to a "territorial tax system," so that profits earned abroad by U.S.-based multinationals would not be subject to U.S. taxes.

Obama would "go in the exact the opposition direction," said Kautter, adding that Obama would try to expand the existing worldwide system of taxing U.S. corporations, provide incentives for them to move jobs back to the U.S. and penalize companies that try to move jobs offshore.

Obama would cut the corporate rate, though not as deeply. He'd cut it to 28 percent for some. For domestic manufacturers, he'd cut the tax rate to 25 percent.

Obama also would eliminate a number of oil and gas preferences in the tax law, along with reducing the depreciation for corporate aircraft.

ESTATE TAX

Under the temporary Bush-era tax cuts, estates worth less than $5 million — $10 million for couples — are exempt from the tax, which can take 35 percent for Uncle Sam.

On Jan. 1, however, the tax shoots back up to its old levels, hitting estates valued at $1 million or more and assessing a top rate of 55 percent.

Romney proposes to repeal the estate tax, which is paid by a small number of wealthy families.

Obama would split the difference. He'd exempt estates worth less than $3.5 million — $7 million for couples — and set the top tax rate at 45 percent — the same levels that were in effect in 2009.

The Tax Policy Center has concluded that for households earning between $70,000 and $120,000, Obama's plan would pay about $71 more in taxes. Those making between $40,000 and $70,000 would save about $11.

The biggest earners would be hardest hit: Those making more than $600,000 would see about an increase of about $100,000, and those at the very top — making nearly $3 million — would see a $549,000 increase.

The bottom 20 percent — those making less than $20,000 — would see their average federal tax rate fall by $2.