



The Daily Dish

Medicare at 60?

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Eakinomics: Medicare at 60?

From the onset of the 2020 presidential campaign, Medicare has been a political football. The American public has heard many flavors of “Medicare for All,” a variety of proposals to allow Medicare to “negotiate” prescription drug prices, and multiple versions of “public options” that would allow people to “buy in” to Medicare. These proposals ranged from mere talking points to pie-in-the-sky proposals that do not stand up to serious scrutiny. Most have disappeared from the landscape.

As Democrats labor to turn big-government rhetoric into legislative reality, a simpler idea has emerged among the Medicare reforms: Lower the initial age of eligibility from 65 to 60. In their [analysis](#) of the proposal, Chris Holt and Stephen Parente of AAF’s Center for Health and the Economy note “the proposal was not ultimately included in legislative text released late last week—and even if it had been included, past Senate precedent indicates it may not have complied with the rules of reconciliation.”

Notice, broadly speaking, that the age 60-64 cohort is the most expensive risk in the pool for either employers or Affordable Care Act (ACA) insurers; this group would, however, be the best, cheapest risk in the Medicare pool. This would make insurance (modestly) cheaper for younger Americans, but only by shifting the cost of those health risks to the federal taxpayer.

How much is that cost? Lowering the eligibility to age 60 would cost \$380 billion over 10 years. This estimate includes savings from lower subsidies in the ACA exchanges and requires that employers continue to offer health insurance to those newly eligible for Medicare. If, on the other hand, employers were to respond by dropping health coverage for 60-64 year old employees, the cost would skyrocket to as much as \$1.8 trillion.

All of this raises the obvious question: Why? One possibility is that it eases the ability of people to retire earlier, but that is at odds with the Biden Administration’s stated intentions of raising labor force participation. Another potential goal is to increase the number of Americans covered by health insurance. Holt and Parente estimate that the reform would increase overall coverage by 3.9 million individuals – not a very big number as most of the “action” is shuffling people from one form of coverage (ACA, employer) to another (Medicare). Even this may not pass any reasonable benefit-cost test, however. At the low end of the price tag, it would cost \$9,756 per newly covered person, which might make sense, but at the high end, the \$57,912 cost per person is much too high to make sense.