

Medicare

August 8, 2017

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Medicare Basics

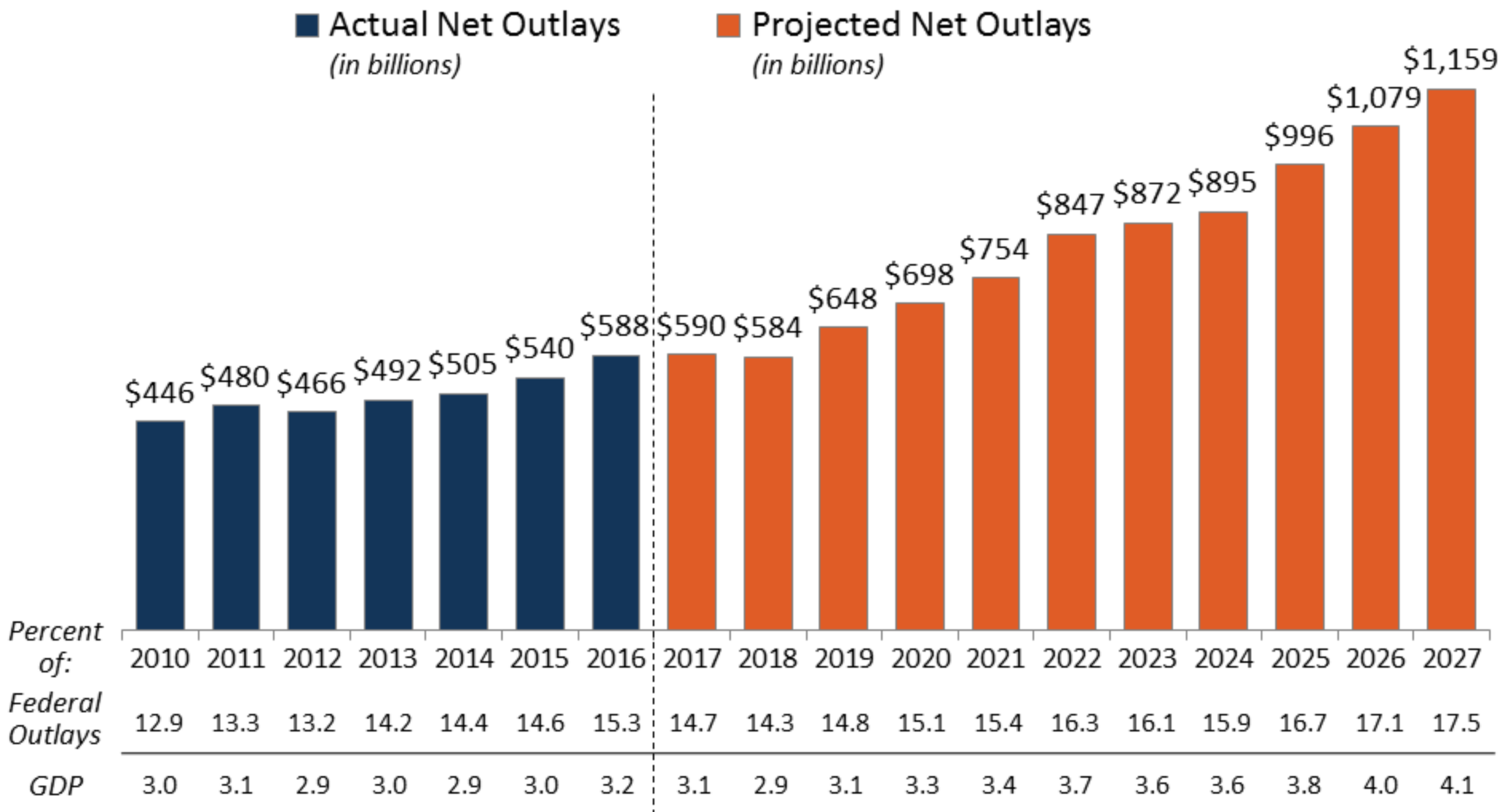
- Covers most people aged 65 and above and permanently disabled
- Originally designed to be like standard policies in 1965
 - Part A: Hospital Insurance
 - Part B: Supplementary Medical Insurance
- Two additional parts added
 - Part C: Medicare Advantage
 - Part D: Drug benefit

Medicare Financing

- Payroll taxes for Part A
- General revenues and premiums for Parts B and D
- Other aspects of financing
 - Income related taxes added: premiums on B and D
 - Under ACA, increased taxes on those with high incomes

Figure 4

Actual and Projected Net Medicare Spending, 2010-2027



NOTE: All amounts are for federal fiscal years; amounts are in billions and consist of mandatory Medicare spending minus income from premiums and other offsetting receipts.

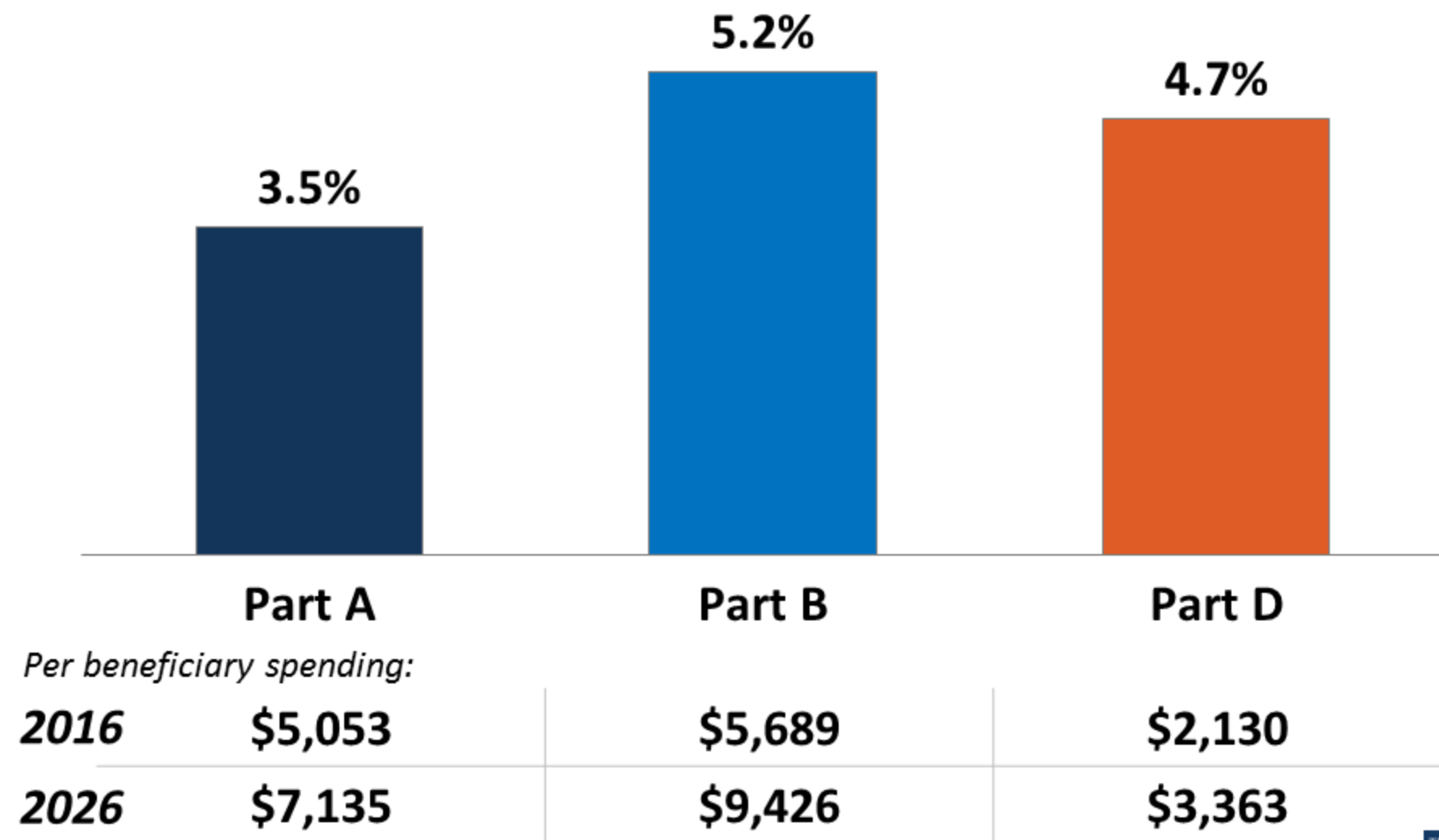
SOURCE: Congressional Budget Office, An Update to the Budget and Economic Outlook, 2017 to 2027 (June 2017).

Adequacy of Financing and Who Pays?

- Lots of attention to affordability since costs grow faster than revenues
- This is not a new phenomenon and not limited to Medicare
- Used to justify making changes in program more often than adding new revenues
- Beneficiaries more likely to pay than many people think

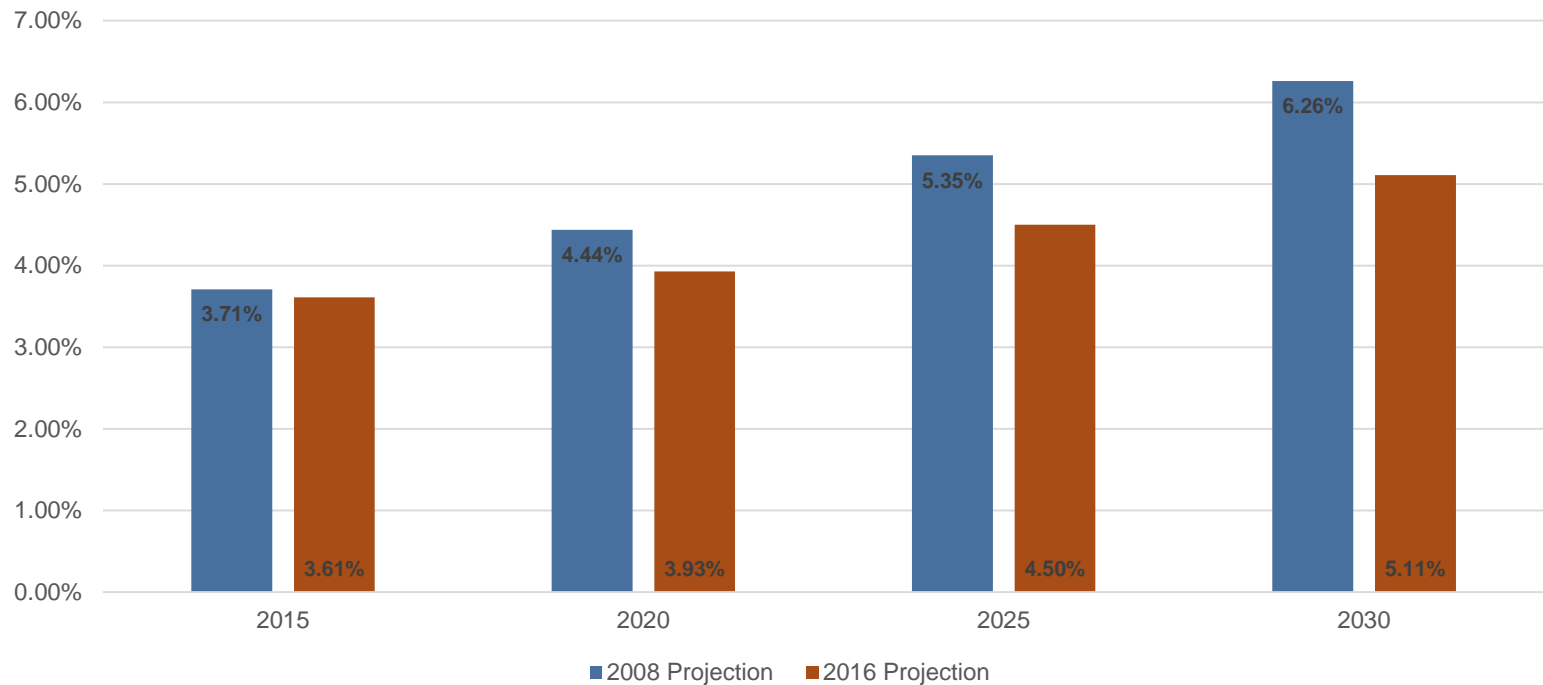
Figure 6

Average Annual Growth in Medicare Beneficiary Costs for Part A, Part B, and Part D Between 2016 and 2026



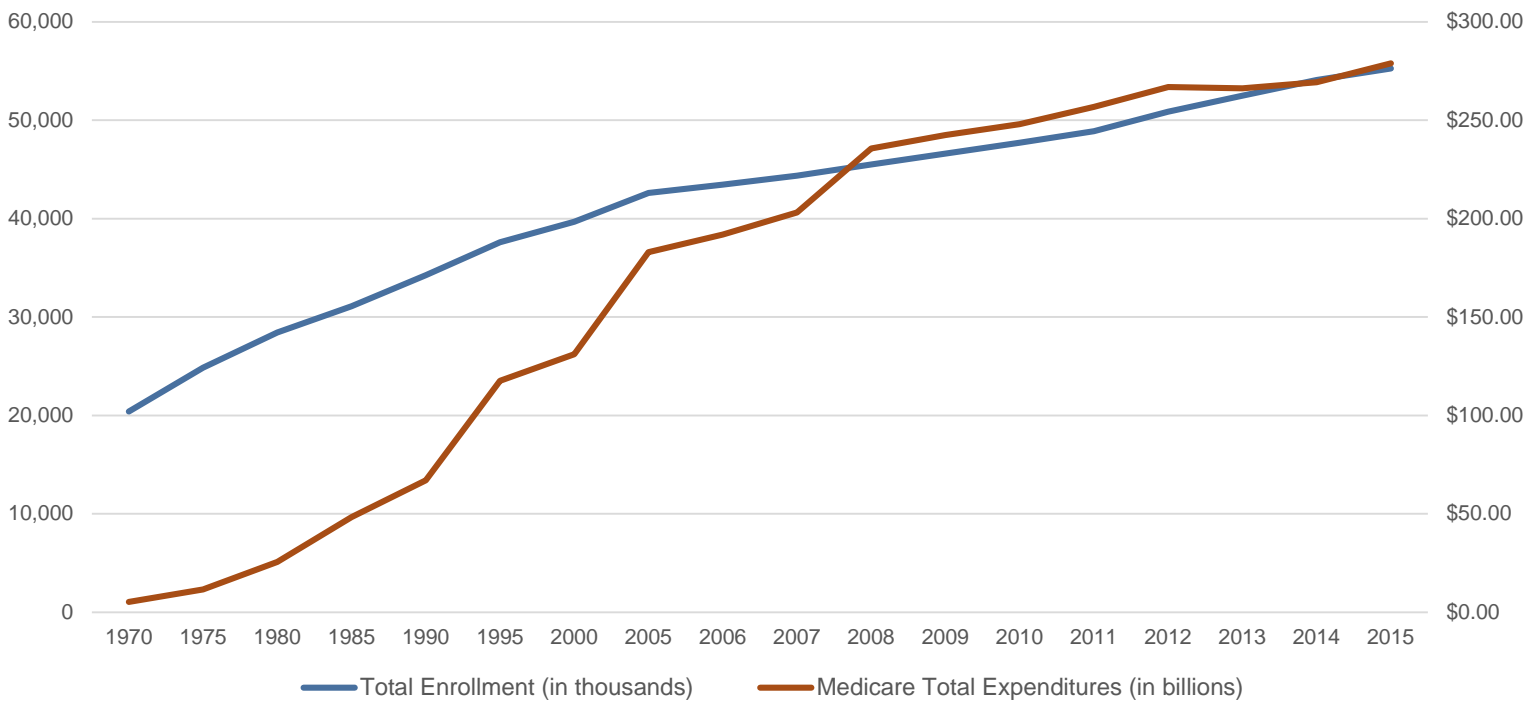
SOURCE: Kaiser Family Foundation analysis of Medicare spending data from the 2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (Table V.D1)

Projected Medicare Spending as Percentage of GDP, 2008 and 2016



Data source: Medicare Trustee Report 2008 and 2016

Medicare, Year 1970 - 2015

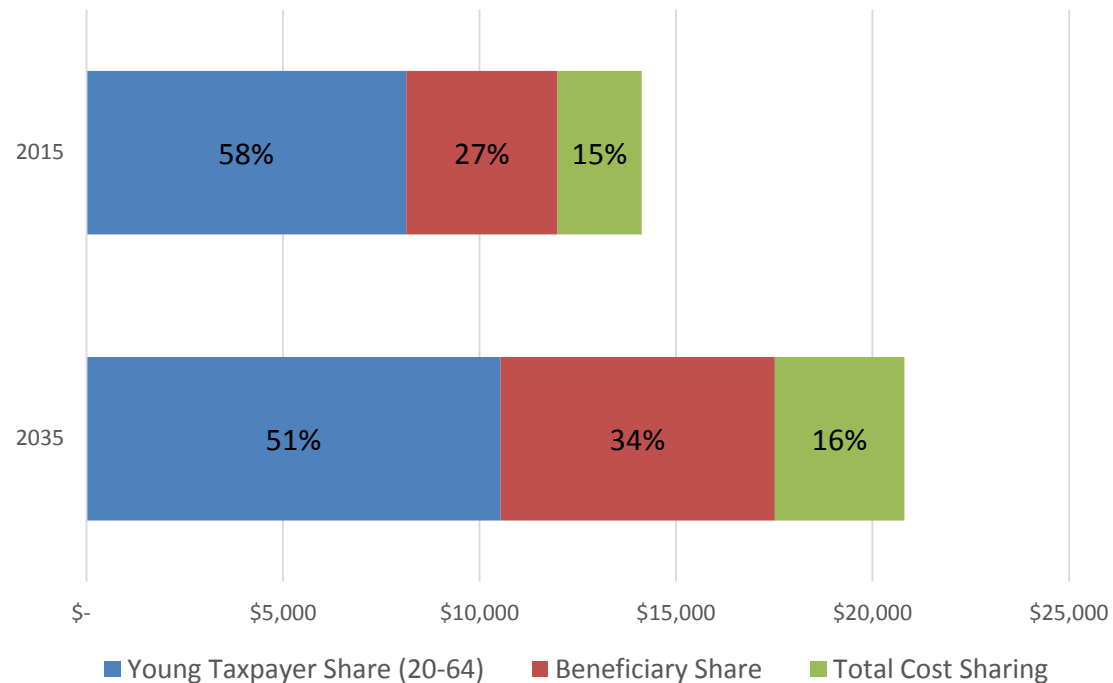


Data source: Medicare Trustee Report 2016

Who Pays for Medicare?

- Key is Perception of Affordability
- Do Beneficiaries Make a Reasonable Contribution?

Per Capita Share of Medicare Borne by Taxpayers and Beneficiaries With Cost Sharing, 2015 and 2035



Data source: Calculations using Medicare Trustees Report

How Will Medicare Change?

- How Should it Change vs. How Will it Change?
- What are the Goals of Reforms?
 - Reducing Size of Government: Dollars and Control
 - “Protecting” Medicare for the Future
 - Protecting Beneficiaries
- Outcome Will Depend Upon Whose Goals Are to be Met

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