Straight Talk on Medicare

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1. Problems in the current system
2. Principles and vision for reform
3. Premium support as the solution
Medicare spending is growing faster than the rest of the federal budget

Entitlement spending is the main cause of long-term runaway federal deficits. Medicare is the fastest-growing program due to retiring baby boomers and rising health care costs.

Source: Congressional Budget Office (Alternative Fiscal Scenario).
Medicare benefits are paid for by working Americans

Approximately 88 percent of seniors’ Medicare benefits are funded by taxpayers. Medicare Part A is mandatory coverage funded by the payroll tax. But Medicare Parts B and D, which cover outpatient services and prescription drugs, respectively, are voluntary and funded primarily by general revenue.

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenues</td>
<td>41%</td>
<td>$223.3 billion</td>
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<tr>
<td>Current Workers’ Payroll Tax</td>
<td>36%</td>
<td>$195.6 billion</td>
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<tr>
<td>Contributions</td>
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<td>All Other</td>
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<td>Drawing Down Medicare HI Trust</td>
<td>3%</td>
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<td>Fund</td>
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Funding Sources of $549.1 Billion Spent on Medicare in 2011

Source: Medicare Trustees 2012 report.
The number of workers per Medicare beneficiary is falling

Workers’ contributions to Medicare aren’t set aside for their own retirement—they pay for current beneficiaries. A main cause of Medicare’s growing insolvency is that the ratio of workers to beneficiaries is falling.

Source: Medicare Trustees 2012 report.
Medicare benefits are paid for by working Americans

Approximately 88 percent of seniors’ Medicare benefits are funded by taxpayers. Medicare Part A is mandatory coverage funded by the payroll tax. But Medicare Parts B and D, which cover outpatient services and prescription drugs, respectively, are voluntary and funded primarily by general revenue.

FUNDING SOURCES OF $549.1 BILLION SPENT ON MEDICARE IN 2011

- **General Revenues**: 41% ($223.3 billion)
- **Current Workers’ Payroll Tax Contributions**: 36% ($195.6 billion)
- **All Other**: 8% ($42.5 billion)
- **Drawing Down Medicare HI Trust Fund**: 3% ($19.2 billion)
- **Medicare Beneficiary Premiums**: 12% ($68.5 billion)

Source: Medicare Trustees 2012 report.