



MEDICARE

MEDICARE HAS PLAYED A VITAL ROLE IN PROVIDING health care benefits to nearly all Americans age 65 and older. In total, nearly 55 million Americans had Medicare coverage in 2015. The Medicare program, however, faces long-term sustainability challenges. As the baby boomer population ages into the program over the next few decades, Medicare enrollment will grow dramatically and the number of workers paying into the system per beneficiary will shrink. Benefit payments are expected to exceed payroll taxes, threatening solvency of one of its major trust funds.

Medicare provides a wide range of health care benefits that are financed through two trust funds. The Hospital Insurance (HI) trust fund supports Medicare Part A, which covers inpatient hospital care and post-acute care services such as skilled nursing facility care and home health care services. The Supplementary Medical Insurance (SMI) trust fund supports Medicare Part B—hospital outpatient care, doctor visits, lab tests, and medical supplies—and Part D prescription drug coverage.

The HI trust fund, which receives income primarily from dedicated payroll taxes, is projected to be depleted in 2028, at which time revenues are projected to cover only 87 percent of program costs. The SMI trust fund receives about three-quarters of its funding from general tax revenues and about one-quarter from beneficiary

premiums. The SMI trust fund is projected to remain solvent because its contributions are reset annually to meet expenditures.

Like Social Security, Medicare faces the demographic challenge of larger numbers of beneficiaries coupled with a proportionately lower number of workers who provide payroll taxes. In addition, health care spending has been growing faster than the economy—and is expected to continue to do so—which puts additional strain on Medicare’s finances. Medicare will take up increasing shares of federal government and household spending, and could crowd out resources for other needs.

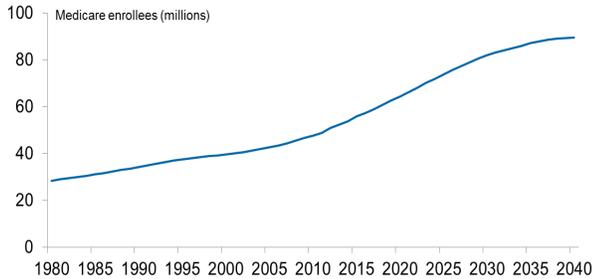
Medicare’s challenges are not solely financial. Medicare beneficiaries are a diverse group with diverse health care needs. Certain beneficiary populations are particularly



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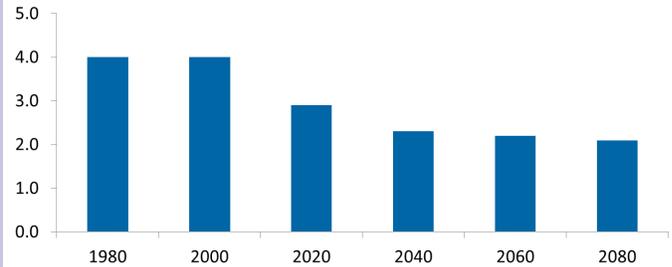
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Medicare Enrollment



Source: 2016 Medicare Trustees Report

Number of Workers Per Medicare Beneficiary



Source: 2016 Medicare Trustees Report

vulnerable to having high health care needs, such as those with a disability, multiple chronic conditions, or cognitive impairments. In addition, many beneficiaries have limited resources to rely upon if faced with high out-of-pocket health costs. Another issue is whether the Medicare benefit design, which has remained mostly unchanged since it was enacted in 1965, is meeting the needs of beneficiaries.

Changes to Medicare

Putting Medicare on a more sustainable path for current and future generations of beneficiaries will require policymakers to make some choices regarding benefit coverage, provider and plan payments, and taxpayer funding. Some fundamental questions to consider when assessing candidates' Medicare reform proposals include:

- How does the candidate propose to address Medicare's long-term financing challenges?
- How does the candidate balance the goals of ensuring that Medicare beneficiaries have access to high-quality health care that is also affordable to them and to the nation as a whole?
- How do the candidate's proposals affect particularly vulnerable beneficiaries, including those with special health care needs or limited financial resources?
- Does the candidate propose to change the benefit structure of the traditional Medicare program and/or allow coverage of additional services to meet the needs of an aging population?



See the following for more information to help better understand these issues:

What are Medicare's long-term financial solvency and sustainability challenges? [READ MORE...](#)

What is premium support, and could it help lower Medicare costs? [READ MORE...](#)

Could revising Medicare's fee-for-service (FFS) benefit design improve the quality and cost-effectiveness of care? [READ MORE...](#)