

The Future of Medicare

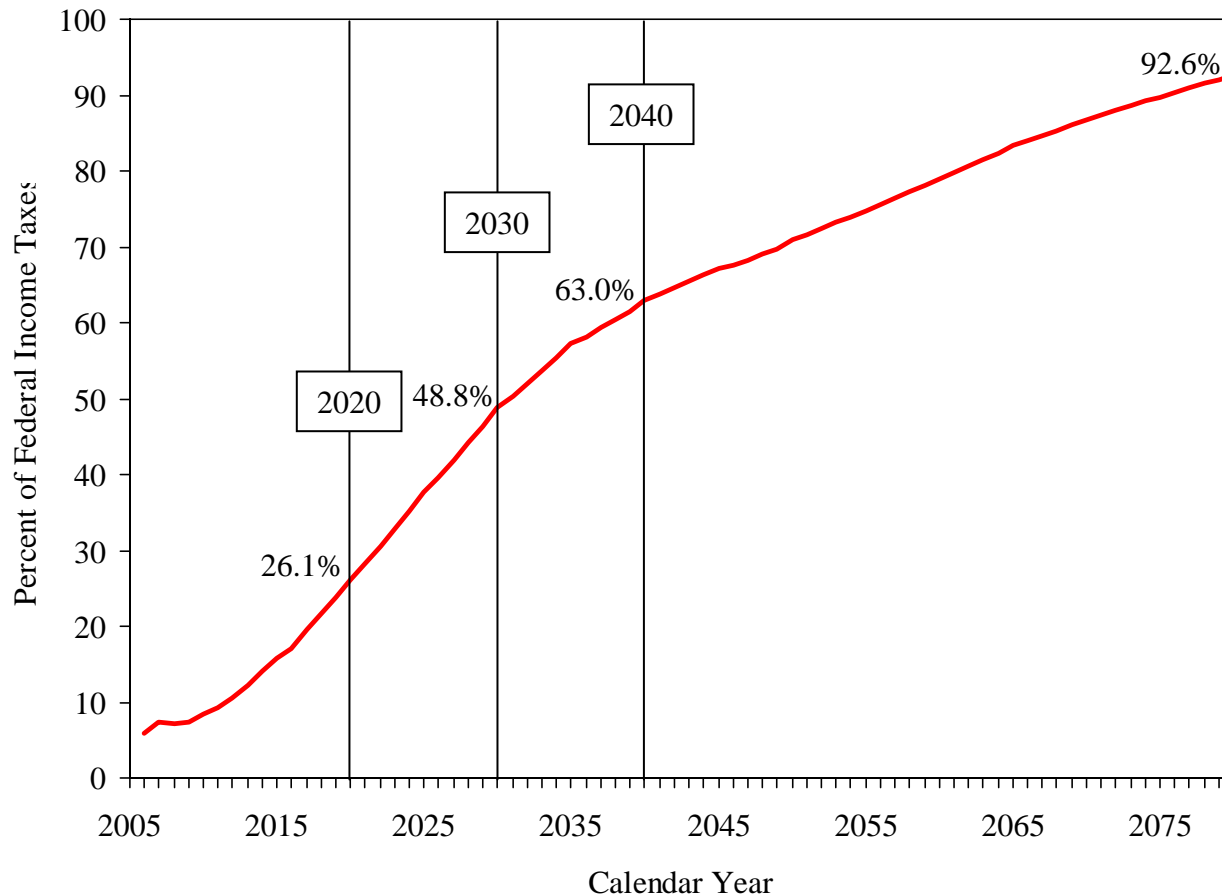
Thomas R. Saving

Texas A&M University

Some material presented here is based on
Andrew J. Rettenmaier and Thomas R. Saving
The Diagnosis and Treatment of Medicare
AEI Press, 2007



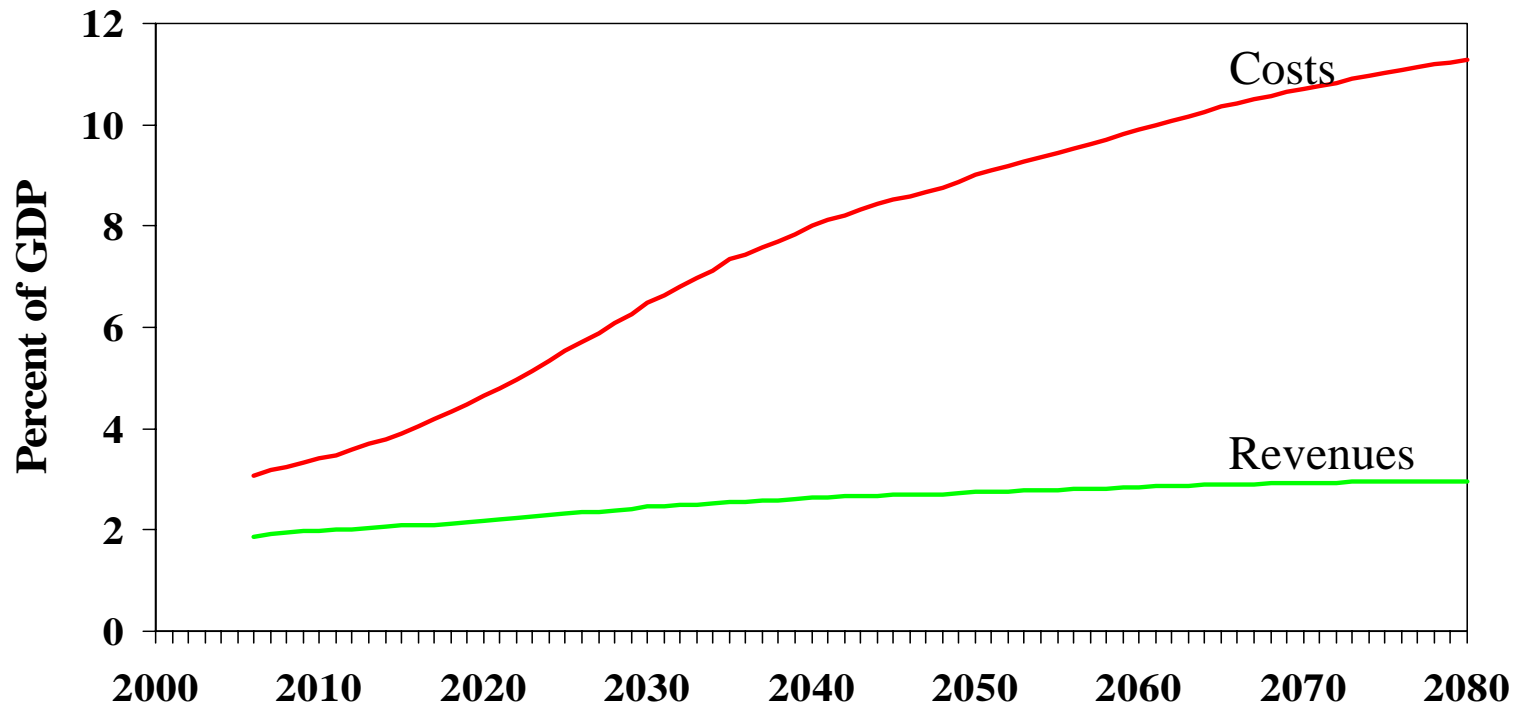
Social Security and Medicare Funding Shortfalls as a Percent of Federal Income Taxes



Source: 2007 Social Security and Medicare Trustees Reports and author's estimates. Federal Income Taxes are estimated to be 10.89% of GDP, the 25-year average.



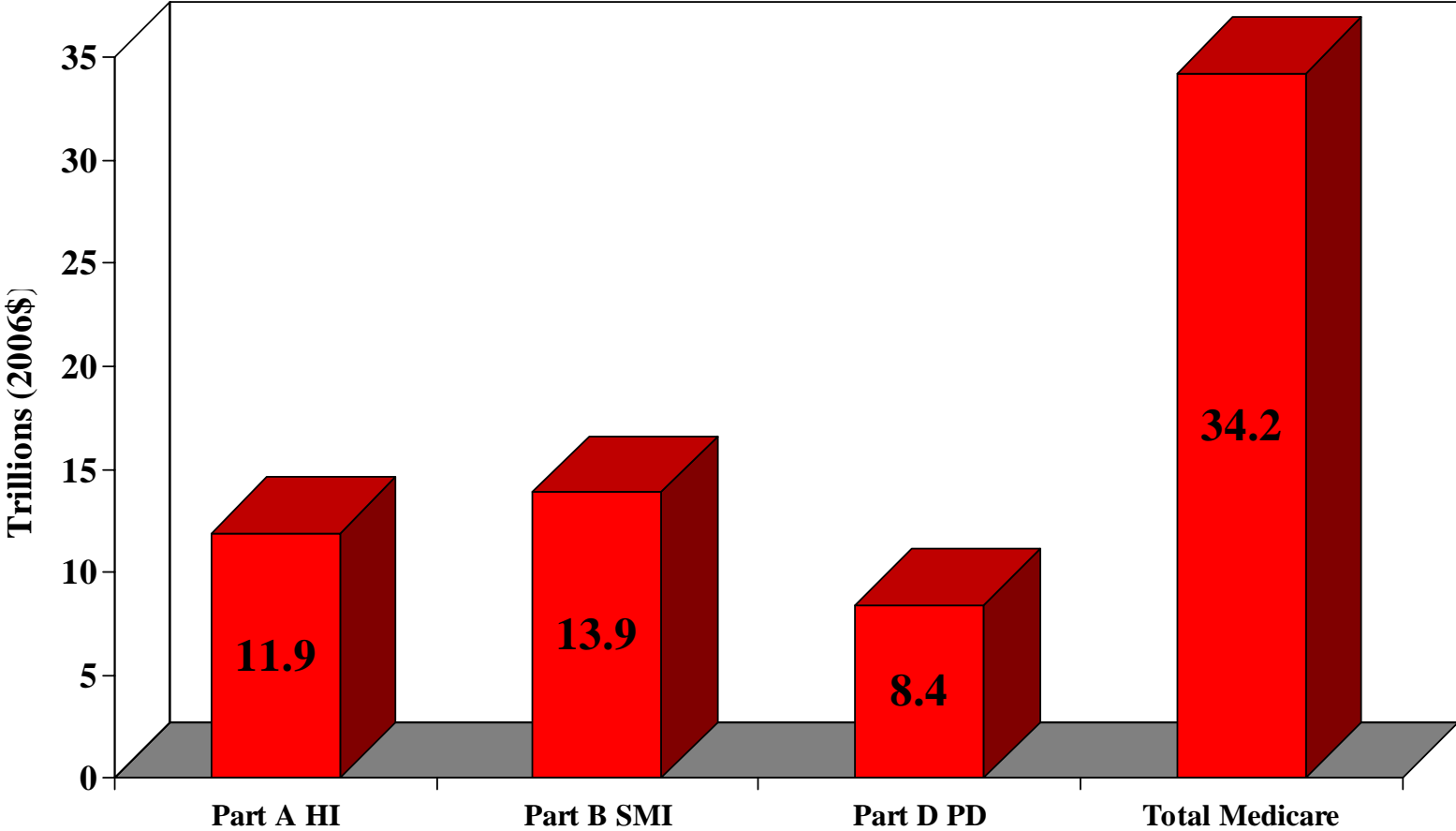
Projected Medicare Costs and Revenues



Source: 2007 Medicare Trustees Report Table III.A2, III.C15, III.C21, Social Security Trustees Report Table VI.F4, and author's estimates. Revenues include payroll taxes, taxes paid on Social Security benefits, premium income, and state transfers.



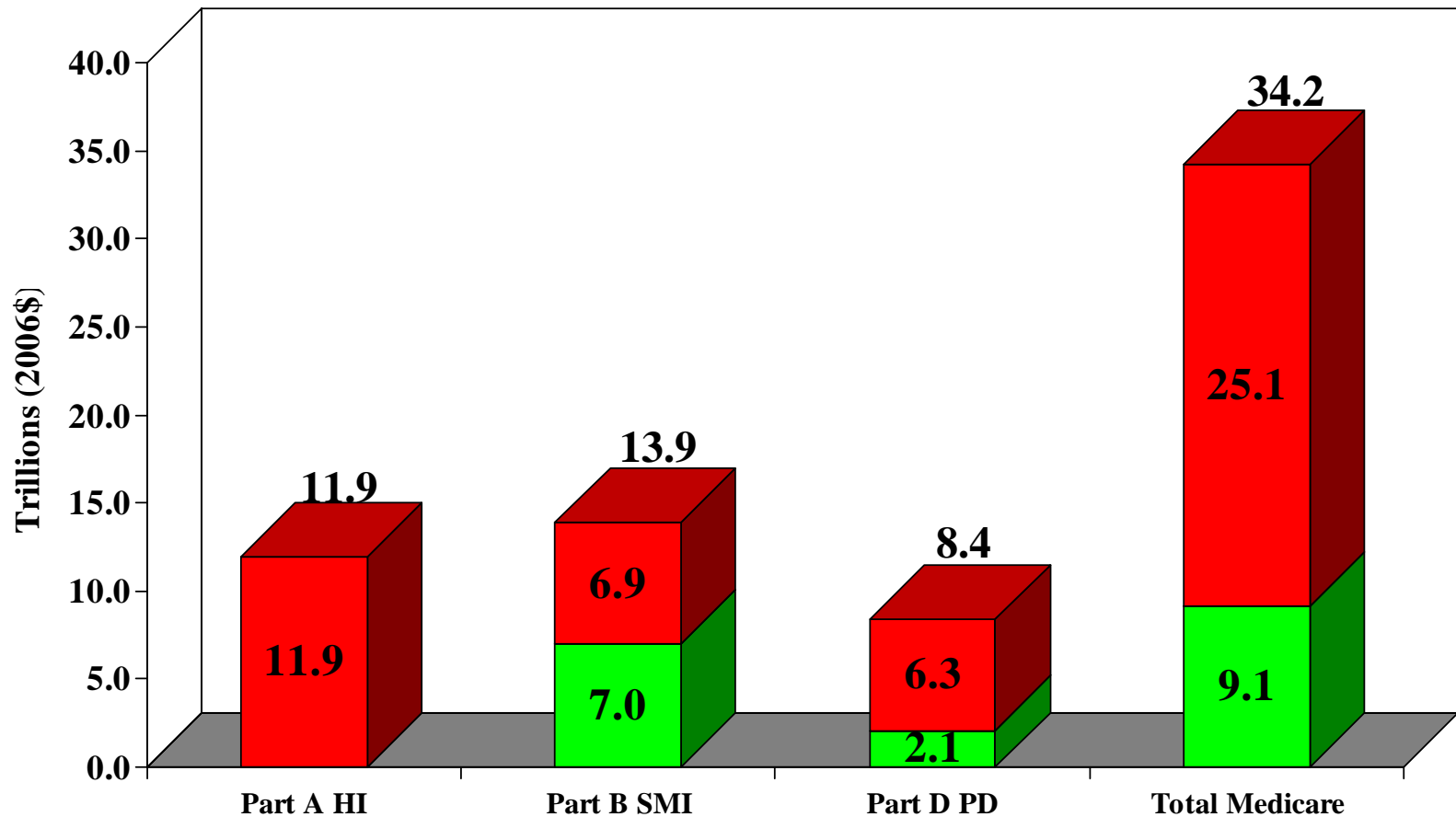
Medicare's 75-Year General Revenue Obligation



Source: Table III.B10, Table III.C15, Table III.C23 2007 Trustees Reports excluding HI Trust Fund.



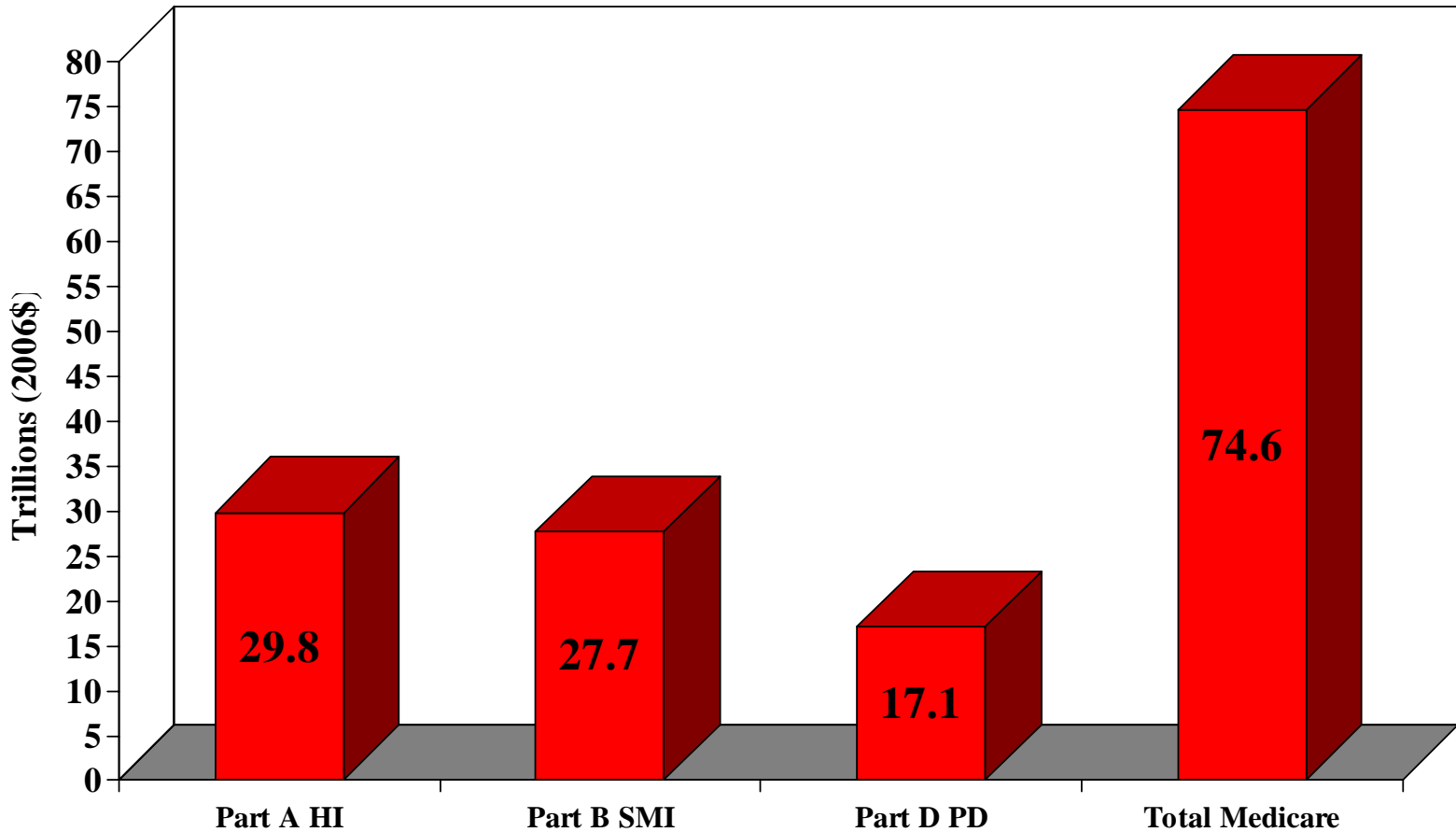
Medicare's 75-Year Obligations in Excess of Current Transfer Share of GDP



Source: Table III.B10, Table III.C15, Table III.C23 2007 Trustees Reports excluding HI Trust Fund.



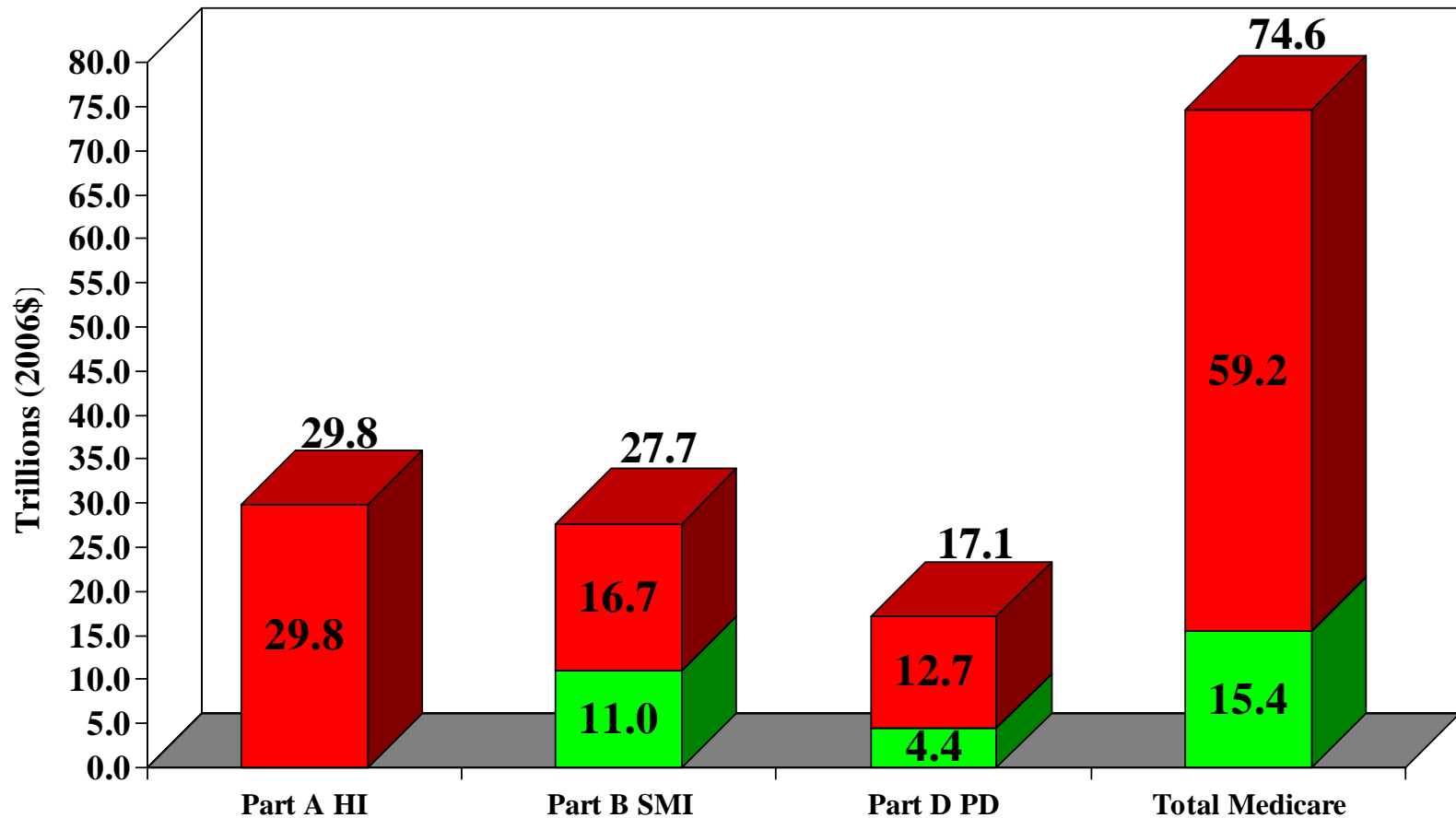
Medicare's Long-Run General Revenue Obligation



Source: Table III.B10, Table III.C15, Table III.C23 2007 Trustees Reports excluding HI Trust Fund.



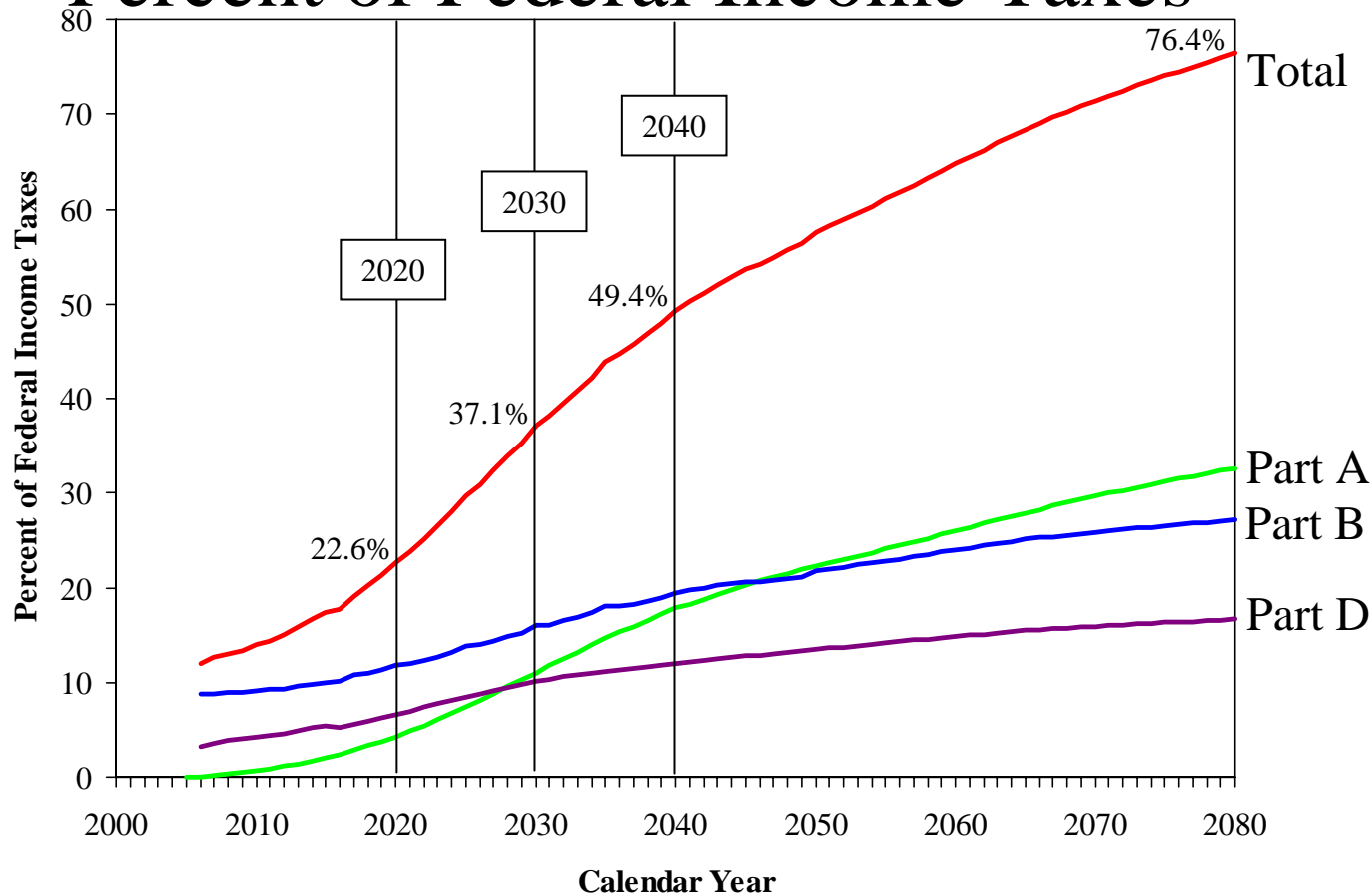
Medicare's Long-Run Obligations in Excess of Current Transfer Share of GDP



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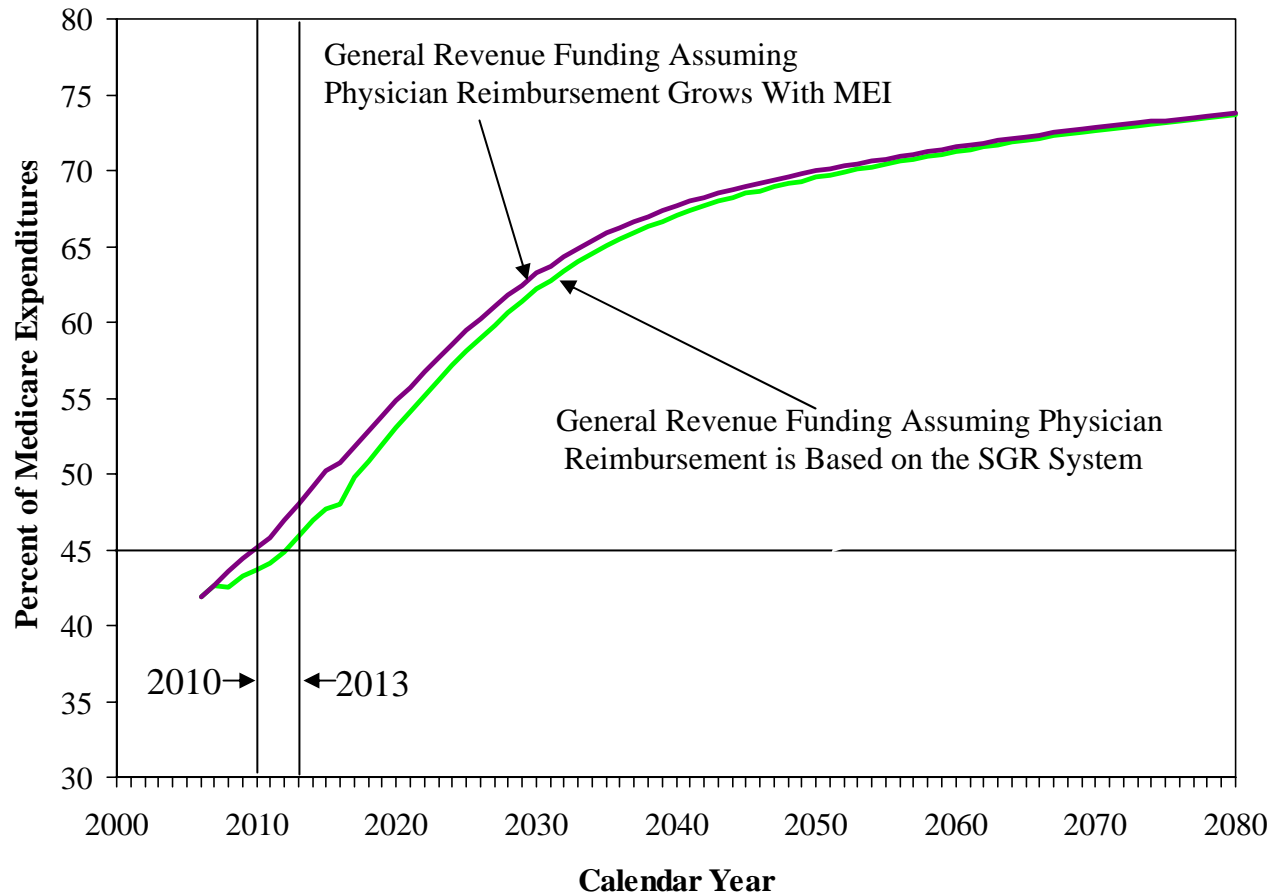
Medicare Funding Shortfalls as a Percent of Federal Income Taxes



Source: 2007 Medicare Trustees Report and author's estimates. Federal Income Taxes are estimated to be 10.89% of GDP, the 25-year average.



Medicare's General Revenue Burden Adjusting For Legislated Reductions in Physician Reimbursement



Source: 2007 Medicare Trustees Report and CMS

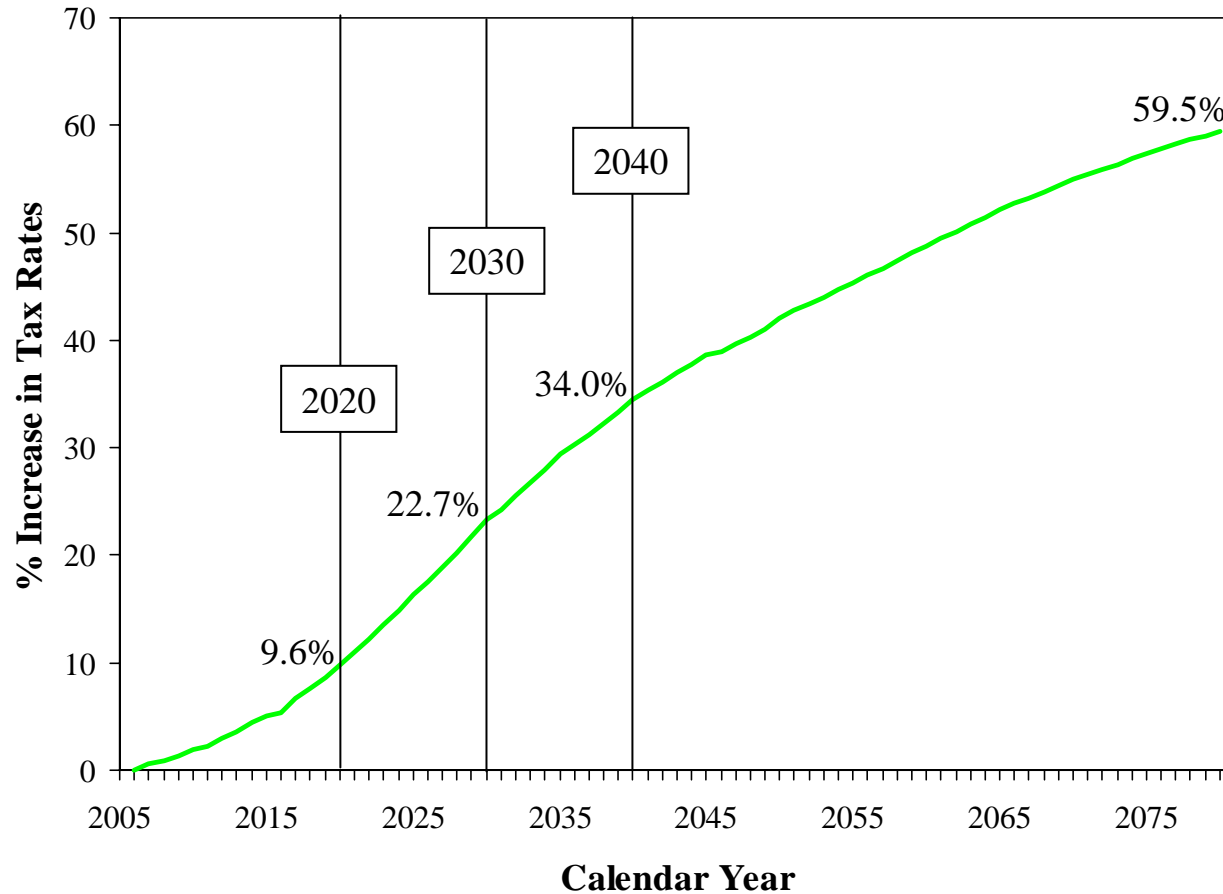


Make the Young Pay



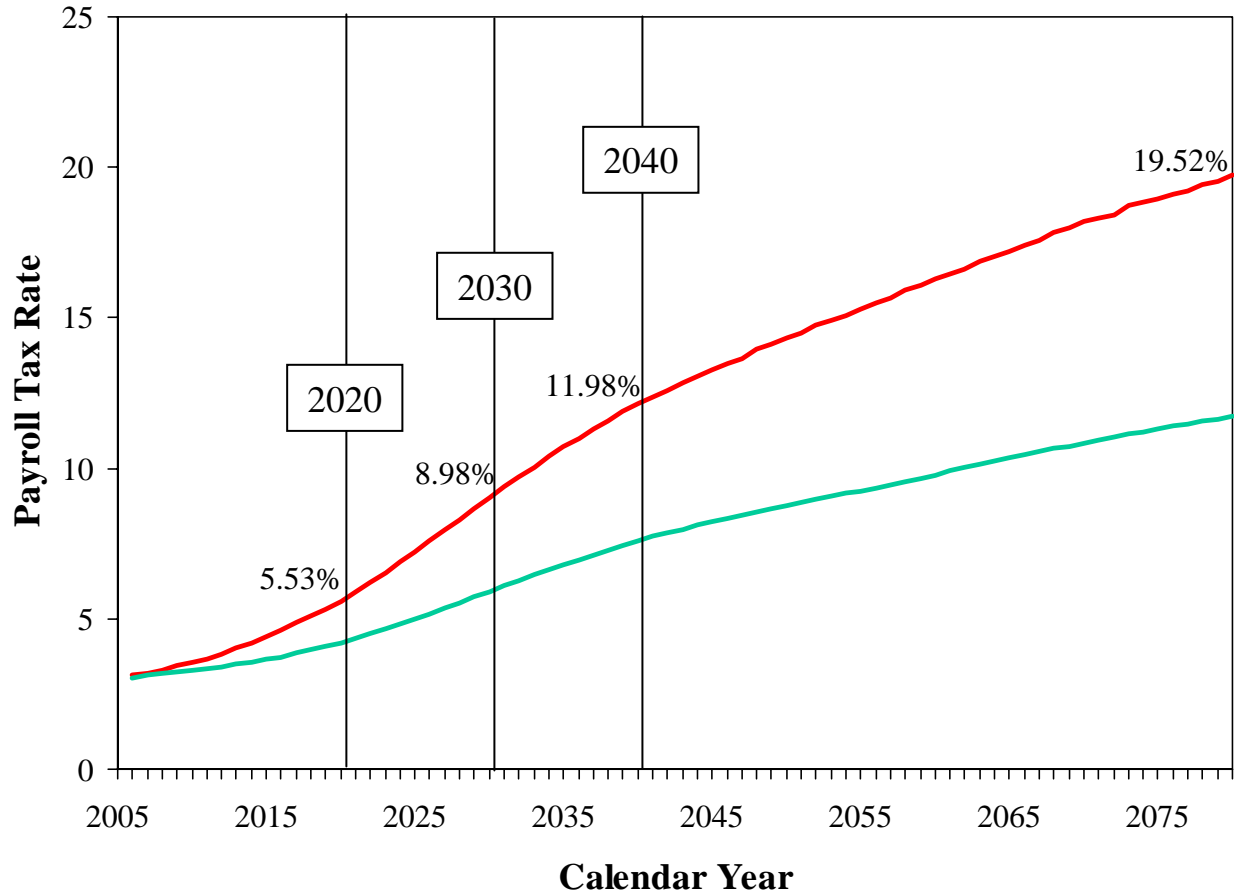
% Tax Rate Increase: Maintain Non-Entitlement Expenditures

Part A Payroll Tax Rate Remains at Current Level



Payroll Tax That Pays for Projected Current Medicare Deficits

Maintain Non-Entitlement Expenditure Share of GDP

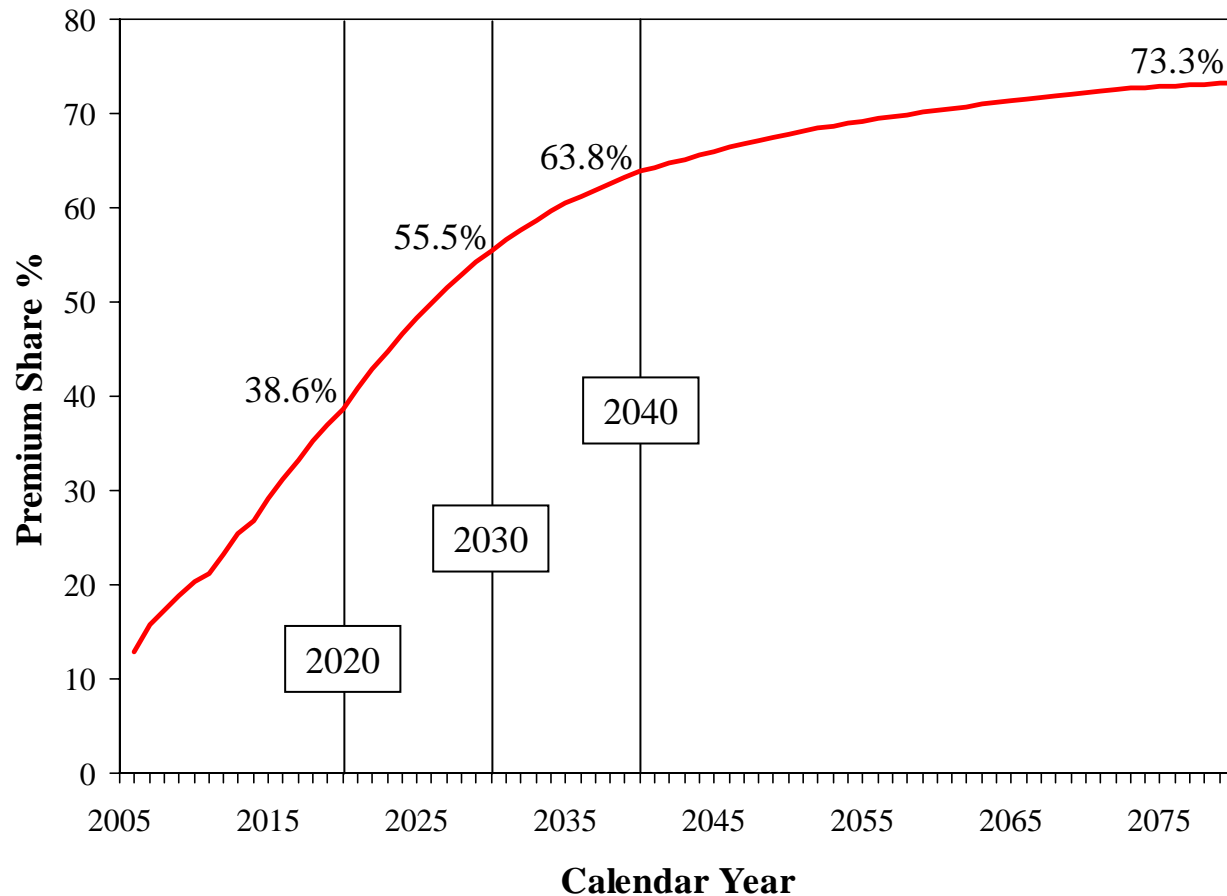


Let the Elderly Suffer



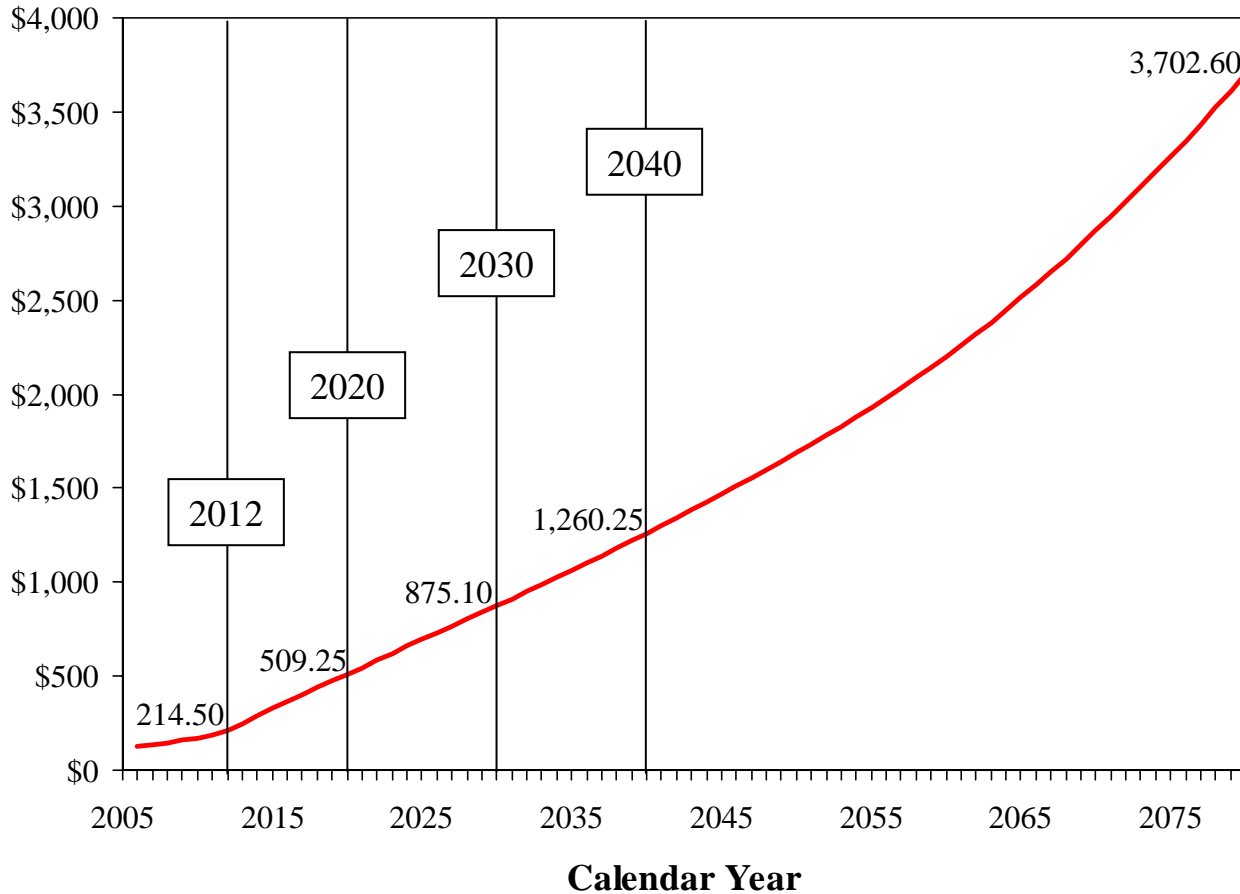
Premiums as a Share of Medicare Expenditures

Constant Transfer Share From Non-Entitlement Federal Revenues



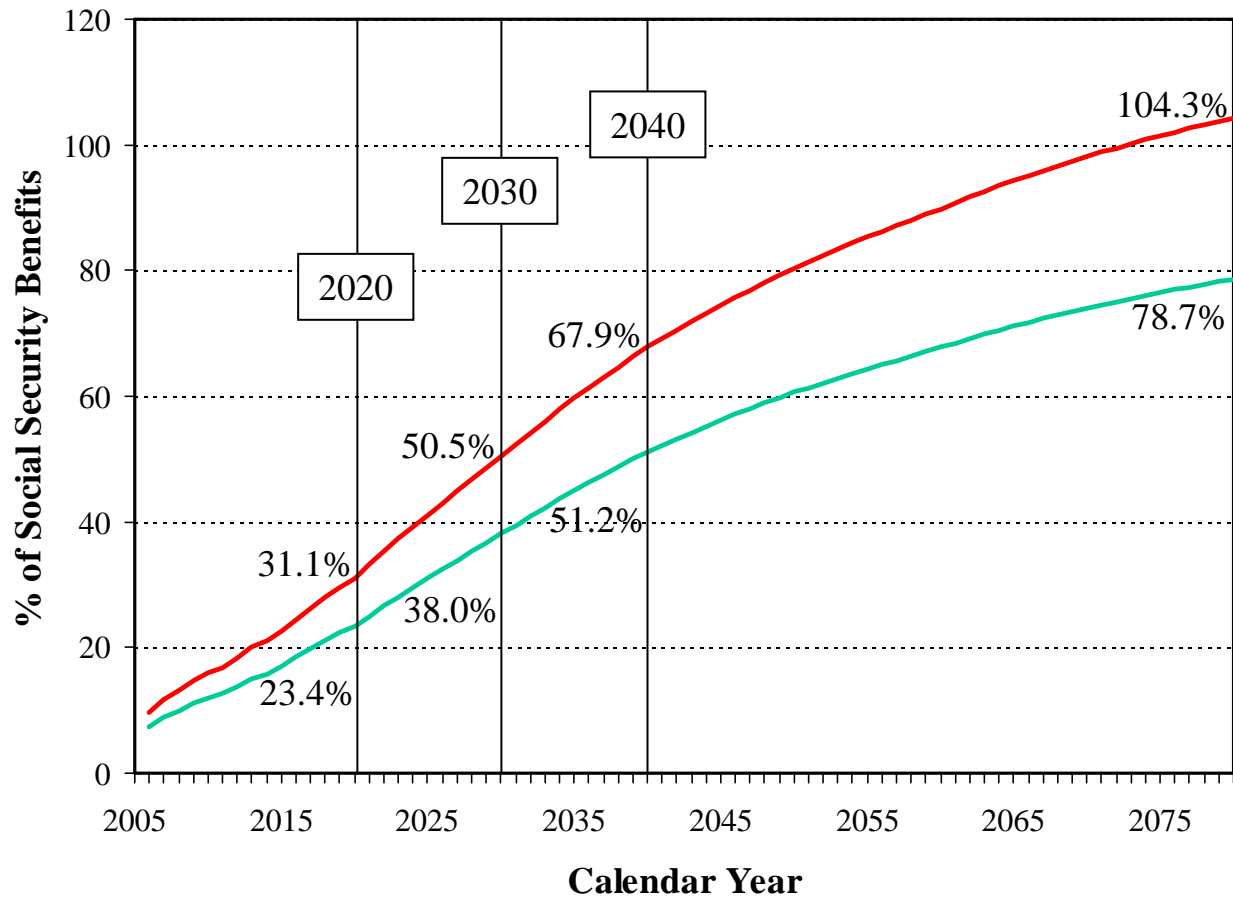
Monthly Premiums: 2006 \$, Beneficiaries Pay For All Deficits

Constant Transfer Share From Non-Entitlement Federal Revenues



Future Medicare Premiums: % Projected Social Security Benefits

*Medicare Transfer is a Constant Share of Federal Non-Entitlement Revenues
Part A Payroll Taxes Remain at Current Level*



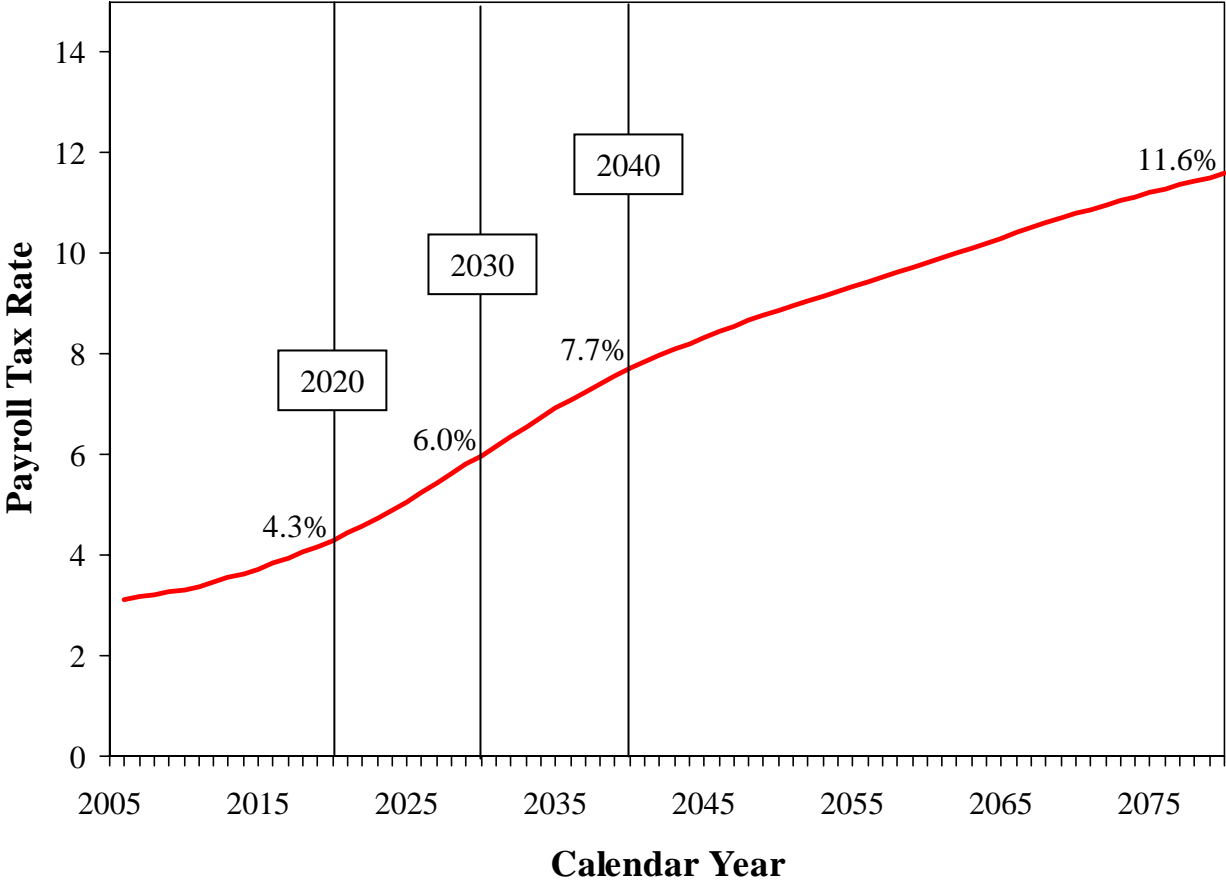
Transfer fixed at 2006 share of GDP from Table III.A2 2006 Medicare Trustees Report.



Sharing the Burden



Payroll Tax Rate: Balance the Medicare Part A Budget

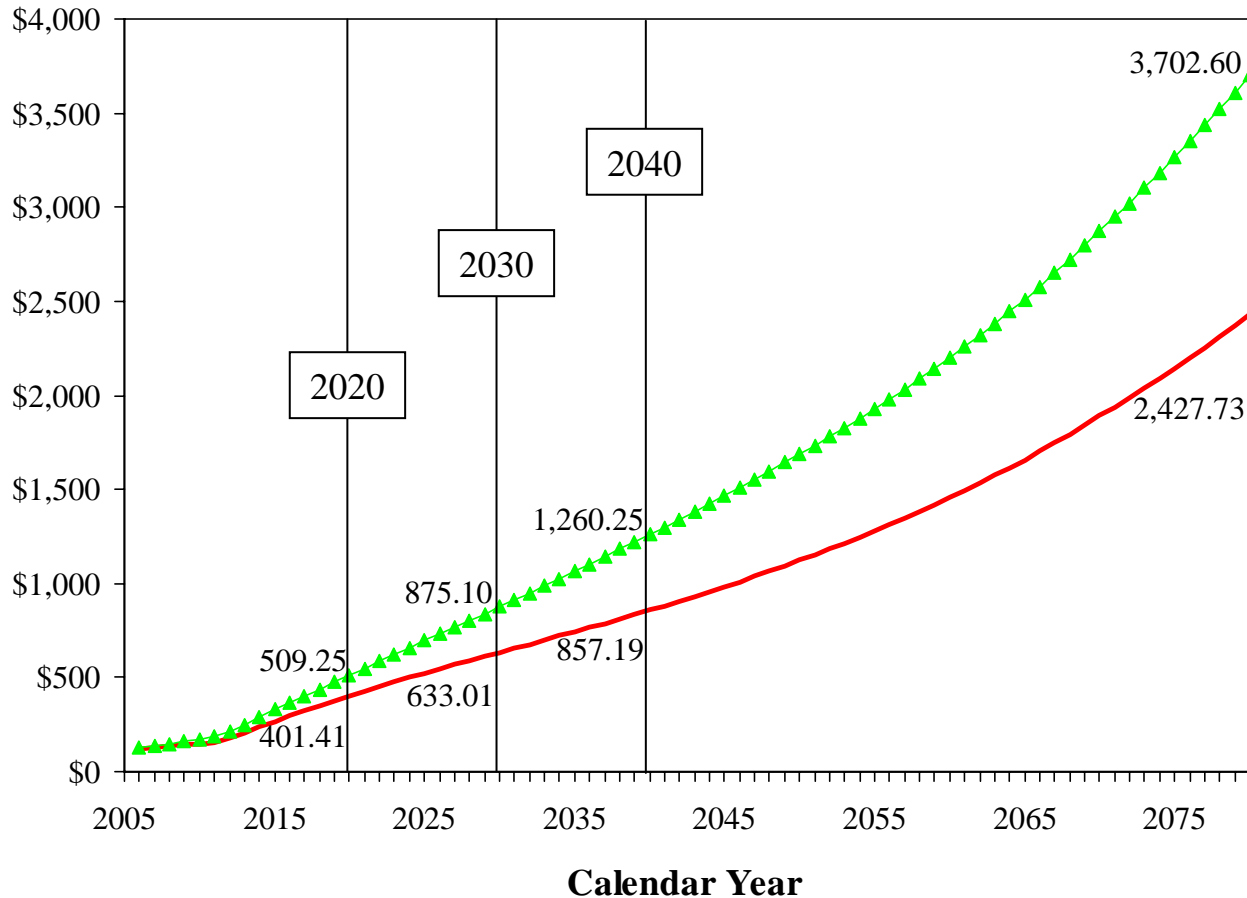


Source: Table VI.F2, 2006 Social Security Trustees Report



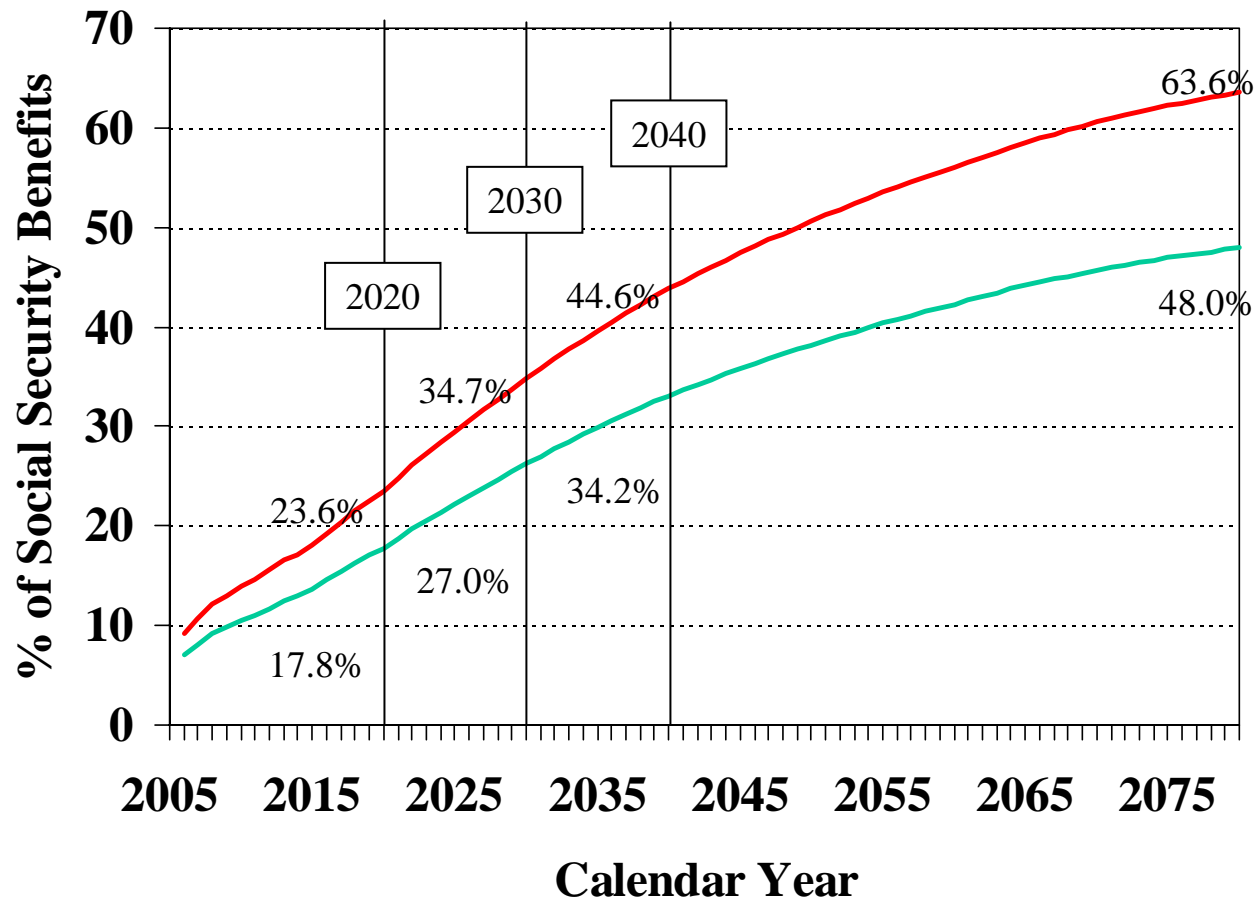
Medicare Premiums if Payroll Taxation Balances the Medicare Part A Budget Monthly 2006 \$

Constant Transfer Share From Non-Entitlement Federal Revenues



Premiums as a Share of Projected Social Security Benefits

*Constant Transfer Share of Federal Non-Entitlement Revenues to Parts B and D
Part A Payroll Taxes Balance the Medicare Part A Budget*

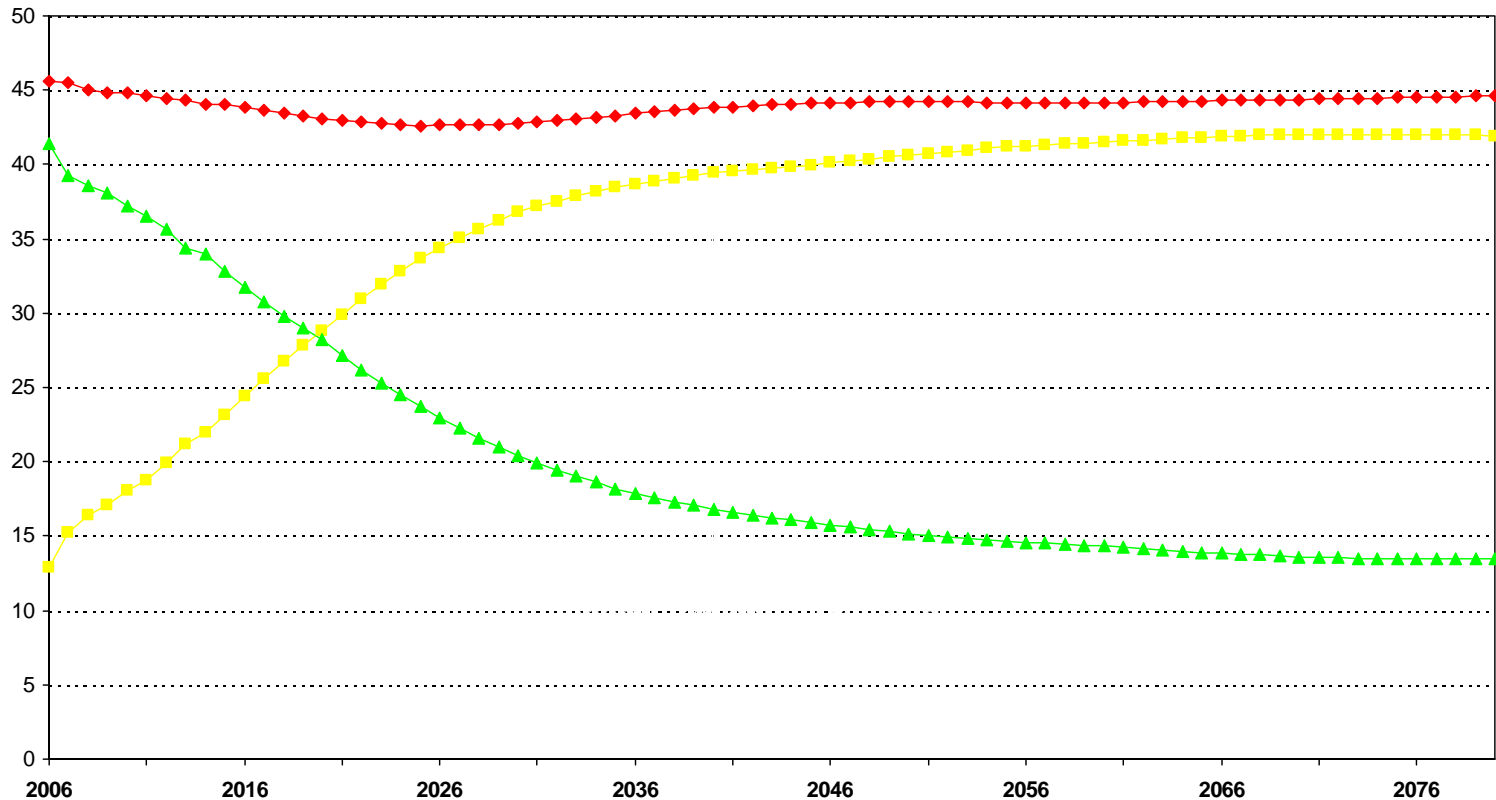


Transfer fixed at 2006 share of GDP from Table III.A2 2006 Medicare Trustees Report.

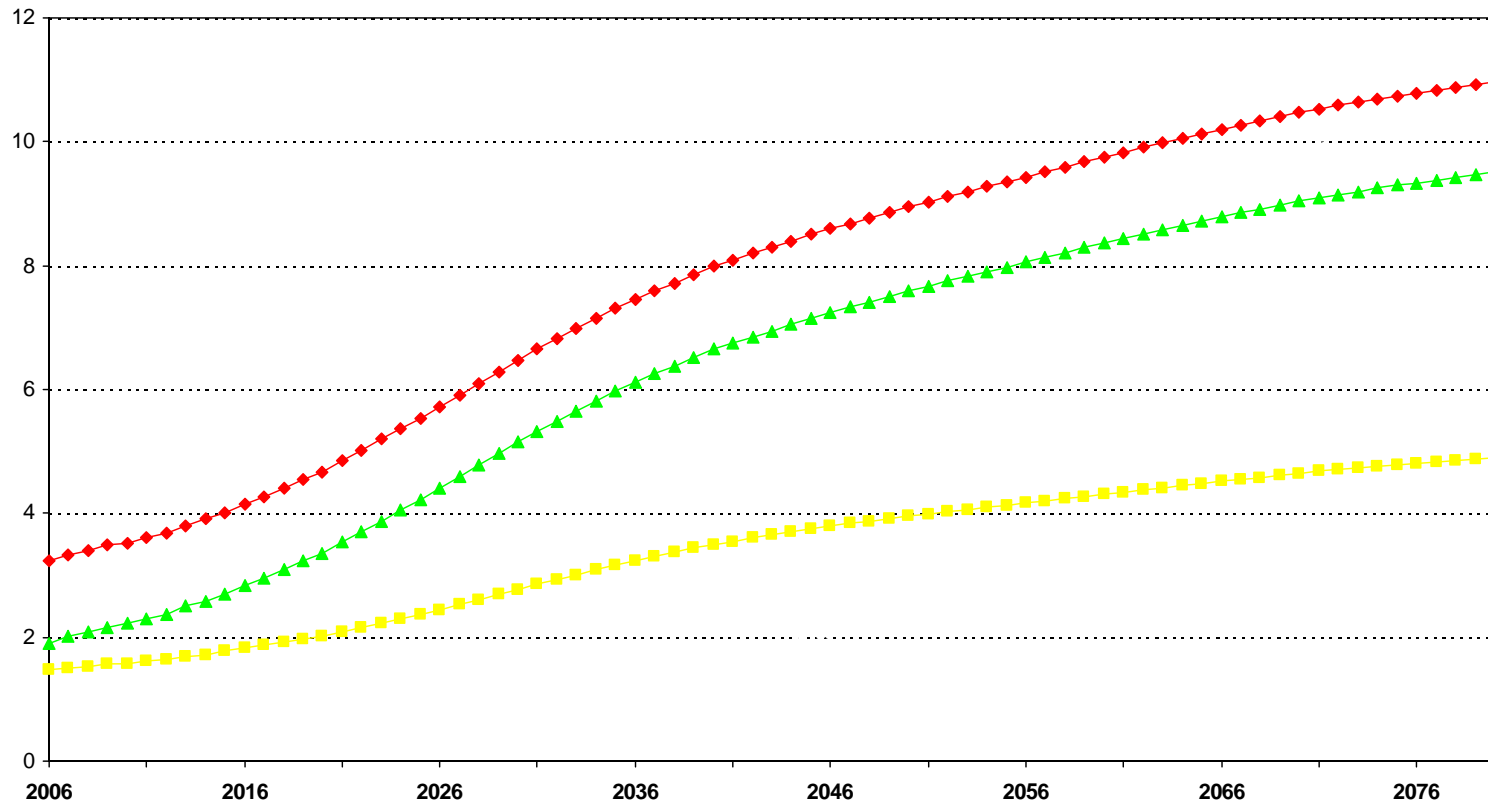


Composition of Source of Medicare Financing: Payroll Taxation Covers Part A

2006-2080



Composition of Projected Medicare Revenue 2006-2080

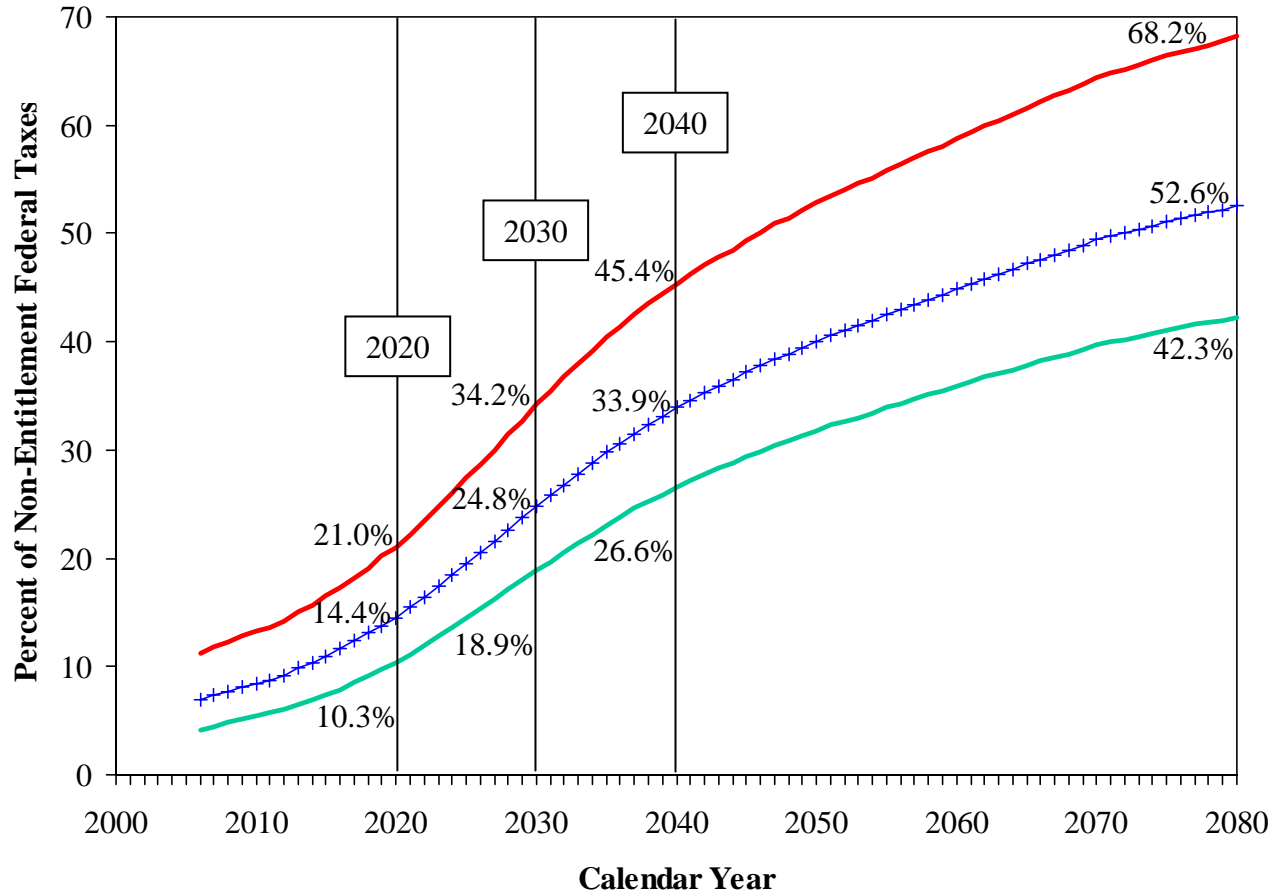


What Can Reform Do?



No-First-Dollar Medicare Required Transfers

% Non-Entitlement Federal Revenues

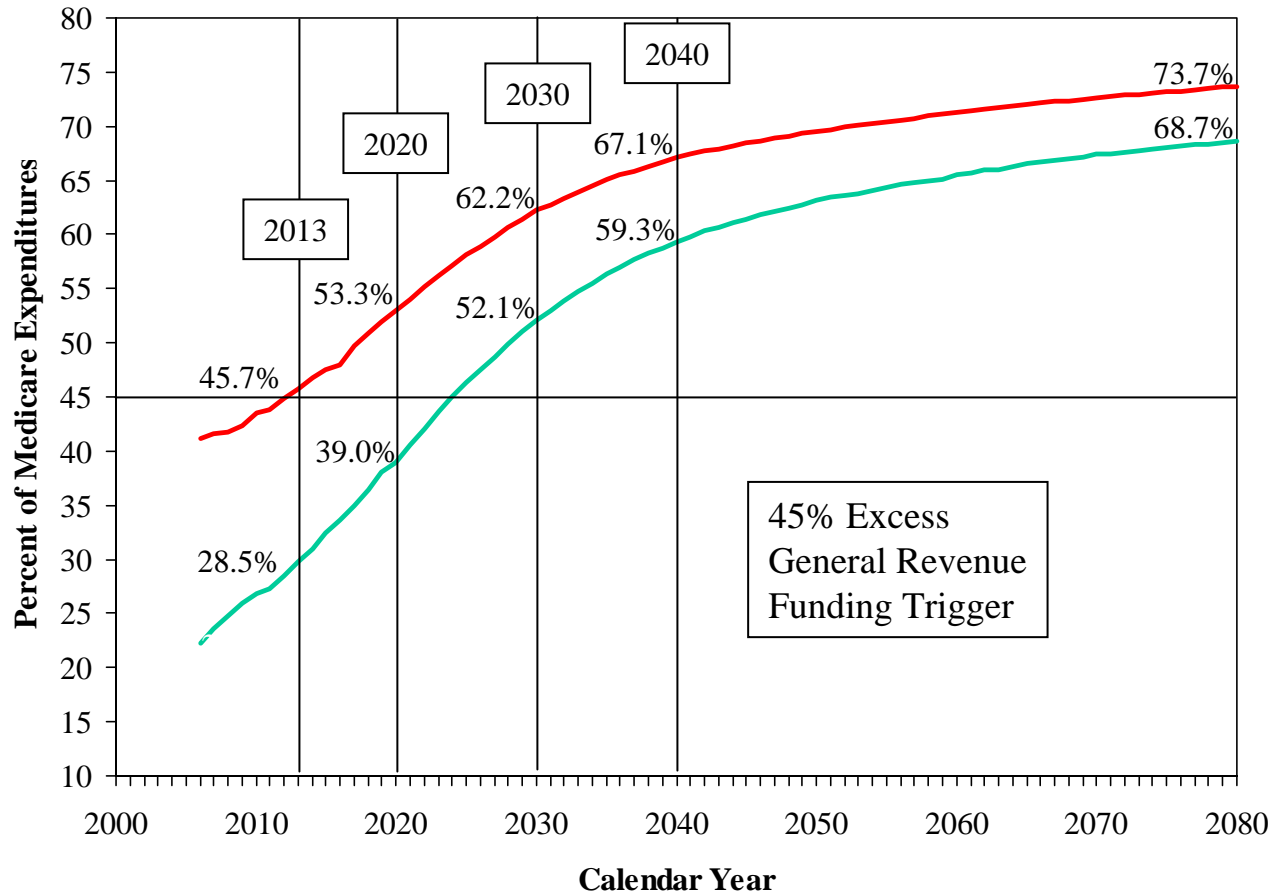


Non-entitlement Federal Taxes are estimated to be 11.80% of GDP, the 25-year average.

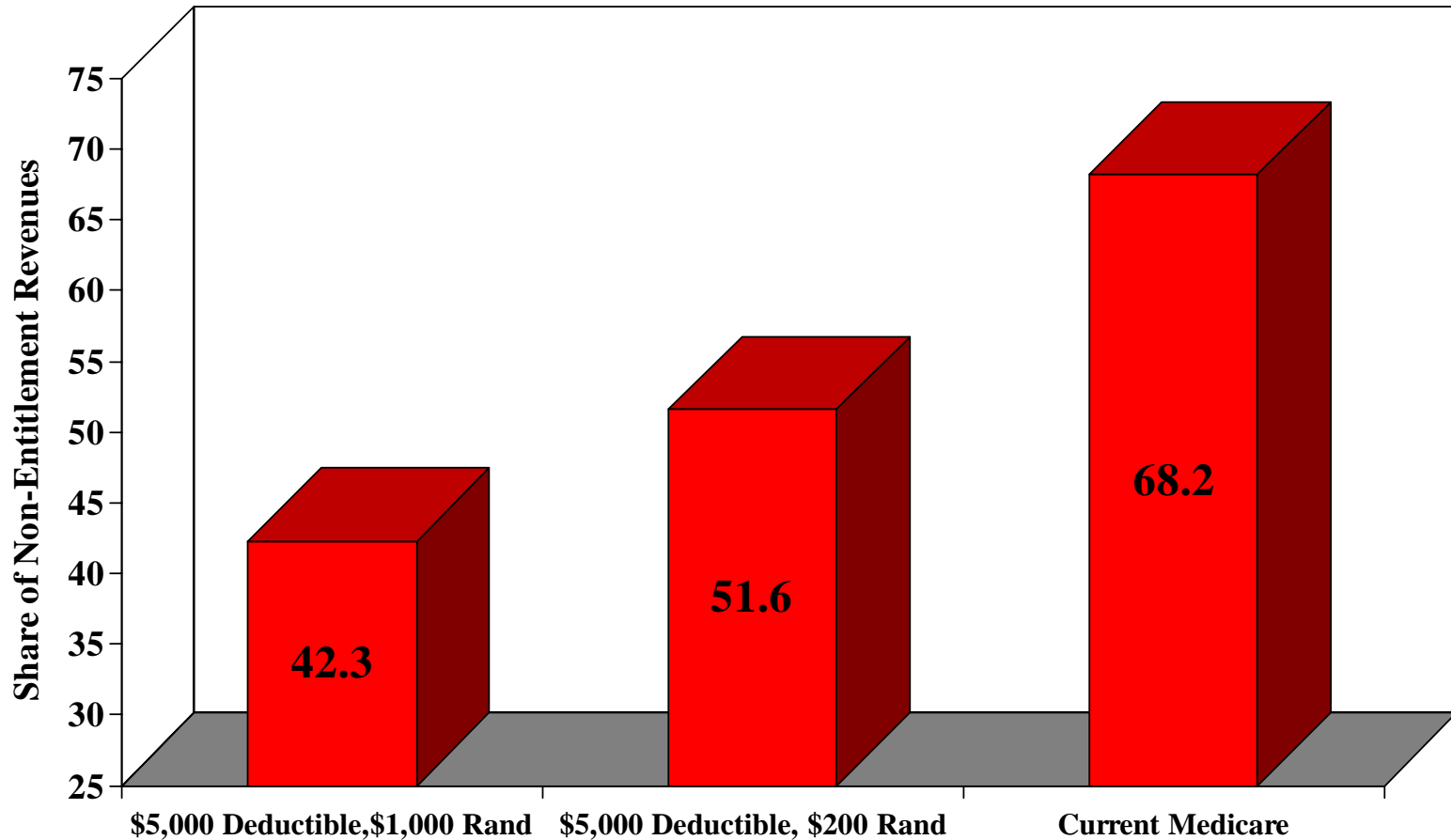


General Revenue Share

No-First-Dollar Medicare Versus Current Medicare Expenditures



No-First-Dollar Medicare and Current Medicare Terminal Year Share of Non-Entitlement Revenues



75-year Unfunded Liability

