

Talking Points on the Medicare Trigger

Virtually all independent experts have confirmed what most of the public already knows: Rising health care costs and the retirement of the Baby Boomers make Medicare's financial future precarious. Yet while Republicans have advanced plans to improve this important program's solvency, Democrats seem intent on ignoring the looming entitlement crisis until it is too late.

Medicare Comprises a Large—and Growing—Share of Government Spending

In 2006, the Centers for Medicare and Medicaid Services reports that Medicare outlays were \$408.3 billion. Comparable 2006 data from other government agencies demonstrates the relative size of Medicare's budget:

- If Medicare were its own country, it would have the 17th largest economy of the 180 national economies ranked by the World Bank.
- Federal Medicare spending exceeds the total national GDP of the 16 countries that comprise southern Africa *combined*.
- The federal government spends more money on Medicare than the Departments of Agriculture, Education, Energy, Homeland Security, Transportation, and Veterans Affairs spend *combined*.
- The Medicare actuaries predict that over the next decade, Medicare spending will rise by an average 7.4% per year—more if scheduled reductions in physician payments do not take effect.

Medicare Faces a Bleak Financial Future

Projections from the Congressional Budget Office (CBO) and the annual report issued by the Medicare trustees provide some indication of the scope of the fiscal problems facing Medicare in the future:

- The Medicare trustees report released in March projected that the Medicare Hospital Insurance Trust Fund will be exhausted in 2019—just over a decade from now.
- The trustees also project that overall spending on Medicare will rise from its 2006 level of 3.1% of GDP to reach 7.0% of GDP by 2035 and 10.8% GDP by 2082—nearly twice the size of Social Security, and more than one dollar out of every ten spent (public or private) nationwide.
- CBO estimates—which, unlike the trustees' report, presume that health costs will continue to rise at a pace consistent with past trends—that Medicare alone will constitute 17% of GDP by 2082—a nearly sixfold increase from 2006 and equal to all health care spending (private and public) today.
- A former Medicare trustee found that, in order to solve the program's funding shortfall, Part B premiums would need to rise to over \$3,000-\$5,000 per month *in today's money* if the share of general revenue Medicare funding remains constant.

Democrats Have No Plan to Restore Medicare's Solvency

While the Congressional Budget Office has concluded that “the main message [from both reports] is that health care spending is projected to rise significantly and that changes in federal law will be necessary to avoid or mitigate a substantial increase in federal spending on Medicare,” Democrats have not acted to fix the problem:

- When the Medicare trustees released their report noting that Medicare faces nearly \$86 trillion in unfunded obligations, Ways and Means Health Subcommittee Chairman Pete Stark responded by saying, “I don't think it makes any difference what [the trustees] say” about the precarious state of Medicare's funding.
- Former Comptroller General David Walker has noted that each year Congress does not act to reform its entitlement obligations, the size of the debt the next generation of Americans face grows by \$2 trillion.
- Republicans have put forth several proposals to close the size of the Medicare funding gap—but Democrats would rather grow the federal debt than take reasonable steps to slow the growth of America's massive government programs.

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