



17 Medicare Facts

by Twila Brase, RN, PHN

- 1. Medicare is essentially compulsory.** People who refuse to join Medicare Part A are not allowed to receive their earned Social Security benefits.¹ *Brian Hall, et al. v. Kathleen Sebelius, et al*, was filed October 9, 2008 and appealed June 14, 2011. On June 30, 2011, U.S. Sen. Jim DeMint and 12 GOP colleagues introduced the Retirement Freedom Act to decouple Medicare from Social Security.² On February 7, 2012, the D.C. Circuit Court of Appeals held that “*because plaintiffs are entitled to Social Security benefits and are 65 or older, they are automatically entitled to Medicare Part A benefits. The statute offers no path to disclaim their legal entitlement to Medicare Part A benefits.*”³
- 2. Medicare patients cannot pay cash for care.** A 1997 law (Balanced Budget Act, section 4507) forbids private contracts between patients and doctors. With few exceptions, Medicare recipients cannot pay cash for a Medicare-covered service that Medicare denies until the doctor has opted out of Medicare.⁴ Most physicians cannot afford to opt out. Obamacare cut \$716 billion from Medicare⁵ and enacted two administrative panels that are expected to advance rationing: the Independent Payment Advisory Board (IPAB)⁶ and the Patient-Centered Outcomes Research Institute (PCORI).⁷
- 3. Initial refusal to enroll in Medicare Part B leads to costly penalties.** Seniors are automatically enrolled in Medicare Part B. Those who refuse and later change their minds will pay a premium for the rest of their lives that is 10 percent higher for *each* year they were not enrolled.⁸
- 4. Citizens do not have a right to their Medicare contributions (payroll taxes).** There is no binding contract between the government and citizens for future payment of Medicare benefits.⁹ Congress can alter or eliminate Medicare benefits at its discretion.
- 5. Medicare comes in four parts.** Part A (hospitalization insurance) is funded through payroll taxes.¹⁰ In 2010, Obamacare increased the payroll tax for individuals earning more than \$200,000 and couples earning more than \$250,000.¹¹ In 2006, Part B (coverage for physician services, diagnostic tests, and other services) was funded approximately 76% by federal income taxes and 21 percent by Medicare recipients.¹² Under Part C, the Medicare Advantage HMO managed care plan, insurers receive approximately \$800 per month per Medicare enrollee (12-18% more per individual than in traditional Medicare).¹³ Part D allows senior citizens to pay for and receive subsidized drug coverage.¹⁴

- 6. Medicare dependency is growing.** In 2003, there were 42 million Medicare recipients.¹⁵ In 2010, there were 46.5 million recipients.¹⁶ In 2011, the first of 77 million baby boomers began entering Medicare.¹⁷
- 7. Medicare is heading toward bankruptcy.** In 1965, 4.6 workers/taxpayers supported each Medicare recipient.¹⁸ In 2005, 3.8 workers supported each recipient.¹⁹ In 2010, there were less than three workers per retiree. In 2030, only 2.3 workers/taxpayers are estimated per Medicare recipient.²⁰ Medicare is expected to grow from 3.7% of GDP in 2011 to 5.7% in 2035 to 6.7% of GDP by 2086.²¹
- 8. Medicare is not health insurance.** Medicare does not pay for hospitalization longer than 150 days, and there is no cap on out-of-pocket expenses.²² “Medigap” insurance is often purchased to cover out-of-pocket costs, including coinsurance and copays, and to protect against huge medical bills not covered by Medicare. In 2011, there is a choice of ten standardized Medigap policies.²³
- 9. Medicare Advantage is HMO coverage.** With the 1965 enactment of Medicare, 19 million seniors received free access to health care without having paid a penny for it. To stem the run on the U.S. Treasury, the HMO Act of 1973 was enacted, providing \$375 million for the development of HMOs nationwide and the eventual placement of Medicare recipients into HMOs to limit access to care.²⁴
- 10. Medicare recipients pay much less in Medicare taxes than they receive in care.** An average-wage, two income couple together earning \$89,000 a year that retires in 2011 will have paid \$114,000 in Medicare payroll taxes and can expect to receive services, including prescriptions, worth \$355,000.²⁵
- 11. Medicare pays only about half of all health care costs of seniors.** In 1997, 39,840 seniors paid an average of \$22,124, either in out of pocket costs or supplemental insurance.²⁶ Medicare does not cover the cost of long-term care and nursing home care unless related to hospitalization or other urgent care.²⁷
- 12. Medicare frequently denies payment.** In 2001, 3.7 million appeals were filed for denial of payment by Medicare Part B.²⁸ Despite a 2000 law requiring swift processing of appeals, a 2003 report by the General Accounting Office found significant delays in appeals processing.²⁹
- 13. Medicare has not significantly decreased out of pocket payments for seniors.** In 2000, a study by the American Association of Retired Persons (AARP) found seniors paying about \$2,510 per year - 19% of their income - on out-of-pocket costs.³⁰ This does not include home care or nursing home care. In 1964, a year before Medicare passed, seniors were paying 20% of their income on health care.³¹
- 14. Medicare wastes taxpayer dollars.** Almost \$107 billion in improper payments were paid between 1997 and 2003.³² In 2002, \$13.3 billion was lost to improper payment.³³ In 2010, \$47.9 billion was improperly paid.³⁴ CCHF calculates the 2010 loss at \$131 million per day.
- 15. Doctors, hospitals and others who accept Medicare patients are at enormous risk.** There are over 130,000 pages of Medicare regulations that must be meticulously followed.³⁵ In

1996, Congress made health care fraud a federal crime - a felony.³⁶ Even minor billing errors can be considered fraud and extrapolated across the practice. Obamacare increased fines per violation from \$10,000 to \$50,000.³⁷

16. Medicare threatens patient privacy. The federal government requires home health agencies to regularly send private data on Medicare recipients. This is called the Outcomes Assessment Information System (OASIS).³⁸ Obamacare requires extensive reporting by doctors and hospital on patient treatments and outcomes.³⁹ And, doctors and hospitals that make inadvertent errors in billing can be forced to hand over the patient's entire medical record for investigation of fraud.⁴⁰

17. Medicare dollars are used for other purposes. Medicare dollars fund medical education and a research institute (PCORI) created under Obamacare, leaving fewer dollars for treating patients.⁴¹ Obamacare transfers more than \$2 per Medicare recipient to the Patient Centered Outcomes Research Institute (PCORI) per year.⁴² In 2008, Medicare paid \$9.0 billion to train doctors.⁴³

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¹ Sue A. Blevins, *Medicare's Midlife Crisis* (Washington, D.C.: Cato Institute, 2001), p. 11.

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⁵ Sarah Kliff, "Romney's right: Obamacare cuts Medicare by \$716 billion. Here's how," *The Washington Post*, August 14, 2012, See <http://www.washingtonpost.com/blogs/wonkblog/wp/2012/08/14/romneys-right-obamacare-cuts-medicare-by-716-billion-heres-how/>. Accessibility verified March 11, 2013.

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