17 Medicare Facts


- **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. Most physicians cannot afford to opt out. Obamacare cut $500 billion from Medicare and enacted two administrative panels that are expected to advance rationing: the Independent Payment Advisory Board (IPAB) and the Patient-Centered Outcomes Research Institute (PCORI).

- **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.

- **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. Congress can alter or eliminate Medicare benefits at its discretion.

- **Medicare comes in four parts.** Part A (hospitalization insurance) is funded through payroll taxes. In 2010, Obamacare increased the payroll tax for individuals earning more than $200,000 and couples earning more than $250,000. 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. 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). Part D allows senior citizens to pay for and receive subsidized drug coverage.

- **Medicare dependency is growing.** In 2003, there were 40 million Medicare recipients. In 2010, there were 47.5 million recipients. In 2011, the first of 77 million babyboomers began entering Medicare.

- **Medicare is heading toward bankruptcy.** In 2011, Medicare’s unfunded liability is $25 trillion, likely an underestimate “because it counts on 165 cost-savings changes” in Obamacare that are unlikely to occur such as a 30% cut to physician payments (*USA Today*, June 7, 2011). According to the Medicare Trustees 2011 report, Medicare will be insolvent by 2024—five years earlier than estimated in 2010. Each new Medicare beneficiary is expected to cost $7,700 per year and “the total cost of the program to expand to $929 billion in 2020—an 80% increase over 10 years.” (American Health Line blog, 12/30/2010)

- **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. “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.

• **Medicare faces insufficient funding.** In 1965, 8.6 workers/taxpayers supported each Medicare recipient. In 2003, about 4 workers/taxpayers supported each recipient. In 2010, there were less than three workers/taxpayers per retiree. In 2030, only 2.3 workers/taxpayers are estimated per Medicare recipient. Medicare is expected to grow from 3.6% in 2010 to 5.6% of GDP in 2035.

• **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.

• **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. Medicare does not cover the cost of long-term care and nursing home care unless related to hospitalization or other urgent care.

• **Medicare frequently denies payment.** In 2001, 3.7 million appeals were filed for denial of payment by Medicare Part B. Despite a 2000 law requiring swift processing of appeals, a 2003 report by the General Accounting Office found significant delays in appeals processing.

• **Medicare has not significantly decreased out of pocket payments for seniors.** In 2000, a study by the American Assn of Retired Persons (AARP) found seniors paying about $2,510 per year - 19% of their income - on out-of-pocket costs. 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.

• **Medicare wastes taxpayer dollars.** Almost $107 billion in improper payments were paid between 1997 and 2003. In 2002, $13.3 billion was lost to improper payment. In 2010, $47.9 billion was improperly paid (HealthLeaders, 7/29/11). CCHF calculates the 2010 loss at $131 million per day.

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

• **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). Obamacare requires extensive reporting by doctors and hospital on patient treatments and outcomes. 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.

• **Medicare dollars used for other purposes.** Medicare dollars fund medical education and a research institute (PCORI) created under Obamacare, leaving fewer dollars for treating patients. Obamacare transfers more than $2 per recipient to PCORI/yr. In 2008, Medicare paid $9.0 billion to train doctors.

Information taken liberally from Medicare’s Midlife Crisis (Sue Blevins, Institute for Health Freedom, published by Cato Institute); GAO REPORT: “Medicare Appeals: Disparity between Requirements and Responsible Agencies’ Capabilities” (September 2003); The Medicare Program as a Capstone to the Great Society—Recent Revelations in the LBJ White House Tapes (Larry DeWitt, May 2003); Kaiser Family Foundation documents; testimony to Congress (House Budget Committee) from the Office of Inspector General (July 9, 2003); Americans for Tax Reform; the 2010 Affordable Care Act; National Review and other sources.