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May 11, 2012

Congressional Research Service
7-5700
www.crs.gov
R41436

CRS Report for Congress
Prepared for Members and Committees of Congress

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Medicare is the nation's health insurance program for individuals aged 65 and over and certain disabled persons. Medicare consists of four distinct parts: Part A, or Hospital Insurance (HI); Part B, or Supplementary Medical Insurance (SMI); Part C, or Medicare Advantage (MA); and Part D, the prescription drug benefit. The Part A program is financed primarily through payroll taxes levied on current workers and their employers; these are credited to the HI trust fund. The Part B program is financed through a combination of monthly premiums paid by current enrollees and general revenues. Income from these sources is credited to the SMI trust fund. Beneficiaries can choose to receive all their Medicare services, except hospice, through managed care plans under the MA program; payment is made on their

behalf in appropriate parts from the HI and SMI trust funds. A separate account in the SMI trust fund accounts for the Part D drug benefit; Part D is financed through general revenues, beneficiary premiums, and state contributions. The HI and SMI trust funds are overseen by a board of trustees that makes annual reports to Congress. The 2012 report of the Medicare Board of Trustees estimates that the HI trust fund will become insolvent in 2024, the same as it had predicted in the 2011 report. This recent projection still postpones depletion further in the future than the year of 2017, as projected in the 2009 report prior to the passage of the Patient Protection and Affordable Care Act (ACA, P.L. 111-148), as amended, but earlier than the 2029 date estimated in the 2010 report immediately after the ACA's enactment. Because of the way it is financed, the SMI fund cannot face insolvency; however, the trustees project that SMI expenditures will continue to grow rapidly, and thus place increasing demands on Medicare beneficiaries and all taxpayers. The trustees estimate that total Medicare costs will increase from 3.7% of GDP in 2011 to 6.7% in 2086. Although the Medicare trustees report that the financial outlook for the Medicare program appears to have improved as a result of ACA, they caution that the projections in the report are more uncertain than normal, due to the potential for future expenditure reductions not to materialize. In addition, the report projections assume that reductions in physician payment rates scheduled under current law will occur, although these reductions have usually been overridden by Congress. As such, as it has done each year subsequent to the enactment of ACA, the Centers for Medicare Medicaid Services (CMS) Office of the Actuary issued a supplemental analysis that provides projections based on an "illustrative alternative" to current law.~