

# How Will the Affordable Care Act Affect the Elderly and Disabled on Medicare?

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# New Health Law Puts Seniors at Risk

The National Center for Policy Analysis says the new health care law enacted last spring will be devastating for the elderly and the disabled because of draconian cuts in payments to doctors and hospitals.

Unless the law is changed by a future Congress, says the NCPA, Medicare beneficiaries will be pushed into a separate health care system and will not have the same access to care as the rest of the population. According to Professor Thomas R. Saving, a former Trustee of Medicare:

- Medicare payment rates will fall below the rates paid by Medicaid (for low-income families) by the end of this decade and will fall even further behind all other payers in succeeding decades.
- Whereas Medicaid pays about 80 percent of what private insurance pays today, the payment rates will fall to two-thirds of private payment by the end of this decade and one-half of private payment by midcentury.
- Just as Medicaid patients must often seek care at community health centers and safety net hospitals today, seniors could face similar access problems in the near future.

In terms of dollars spent:

- The annual reduction in spending will reach \$2,300 per beneficiary by 2020 and \$3,844 by 2030.
- By the time today's teenagers reach the retirement age, one-third of Medicare will effectively be gone.

Under current law, seniors are generally not allowed to top up what Medicare pays in order to match what other payers are paying for care. This inability will make them the least preferred patients for providers. However,

- If seniors are allowed to make up for the cuts in Medicare spending with out-of-pocket payments, they will need to spend 10 percent of the average Social Security check by 2017.
- Fifty years from now, seniors will need to spend half of their Social Security income to offset the decline in Medicare spending.

The report says the Affordable Care Act (ObamaCare) led to a huge improvement in Medicare's finances, as reflected in the most recent Trustee's report. But the improvement is made possible by huge cuts in Medicare benefits for the elderly and the disabled and will materialize only if future Congresses do not undo those cuts.

# Comparing Unfunded Obligations



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# 2009 and 2010 Trustees Reports Estimates of Medicare's 75-year Unfunded Obligations

	2009 Trustees Report Trillions	2010 Trustees Report Trillions	Percent Change
Part A	\$13.77	\$2.68	-81%
Part B	17.20	12.90	-25%
Part D	7.20	7.20	0%
<b>Total</b>	<b>\$38.17</b>	<b>\$22.78</b>	<b>-40%</b>

Sources: Tables III.B9, III.C15 and III.C23, 2009 and 2010 Medicare Trustees Reports.



# 2009 and 2010 Trustees Reports Estimates of Medicare's Infinite Horizon Unfunded Obligations

	2009 Trustees Report Trillions	2010 Trustees Report Trillions	Percent Change
Part A	\$36.72	-\$0.30	-101%
Part B	37.00	21.10	-43%
Part D	15.50	15.80	2%
<b>Total</b>	<b>\$89.22</b>	<b>\$36.60</b>	<b>-59%</b>

Sources: Tables III.B10, III.C15 and III.C23, 2009 and 2010 Medicare Trustees Reports.



# Comparing the Annual Flows

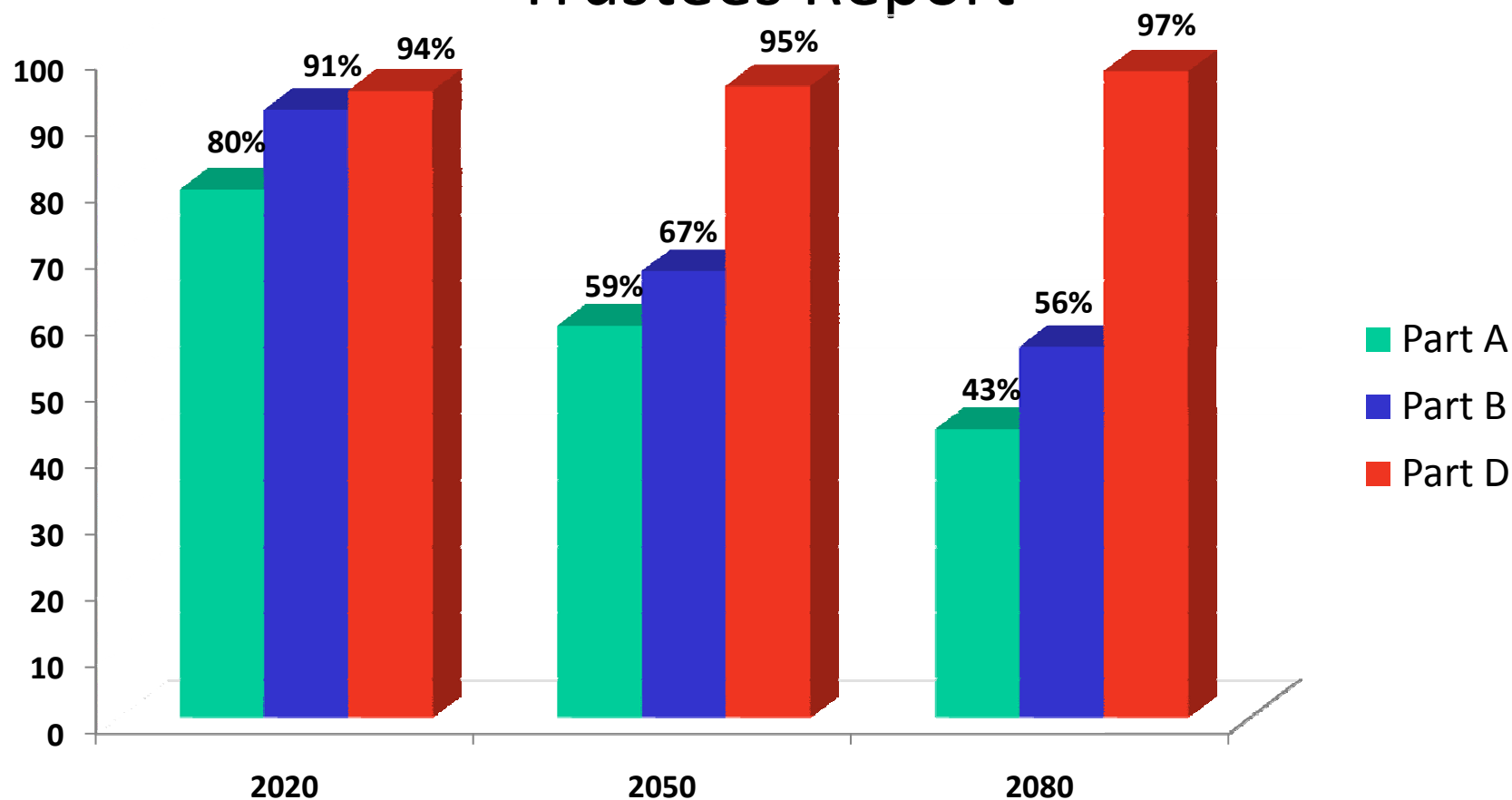


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# Medicare Spending from the 2010 Trustees Report as a Percent of Spending from the 2009 Trustees Report



Sources: Table III.A2. 2009 and 2010 Medicare Trustees Reports. Percents reflect the 2010 Report's shares of GDP as percents of the 2009 estimates.



# Does the Patient Protection and Affordable Care Act “Bend the Curve?”

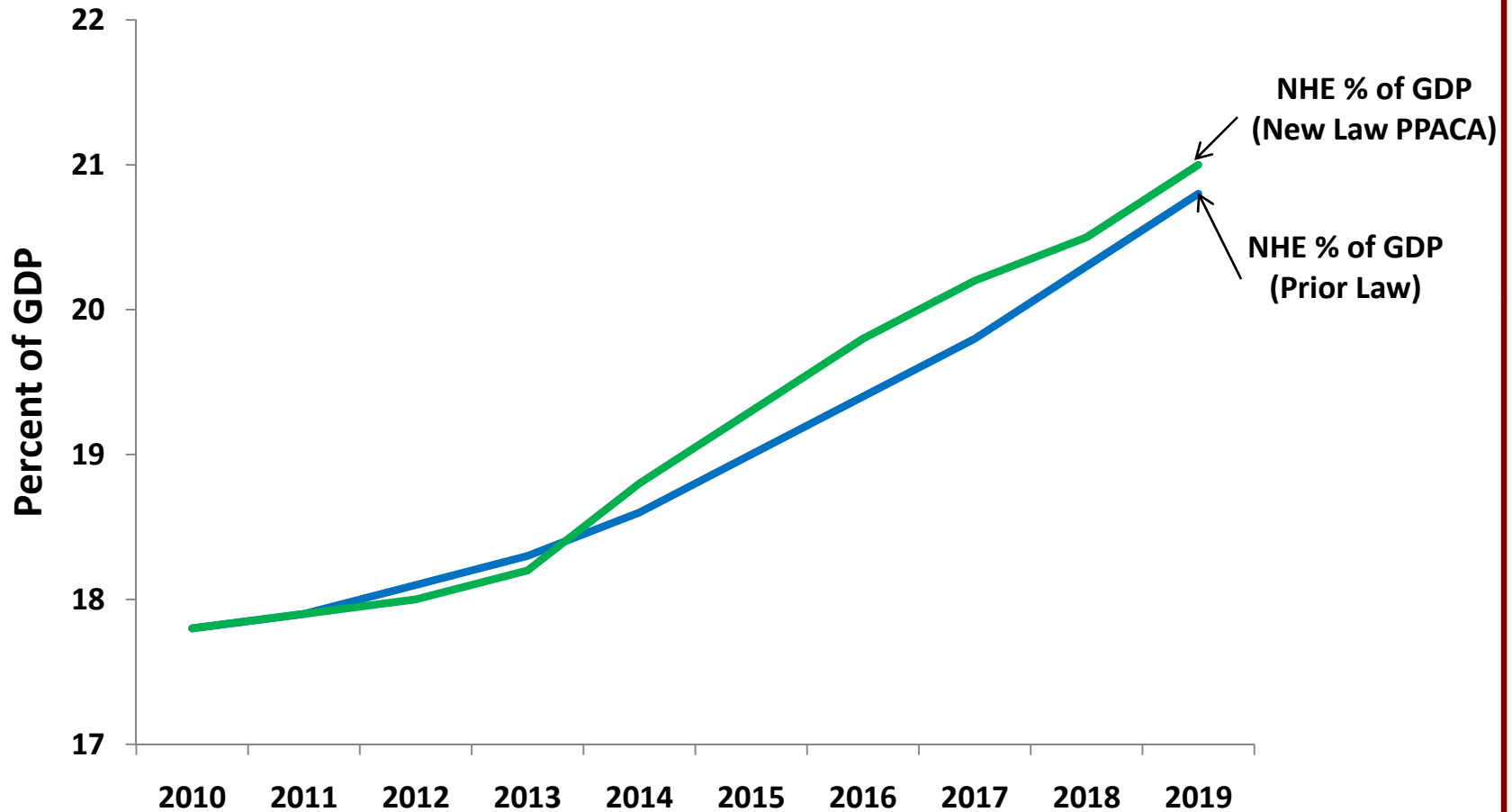


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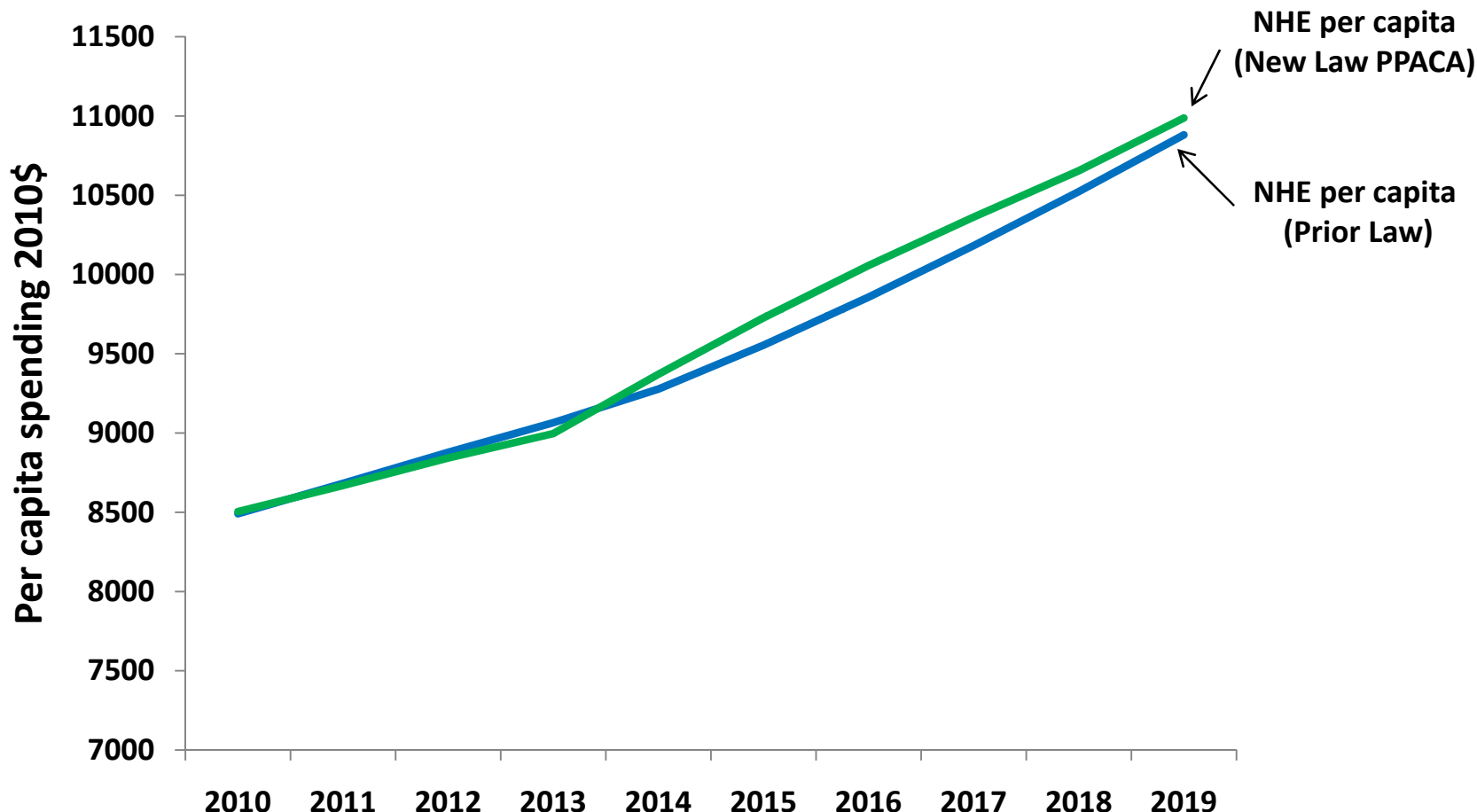
# National Health Expenditures (NHE) as a Percent of GDP



Source: Office of the Actuary memorandum, "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act,' as Amended," Richard S. Foster, Chief Actuary, April 22, 2010, Table 5.



# National Health Expenditures (NHE) per capita



Sources: Office of the Actuary memorandum, "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act,' as Amended," Richard S. Foster, Chief Actuary, April 22, 2010, Table 5. Population from NHE Projections 2009-2019.



# Bending the Medicare “Curve”

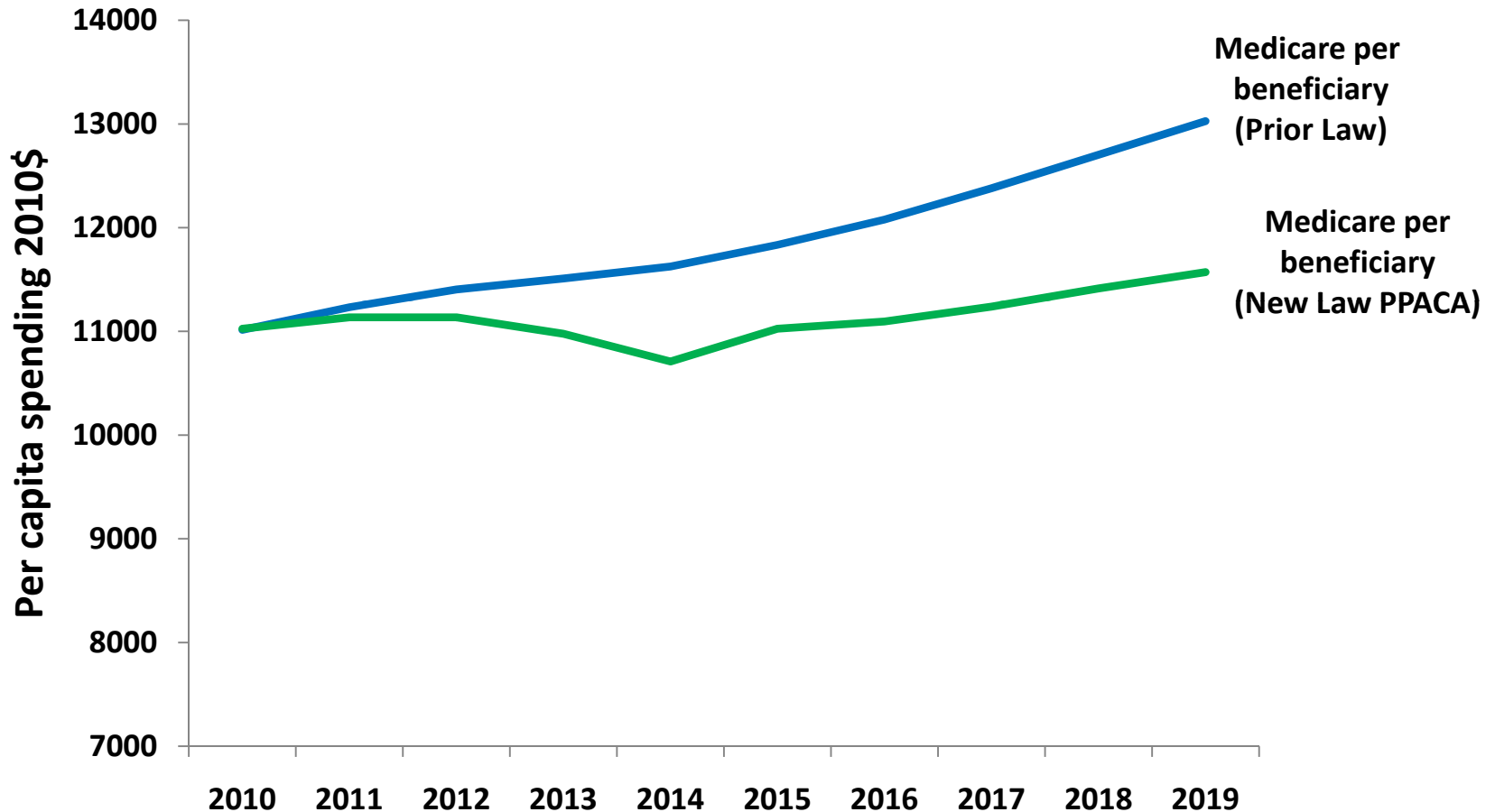


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# Medicare per Beneficiary



Sources: Office of the Actuary memorandum, "Estimated Financial Effects of the 'Patient Protection and Affordable Care Act,' as Amended," Richard S. Foster, Chief Actuary, April 22, 2010, Table 5 and 2009 Medicare and Social Security Trustees Reports.



# Long-Run Comparison

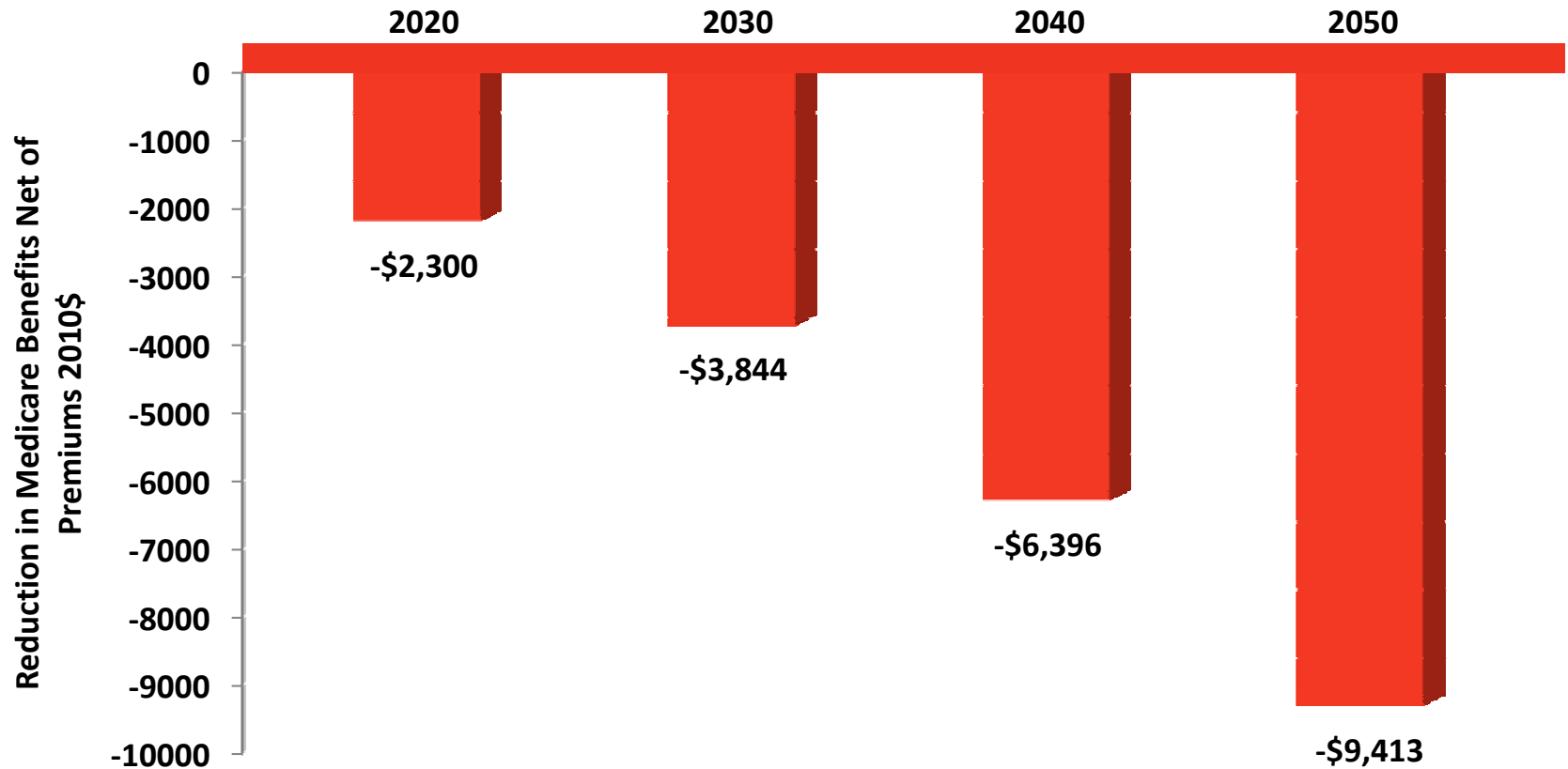


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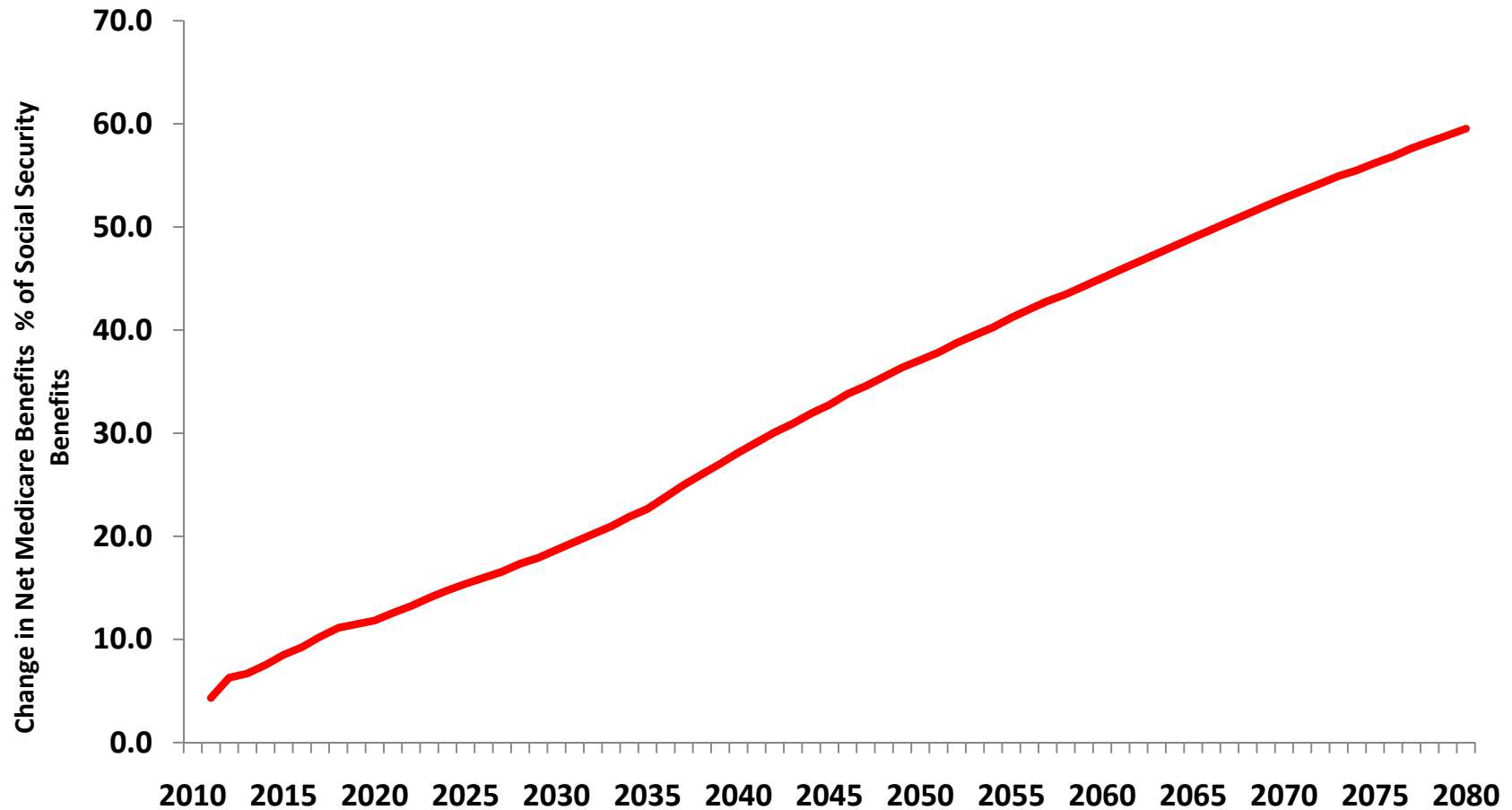
# Reduction in Medicare Benefits Per Beneficiary



Sources: Medicare benefits are net of premiums and premiums of 25 percent of Part B and D spending are assumed. 2009 Medicare benefits are from and May 12, 2009, Office of the Actuary memorandum and 2010 benefits are from 2010 Medicare Trustees Report.



# Percent of Social Security Income Required to Cover the Reduction in Medicare Benefits



Sources: Table III.A2. and A3. 2009 and 2010 Medicare Trustees Reports, Tables VI. F6 and F10 from 2009 and 2010 Social Security Trustees Reports, and May 12, 2009, Office of the Actuary memorandum. Social Security income is the income for average new retirees in each year.



# Implications of Spending Reductions

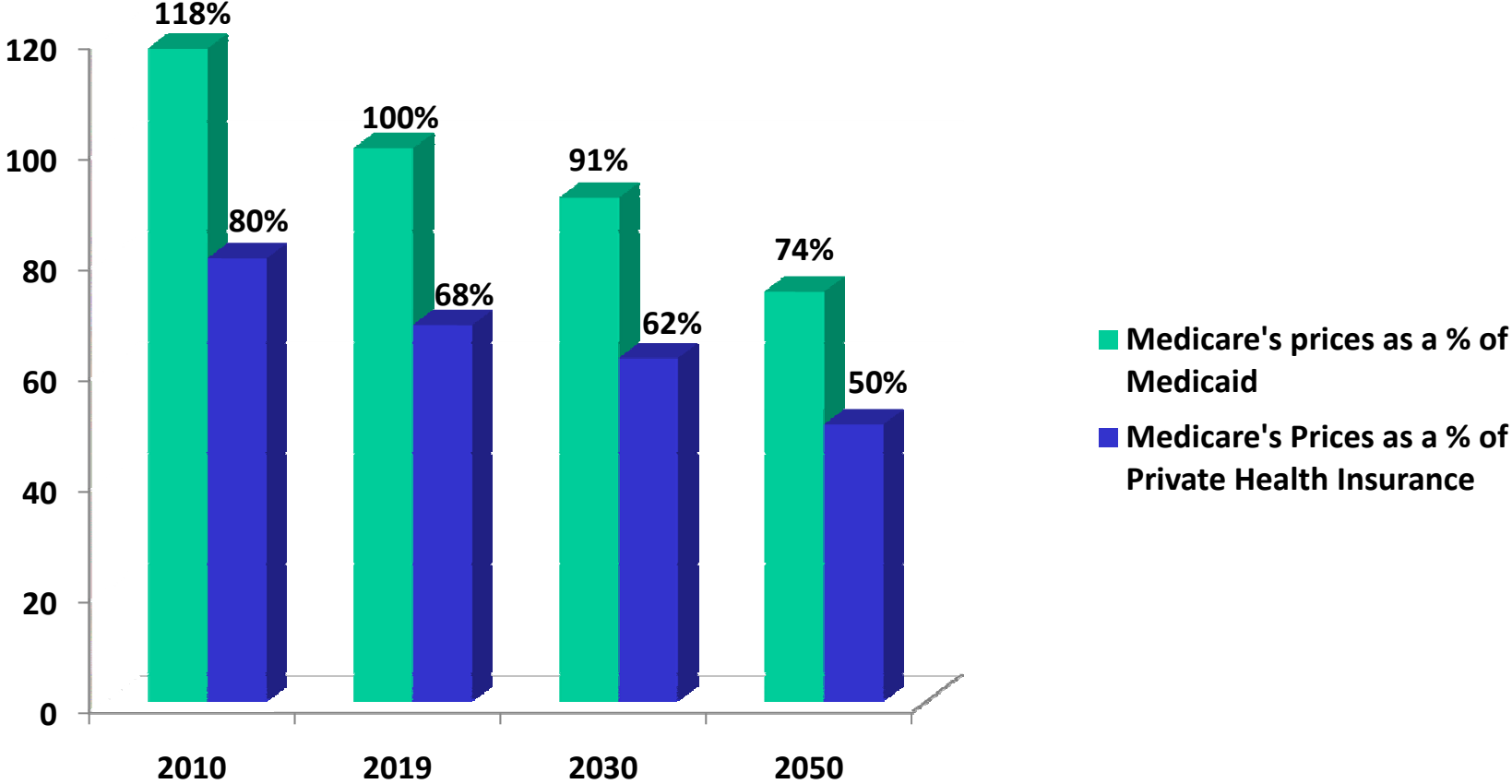


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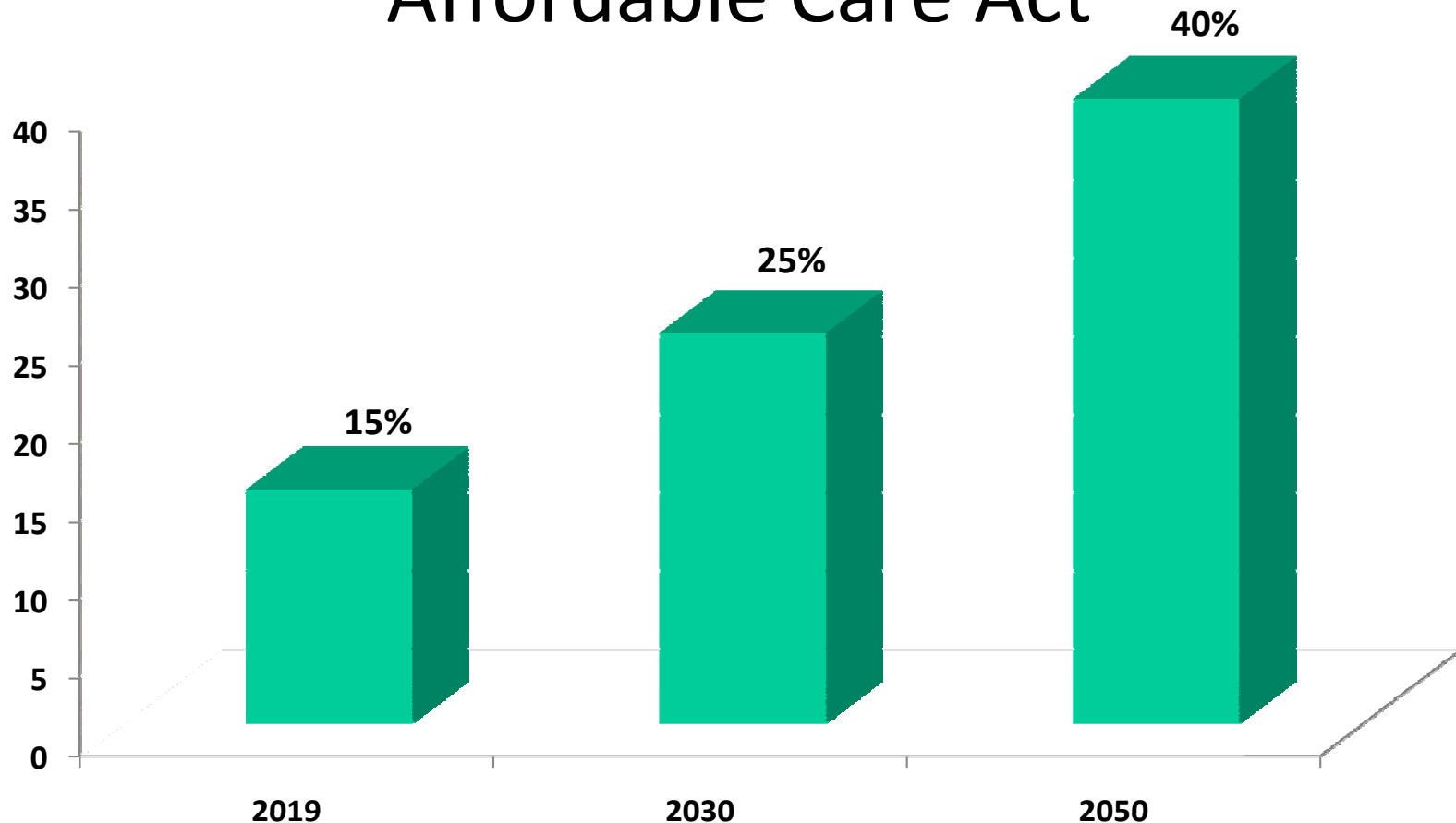
# Medicare Prices as a Percent of Other Payers



Source: Derived from Office of the Actuary Memorandum, August 5, 2010, Figure 1.



# Percent of Facilities with Negative Total Margins After the Passage of the Affordable Care Act



Source: Office of the Actuary Memorandum, August 5, 2010.



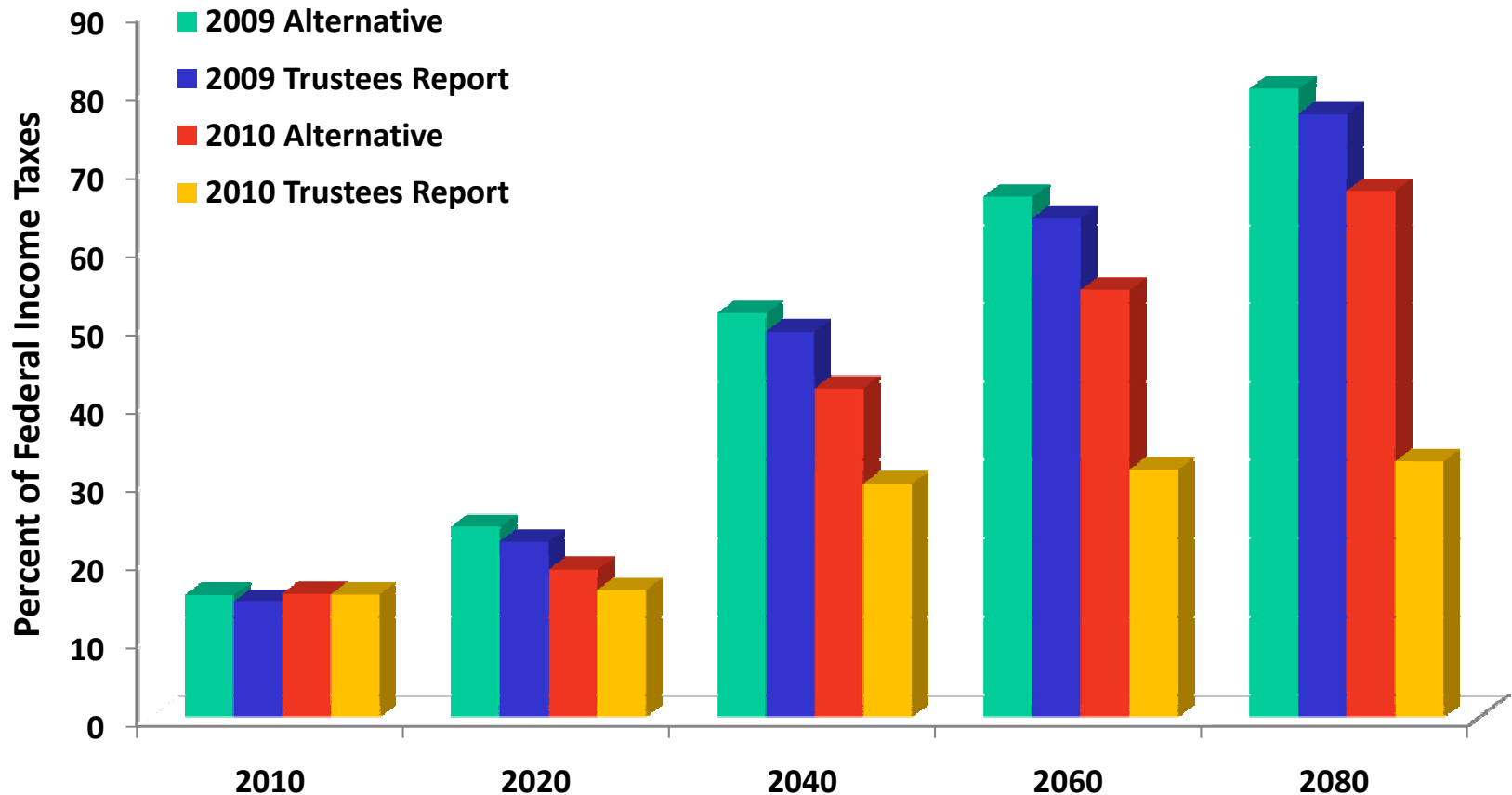
**I encourage readers to review the “illustrative alternative” projections that are based on more sustainable assumptions for physician and other Medicare price updates.**

**Richard S. Foster**

**Chief Actuary, Centers for Medicare and Medicaid Services, *2010 Medicare Trustees Report***



# Comparing Medicare's Total General Revenue Funding Requirements as Percents of Federal Income Taxes



Sources: Table III.A2. 2009 and 2010 Medicare Trustees Reports. Table VI.F4. 2009 and 2010 Social Security Trustees Reports. 2009 Alternative from May 12, 2009 Office of the Actuary Memorandum, Table 4. 2010 Alternative from August 5, 2010 Office of the Actuary Memorandum, Tables 4 & 5. Part B and D Premiums assumed to be 25 percent of spending. Federal individual and corporate income taxes assumed to be 10.6% of GDP, the 50 year average for 1960 to 2009.



# On the One Hand . . .

- The Affordable Care Act reduces Medicare's 75 – year unfunded obligations by over 40 percent between the 2009 and 2010 Trustees Reports.
- For this improvement to occur, net Medicare benefits per capita are lower in the 2010 Report than in last year's report.
  - In ten years they are 15 percent lower.
  - In twenty years they are 21 percent lower.



# On the Other Hand . . .

- Medicare's Trustees and the Chief Actuary caution that the estimates in the 2010 Trustees Report are too optimistic and Medicare's costs will be higher than reported.
- Consequently, the current Federal Budget estimates of deficits, the debt, and annual interest payments are too optimistic.

