

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

Thomas R. Saving

Director, Private Enterprise Research Center

Texas A&M University

Senior Fellow – National Center for Policy Analysis

Public Trustee – Social Security and Medicare Trust Funds

2000-2007



Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# Comparing Unfunded Obligations



Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# 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%
Total	\$38.17	\$22.78	-40%

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%
Total	\$89.22	\$36.60	-59%

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



# Comparing the Annual Flows

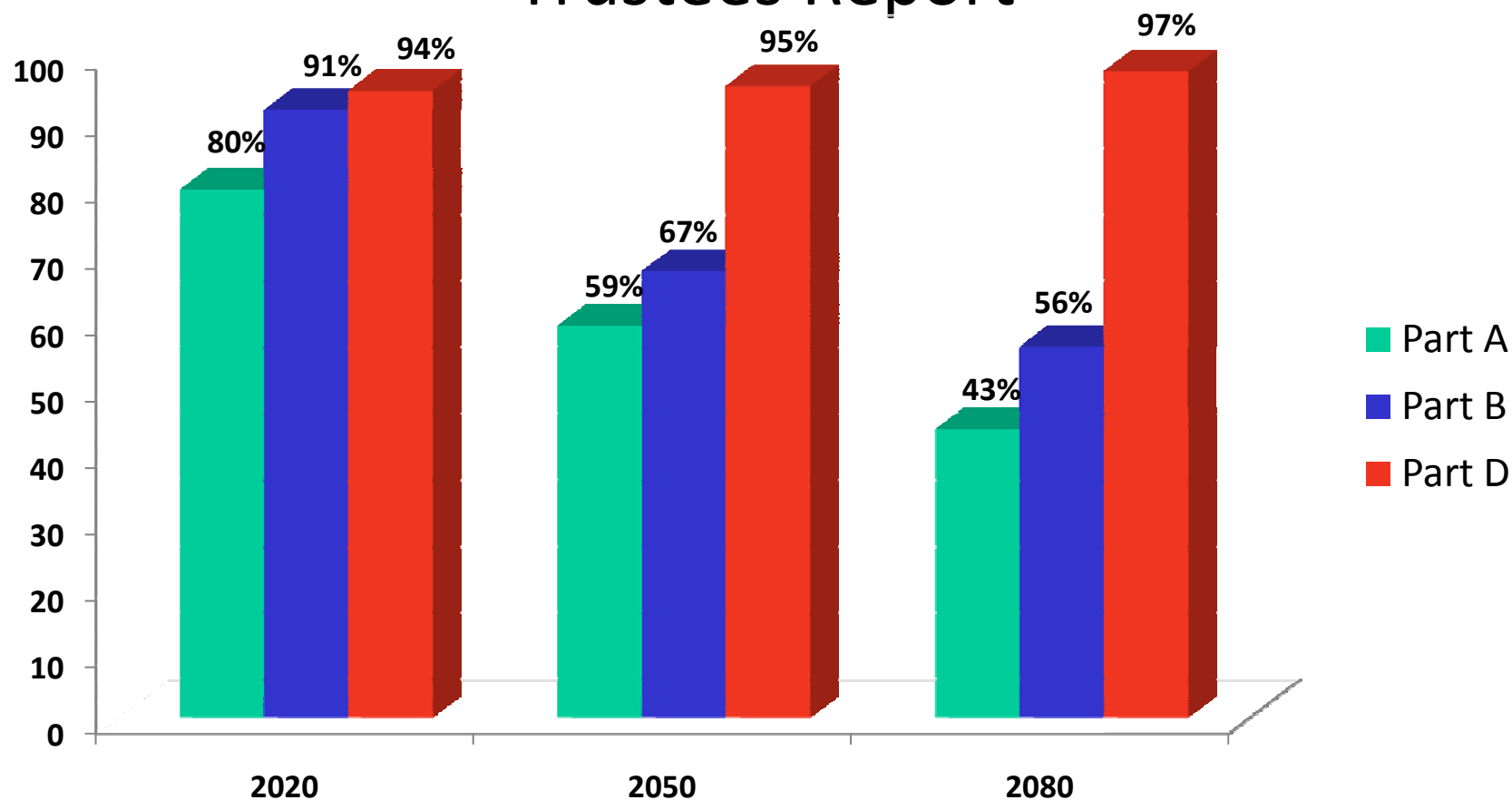


Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# 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?”**

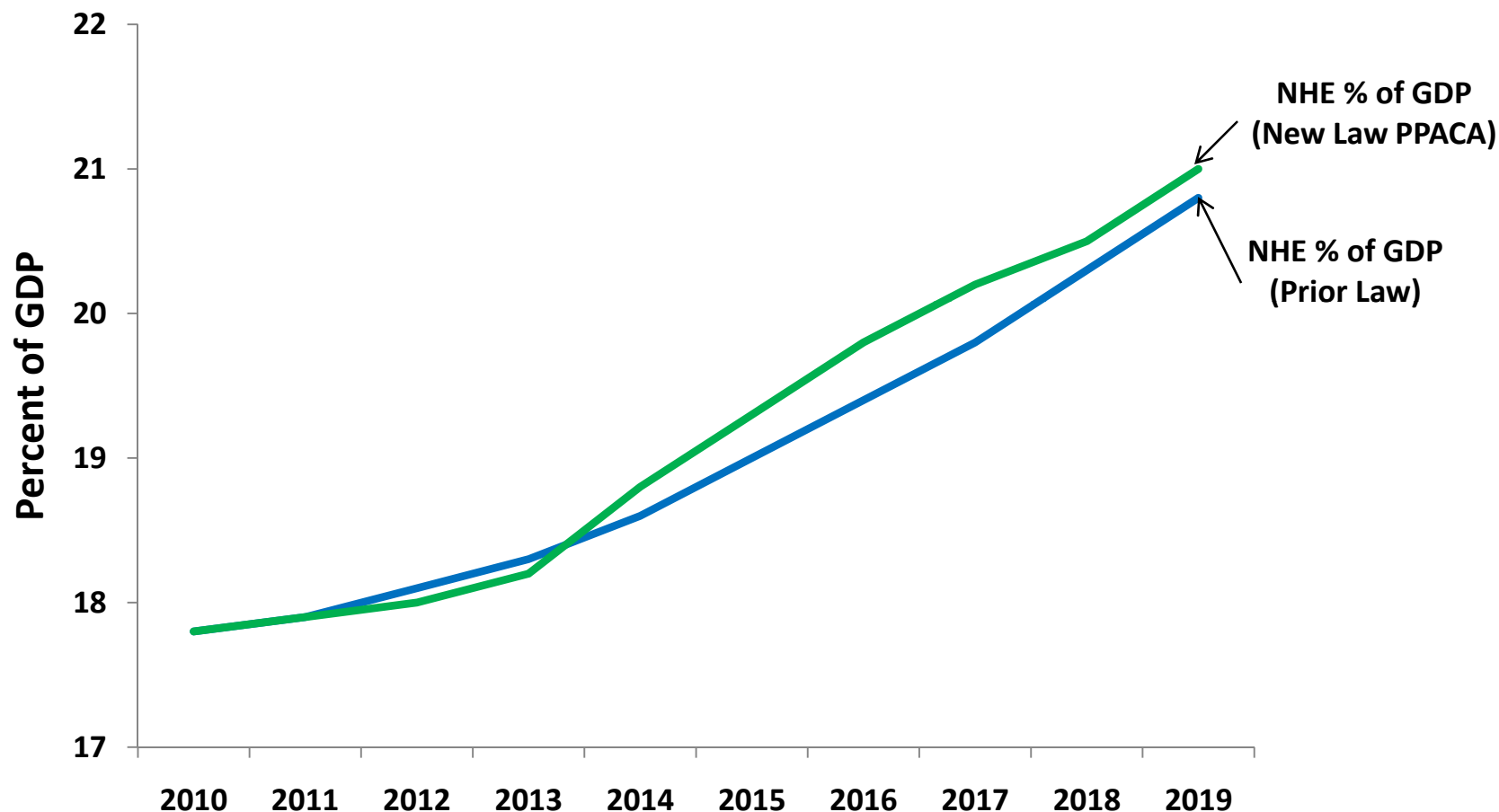


**Private Enterprise Research Center  
Texas A&M University**

**National Center for  
Policy Analysis**



# 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.



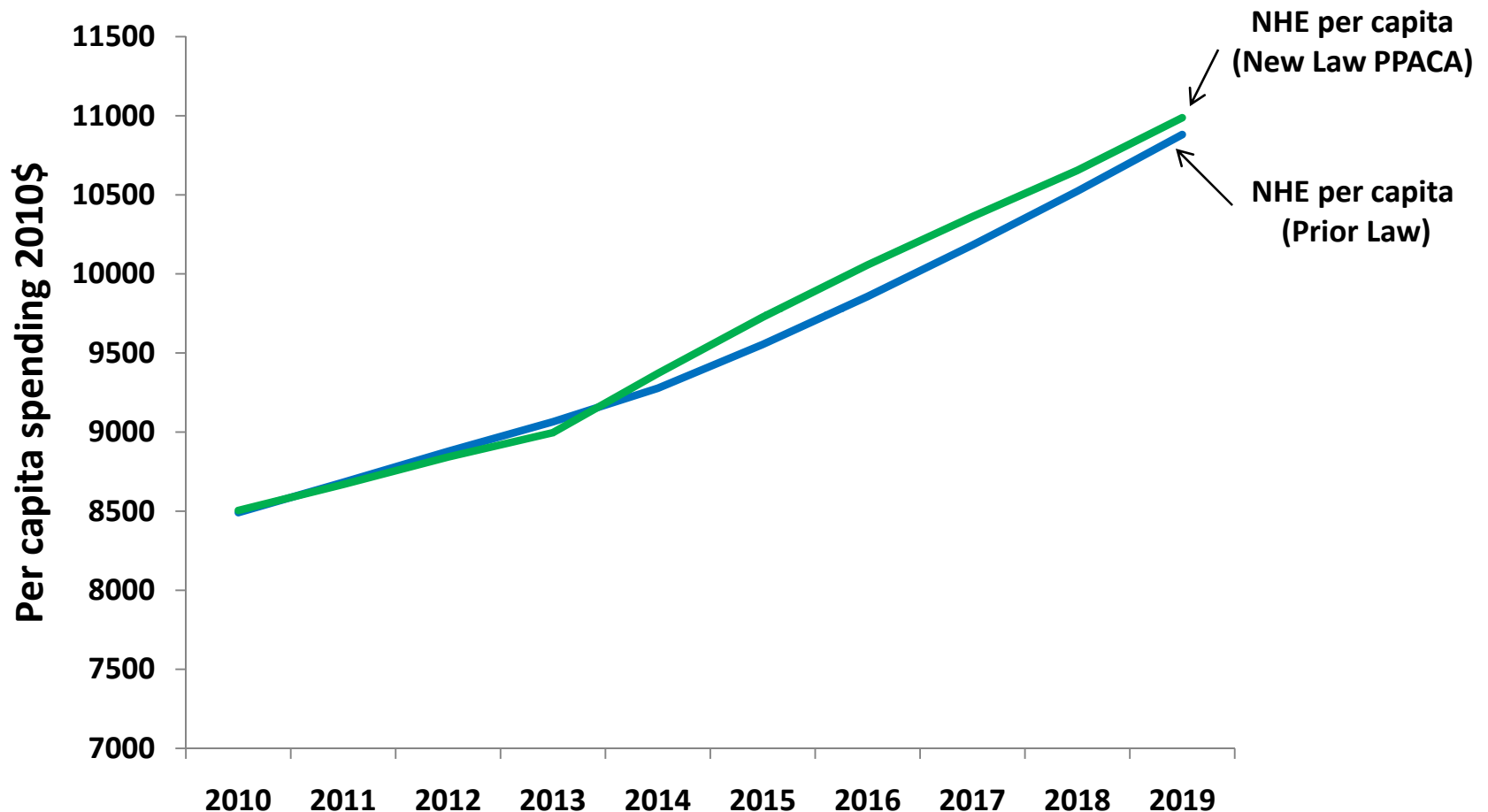
Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis





# 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 2009-1019.



Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# Bending the Medicare “Curve”

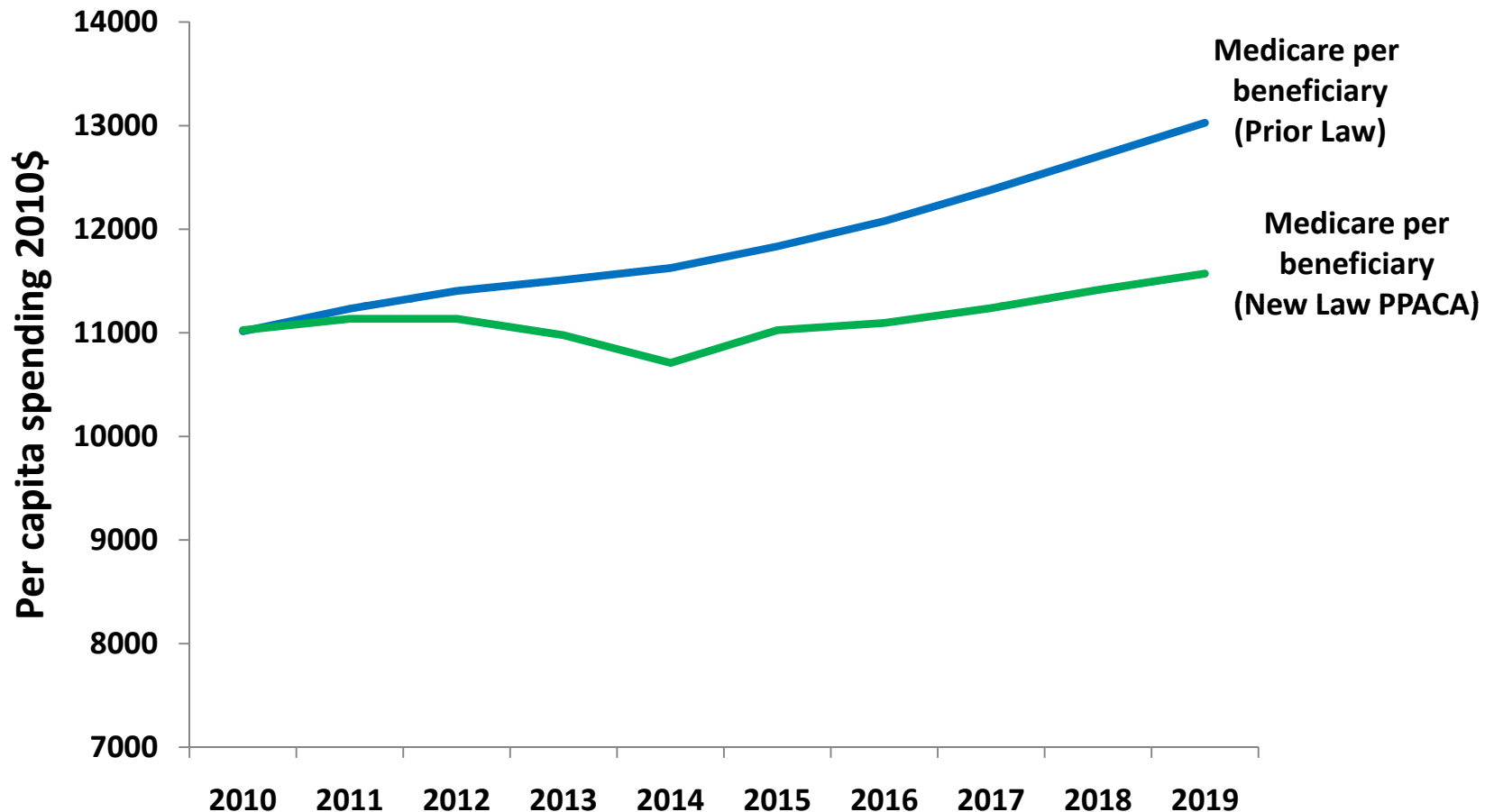


Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# 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.



Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# Long-Run Comparison

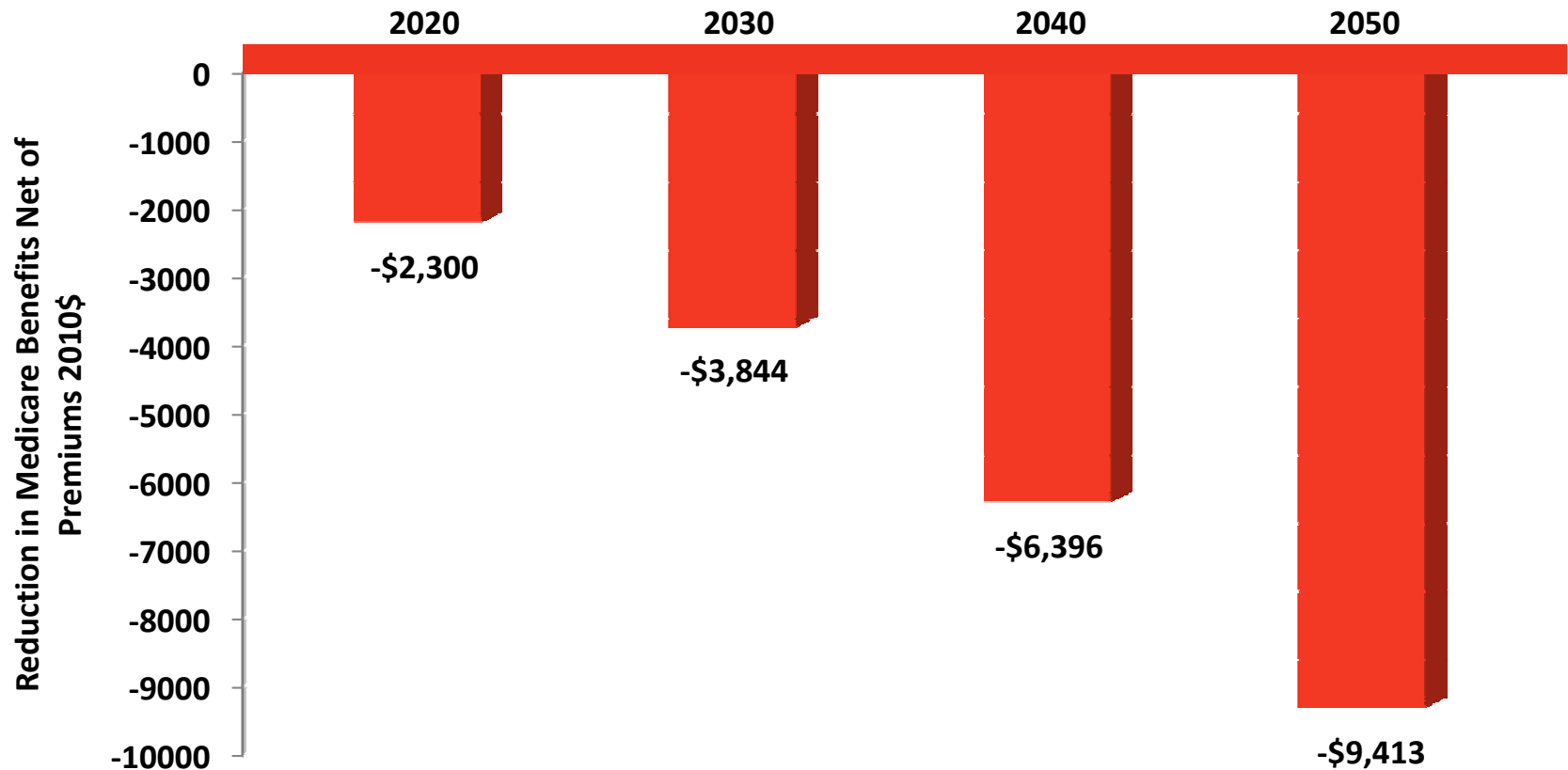


Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# 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.

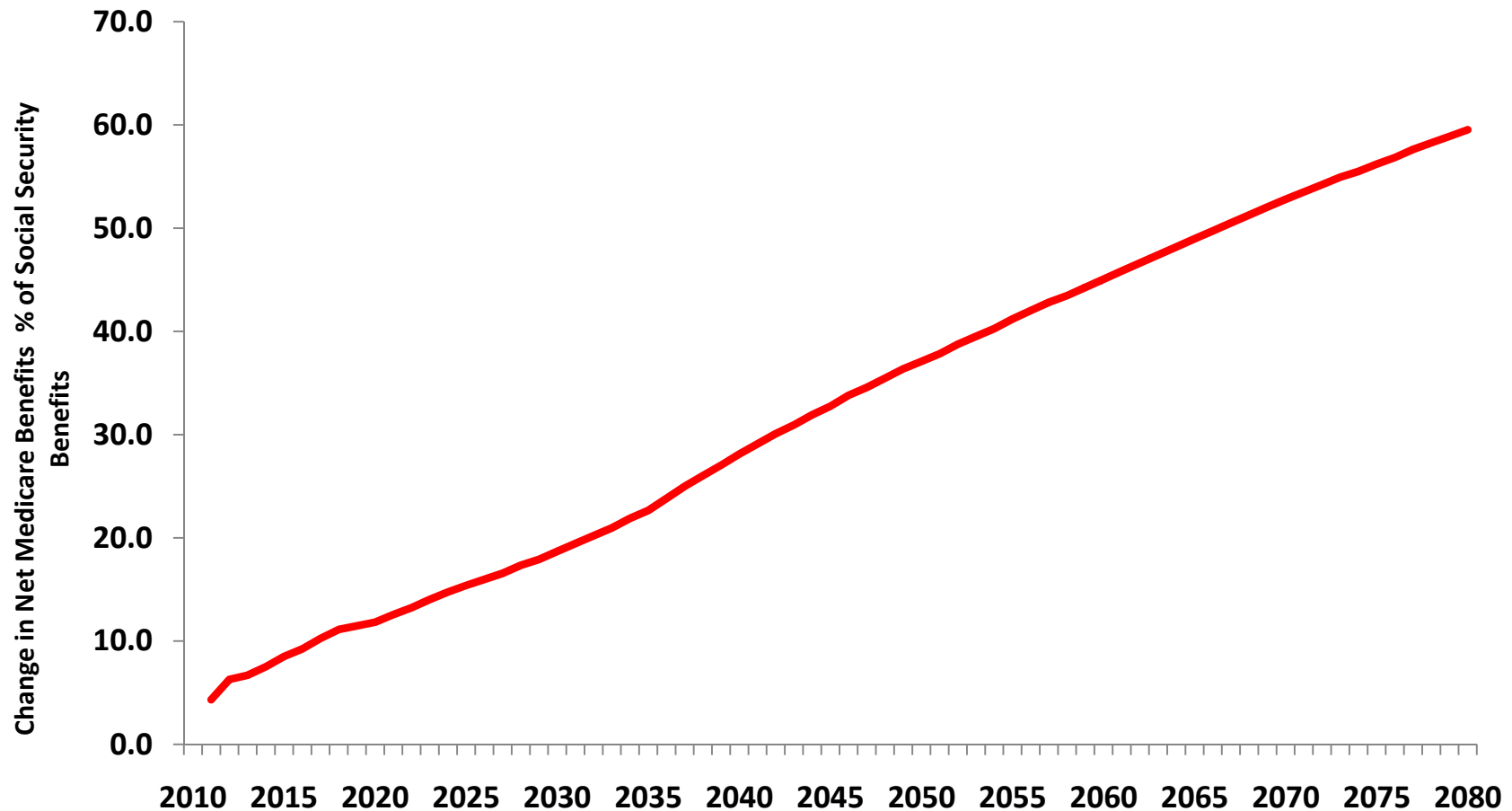


Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# 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.



**Private Enterprise Research Center**  
Texas A&M University

**National Center for  
Policy Analysis**



# Implications of Spending Reductions

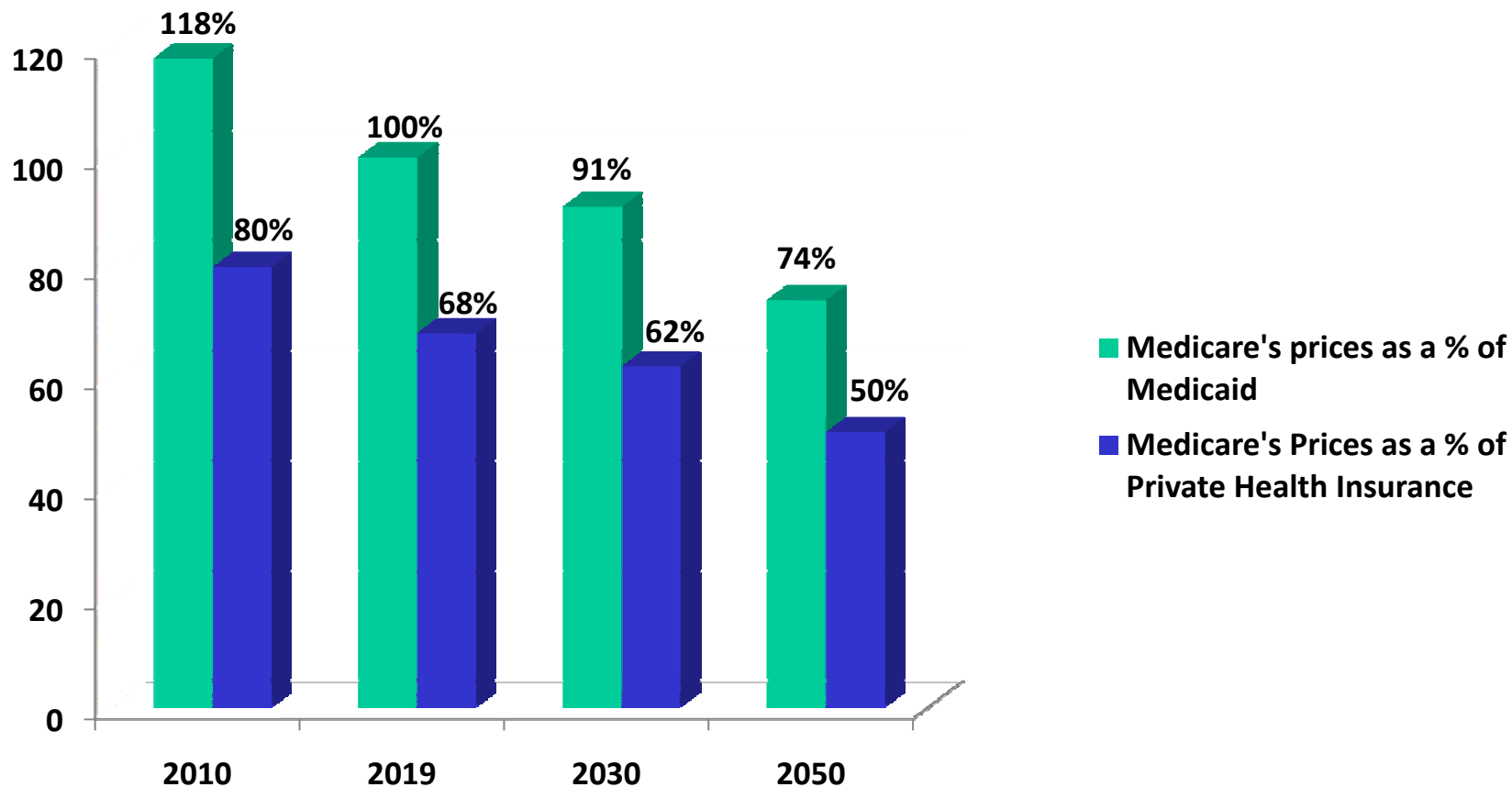


Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



# Medicare Prices as a Percent of Other Payers

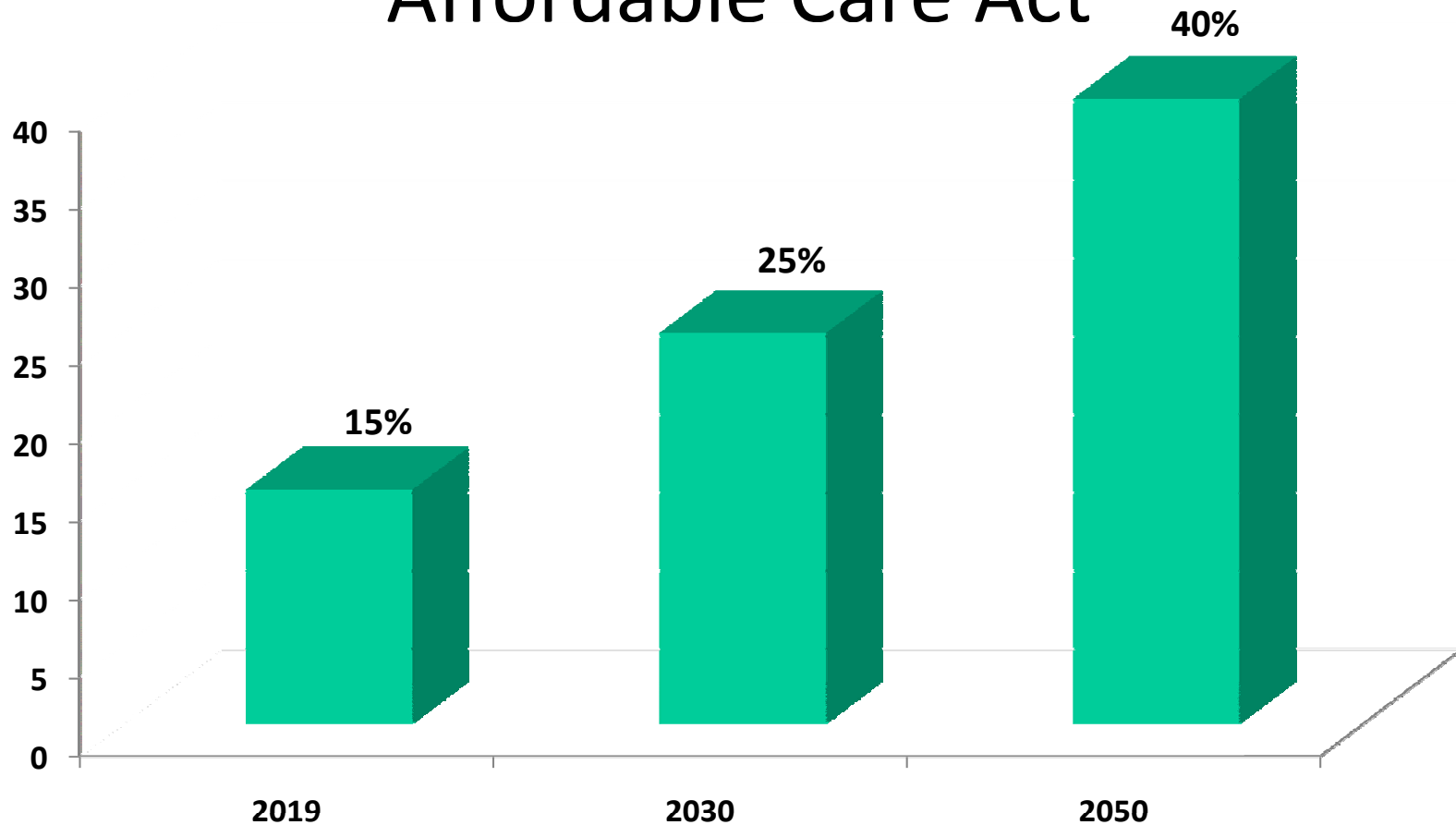


Source: Derived from Office of the Actuary Memorandum, August 5, 2010, Figure 1.





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



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



Private Enterprise Research Center  
Texas A&M University

National Center for  
Policy Analysis



**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***

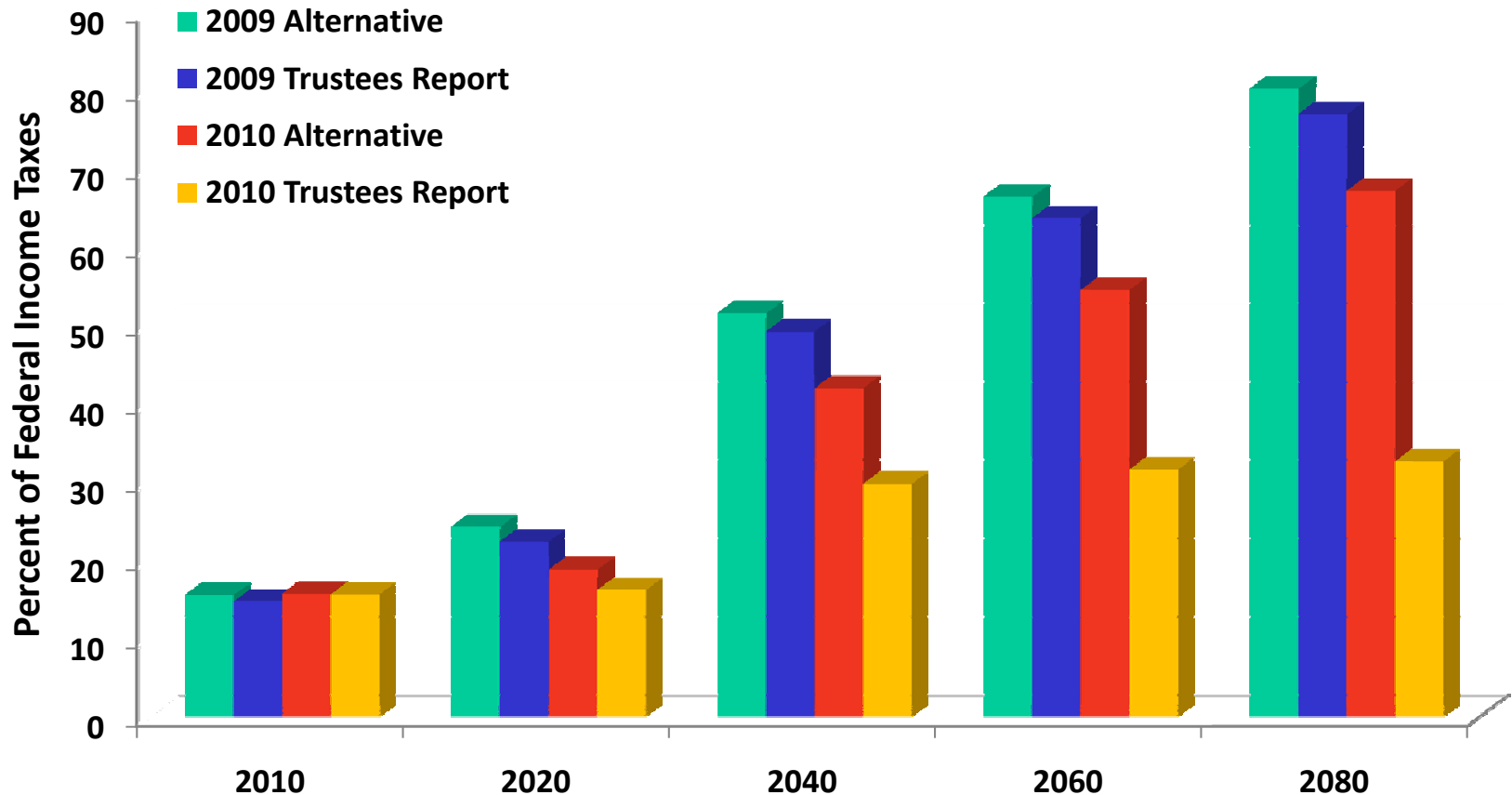


**Private Enterprise Research Center  
Texas A&M University**

**National Center for  
Policy Analysis**



# 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.

