

# [Medicare solvency in u.s. essay sample](https://assignbuster.com/medicare-solvency-in-us-essay-sample/)

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Looking at the history of healthcare insurance services, private health insurance was the major source of payment for healthcare services. Private health insurance worked great for the working class and those who could afford to pay out-of-pocket. The elderly and the poor had to rely on their own resources, on limited public programs, or on charity from hospitals and individual physicians (Shi and Singh 2015). Medicare program was one of the first government funded health insurance program implemented in 1965. According to CMS.

gov (2014), this program is targeted to provide coverage for specific group of individuals such as those age 65 and over, those under the age of 65 with certain disabilities, and those with End Stage Renal Disease. The Centers for Medicare & Medicaid Services (CMS), a branch of the Department of Health and Human Services (HHS), is the federal agency that runs the Medicare Program. In order for the government to ensure funds for those who will be covered under the Medicare program, trust funds were established.

The U. S. Treasury holds the two trust fund accounts, the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund, from which Medicare funds are handled. These accounts are funded from different resources and payments are allocated to different services dedicated to Medicare program. The Hospital Insurance Trust Fund is paid for via payroll taxes paid by most employees, employers, and people who are self-employed, other sources, like income taxes paid on Social Security benefits, interest earned on the trust fund investments, and Medicare Part A premiums from people who aren’t eligible for premium-free Part A (Medicare. gov).

The funds allocated for Hospital Insurance Trust Fund pays for Medicare Part A (Hospital Insurance) benefits, like inpatient hospital care, skilled nursing facility care, home health care, and hospice care, Medicare Program administration, like costs for paying benefits, collecting Medicare taxes, and combating fraud and abuse (Medicare. gov). The Supplementary Medical Insurance Fund is paid for via funds authorized by Congress, premiums from people enrolled in Medicare Part B (Medical Insurance) and Medicare prescription drug coverage (Part D), other sources, like interest earned on the trust fund investments (Medicare. gov).

The funds allocated for this particular fund pays for part B benefits, Part D, Medicare Program administration, like costs for paying benefits and for combating fraud and abuse (Medicare. gov). According to KFF. org, Medicare offers health insurance coverage for nearly 57million Americans. Since selected group of people are covered under the Medicare program who are, under normal conditions, not able to obtain health insurance coverage with private insurance, it is important to be aware of where the funding is acquired from and where the payments are allocated to.

According to KFF. org, Medicare plays a major role in the health care system, accounting for 20 percent of total national health spending in 2015, 29 percent of spending on retail sales of prescription drugs, 25 percent of spending on hospital care, and 23 percent of spending on physician services. From 2006 to 2016, total Medicare benefit payments were close to doubled, $675 billion in 2016 from $375 billion in 2006. The percentage in distribution of the payment has varied with different services rendered over the years.

In 2016, spending on Medicare accounted for 15 percent of the federal budget. Medicare plays a major role in the healthcare system, accounting for 20 percent of total national health spending in 2015, 29 percent of spending on retail sales of prescription drugs, 25 percent of spending on hospital care, and 23 percent of spending on physician services (KFF. org). There is a growing concern regarding the financial status of the Medicare Trust Funds.

Over the years, many factors have affected the status of these trust funds such as the Medicare benefit payments, number of Medicare beneficiaries enrolled, increase in the need for managing chronic conditions, as well as the state of the economy. Also, another big factor affecting the status of Medicare Trust Fund is the rise in increased healthcare cost. According to KFF. org, CBO, Congressional Budget Office, projects total Medicare spending to increase from $708 billion to $1. 4 trillion over.

KFF. org also mentioned, between 2017 and 2027, Medicare’s share of the budget is projected to increase from 14. 7 percent to 17. 5 percent, while Medicare spending as a share of the gross domestic product (GDP) is projected to increase from 3. 1 percent to 4. 1 percent. Another spending projection mentioned on KFF. org is that the average annual growth in total Medicare spending is projected to be 7. 2 percent between 2016 and 2026 which is faster than the 4. 4 percent average annual growth rate between 2010 and 2016. One of the major concern for Medicare’s financial status is towards the hospital expenses or Part A which is funded by the Hospital Insurance Fund account.

It is projected, according to CBPP. org, that Medicare’s Hospital Insurance (HI) trust fund will remain solvent, able to pay 100 percent of the costs of the hospital insurance coverage that Medicare provides through 2029. Even in 2029, when the HI trust fund is projected to be depleted, incoming payroll taxes and other revenue will still be sufficient to pay 88 percent of Medicare hospital insurance costs. The share of costs covered by dedicated revenues will decline slowly to 81 percent in 2041 (CBPP. org).

The Hospital Trust Fund relies heavily on funding via payroll taxes and income taxes. Economy status has greatly impacted the funds towards Medicare. Well flourishing economy will ensure higher rate of employment which will allow for increased payroll taxes and income taxes funding the account. The number of Medicare beneficiaries enrolled has an impact on the financial status of the trust fund. Raising the age of the beneficiaries to enroll for Medicare will not help this situation as they will not have coverage to help with the preventative services or chronic conditions.

They need to be able to see their provider as long as the need is there. Since the implementation of ACA, Medicare’s financial future has improved by boosting revenues and making the program more efficient. Couple things that will need to be accomplished for the Medicare Trust Fund to continue is the revenue will need to be increased and the spending will need to be decreased. There is no easy solution to this issue but the work is there to be done and attention is definitely drawn to solve this issue.

## References

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