



Media Alert

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Health Reform Means Medicare Cuts for Seniors: NCPA

New Study Cited at Health Affairs Blog

(DALLAS--May 12, 2011) – A post at the [Health Affairs Blog](#) concludes that the Patient Protection and Affordable Care Act (PPACA) will reduce Medicare spending by large amounts, even without further Congressional action.

- For people turning 65 and enrolling in Medicare this year, the present value of Medicare (in terms of reduced spending) fell by \$35,588 the day Barack Obama signed the health reform bill.
- For 55 year olds, the loss was \$62,315 in Medicare spending on the very same day.
- For 45 year olds, the losses will total \$105,004.

The post is authored by former Medicare Trustee Thomas R. Saving and National Center for Policy Analysis President, CEO and Kellye Wright Fellow John C. Goodman. It cites findings from the new study: [How Health Reform Affects Current and Future Retirees.](#)

To put these losses into perspective, the two economists compare them to the average amount Medicare spends annually on enrollees:

- For people turning 65 this year, losses under health reform are roughly equivalent to three years of Medicare benefits.
- For 55 year olds, the loss is the rough equivalent of five years of benefits.
- For 45 year olds, you lost almost nine years of benefits.

“Medicare fees paid to doctors and hospitals will be repeatedly cut – relative to trend -- until, by the end of this decade, reimbursement fees paid for seniors’ care will fall below rates Medicaid pays,” said Goodman. “This means that it will be increasingly difficult for seniors to find access to care.”

On the positive side, lower Medicare spending means that premiums paid by the beneficiaries will be lower as will the taxes they have to pay to support Medicare. In fact, for 65-year-olds, the extra disposable income from these changes will equal about one-quarter of the spending reductions and for 55 year olds these changes will equal about one-third of the spending reductions. For 45-year-olds, the additional income will equal almost half of the spending reduction.

Also, reduced Medicare spending in future years will lower Medicare's unfunded liability. The post concludes that on the day Barack Obama signed the PPACA, Medicare's long-term unfunded liability was cut in half – an amount equal to \$53 trillion.

The study is co-authored by NCPA Senior Fellow and executive Associate Director at the Private Enterprise Research Center at Texas A&M University Andrew J. Rettenmaier, and Assistant Professor of Economics at the Stetson School of Business at Mercer University Courtney Collins.

Full text here: <http://www.ncpa.org/pub/st333>

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