



Don't Worry Too Much About the Future of Medicare

By Robert Powell | May 6, 2019 7:43 AM EDT

The Medicare Board of Trustees recently released their annual report for Medicare's two separate trust funds -- the Hospital Insurance (HI) trust fund, which funds Medicare Part A, and the Supplementary Medical Insurance (SMI) trust fund, which funds Medicare Part B and D.

And the report found that the HI trust fund will be able to pay full benefits until 2026, the same as last year's report. So, what should current and future Medicare beneficiaries do given what could be a potential cut in benefits come 2026?

"The bottom line is that current beneficiaries and those who will turn 65 and enter Medicare in the next few years should not let this affect any decisions they would otherwise make," said Kip Piper, the president of Health Results Group. "And they should definitely not panic."

Instead, Piper says current and future Medicare beneficiaries should spend a bit of time each month to learn more about Medicare, what it is and what it isn't, and to become smarter about the program. "You don't need to become an expert," he said. "You don't need to know how to take apart an automobile engine to know how to drive a car. You just need to have a basic understanding so you

can make the best decisions for you, have a 'Medicare BS detector' so you are not manipulated, and can vote wisely and not be conned by false promises, scare tactics, or radical proposals."

There are many myths and misconceptions about Medicare that politicians, some companies, and self-described advocacy groups use to their advantage, says Piper.

How best to become smarter about Medicare? Well, there's the Medicare.gov website. Also consider the [Medicare Rights Center](#) and the [Kaiser Family Foundation's Medicare website](#).

Two books worth reading: [Making the Most of Medicare: A Guide for Baby Boomers](#) by Katy Votava and [Medicare & You](#).

By way of background, in 2018, Medicare covered 59.9 million people: 51.2 million aged 65 and older, and 8.8 million disabled. About 36% of these beneficiaries have chosen to enroll in Part C private health plans that contract with Medicare to provide Part A and Part B health services.

As for the question of what happens to full benefits come 2026 Piper had this to say:

The Medicare Part A trust fund is funded mostly through Medicare payroll taxes from workers and employers. Medicare Part B and Part D cannot become insolvent because they are financed chiefly by general income taxes and federal debt.

The Medicare Part A trust fund has never become insolvent, said Piper. "In the past, Congress and the White House have averted insolvency by increasing Medicare taxes or cutting provider reimbursement," he said. "Congress also has other options that are politically unlikely and much slower ways to shore up Medicare finances -- such as increasing the Medicare enrollment age for younger workers or increasing beneficiary cost-sharing for inpatient and skilled nursing facility stays."

"Insolvent," by the way, would mean that incoming Medicare payroll taxes would not be enough to cover 100% of Medicare payments due to Part A providers - inpatient hospitals, skilled nursing facilities, home health agencies, and hospices, says Piper.

"The Medicare Trustees project that in 2026 incoming payroll tax revenues would cover only about 91% of payments owed providers for Part A services for beneficiaries," he said. "Temporarily, federal Medicare officials may be forced to slow or delay provider claims payments to stay within cash flow. Medicare doesn't have the authority to reduce or delay beneficiary benefits to make ends meet, but if Part A payments are delayed, providers may accept fewer patients or postpone some procedures. Some health facilities could be forced to close if the problem lingered."

Piper also noted that Medicare Part A has never been insolvent and the Medicare law does not allow the government to tap into the general Treasury or issue debt to backfill Part A finances. "Therefore, Congress would need to enact legislation to slow Medicare Part A spending growth, cut hospital or nursing home rates, increase Medicare payroll taxes, some combination of these, or something more dramatic such as financing Part A with more federal debt," he said.

Part B Premium to Rise to \$144.30 in 2020

The Trustees also estimated that the monthly Part B premium would rise to \$144.30 in 2020, up from \$135.50 in 2019. the Trustees estimate that the average Part B plus Part D premium in 2019 would

equal about 12% of the average Social Security benefit (but would increase to an estimated 18% in 2093).

The Trustees also projected that total Medicare costs (including both HI and SMI expenditures) will grow from approximately 3.7% of GDP in 2018 to 5.9% of GDP by 2038, and then increase gradually thereafter to about 6.5% of GDP by 2093.

"The faster rate of growth in Medicare spending as compared to growth in GDP is attributable to faster Medicare population growth and increases in the volume and intensity of healthcare services," the trustees noted in their report.

The report is available at: [The Centers for Medicare & Medicaid Services: Trustees Report & Trust Funds](#)

For his part, Jae Oh, the managing principal of [GH2 Benefits](#) and author of [Maximize Your Medicare: Understanding Medicare, Protecting Your Health, and Minimizing Costs](#), said the Medicare trustees report repeats an often-told tale: serious fiscal challenges to Medicare remain. "And that is unlikely to improve, given the demographic reality, 59.9 million Medicare beneficiaries, and 10,000 a day become eligible for Medicare, he said.

The report revealed, for instance, that Medicare Part B premiums are projected to rise from \$144.30 a month in 2020 to \$150.00 a month in 2021, "In addition, it is possible that the cost-sharing responsibilities -- deductibles, coinsurance, copays -- will also change in the future, Oh said.

Oh also noted that Medicare Advantage continues to grow, as predicted by many CEOs of health insurance carriers. Medicare Advantage plans now represent 36% of the overall Medicare market. "As Medicare-eligible beneficiaries that live on a fixed-income increases, this trend is likely to continue, as Medicare Advantage must offer an out-of-pocket maximum, which original Medicare -- Part A, Part B, and Part D -- do not," he said.

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