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StatNat

March 29, 2004

Taxes, cuts a must to save Medicare, experts say

By Kavita Pillai
 Staff Writer

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Medicare will run out of money by 2019, according to a new report by the program's Board of Trustees, putting a strain on the wallets of both baby-boomers and their children, including college-aged people.

The annual report showed the Hospital Insurance Trust, which is financed by payroll taxes, will go broke seven years earlier than expected. Another part of Medicare that finances physician and outpatient care is funded primarily from the general fund of the U.S. Treasury and not in danger.

The report blamed President Bush's prescription drug plan, as well as higher expenditures and lower tax revenues for the rapid deterioration of the fund.

Experts say to save Medicare, policymakers might have to increase taxes or cut services. Payroll taxes for Medicare have not been increased since 1985, said Judith Stein, executive director of the Center for Medicare Advocacy.

"While the cost of health care increases, we have continued to insist upon relying on the same amount of contribution," she said. "If we insist on refusing to pay more for that which is more expensive, logically it will go bankrupt."

In addition to rising health costs, Medicare is being stretched by the overall graying of the population as baby-boomers reach retirement age. People are also living longer, adding to the strain. Medicare bankruptcy has been seen as inevitable, but the earlier date adds more urgency to the

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issue.

"We're going to have to revisit Medicare financing for the baby-boom generation," said Robert Field, director of the graduate program in health policy at the University of the Sciences in Philadelphia. "Once we get by that, we'll have to revisit it again before generation X, Y or Z gets there."

Field added that if the working population is not willing to accept paying more for Medicare, the program will face major service cuts.

"This (situation doesn't) mean Medicare won't be there for (the younger generation)," he said. "It means we'll be paying more in taxes sooner or dramatically cutting back on what it covers. And my guess is we're not going to want to do that."

Contact the State & National Editor at stntdesk@unc.edu.



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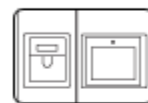
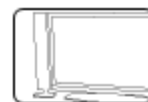
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