



April 24, 2012

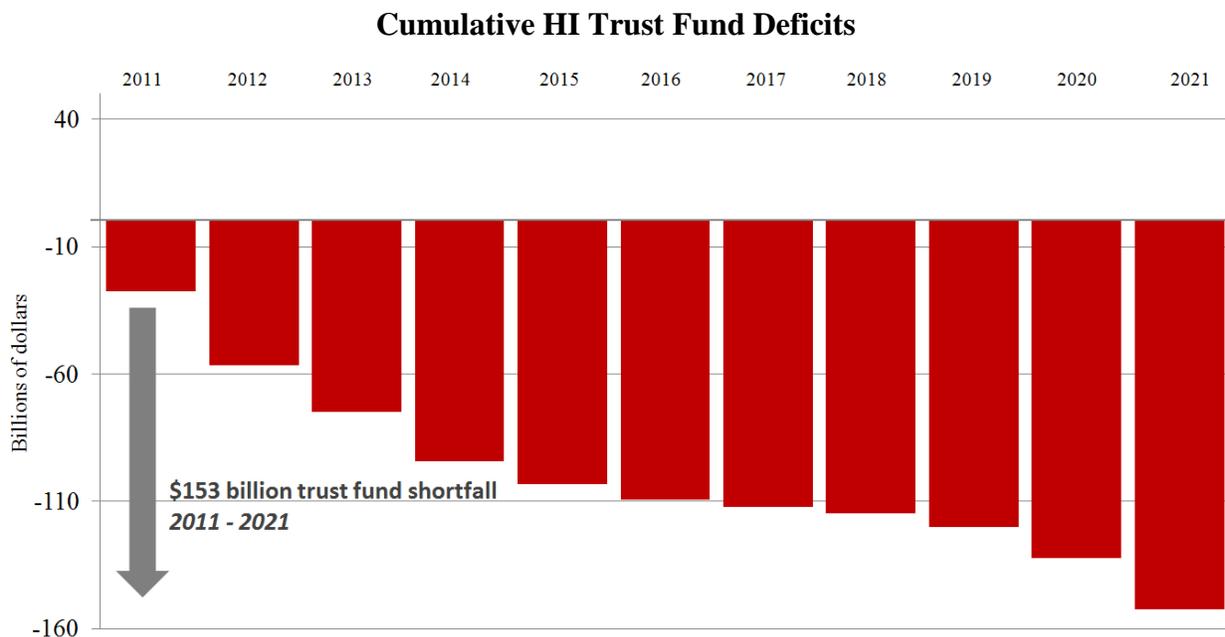
Obama's Policies Bankrupting Medicare

On April 23, 2012, the Medicare Trustees issued their [annual report](#) outlining the financial status of the program. The report described a program headed for bankruptcy and severely damaged by the Obama Administration's budget gimmicks and failure to lead.

Runaway Deficits

Medicare's Hospital Insurance (HI) Trust Fund continues to run annual cash flow deficits. Expenditures from the HI Trust Fund have exceeded annual income every year since 2008 – with a deficit of \$27.7 billion last year. In 2012, total income flowing into the HI trust fund is \$28.9 billion less than estimated payments.

The HI Trust Fund will be bankrupt in 2024, the same exhaustion date projected in last year's report. Without congressional action, the Medicare program will no longer be able to pay full benefits to America's seniors.



Unrealistic Assumptions

The non-partisan Chief Actuary at the Centers for Medicare and Medicaid Services issued a stark warning: “The financial projections shown in this report for Medicare do not represent a reasonable expectation for actual program operations in either the short range (as a result of the unsustainable reductions in physician payment rates) or the long range (because of the strong likelihood that the statutory reductions in price updates for most categories of Medicare provider services will not be viable).” He calculated an “alternative scenario” using more reasonable assumptions that would lead to even higher costs.

Unfunded Obligations

Assuming that current law remains unchanged, Medicare’s total unfunded obligation over the next 75 years is \$5.3 trillion. Under the Chief Actuary’s alternative scenario, the Medicare HI Trust Fund’s unfunded obligations are estimated to total \$9.7 trillion over the 75 year window.

Multiple Funding Warnings

For the seventh year in a row (2006 through 2012), the Trustees issued an “excess general revenue Medicare funding” warning. The Medicare program will rely on money from the Treasury’s general revenues to cover more than 45 percent of its expenses this year.

By law, when Medicare gets into that situation the President must submit, within 15 days of his next budget, a detailed legislative proposal to stem the crisis. Though this requirement has been in effect every year since he took office, President Obama has never complied with the statutory requirement and submitted a legislative plan to prevent the funding shortfall.

Medicare Double Counting and Budget Gimmicks

Rather than confronting the looming entitlement crisis, President Obama’s health care law raided more than \$500 billion dollars from the Medicare program – not to save Medicare, but to start a brand new program. The President claims these Medicare cuts make the program more solvent. At the same time, the President also claims these Medicare cuts will pay for the cost of the new health insurance entitlement.

The fact is that these Medicare cuts cannot serve both functions without adding to the deficit. As the Medicare Actuary has [pointed out](#), “In practice, the improved [HI] financing cannot be simultaneously used to finance other Federal outlays (such as coverage expansions under the PPACA) and to extend the trust fund, despite the appearance of this result from the respective accounting conventions.”

Medicare is fundamental to the health care of America’s seniors. It is essential that Washington strengthen Medicare now to guarantee that it will still be there in the future when we need it. The policies of the Obama Administration have not only failed to protect and preserve Medicare, they have made it worse.