

Macro Roundup Article

Headline: [Has the Medicare Cost Problem Gone Away?](#)

Article Link: <https://www.aei.org/op-eds/has-the-medicare-cost-problem-gone-away/>

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Tweet: James Capretta @AEIecon notes while the increase in per-capita Medicare spending has slowed, there are reasons for pessimism going forward, as congressionally mandated cuts in Medicare reimbursement rates leave them 40-60% below private rates.

Summary: According to NHE data, between 1987 and 1996, the average annual real per capita growth rate within Medicare was 5.2%. From 1996 to 2005, the rate was cut roughly in half, to 2.7%. From 2006 to 2022, it dropped again, to 0.7%. Why did the downward trend begin nearly three decades ago and not in 2011? While there are likely many explanations, the most obvious is the steady implementation of congressionally mandated payment reforms (and cuts). The reasons for the current slowdown may not be sustainable: For example, payments per service under current law are not expected to keep up with inflation and therefore may not be sufficient to ensure full access to care for the program's beneficiaries. By 2040, Medicare's payments for physician services and hospital care are expected to be just 40% and 55-60%, respectively, of the average amounts paid by commercial insurers. With aging baby boomers pushing enrollment up from 66 million today to 83 million by 2040, aggregate costs will grow very rapidly over the coming three decades.

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Primary Topic: Fiscal Deficits

Topics: Fiscal Deficits, Fiscal Policy, Healthcare/Seniors, Op-Ed/Blog Post

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