

Medicare and Medicaid turn 50

Joseph Antos, James C. Capretta, Thomas P. Miller, Joel M. Zinberg

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On July 30, 1965, President Lyndon B. Johnson signed Medicare and Medicaid into law. Fifty years later, Medicare and Medicaid have grown to become the largest health insurance programs in the country, with Medicaid insuring over 70 million people and Medicare insuring over 54 million. What will it take to ensure the long-term stability of Medicare and Medicaid? And how can policymakers improve access and quality of care? AEI health experts weigh in:



Former Congressional Budget Office official [Joe Antos](#):

Medicare is a critically important health financing program for seniors and disabled persons that is in critical condition. Last week's trustees report says the Part A trust fund will run short of funds in 2030. But that is only part of the story. To keep Medicare fully funded, the total cost (including premiums and payroll taxes) over 75 years is \$55 trillion. There are also fewer workers to pay for Medicare in the future. In 2000, there were 4.7 workers per retiree. By 2030, there will be 2.7. That means higher taxes, lower benefits, and less access to care unless major reforms are made.

Former Office of Management and Budget official [James Capretta](#):

Medicare is already far, far larger than it was ever expected to be when it was launched. In 1970, program expenditures were only 0.6 percent of GDP. By 2014, they were 3.5 percent of GDP. And in the alternative scenario put together by the actuaries, program spending will be well above 6 percent of GDP by 2050 ... If nothing is done, budgetary pressure will build, and then,

during the predicable crisis that will eventually ensue, a push will be made for a massive tax hike.

Former Joint Economic Committee official [Tom Miller](#):

Enthusiastic boosters of Medicare may view the massive expansion in health spending due to Medicare as a historic legacy worth saluting on its fiftieth anniversary. It certainly has relieved much suffering, extended lives, and protected the financial resources of millions of seniors. If you value health care highly and believe we haven't reached a point of diminishing returns at the margins of its highest spending levels, light up some more birthday candles and look forward to more decades of such growth.

But the more elusive calculation involves balancing the most visible gains claimed by Medicare advocates against the less visible offsetting costs Medicare also produced. They include medical inflation that caused health care spending to consistently outpace growth of the overall economy for most of the years since the program's introduction (with the exception of a few recent years).

Attorney and practicing surgeon [Joel Zinberg](#):

There are serious doubts about the long term financial health of both programs. The Medicare Trust fund is predicted to be exhausted by 2030, with Medicare enrollment continuing to expand as the population ages. Medicaid is bankrupting many states (the failure of many states to expand Medicaid under the ACA was due in part to reluctance to take on additional Medicaid financial obligations). There are also doubts about the quality of care Medicaid patients receive and whether poor provider payments limit Medicaid patients access to care. It is clear that both programs need overhaul in order to survive.

If you'd like to arrange an interview with an AEI health policy expert, please contact mediaservices@aei.org or 202.862.5829.

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