

# Then & Now: Medicare and Medicaid turn 50

July 29 2015, by Ricardo Alonso-Zaldivar

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In this July 30, 1965 file photo, President Lyndon Johnson signs the Medicare Bill into law while former President Harry S. Truman, right, observes during a ceremony at the Truman Library in Independence, Mo. At rear are Lady Bird Johnson, Vice President Hubert Humphrey, and former first lady Bess Truman. When Johnson signed Medicare and Medicaid into law Americans 65 and older were the age group least likely to have health insurance. (AP Photo)

When President Lyndon B. Johnson signed Medicare and Medicaid into law on July 30, 1965, roughly half of Americans 65 and older had no health insurance.

"No longer will older Americans be denied the healing miracle of modern medicine," Johnson said at the bill signing. "No longer will illness crush and destroy the savings that they have so carefully put away over a lifetime so that they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligations to their parents, and to their uncles, and their aunts."

Fifty years later, virtually all seniors have coverage, a far higher rate than younger people.

"It's hard to imagine a world without Medicare and Medicaid," Health and Human Services Secretary Sylvia M. Burwell said Wednesday at the official commemoration. "Medicare and Medicaid aren't just about health care; they are about who we are as a nation, about living up to our own values."

Presidents and lawmakers of both political parties have collaborated to expand Medicare benefits and to shore up finances.

Medicaid, the federal-state program for low-income and disabled people, got off to a slower start, but now covers an estimated 69 million people, making it the largest government health program. It pays for nearly half of U.S. births and a little over half of the nation's nursing home bill.

But the long-range solvency of both programs remains cloudy. A mix of tax increases, benefit cuts, and reductions in payments to service providers will be needed sooner or later, experts say. The longer policymakers wait, the more wrenching the changes.

Today, Medicare and Medicaid together cover about 1 in 3 Americans. Here's a look at the programs, then and now:

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Then: In 1965, life expectancy at age 65 was 13.5 years for men, and 18 years for women. That's using Social Security data for "cohort life expectancy," which takes into account improvements in survival during the later years of life.

After Medicare's enactment, Social Security offices around the country signed up 19 million people for coverage effective July 1, 1966.

Now: In 2015, life expectancy at age 65 has risen to 19.3 years for men and 21.6 years for women.

Nearly 56 million seniors and disabled people of any age are enrolled in Medicare. Even with the World War II generation passing away, total enrollment is rising by more than 2 million people a year as baby boomers reach 65 and qualify.

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Then: Segregated hospitals and nursing homes were common, particularly in the South.

Now: Although racial and ethnic health disparities persist, segregated facilities are unheard of. As a condition of receiving Medicare and Medicaid payments, hospitals and nursing homes have to assure the government that they don't discriminate, or they can't be paid. Hospital desegregation proved much less divisive than integration of public schools.

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Then: Medicaid eligibility was tied to receiving government welfare checks. Many poor children were uninsured.

Now: The welfare reform law of the 1990s, and coverage expansions for children that preceded it, broke the link between Medicaid and welfare.

In some states, Medicaid's coverage for children reaches up into the middle class. About 1 in 3 children, regardless of income, are covered by Medicaid, says the Kaiser Family Foundation. Among poor children, that rises to 3 out of 4.

President Barack Obama's health care law expanded Medicaid to cover low-income, working-age adults with no children living at home, a major group that had been left out by safety-net programs. The expansion is optional for states, and 30 states plus Washington, D.C., have either accepted it or proposed to do so.

Medicaid has evolved into a blanket program for all low-income people.

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Then: Medicare did not cover prescription drugs.

Now: Prescription coverage took effect in 2006 under Republican President George W. Bush. Obama's health care law strengthened the drug benefit by gradually eliminating a coverage gap known as the "doughnut hole."

"It's the typical American style of doing things," said economist Gail Wilensky, Medicare administrator under President George H.W. Bush. "Add a little here, add a little there. It's messy, but it's how we do

things."

The incremental approach sometimes finds political acceptance more readily, Wilensky added.

When Medicare was enacted, the American Medical Association opposed it as "socialized medicine." But Johnson cajoled a promise from the organization that doctors would not resist its implementation.

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Then: Medicare and Medicaid used private insurers behind the scenes to process claims, but not generally to deliver benefits.

Now: Private insurance plans increasingly are the consumer-facing side of both programs.

About 3 in 4 Medicaid beneficiaries are enrolled in private managed care plans. About 30 percent of Medicare beneficiaries are in so-called Medicare Advantage plans, a part of the program that has been growing rapidly. The private plans usually offer lower out-of-pocket expenses when compared to traditional Medicare, but restrict choice of hospitals and doctors.

The prescription drug benefit—also known as Part D—is offered through private insurers as well.

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Then: Medicare benefits were not tied to income.

Now: Increasingly upper-income seniors are being charged more. Higher premiums for "Part B" coverage of outpatient services, as well as for the

prescription drug program, kick in at annual incomes of \$85,000 for individuals and \$170,000 for couples.

It's a trend that can be expected to continue. As policymakers grapple with Medicare's long-term financing problems, many beneficiaries who consider themselves middle class and not wealthy could end up paying more.

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