

Why millennials should care about Medicare right now

February 23 2018, by Liz Weston



This April 2017 file photo provided by NerdWallet shows Liz Weston, a columnist for personal finance website NerdWallet.com. (NerdWallet via AP, File)

Medicare provides basic health care to one out of six Americans, most

of them 65 and older. Even people decades away from retirement, though, should be concerned about Congress meddling with the program.

Lawmakers understand that cutting current retirees' benefits is a political nonstarter. Older people vote, and they have one of the most powerful lobbyists, AARP, advocating on their behalf.

Younger people? Not so much. Politicians will be tempted to foist the biggest cuts on people farther away from retirement (who are presumably paying less attention).

Millennials—born between 1982 and 2000—are now the largest generation, representing one-quarter of the U.S. population, according to the Census Bureau. Deep cuts to their future benefits could rack up big savings—and potentially doom their retirements .

Without a sturdy Medicare system, [health care](#) for older Americans could quickly become unaffordable. People would be afraid to quit work, lest they lose their employer-provided coverage. Those forced to stop working could find their savings wiped out in a medical crisis. Retirement as we know it could all but disappear for everyone except the wealthiest.

Yet some politicians support big Medicare cuts. In his proposed budget, President Trump suggests cutting about \$500 billion from the program over the next 10 years.

But let's back up. Why are some politicians so keen to cut Medicare? Three reasons:

— THE RECENT \$1.5 TRILLION TAX CUT. The tax bill Congress approved in December is expected to widen the U.S. deficit, and that has led to calls to cut other programs. And Medicare is a big program,

representing 15 percent of the federal budget.

— **MEDICARE'S FINANCIAL TROUBLES.** Like Social Security, Medicare isn't adequately funded. Neither system is "going broke" or headed for bankruptcy—that's political rhetoric. If nothing changes, however, the portion of Medicare that covers hospital stays and skilled nursing care, known as Part A, will start paying out more in benefits than it collects in payroll taxes from workers' paychecks. Previous years' surpluses, stowed away in a trust fund, will cover the gap until 2029. After that, Medicare Part A will be able to cover 88 percent of promised benefits, rather than 100 percent.

— **RISING HEALTH CARE SPENDING.** The rest of Medicare, which pays for doctor's visits and prescription drugs, is not projected to run short of money. As health care costs continue to rise faster than inflation, though, Medicare spending is projected to become a larger share of government spending and of the economy.

AARP and others say the system needs tweaks, rather than drastic changes, to solve its problems. But some lawmakers want to change the fundamental nature of Medicare. Republicans have floated a variety of voucher or "premium support" systems that would move Medicare away from guaranteed benefits to a system where people get a chunk of money to spend on a [health insurance plan](#). Rather than try to rein in health care costs directly, such vouchers are designed to spur competition among private insurers and make people more cost-conscious in selecting their plan. Most of the proposals grandfather in people 55 and older, who would get to keep traditional Medicare.

Premium support proposals may reduce [government spending](#) on health care, depending on how they're constructed. But they might do so by shifting costs to retirees.

That means millennials could be affected long before they hit their 60s. If their parents' health care costs spike, more of those parents may have to turn to their children for financial and caretaking support, says David Certner, AARP's legislative counsel.

The average retiree already spends one out of every six dollars of their income on health care, Certner says. Asking the elderly to pay more could mean more people having to decide between necessary [health](#) care and buying food or keeping the lights on.

"A robust Medicare is critical for [people](#) to live healthily and independently," Certner says.

Millennials already have enough burdens. They earn less, have a lot less wealth and owe a lot more student loan debt than previous generations did at their age.

What they need—what Americans of every age need—are changes that would actually slow the growth of [health care costs](#), rather than just shifting more costs to those who can least afford them.

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Citation: Why millennials should care about Medicare right now (2018, February 23) retrieved 25 April 2024 from <https://medicalxpress.com/news/2018-02-millennials-medicare.html>

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