Weekly Checkup

# The Declining Prominence of Medicare Part A

CONOR RYAN | DECEMBER 12, 2013

At its inception, Medicare was designed to be a hospital insurance plan for the elderly, motivated by expensive hospital stays that neither the hospitals nor their aging patients could afford. In order to pay for the coverage, a portion of the social security payroll tax goes to the Hospital Insurance Trust Fund, which pays for all inpatient claims under Medicare Part A. Outpatient coverage was included in the Medicare benefit package under Part B but was anticipated to be a relatively small part of the program, funded primarily by general tax revenue. In the nearly 5 decades since the benefits were established, legislative efforts and public health campaigns have stressed preventative outpatient care to avoid costly inpatient care, and as a result, Part B has grown to be a substantial portion of total Medicare spending as well as a heavy burden to the American tax payer. The chart below shows the evolution of Medicare spending on Part A, Part B, and Part D as a percent of total spending and demonstrates the need to reform the program to reflect modern medical care.

