



Written by [Raven Clabough](#) on January 4, 2011

Shocker: Medicare Costs More Than What We “Invest” In It

When Medicare was first introduced in 1965, skeptics such as Barry Goldwater and Ronald Reagan bemoaned the implementation of socialized medicine and the extravagant cost of the original \$3 billion plan. Little did they know that \$3 billion was only the beginning.



In 1966, the House Ways and Means Committee estimated that Medicare would cost only about \$12 billion by 1990, but they were severely mistaken. By 1990, the actual cost of Medicare was \$107 billion.

According to Glenn Beck’s newest book, [Broke](#), the total cost of the program today is \$457 billion a year.

Since its inception, Medicare has become a program to which most Americans understandably feel entitled, as they have been paying into the system for their entire working careers by way of a Medicare tax deduction. According to an Associated Press-GfK poll, 6 out of 10 Americans say that they deserve the full benefit of the system into which they have paid, and wish to see no cuts.

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Unfortunately, the plaguing truth of the unaffordable costs of Medicare remains, even as the American taxpayer continues to pay into the system. The [Associated Press](#) writes:

A newly updated financial analysis shows that what people paid into the system doesn’t come close to covering the full value of the medical care they can expect to receive as retirees.

Consider an average-wage, two-earner couple together earning \$89,000 a year. Upon retiring in 2011, they would have paid \$114,000 in Medicare payroll taxes during their careers.

But they can expect to receive medical services — from prescriptions to hospital care — worth \$355,000, or about three times what they put in.

The cost of Medicare was already unsustainable when President George W. Bush added fuel to the fire in 2003 by expanding Medicare’s prescription drug coverage. The following year, *Wall Street Journal* economist Stephen Moore questioned the director of the Congressional Budget Office, Douglas Holtz-Eakin, on the costs of the long-term unfunded liability for Medicare.

His answer was simple: “It is infinite.”

Also under President George W. Bush, Comptroller General David Walker called the expansion of the drug coverage “the most fiscally irresponsible piece of legislation since the 1960s.” He added, “We can’t afford the promises we’ve already made, much less to be able to keep piling on top of ‘em. We’d have to have eight trillion dollars today, invested in treasury rates, to deliver on that promise.”



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When asked just how much of that eight trillion dollars were in possession, Walker responded, “Zip.”
The situation is dire.

Economists Eugene Steuerle and Stephanie Rennane of the Urban Institute assert that Americans remove more from the Medicare system than they invest, as opposed to other programs such as Social Security, where estimates indicate that taxpayers actually pay approximately 10 percent more into the system than they get back.

Steuerle says, “The fact that you put money into [Medicare] doesn’t mean it’s there waiting for you to collect.”

The behemoth Medicare bill is the result of a number of things, including the rising costs of health care, a Medicare tax deduction that is too low to cover the costs of inpatient and outpatient care, and an increased number of retirees with a workforce too small to compensate for those retirees.

Yet Americans believe that their investments will be waiting for them upon their retirement. The *Associated Press* explains the misconception:

Many workers may believe their Medicare payroll taxes are going for their own insurance after they retire, but the money is actually used to pay the bills of seniors currently on the program.

That mistaken impression complicates the job for policymakers trying to build political support in coming months for dealing with deficits that could drag the economy back down.

Unfortunately, proposed reform to Medicare is considered the third rail of politics and is therefore typically avoided like the plague.

Some [newly-elected officials](#), however — including Florida Republican Representative-elect Allen West — appear willing to do the necessary hard work and tackle Washington’s out of control spending as it pertains to entitlement programs such as Medicare.

Somebody has to do it.

According to Steuerle, “With Medicare, we are all still making out like bandits, shoving all those costs to future generations. At another level, we know that this system is totally unsustainable.”

Photo: Former President Lyndon Johnson signing the Medicare bill on July 30, 1965.



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