



AMERICAN ACADEMY
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NEWS RELEASE

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Actuaries Say Medicare Needs Reform, Discuss Options

WASHINGTON – 11 June 2007 – The **American Academy of Actuaries** recommends that policymakers implement changes to improve Medicare’s long-term financial outlook and discusses various approaches that address Medicare’s financial problems in its new monograph, “Medicare Reform Options.”

“Reforms to the Medicare program are needed, and the sooner the better,” said **Cori Uccello**, the Academy’s senior health fellow. “There is no single solution to the challenges facing Medicare. Viable options will likely require shared burden among taxpayers, Medicare beneficiaries, and health care providers.”

The monograph also lists criteria for evaluating Medicare reform options. The actuaries said policymakers should consider the following: does it improve solvency?; does it reduce Medicare’s strain on the federal budget and/or the economy?; does it permanently reduce spending growth or is it a one-time improvement?; does it reduce spending or merely shift spending to other payers?

According to the most recent Medicare trustees’ report, by 2011, Hospital Insurance (HI) expenditures will exceed all revenues into the trust fund, including interest income. By 2019, the trust fund assets are expected to be depleted, and projected payroll taxes will cover only 79 percent of benefit costs—with the percentage decreasing thereafter. Additionally, as health care costs are projected to increase faster than gross domestic product, Medicare spending will make up an ever-increasing share of the economy as well as place a greater strain on the federal budget.

In addition to the monograph, the Academy has an overview of the 2007 Medicare trustees’ report, “Medicare’s Financial Condition: Beyond Actuarial Balance.” Both reports are available at www.actuary.org. For more information, contact Andrew Simonelli, media relations manager for the American Academy of Actuaries, at 202.785.7872.

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The American Academy of Actuaries is the public information organization for the U.S. actuarial profession. Academy committees, task forces, and work groups regularly prepare testimony and provide information to Congress and senior federal policymakers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions, and other forms of risk financing.