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DRAFT Recommendations Regarding Medicare Spending and Marginal Tax Rates

FOR DISCUSSION ONLY

Finding: The Medicare trustees report does not make clear the financial implications to taxpayers and the economy of projected levels of Medicare spending. While the economic cost of tax-based financing results from the excess burden created by higher marginal tax rates, the report does not link projected spending to future rates of taxation. In the current report, the economic burden of Medicare spending is summarized differently for each part of the program. For Part A, Figure III.B.3. and Table III.B.7 present estimates of the magnitude of the difference between costs and income as a percent of taxable payroll. For Parts B and D, the report presents estimates of spending for each part as a percent of GDP. Neither approach demonstrates the implications Medicare spending for marginal tax rates.

Recommendation: Consider providing information on the average changes in marginal income tax rates associated with changes in Medicare spending.