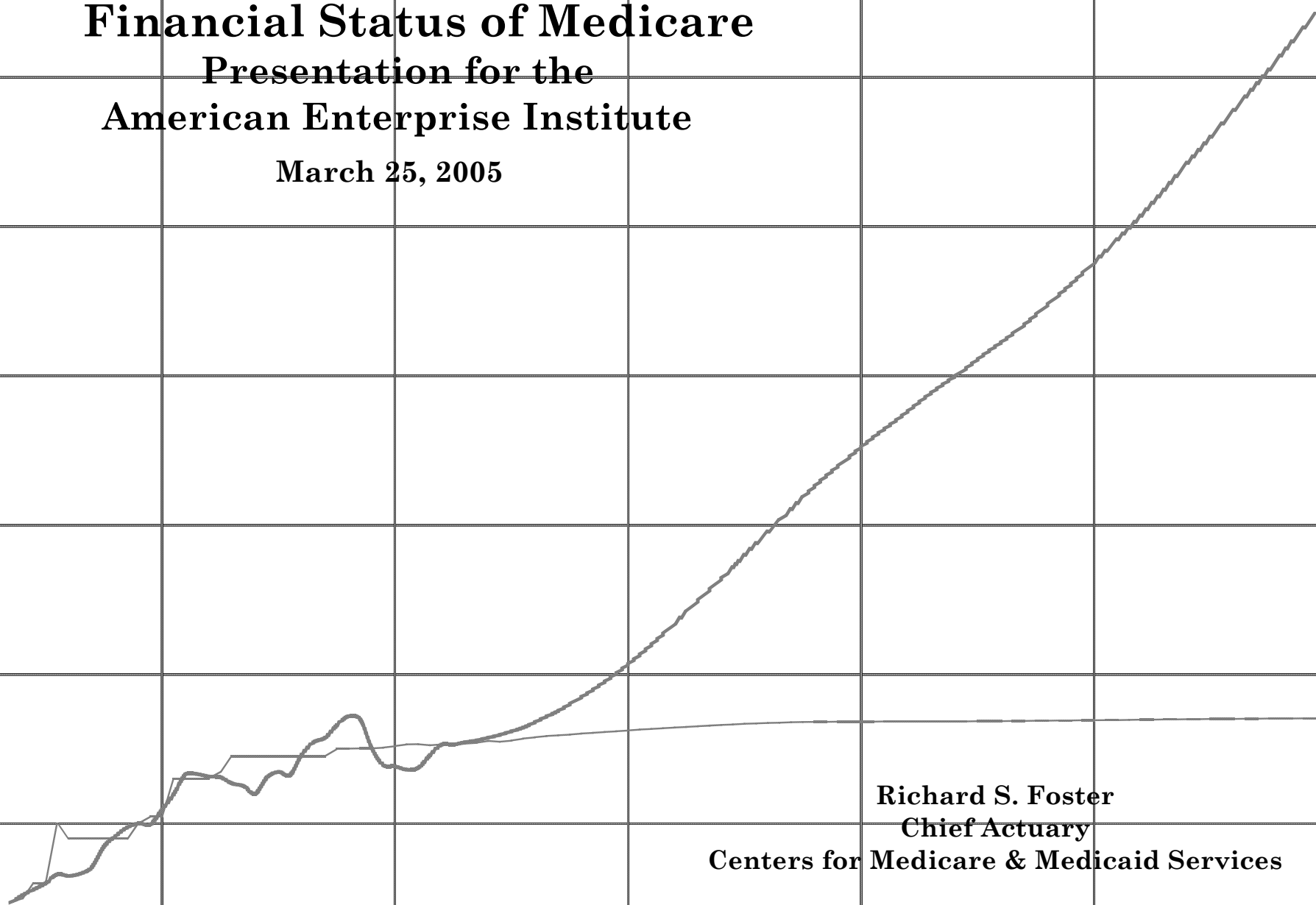


Financial Status of Medicare

Presentation for the
American Enterprise Institute

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Chief Actuary

Centers for Medicare & Medicaid Services

Chart 1—Medicare enrollment, benefits, and financing

Hospital Insurance (HI)

Supplementary Medical Insurance (SMI)

Enrollment in CY 2004:

	Hospital Insurance (HI)	Supplementary Medical Insurance (SMI)
Total.....	41 million	39 million
Proportion with services.....	22%	87%

Benefits* Inpatient hospital care
 Skilled nursing care
 Home health care (post-institutional)
 Hospice care

* Subject to certain deductible and coinsurance requirements

Physician services
 Outpatient hospital services
 Home health care (general)
 Drug discount card and (in 2006) prescription drug benefit
 Other services, e.g.
 • Diagnostic tests
 • Medical equipment
 • Ambulance

CY 2005 Financing..... HI tax on covered earnings:
 • 1.45% payable by employees and employers, each
 • 2.90% payable by self-employed
 • Following elimination of HI contribution base (effective 1994), HI tax applies to all earnings in covered employment

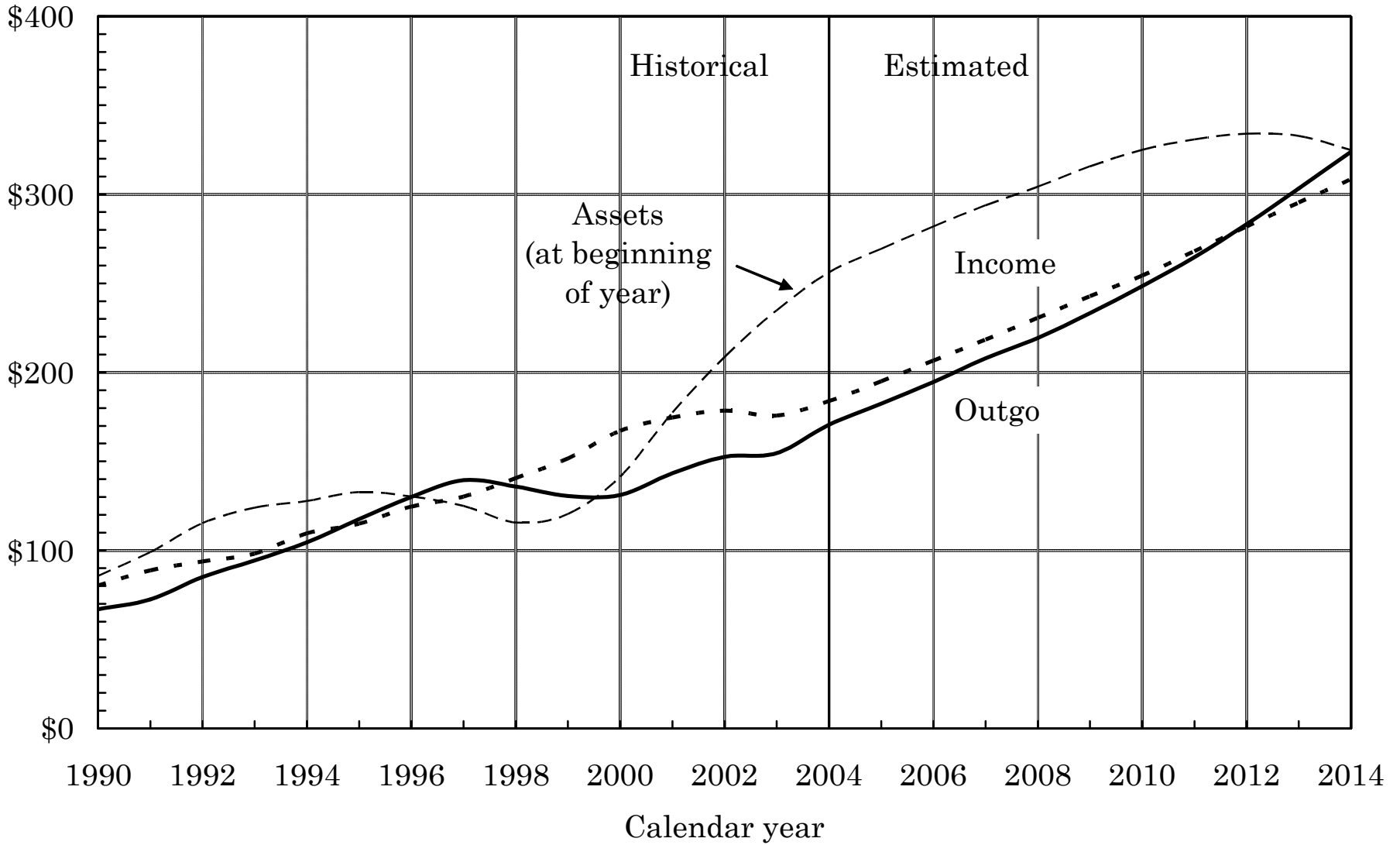
Revenue from income taxation of OASDI benefits (portion between 50% & 85%)

Part B premiums and general revenue transfers:
 • \$78.20 per month in 2005; covers about 25% of costs
 • Tied to beneficiary income in 2007 and later
 • General revenues cover 75% of costs

Part D drug premiums, general revenues, and State transfers:
 • Average premium in 2006 estimated to be \$37.37; covers 25.5% of standard benefit costs, about 10% of total costs
 • State payments on behalf of certain beneficiaries cover about 11% of costs
 • General revenues cover 79% of costs

Chart 2—HI income, outgo, and trust fund assets

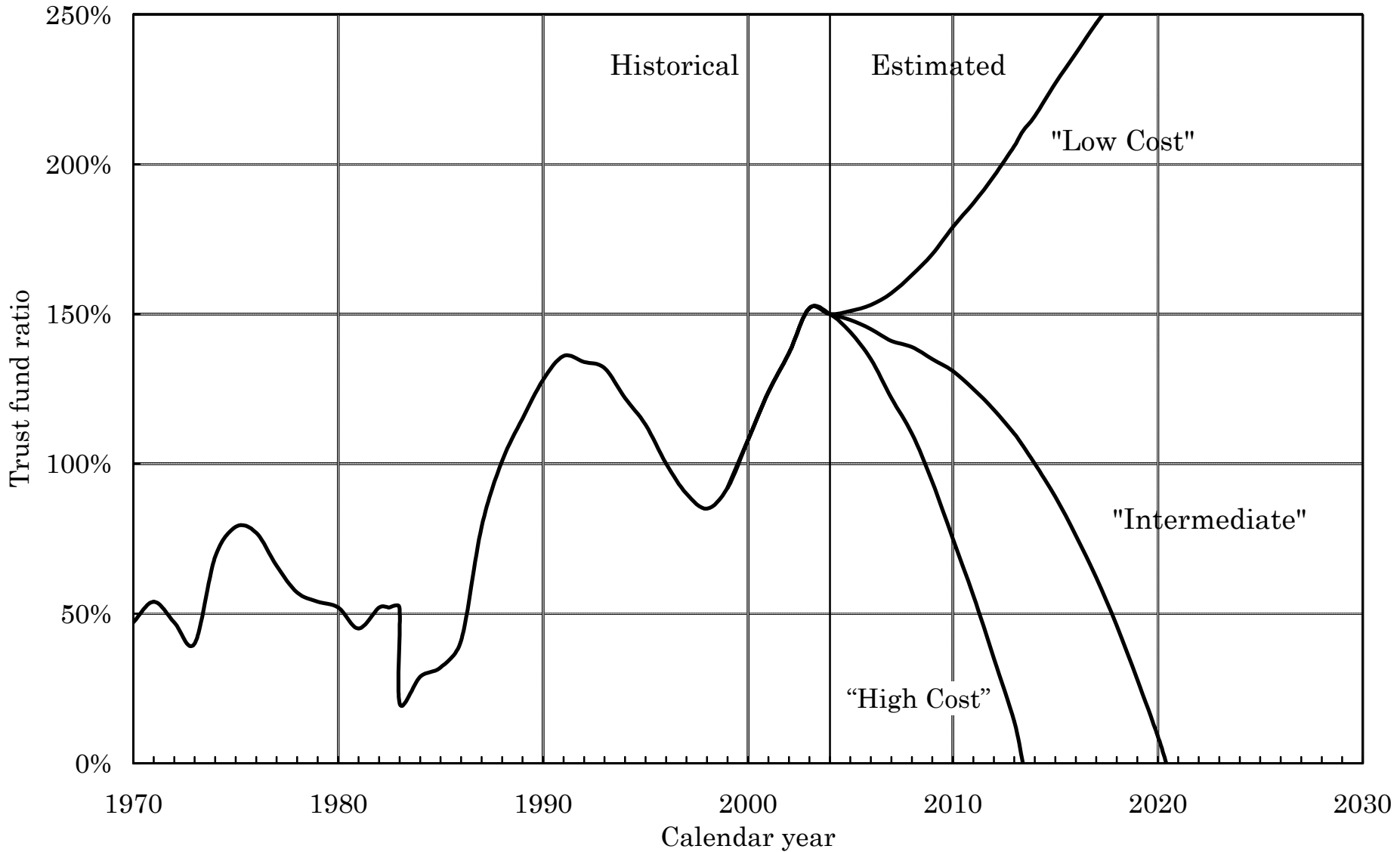
(In billions)



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

Chart 3—HI fund ratios under alternative assumptions

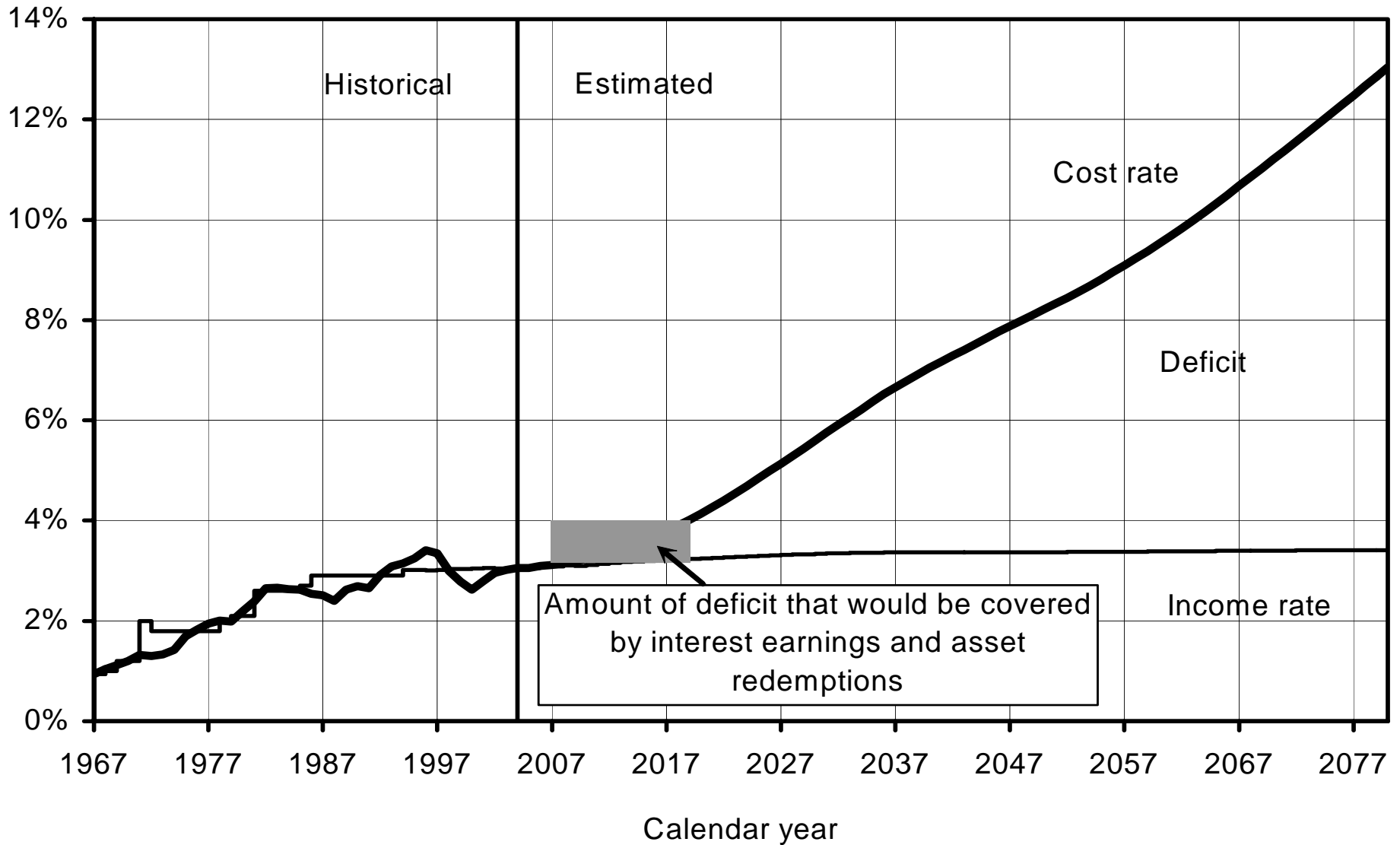
(Assets at beginning of year as percentage of annual expenditures)



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

Chart 4--Long-range HI income and cost rates

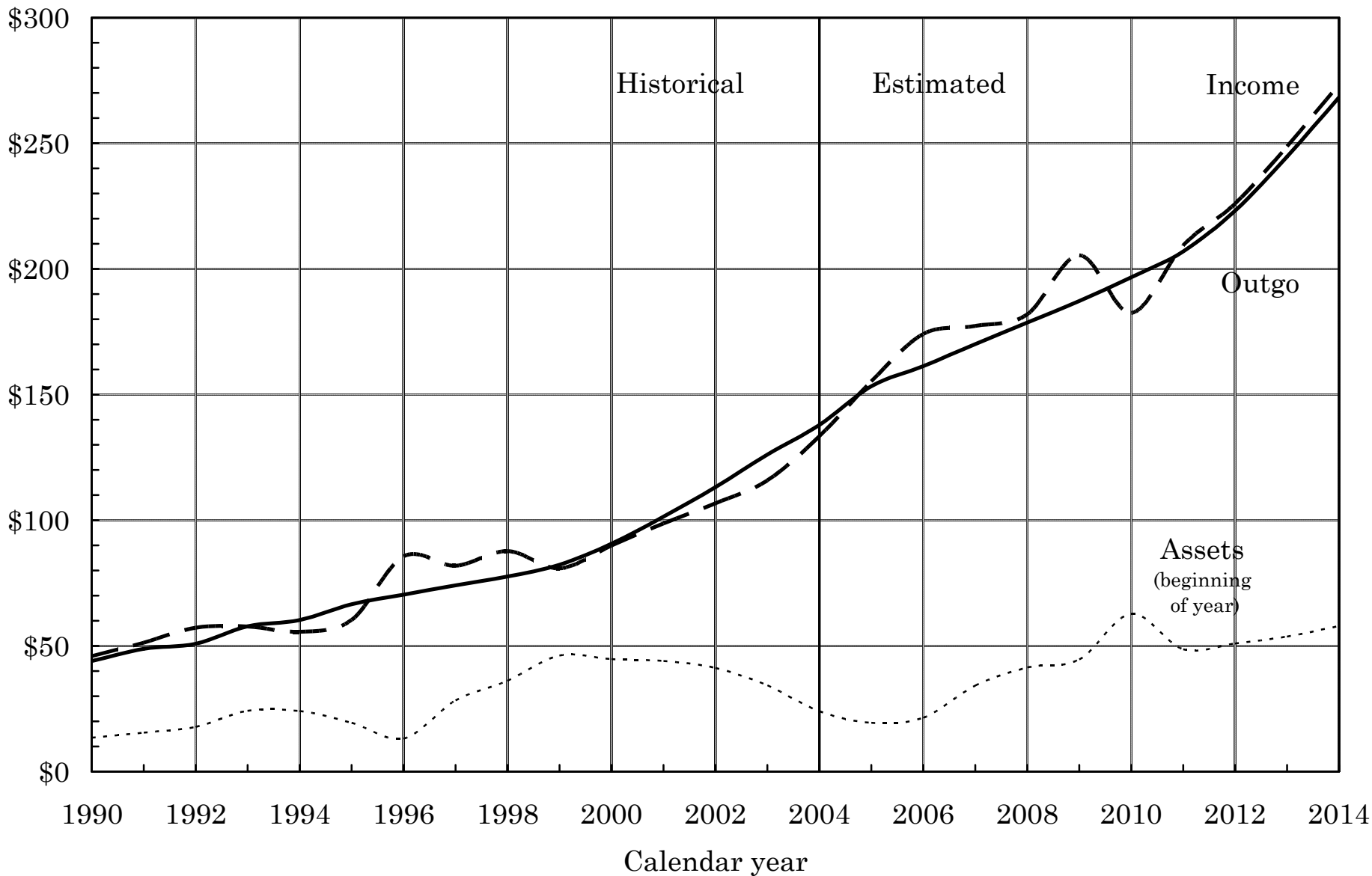
(As a percentage of taxable payroll)



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

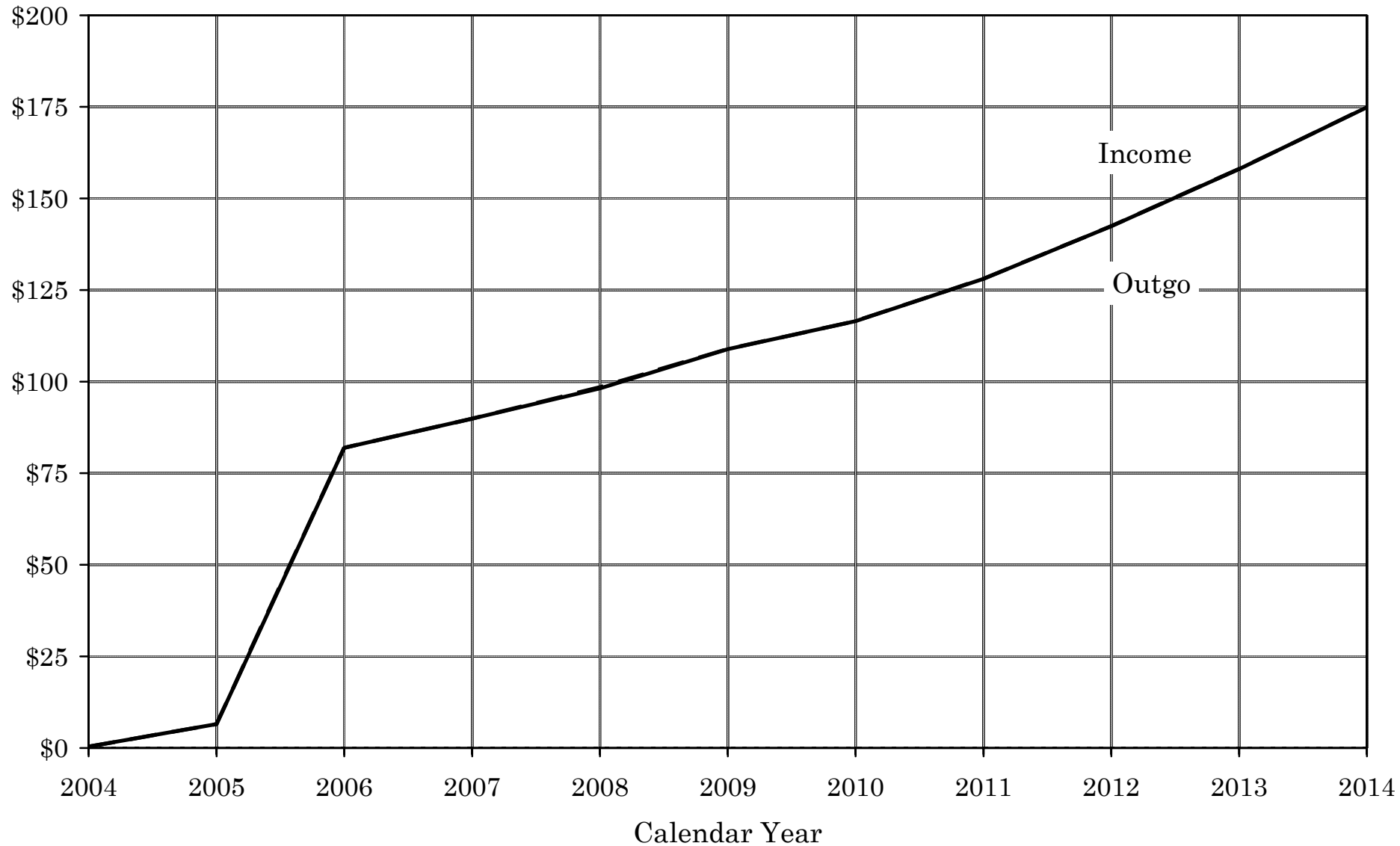
Chart 5—SMI Part B income, outgo, and trust fund assets

(In billions)



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

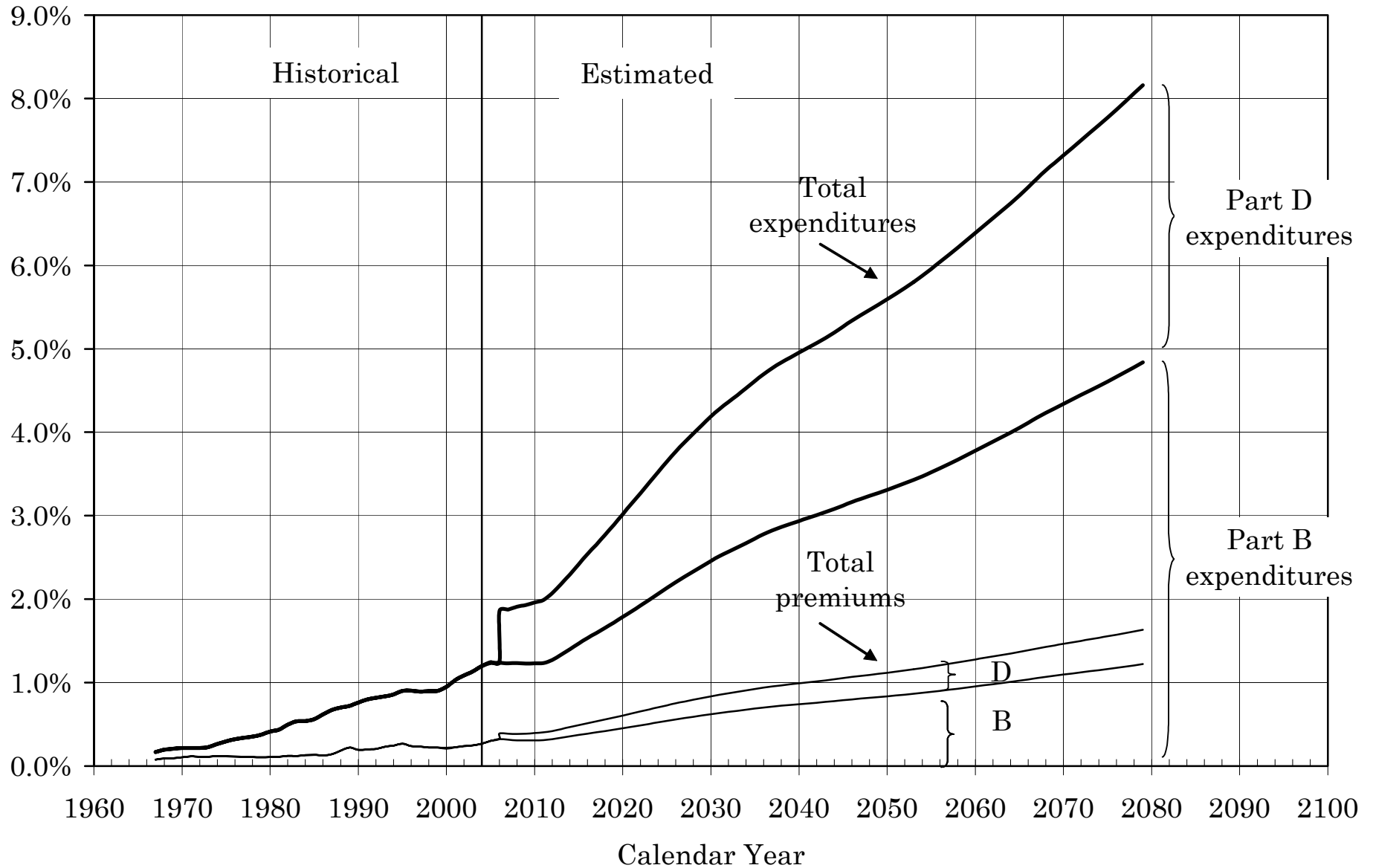
Chart 6--SMI Part D income and outgo
(In billions)



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

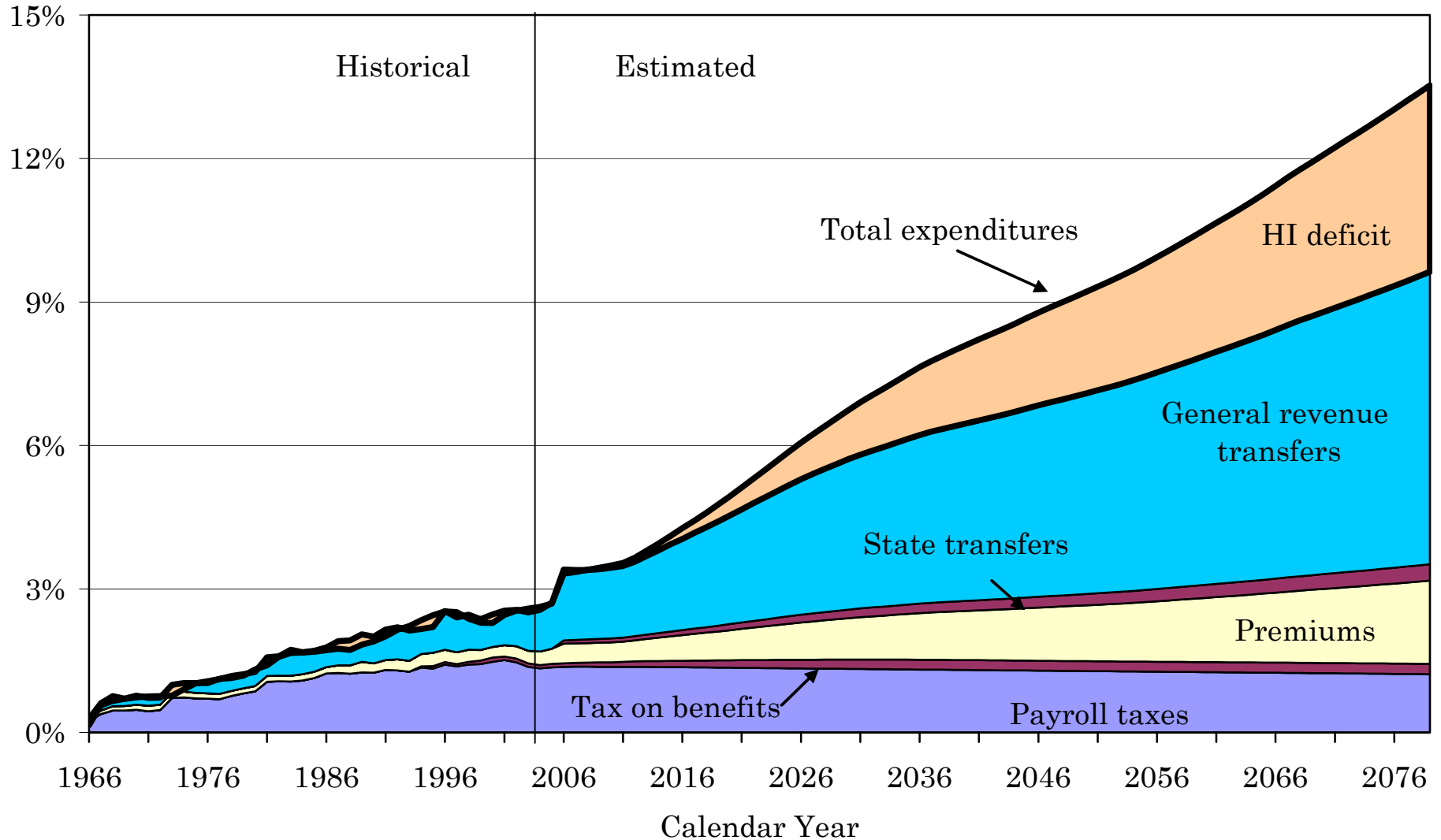
Chart 7--SMI expenditures and premium income

[As a percentage of Gross Domestic Product (GDP)]



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

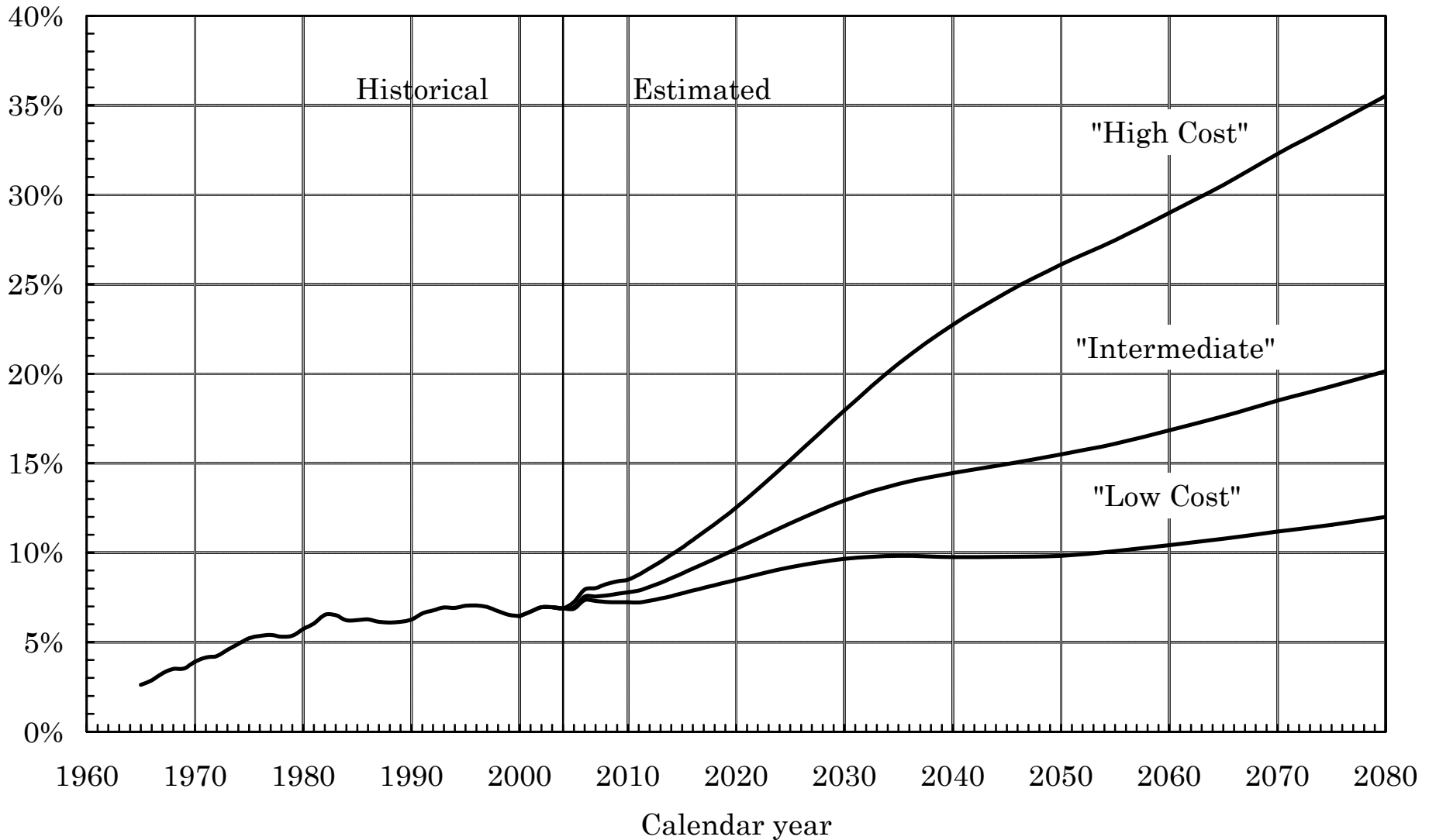
Chart 8—Medicare sources of non-interest income and expenditures
 [As a percentage of Gross Domestic Product (GDP)]



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.

Chart 9—Total OASDI + Medicare expenditures under alternative sets of assumptions

[As a percentage of Gross Domestic Product (GDP)]



Note: Projections are based on the intermediate assumptions from the 2005 Trustees Report.