

OFFICE OF THE ACTUARY

The Financial Status of Medicare

Presentation for the American Enterprise Institute

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Chief Actuary

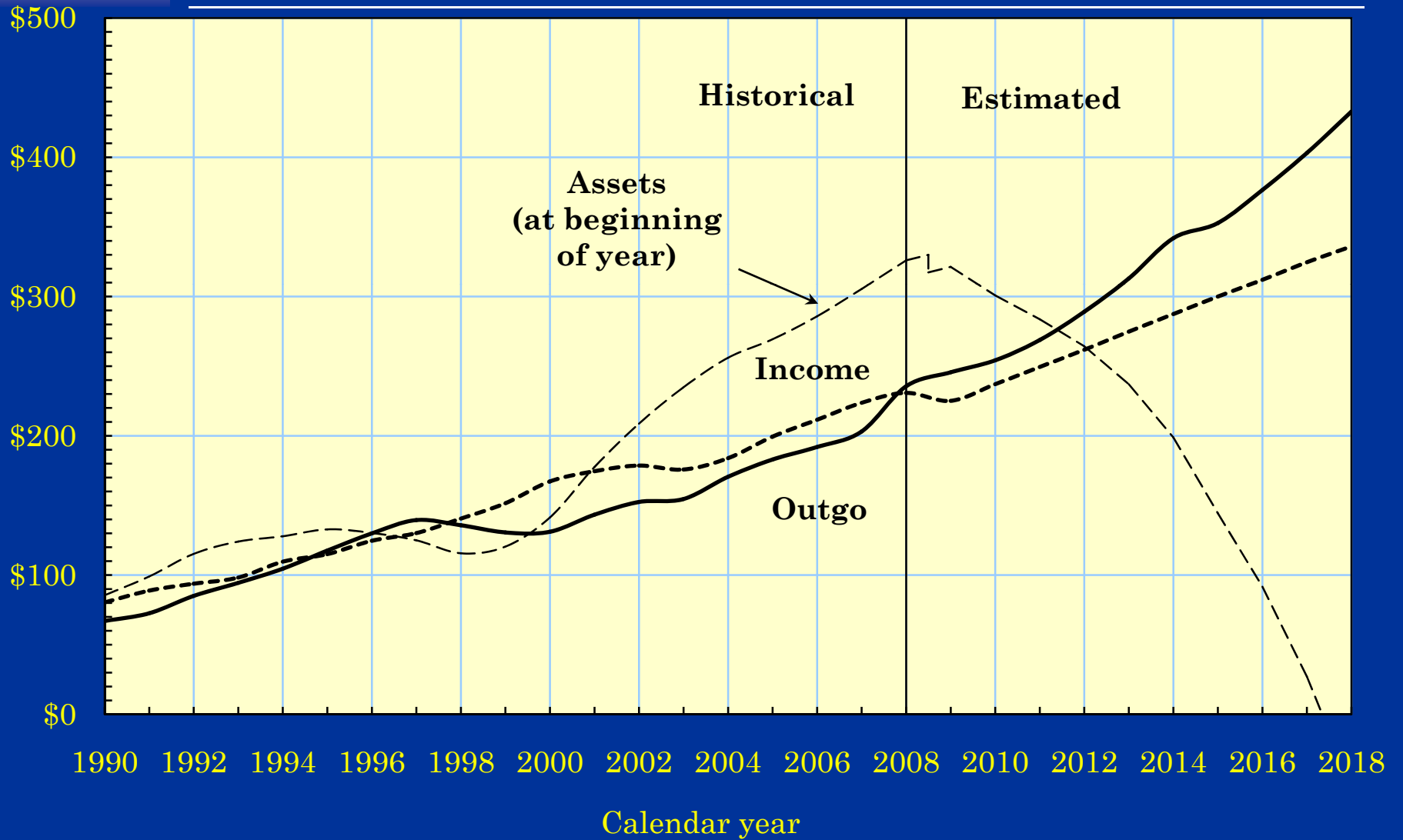




Chart 1—Medicare enrollment, benefits, and financing

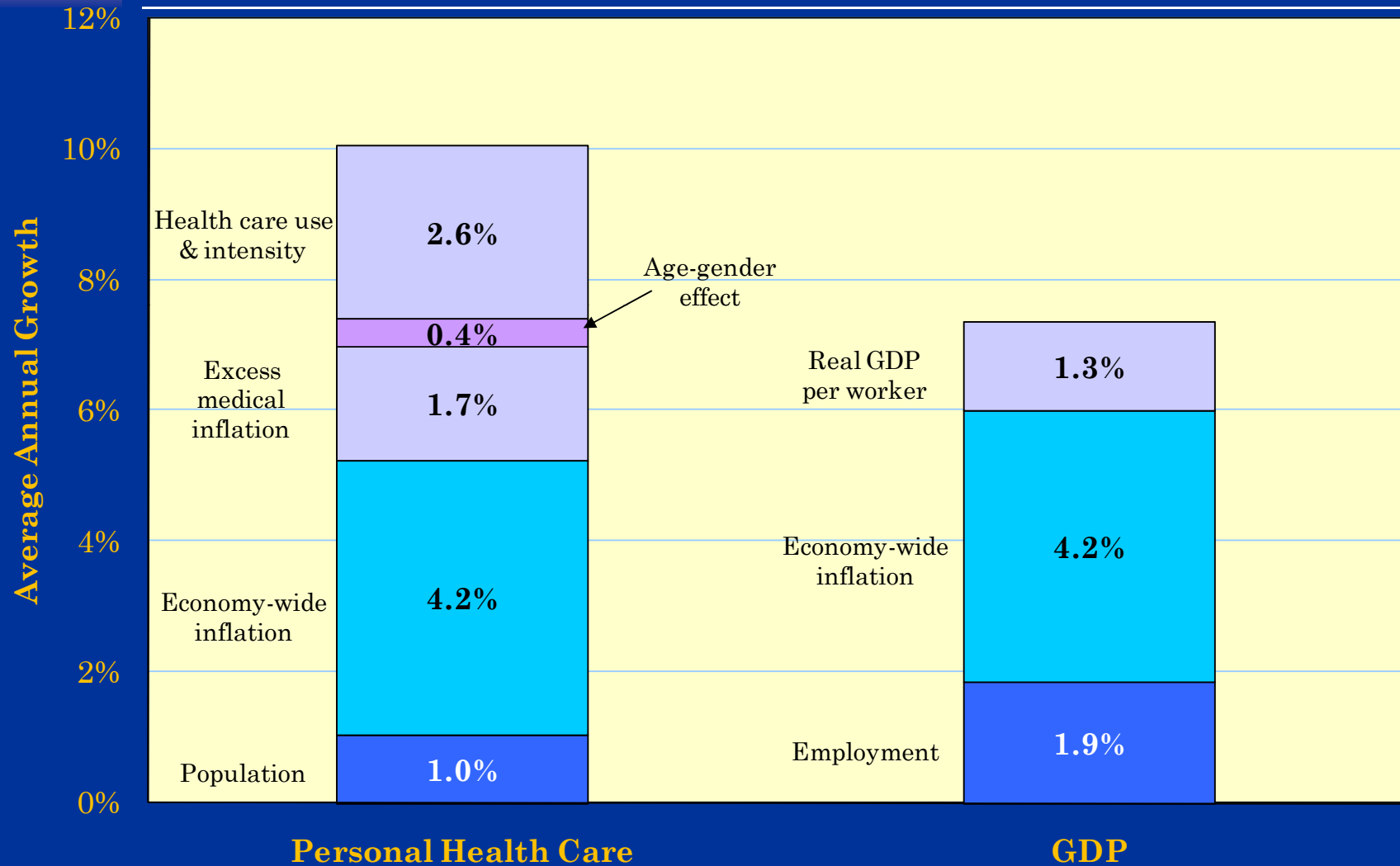
		Hospital Insurance (HI)	Supplementary Medical Insurance (SMI)
Enrollment in CY 2008:			
Total.....		45 million	Part B: 42 million Part D: 32 million (25 + 7)
Proportion with services.....		22%	Part B: 87% Part D: Approximately 90%
Benefits*	Inpatient hospital care Skilled nursing care Home health care (post-institutional) Hospice care		Physician services Outpatient hospital services Home health care (general) Prescription drug benefit Other services, e.g. <ul style="list-style-type: none"> • Diagnostic tests • Medical equipment • Ambulance
* Subject to certain deductible and coinsurance requirements			
CY 2009 Financing.....			
	HI tax on covered earnings: <ul style="list-style-type: none"> • 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 <u>all</u> earnings in covered employment 		Part B premiums and general revenue transfers: <ul style="list-style-type: none"> • \$96.40 per month in 2009; covers about 25% of costs • Tied to beneficiary income in 2007 and later • General revenues cover 75% of costs
	Revenue from income taxation of OASDI benefits (portion between 50% & 85%)		Part D drug premiums, general revenues, and State transfers: <ul style="list-style-type: none"> • <u>Base</u> premium in 2009 is \$30.36; <u>average</u> premium is about \$28; covers 25.5% of standard benefit costs, 10% of total costs • State payments on behalf of certain beneficiaries cover about 13% of costs • General revenues cover 77% of costs

Chart 2—HI income, outgo, and trust fund assets (In billions)



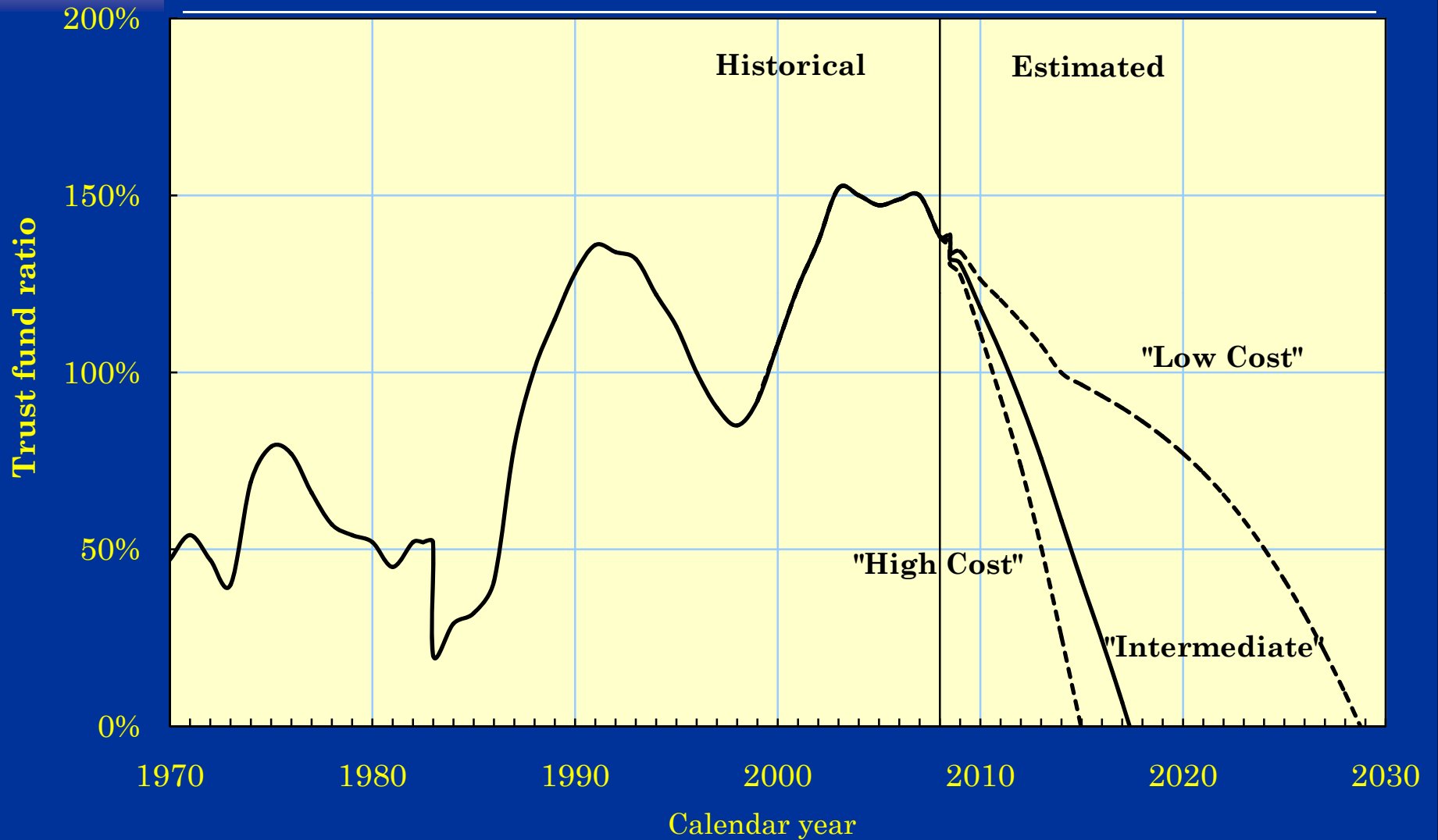
Note: Projections are based on the intermediate assumptions from the 2009 Trustees Report.

Chart 2.5 — Factors Accounting for Growth in Personal Health Care Spending and the Economy, 1965-2006



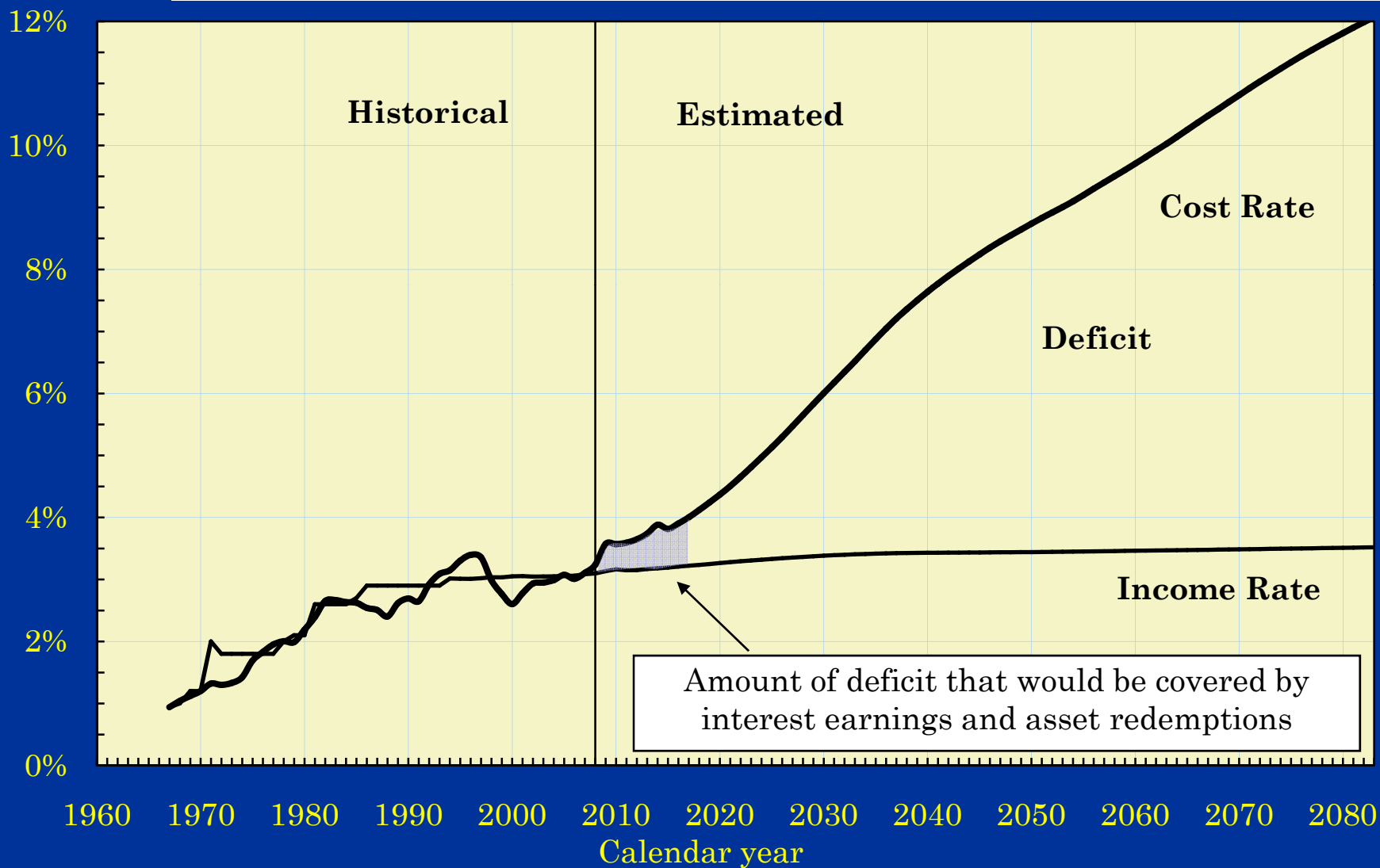
Source: Office of the Actuary, National Health Statistics Group.

Chart 3—HI fund ratios under alternative assumptions
(Assets at beginning of year as percentage of annual expenditures)



Note: Projections are based on the assumptions from the 2009 Trustees Report.

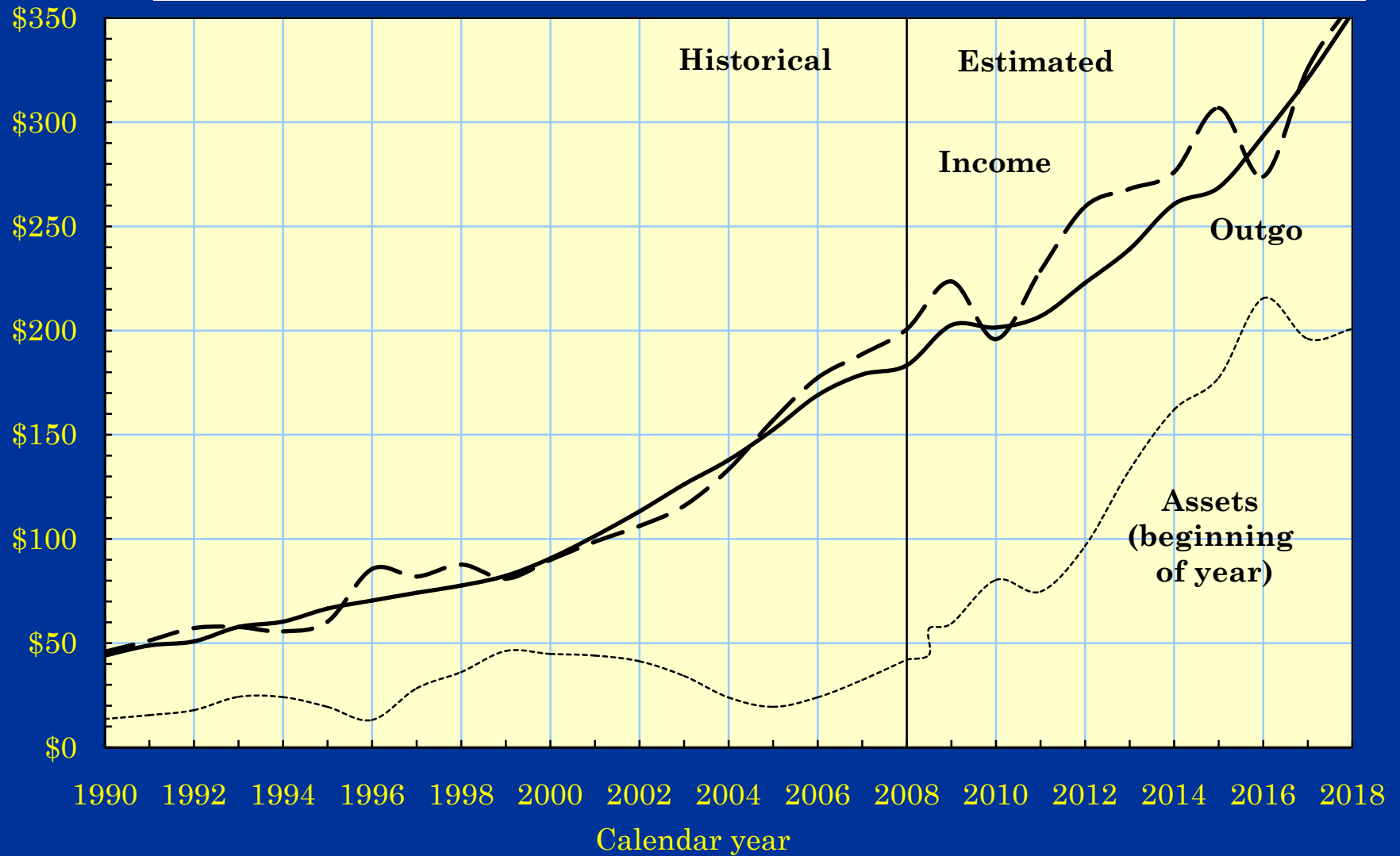
Chart 4—Long-range HI income and cost rates (As a percentage of taxable payroll)



Note: Projections are based on the intermediate assumptions from the 2009 Trustees Report.

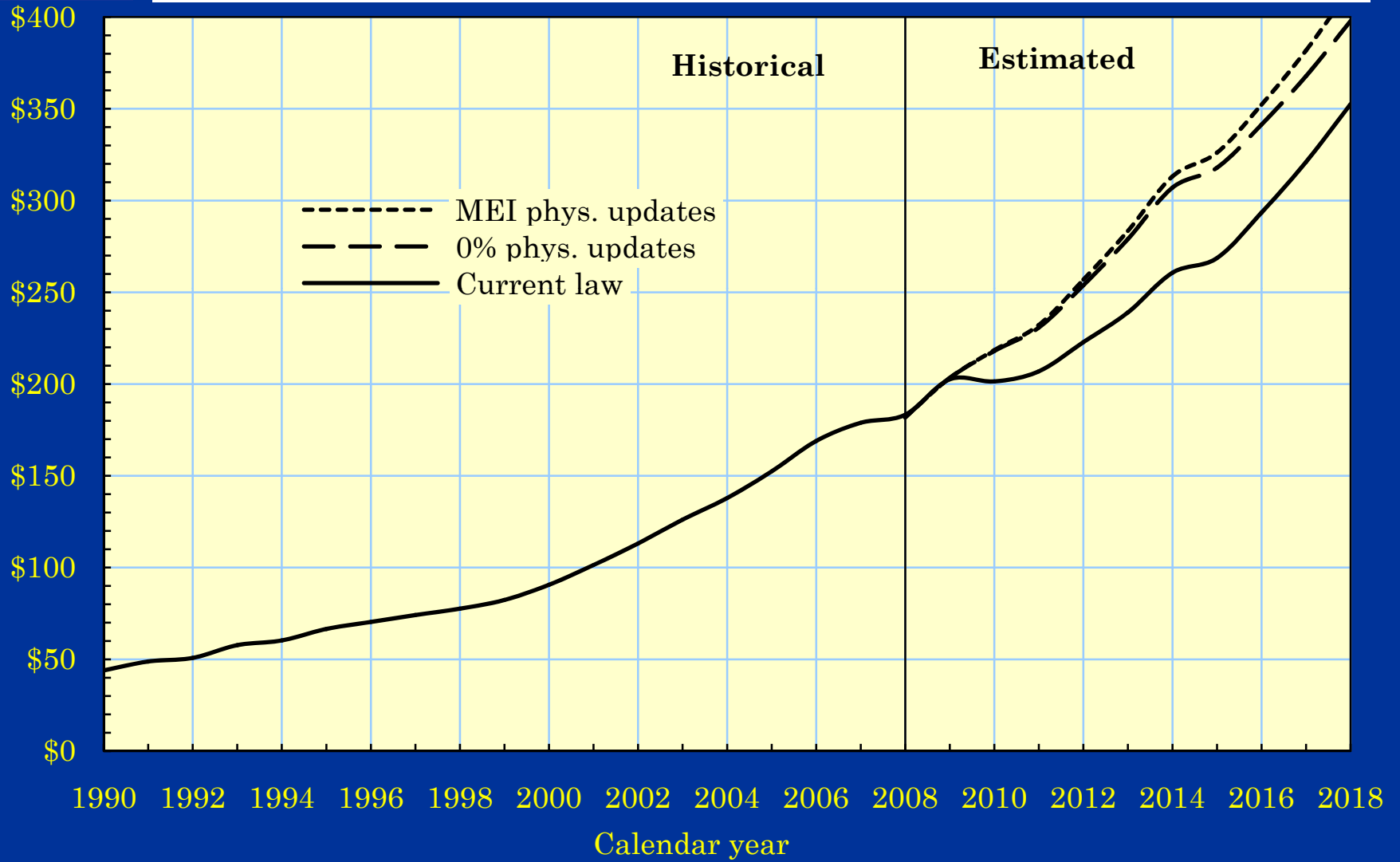


Chart 5—SMI Part B income, outgo, and trust fund assets (In billions)



Note: Projections are based on the intermediate assumptions from the 2009 Trustees Report.

Chart 5.a—Illustration of possible understatement in projected Part B expenditures due to SGR (In billions)



Note: Projections are based on intermediate assumptions from the 2009 Trustees Report.



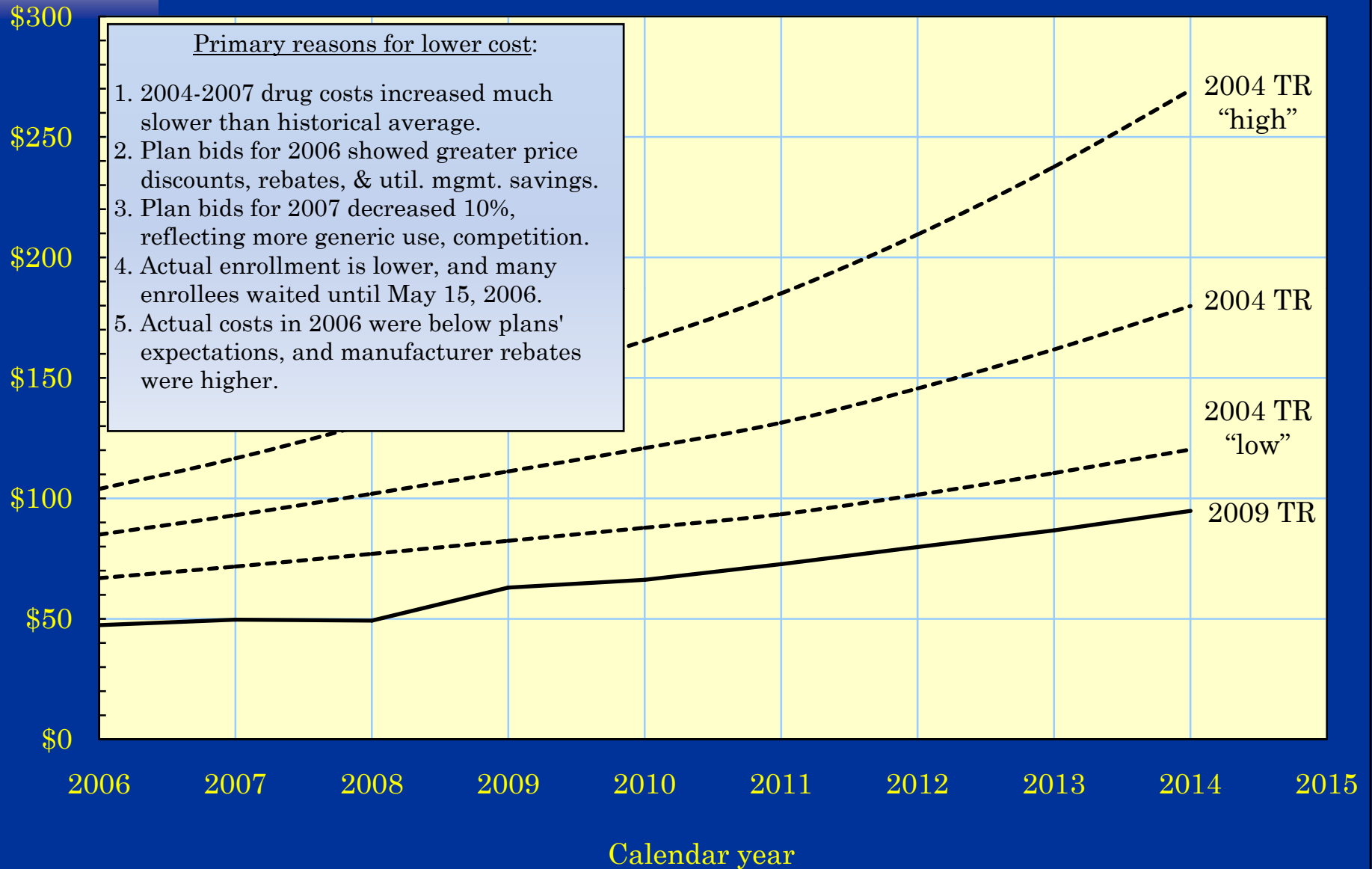
Chart 6—SMI Part D income and outgo (In billions)



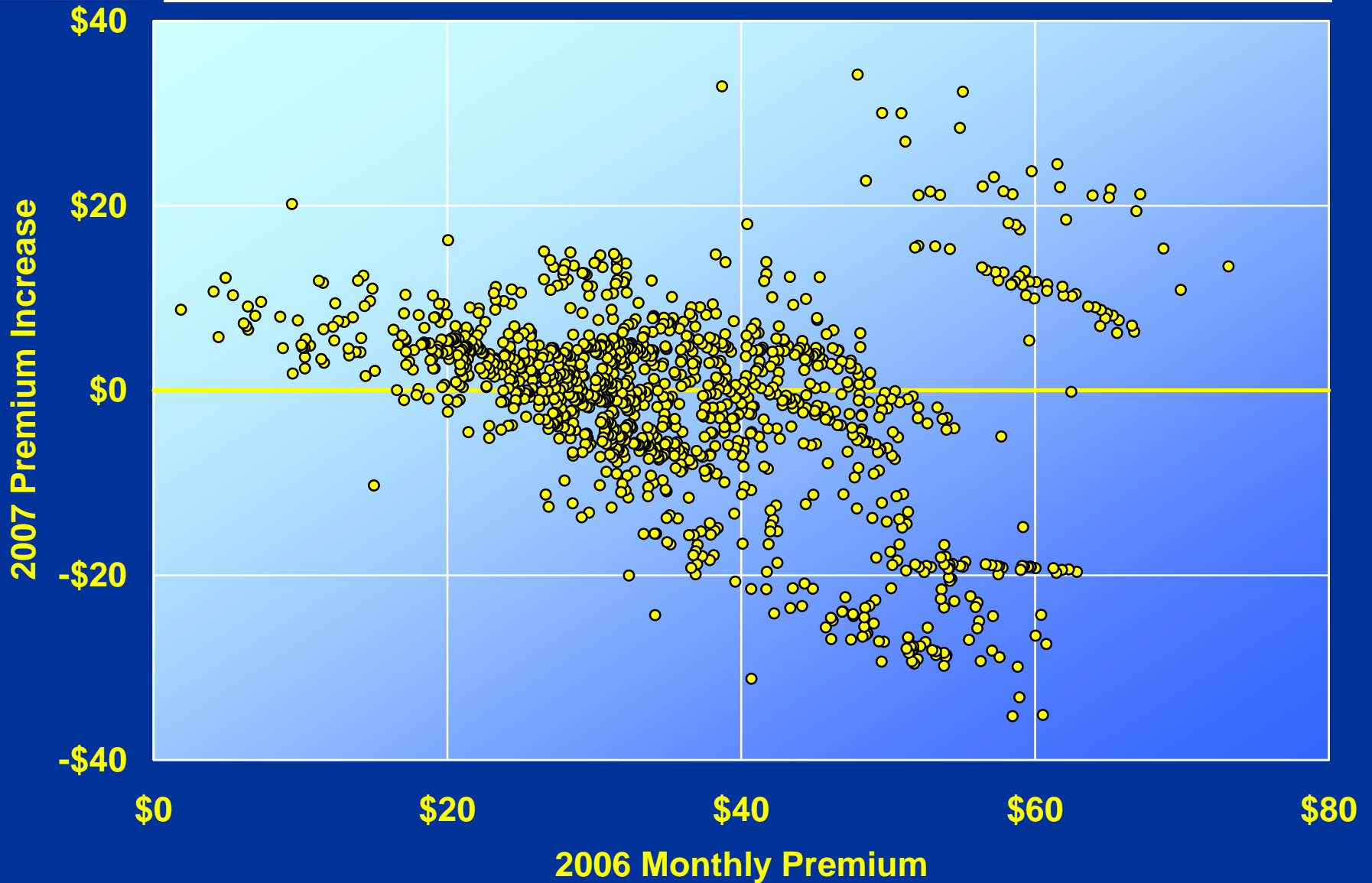
Note: Projections are based on the intermediate assumptions from the 2009 Trustees Report.



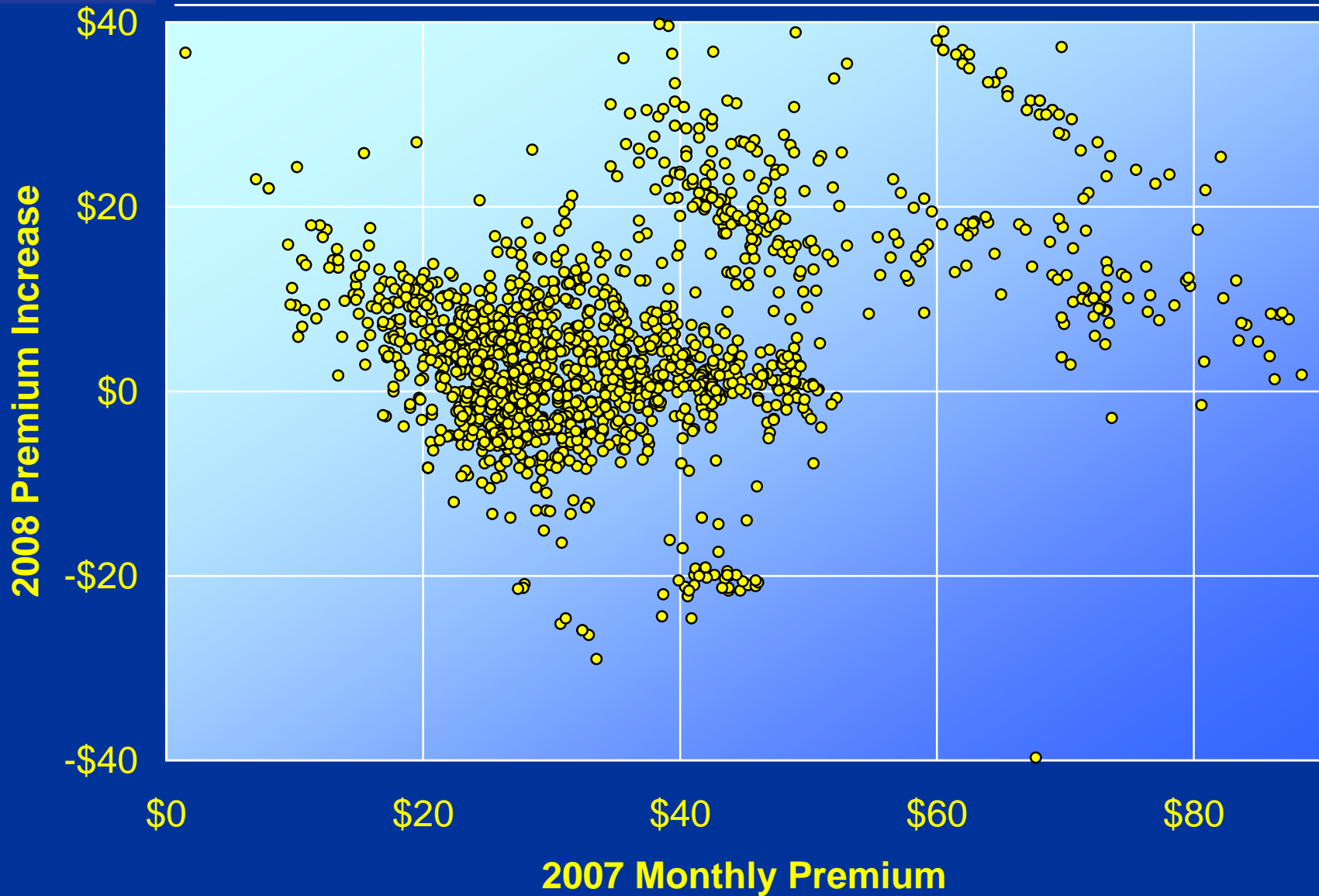
Chart 6.a—2008 Trustees Report Part D intermediate cost projections vs. original estimate range from 2004 Report (in billions)



Impact of competition: Higher-cost PDPs in 2006 generally lowered premiums for 2007



Update for 2008: Increases outweigh decreases; more variation in changes



Update for 2009: Mostly increases; still considerable variation in changes

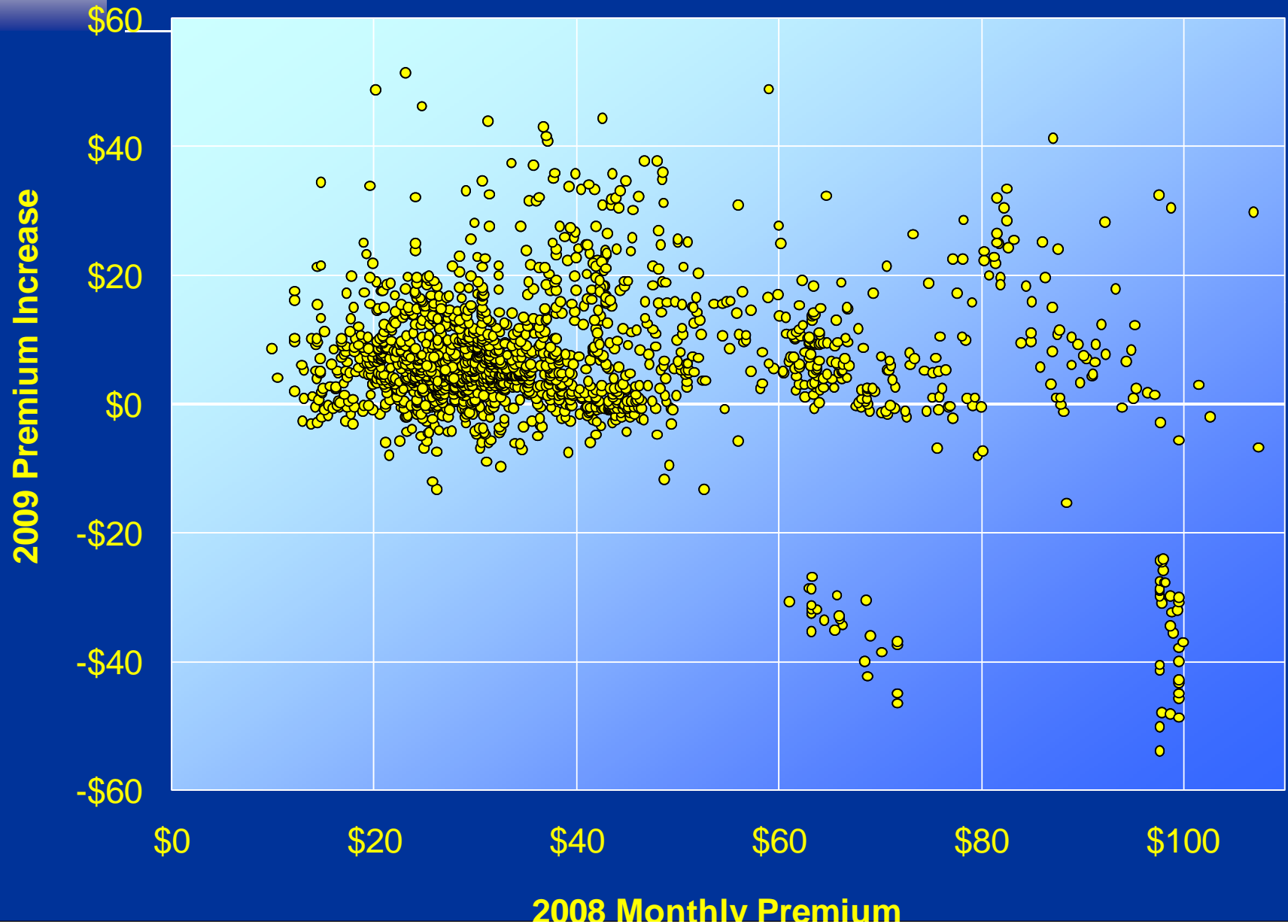
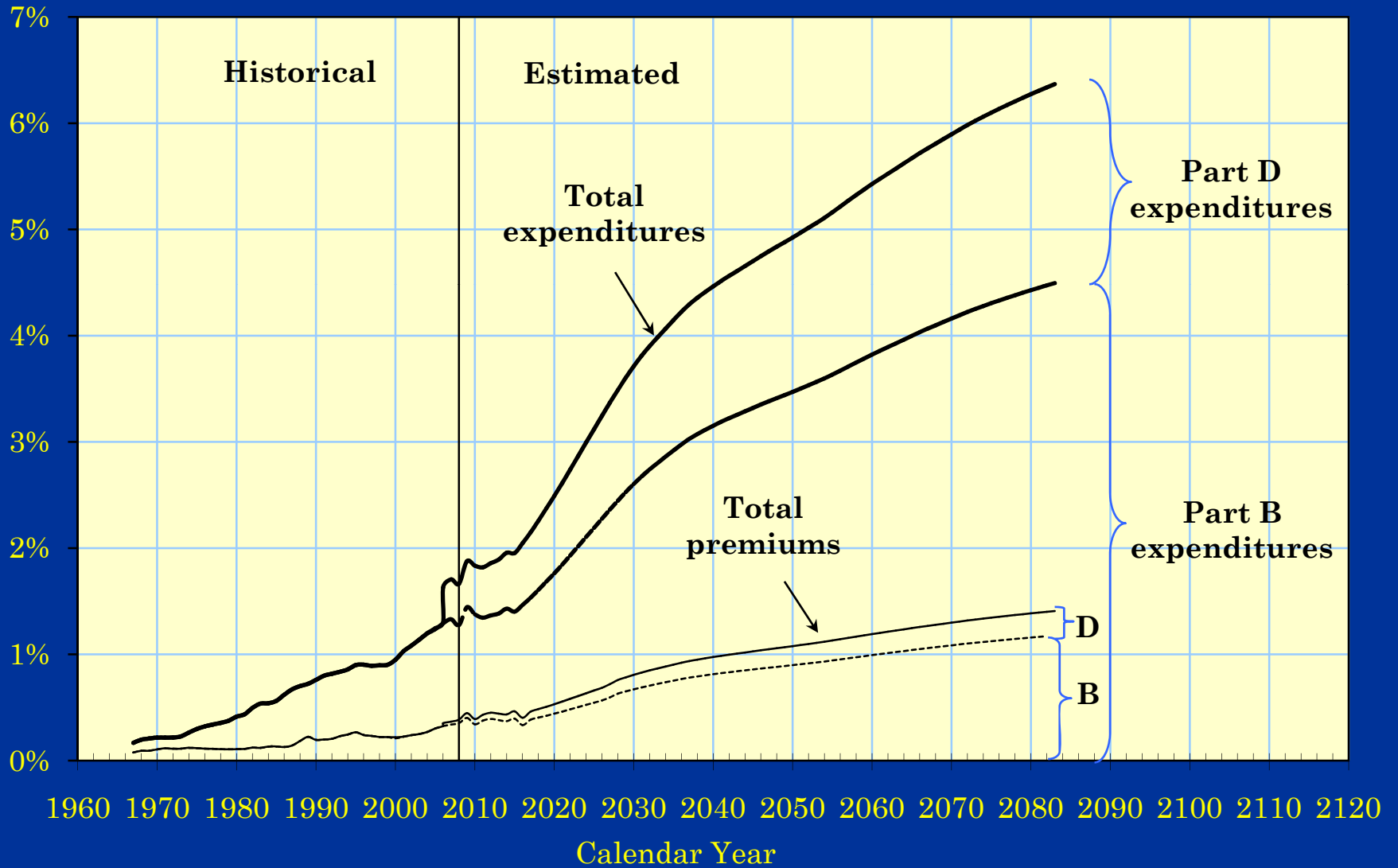




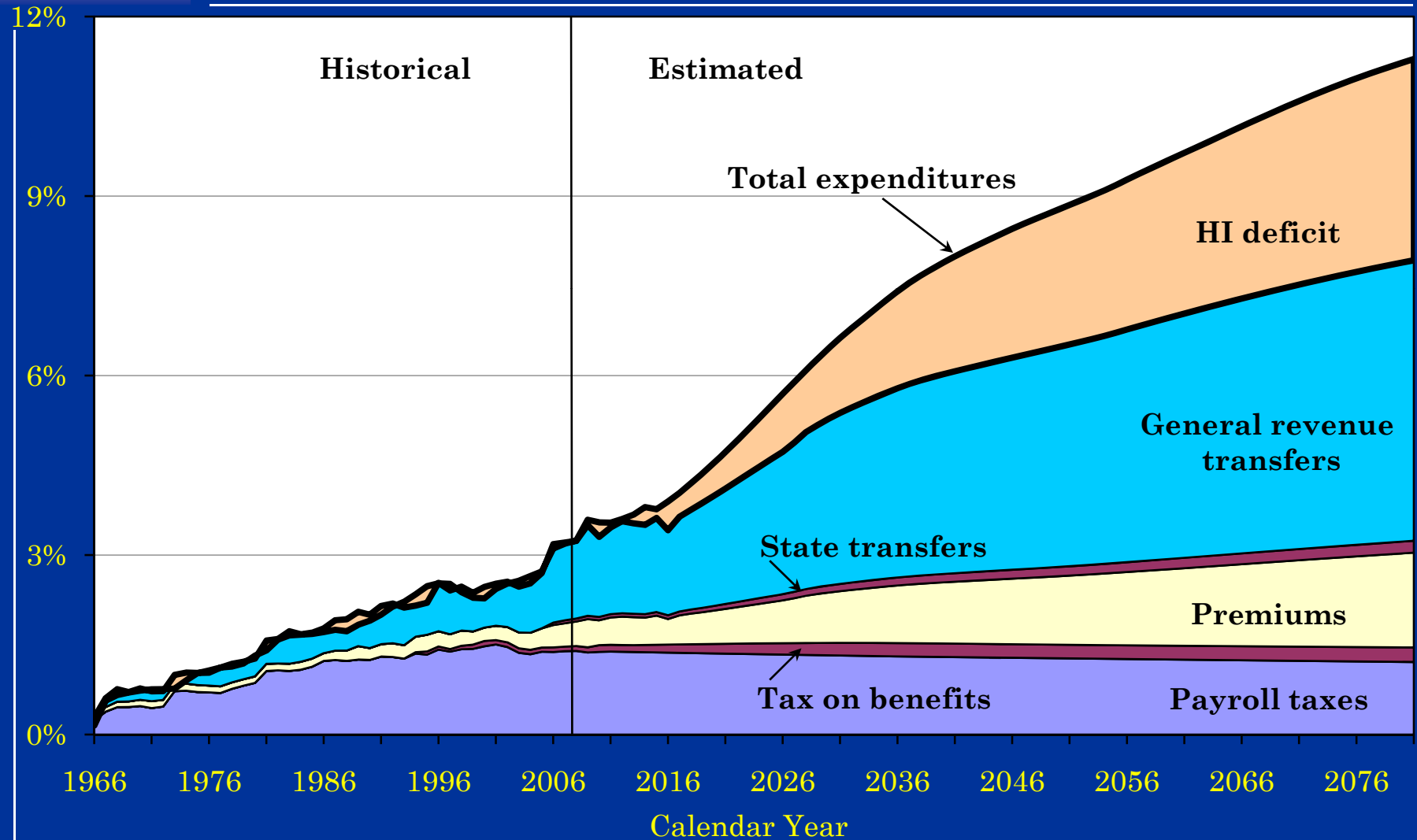
Chart 7—SMI expenditures and premium income

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



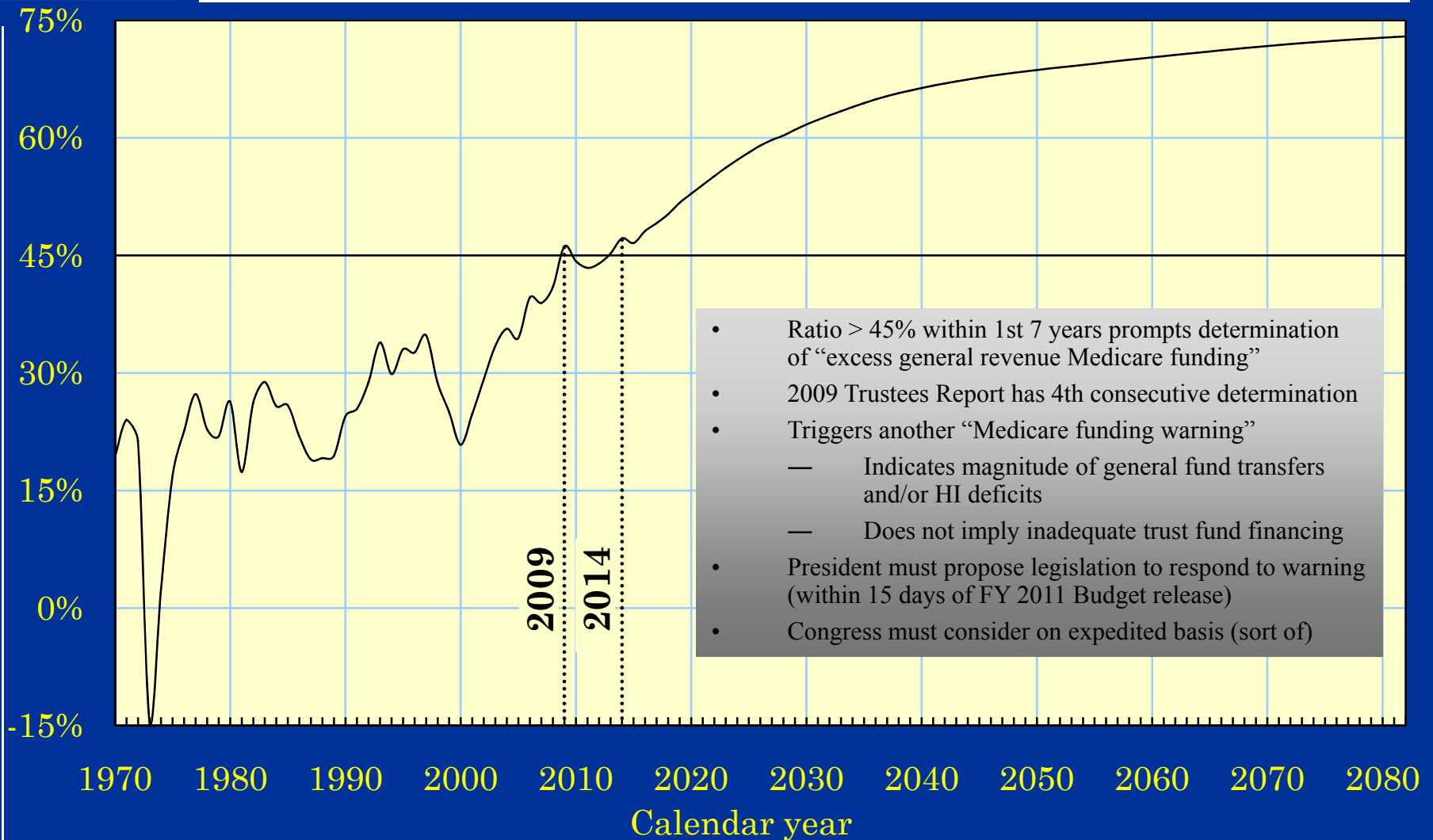
Note: Projections are based on the intermediate assumptions from the 2009 Trustees Report.

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 2009 Trustees Report.

Chart 9—Difference between total Medicare outlays and dedicated financing sources, as a percentage of total outlays



Note: Projections are based on the intermediate assumptions from the 2009 Trustees Report.