

OFFICE OF THE ACTUARY

The Financial Status of Medicare

Presentation for the American Enterprise Institute

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CMS

CENTERS for MEDICARE & MEDICAID SERVICES



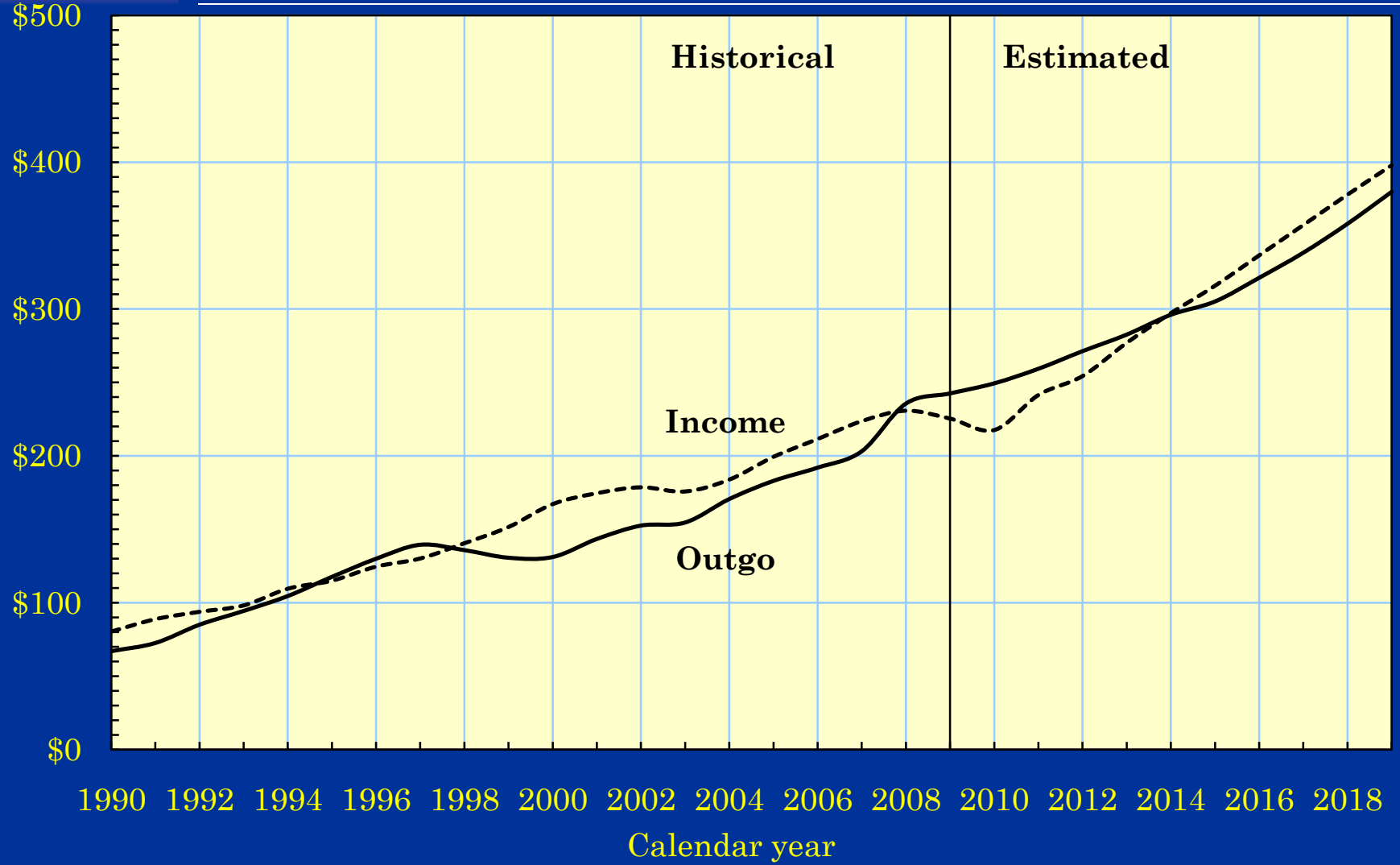


Chart 1—Medicare enrollment, benefits, and financing

Hospital Insurance (HI)		Supplementary Medical Insurance (SMI)	
Enrollment in CY 2009:			
Total.....	46 million	Part B: 43 million	Part D: 33million (27 + 6)
Proportion with services.....	22%	Part B: 87%	Part D: Approximately 85%
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 2010 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 Revenue from income taxation of OASDI benefits (portion between 50% & 85%)	Part B premiums and general revenue transfers: <ul style="list-style-type: none"> • \$96.40 for three-fourths of enrollees • \$110.50 per month for one-fourth of enrollees • Tied to beneficiary income in 2007 and later • General revenues cover 75% of costs Part D drug premiums, general revenues, and State transfers: <ul style="list-style-type: none"> • <u>Base</u> premium in 2010 is \$31.94; <u>average</u> premium is about \$30; covers 25.5% of standard benefit costs, 11% of total costs • State payments on behalf of certain beneficiaries cover about 11% of costs • General revenues cover 78% of costs 	

Chart 2—HI income and outgo

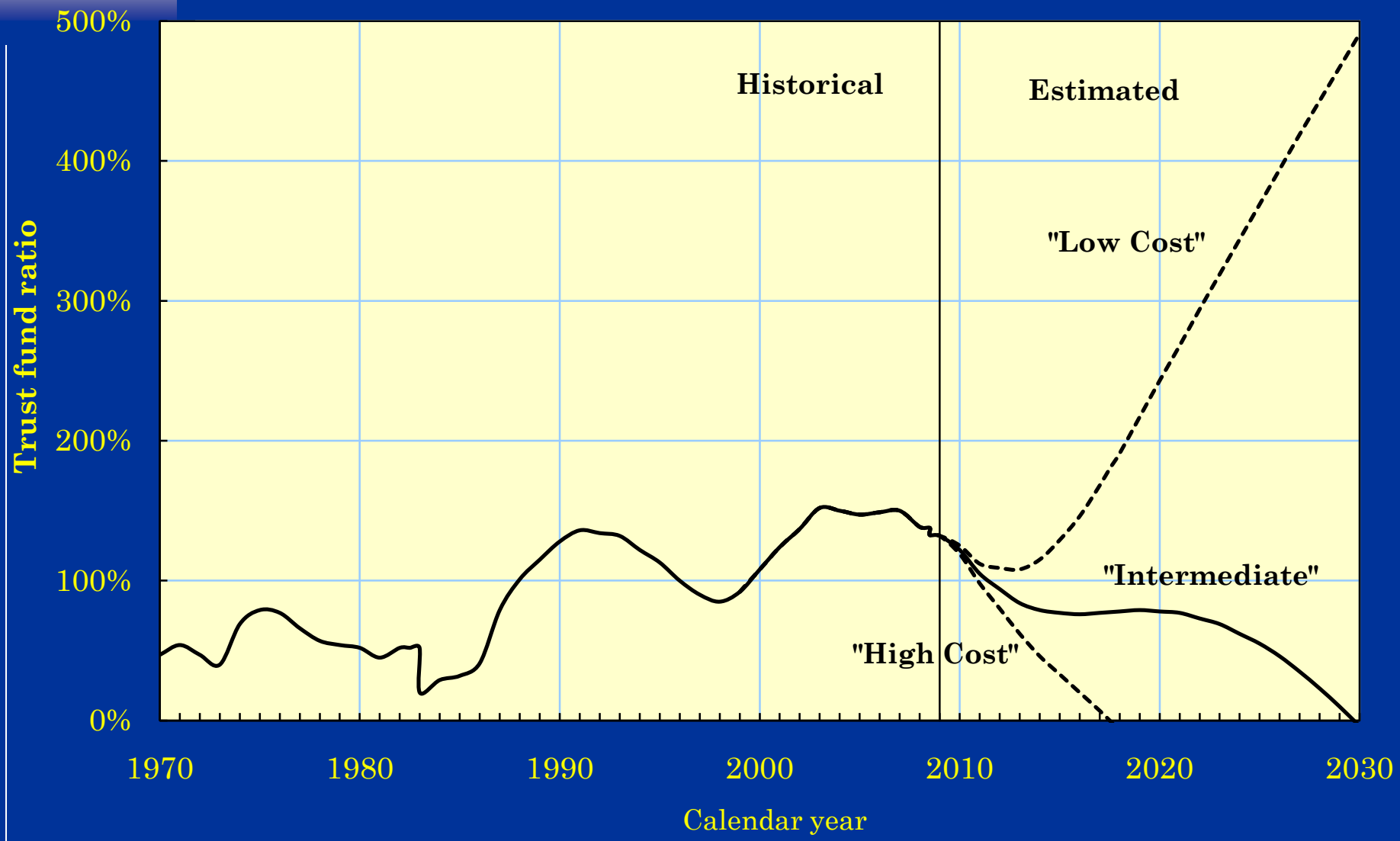
(In billions)



Note: Projections are based on the intermediate assumptions from the 2010 Trustees Report.

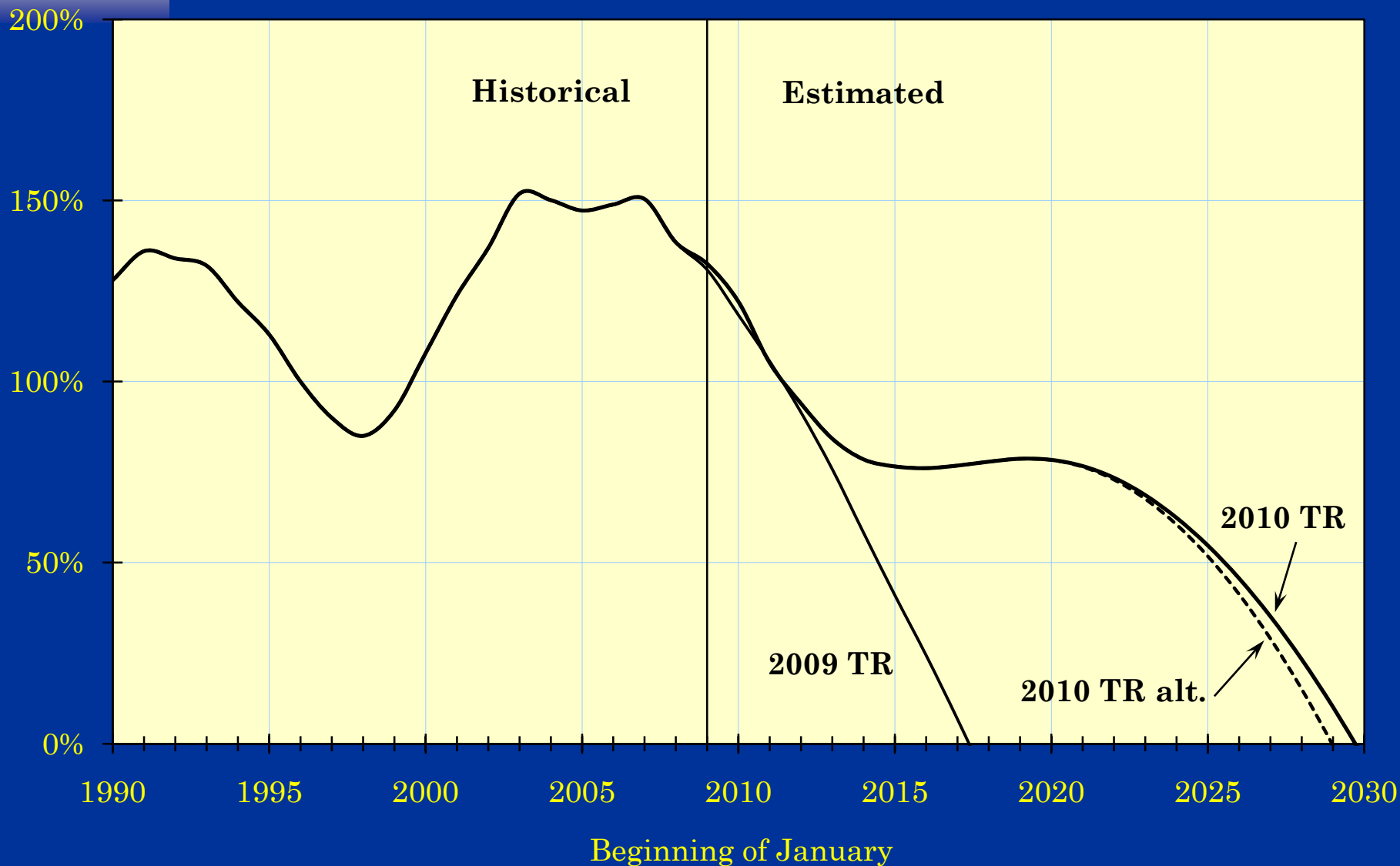
Chart 3—HI fund ratios under alternative assumptions

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



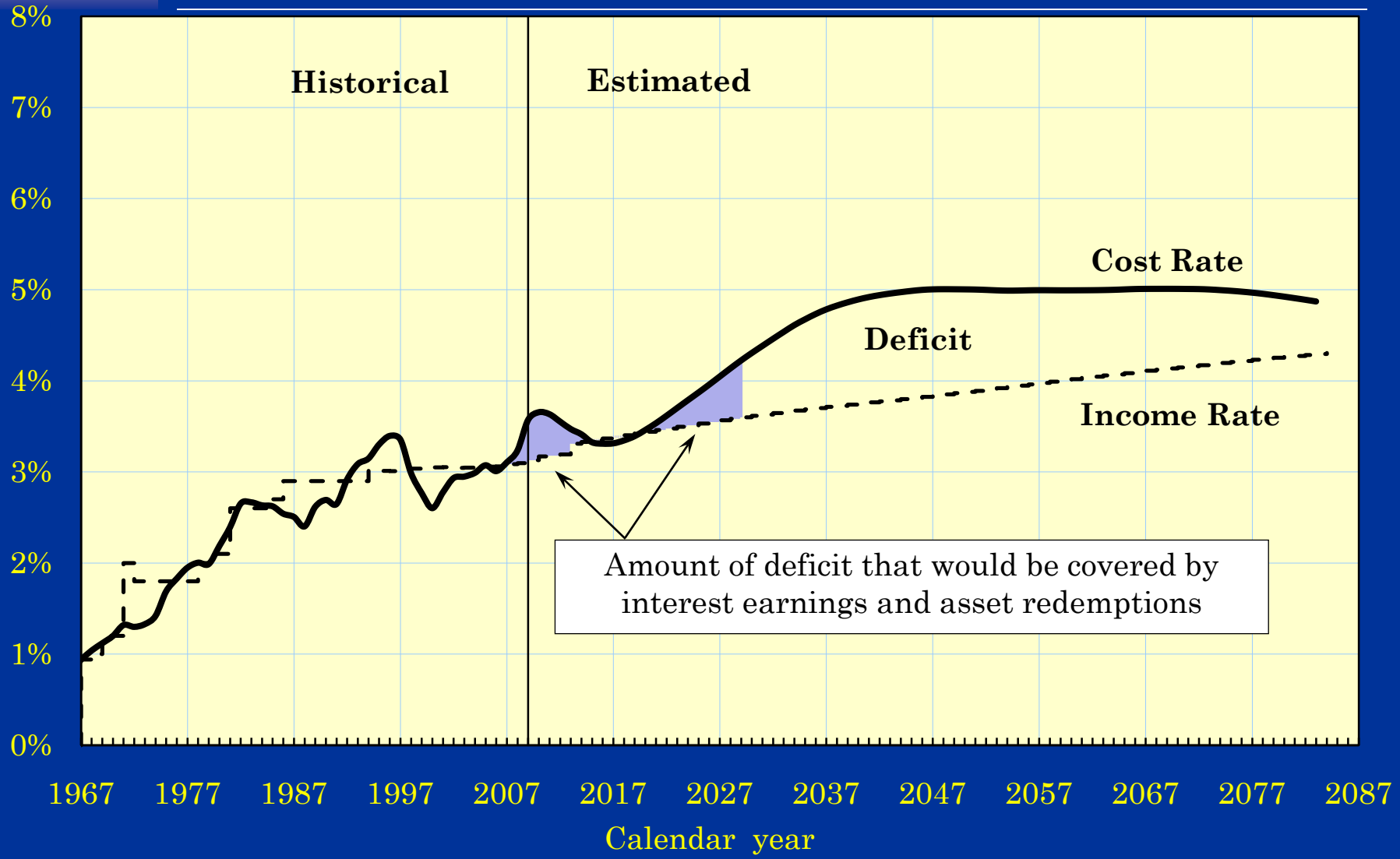
Note: Projections are based on the assumptions from the 2010 Trustees Report.

Chart 3a—HI fund ratios in 2009 Trustees Report, 2010 Trustees Report, and under “Illustrative Alternative Scenario”



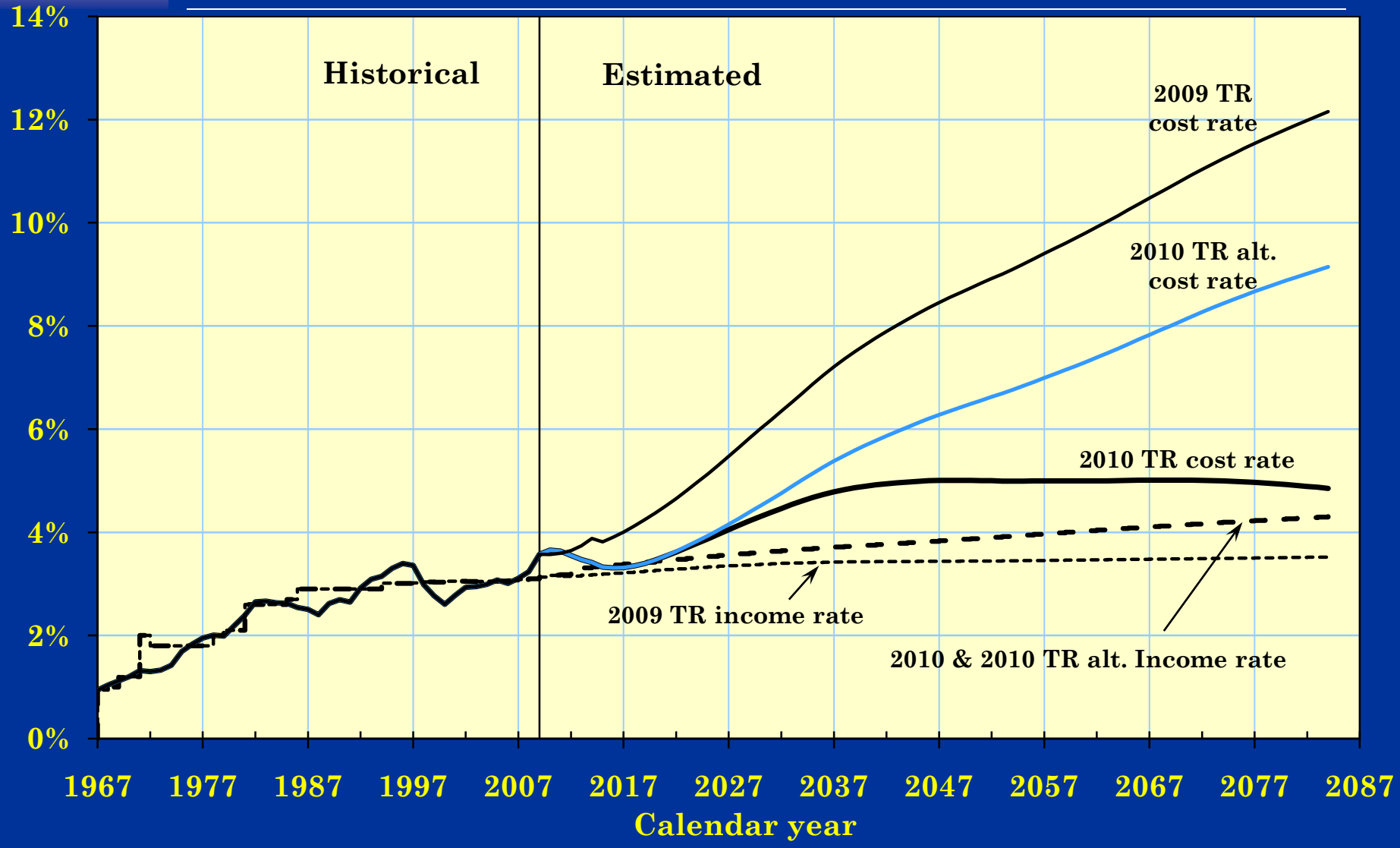
Note: Projections are based on the intermediate assumptions from the 2010 Trustees Report.

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 2010 Trustees Report.

Chart 4.a—Long-range HI income and cost rates, 2009 and 2010 Trustees Reports and alternative scenario



Note: Projections are based on the assumptions from the 2010 Trustees Report.

Chart 5—Illustrative comparison of relative Medicare, Medicaid, and private health insurance prices under current law

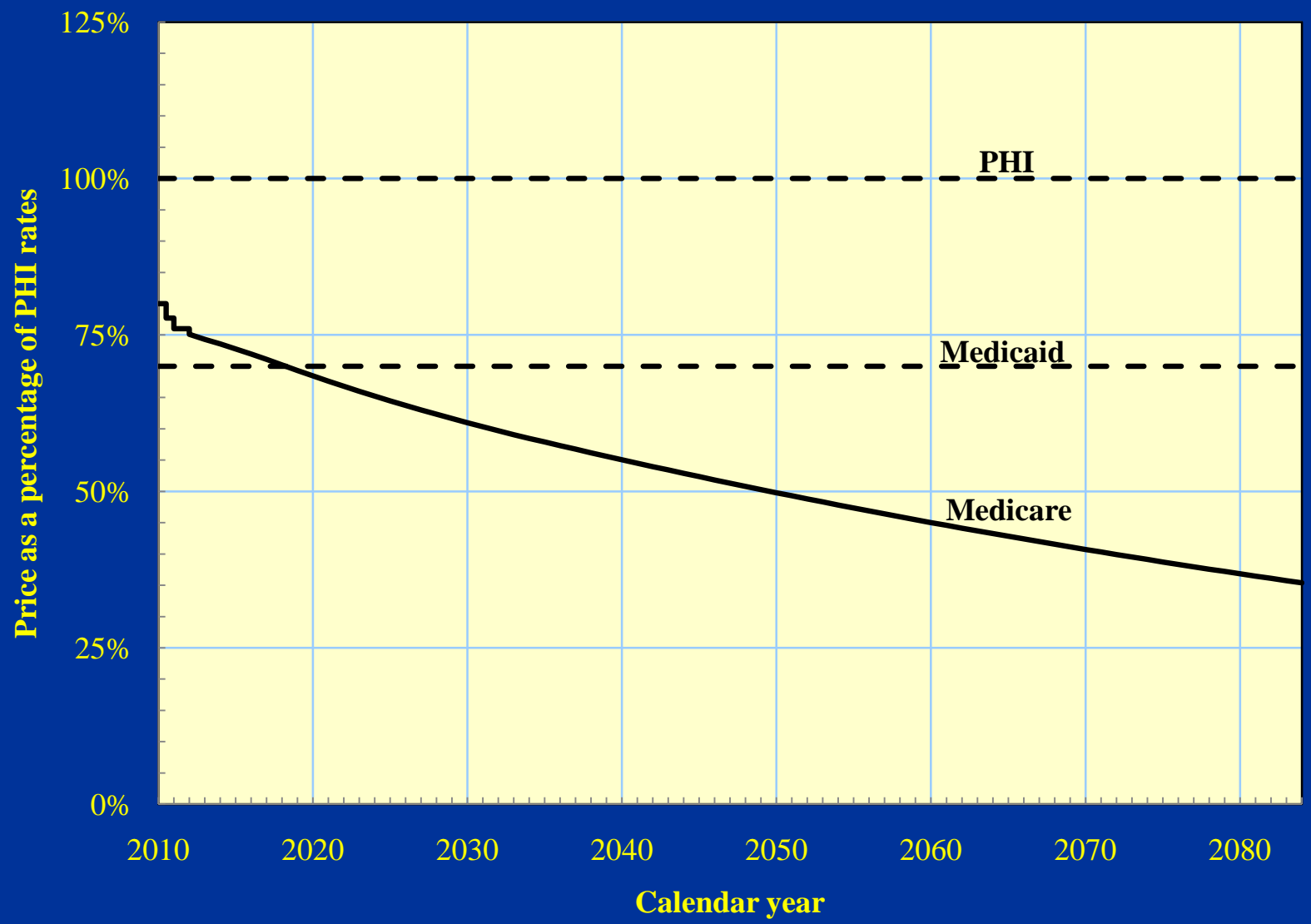
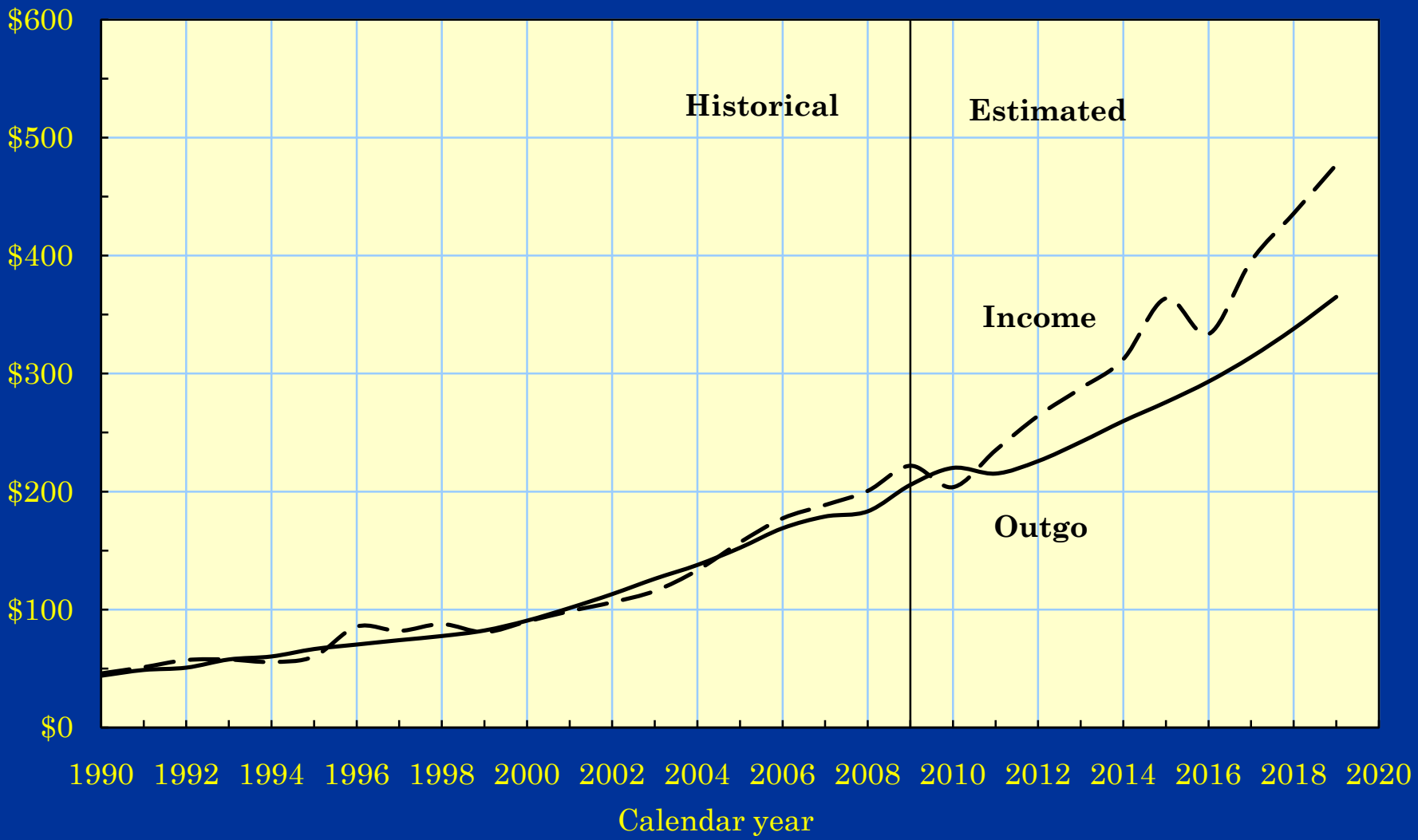


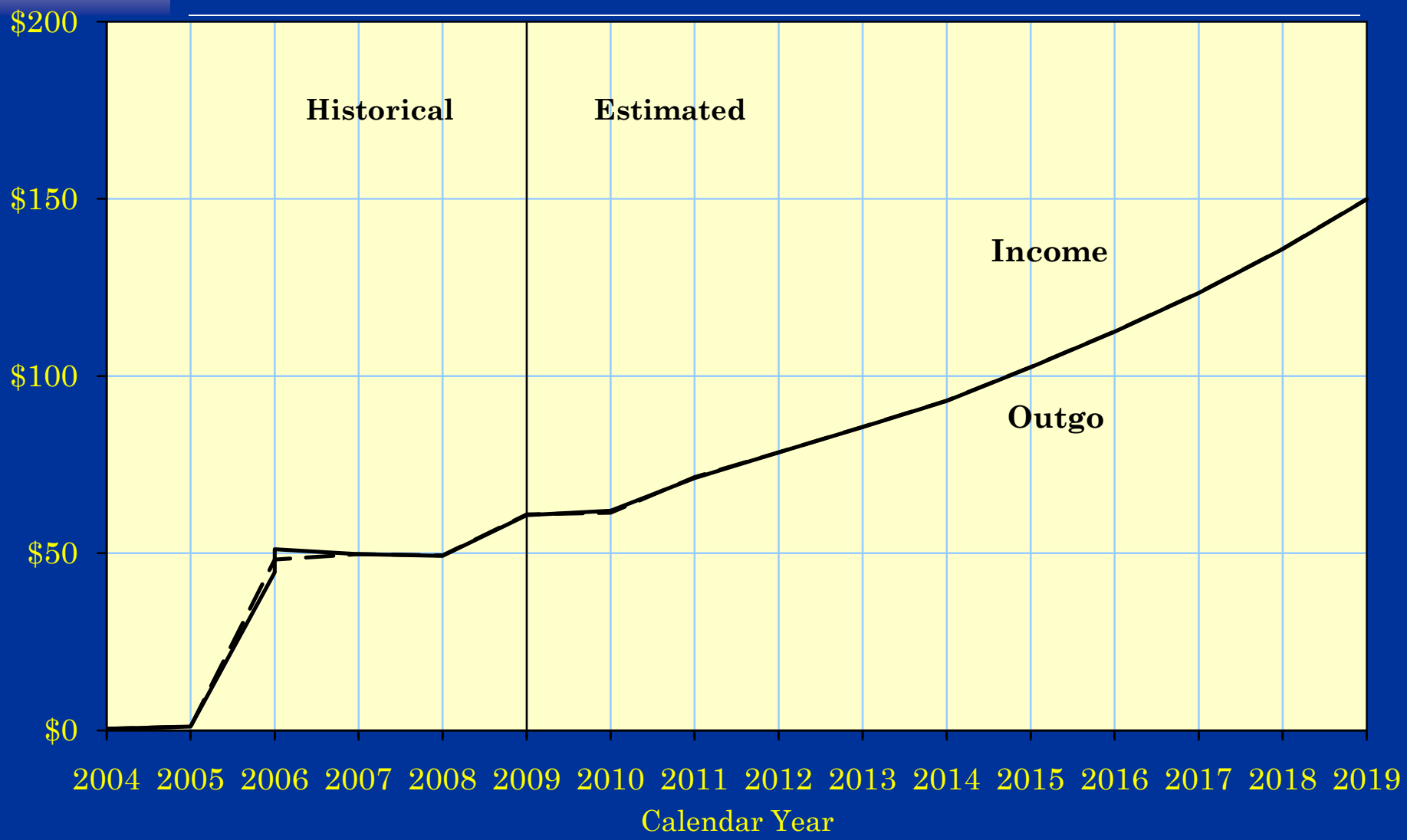
Chart 6—SMI Part B income and outgo

(In billions)



Note: Projections are based on the intermediate assumptions from the 2010 Trustees Report.

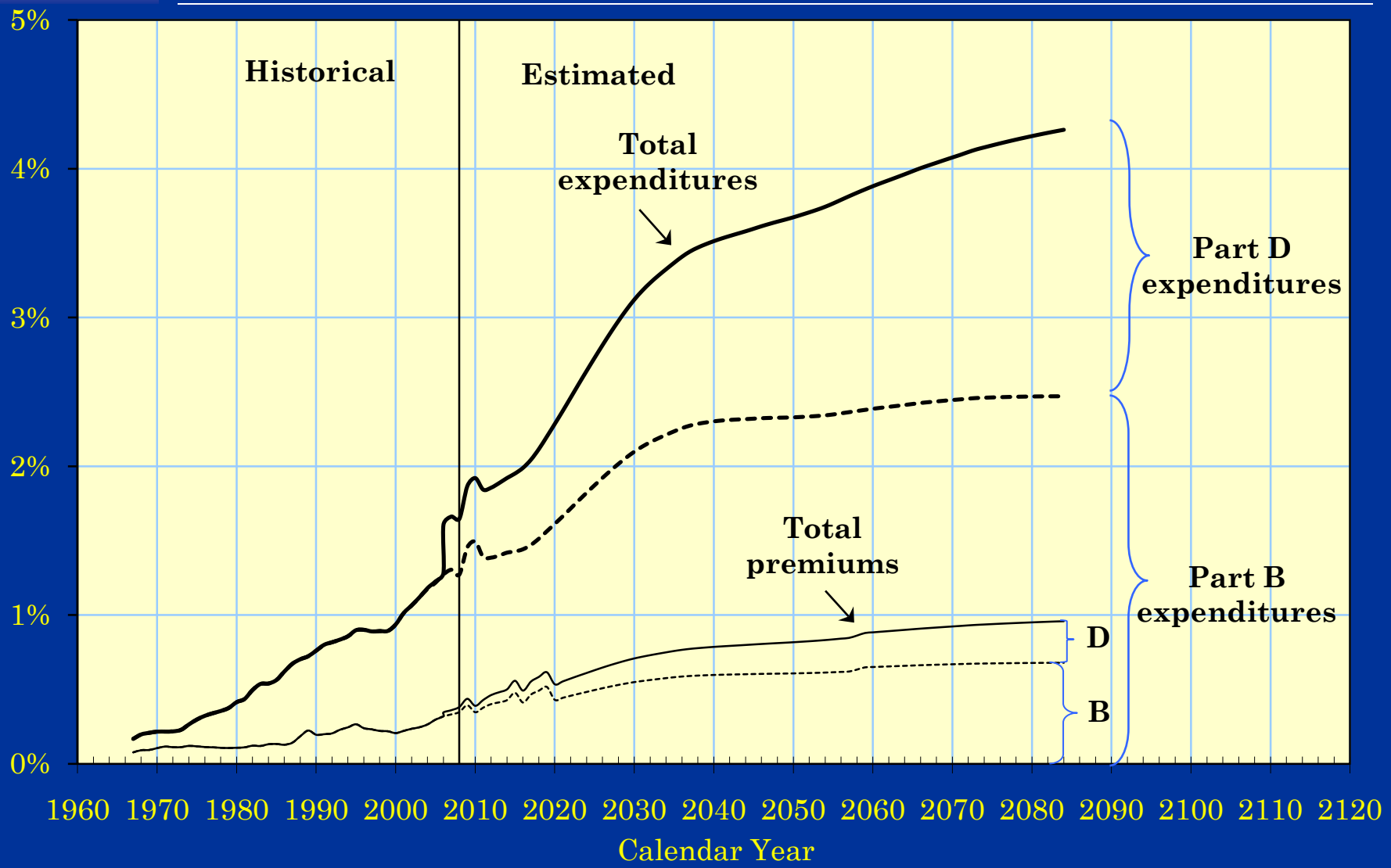
Chart 7--SMI Part D income and outgo (In billions)



Note: Projections are based on the intermediate assumptions from the 2010 Trustees Report.

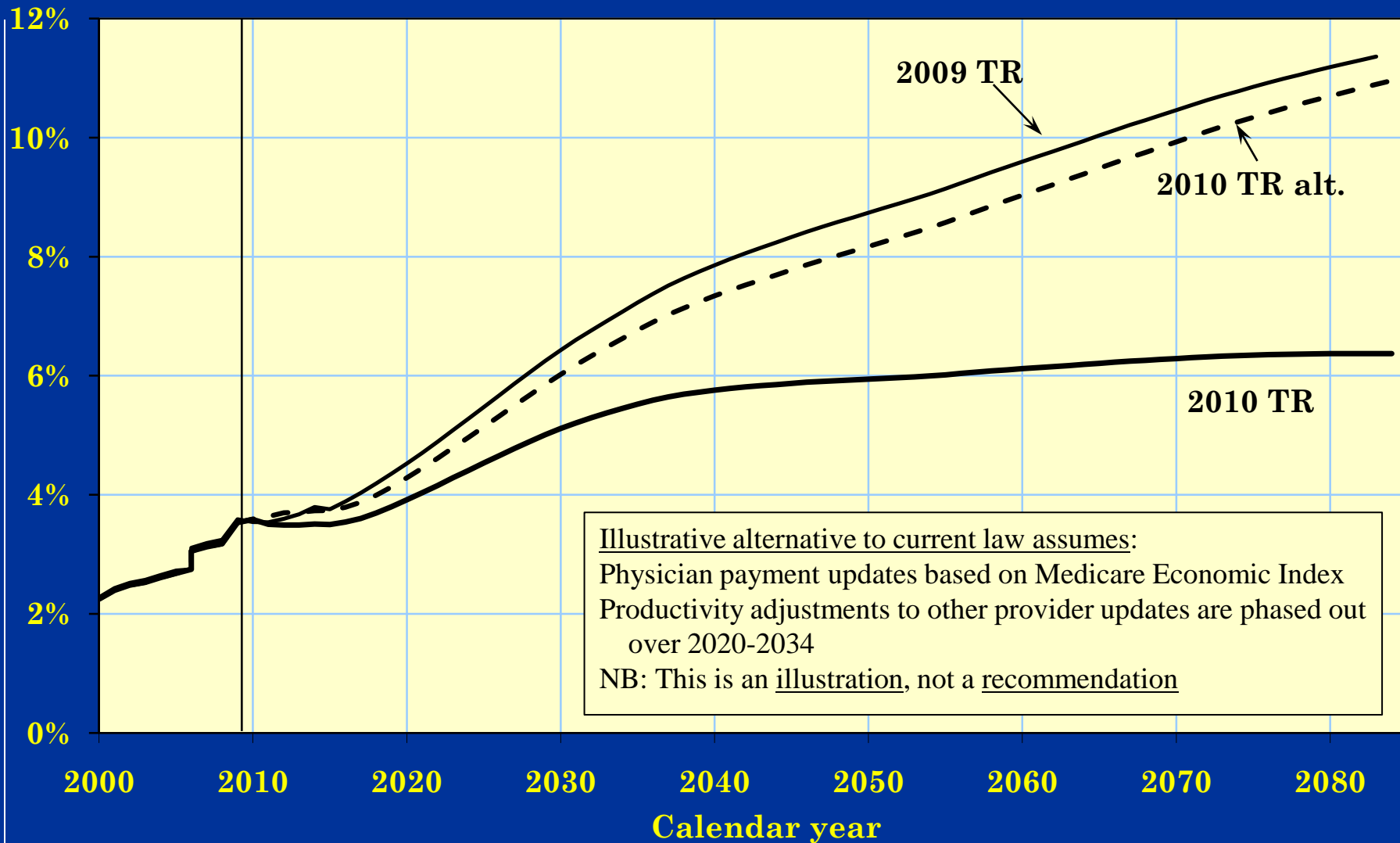
Chart 8--SMI expenditures and premium income

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



Note: Projections are based on the intermediate assumptions from the 2010 Trustees Report.

Chart 9—Total Medicare expenditures as a percentage of GDP, 2009 and 2010 Trustees Reports and Illustrative Alternative Scenario



Note: Projections are based on the intermediate assumptions from the 2010 Trustees Report.