

# Medicare's Political & Financial Future

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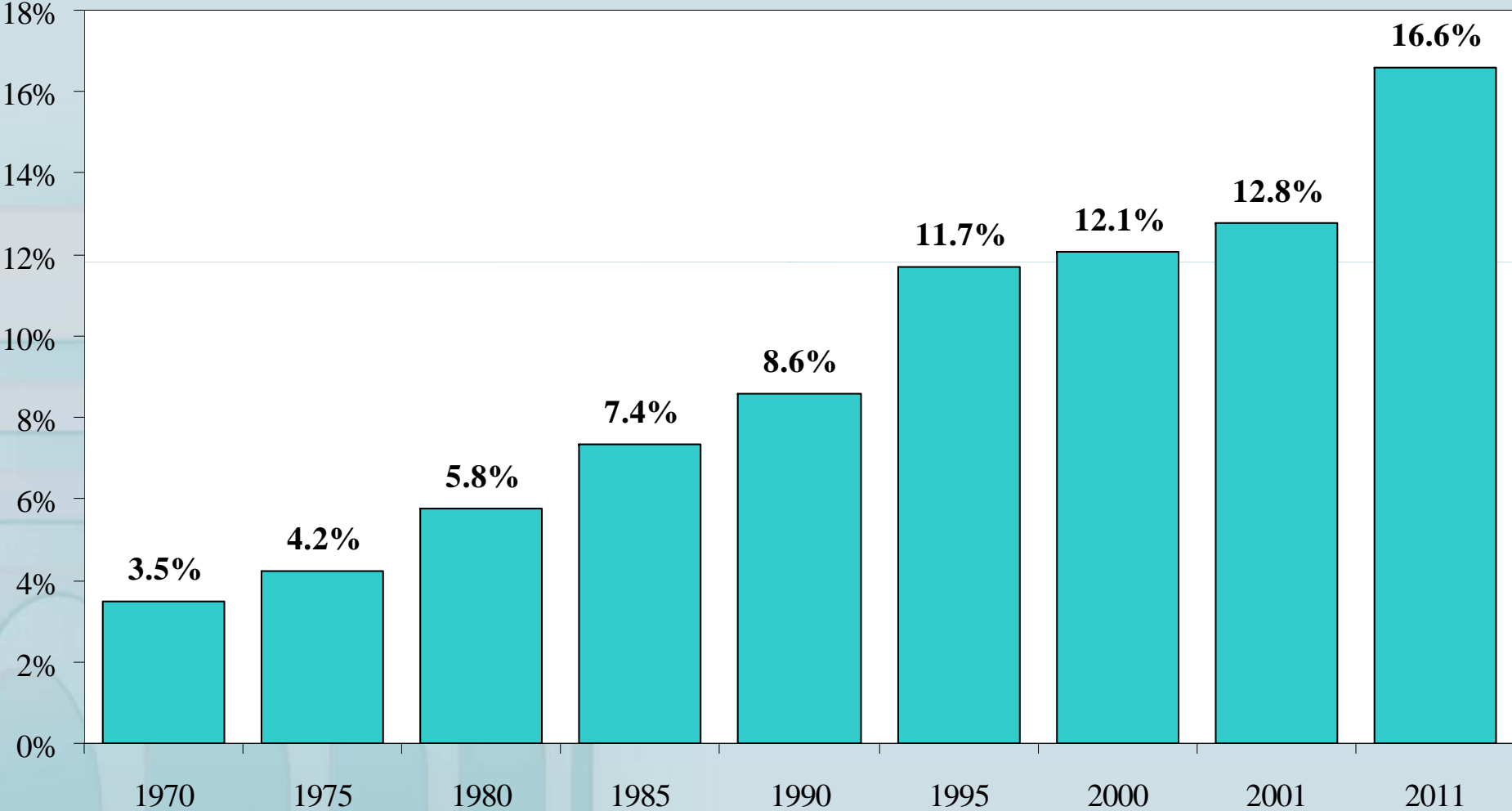


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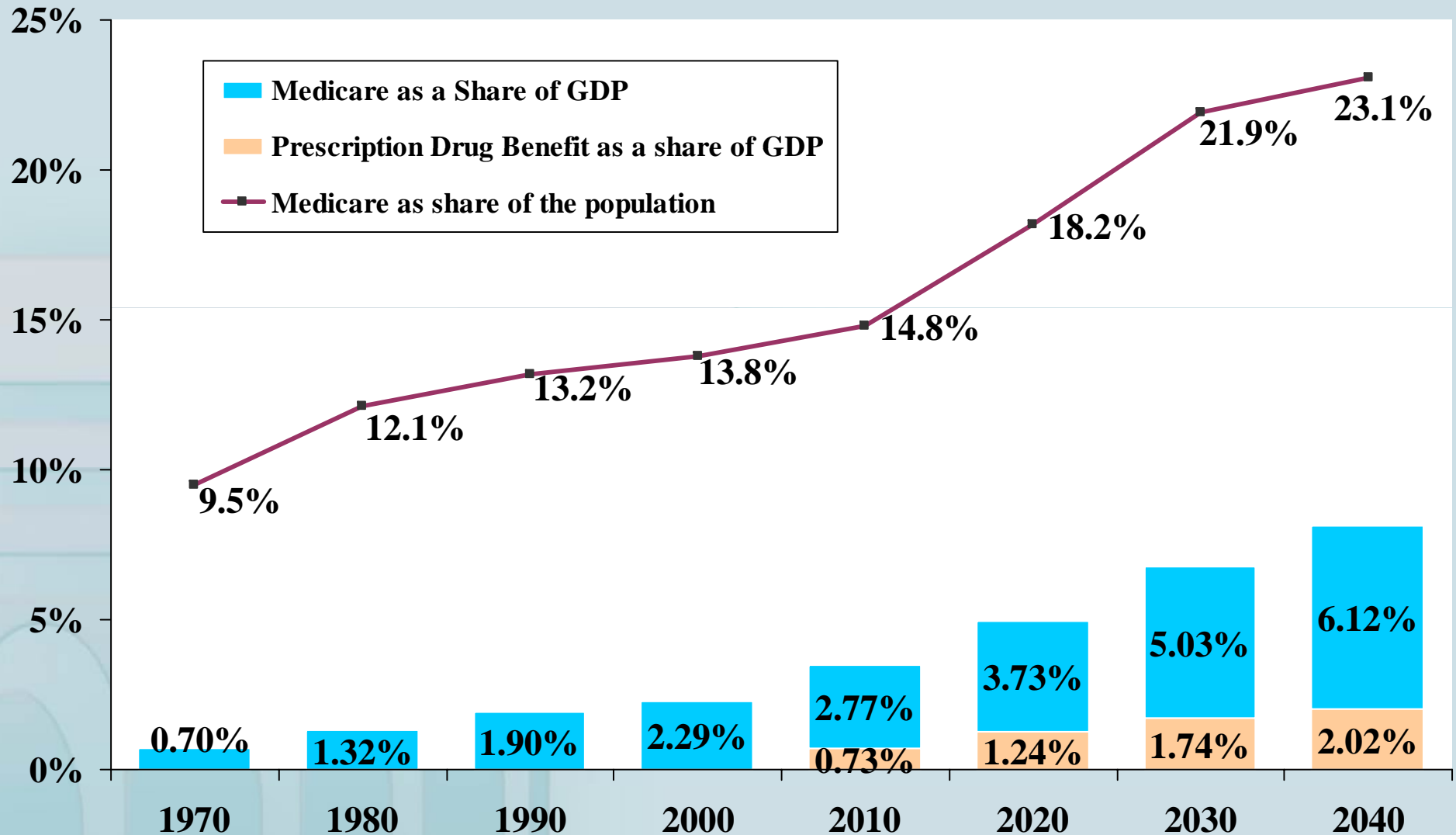
# Cost Issues Dominate

- Share of federal budget and view of the public sector
- Future projections
- Changes can have a major impact but often viewed narrowly

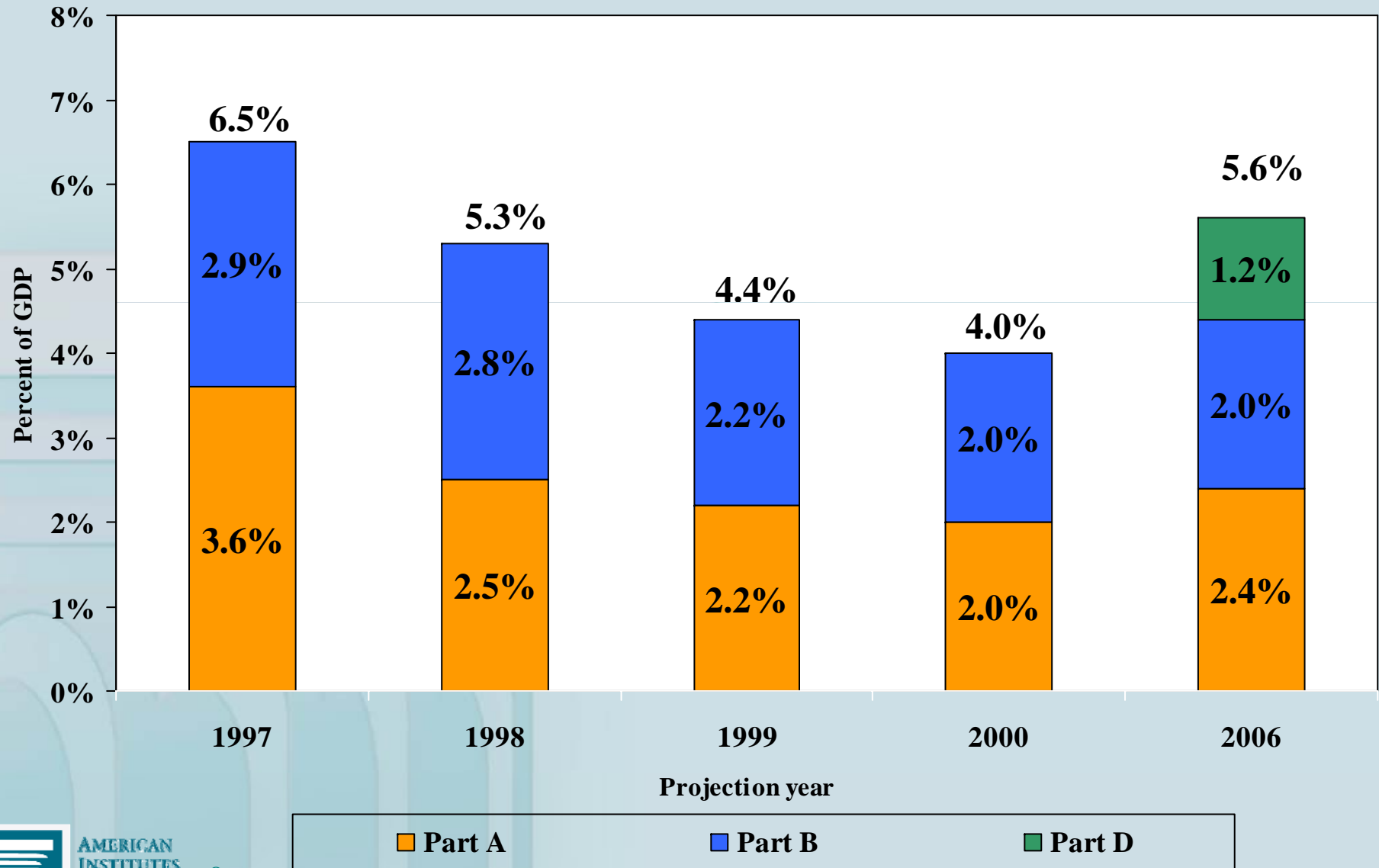
# Medicare as a Share of the Federal Budget



# Growth in Medicare Spending as a Share of GDP and in Beneficiaries as a Share of Total Population



# Projected 2025 Medicare spending as a share of GDP

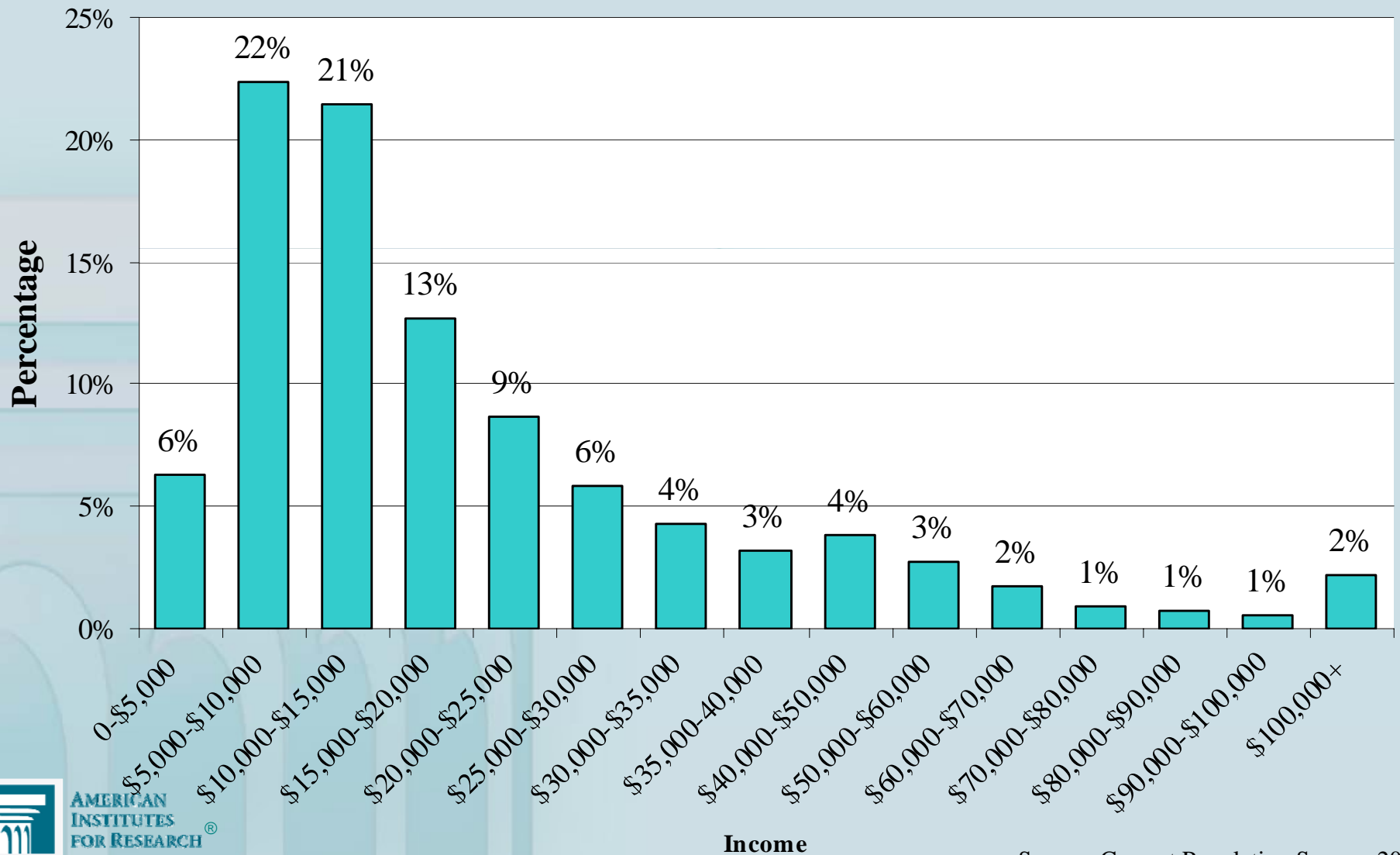


# No Magic Bullets for Cost or Access

- Many Beneficiaries are not well off
- Beneficiaries already pay large amount for care
- High cost sharing can affect access
- Managed care has been problematic for Medicare



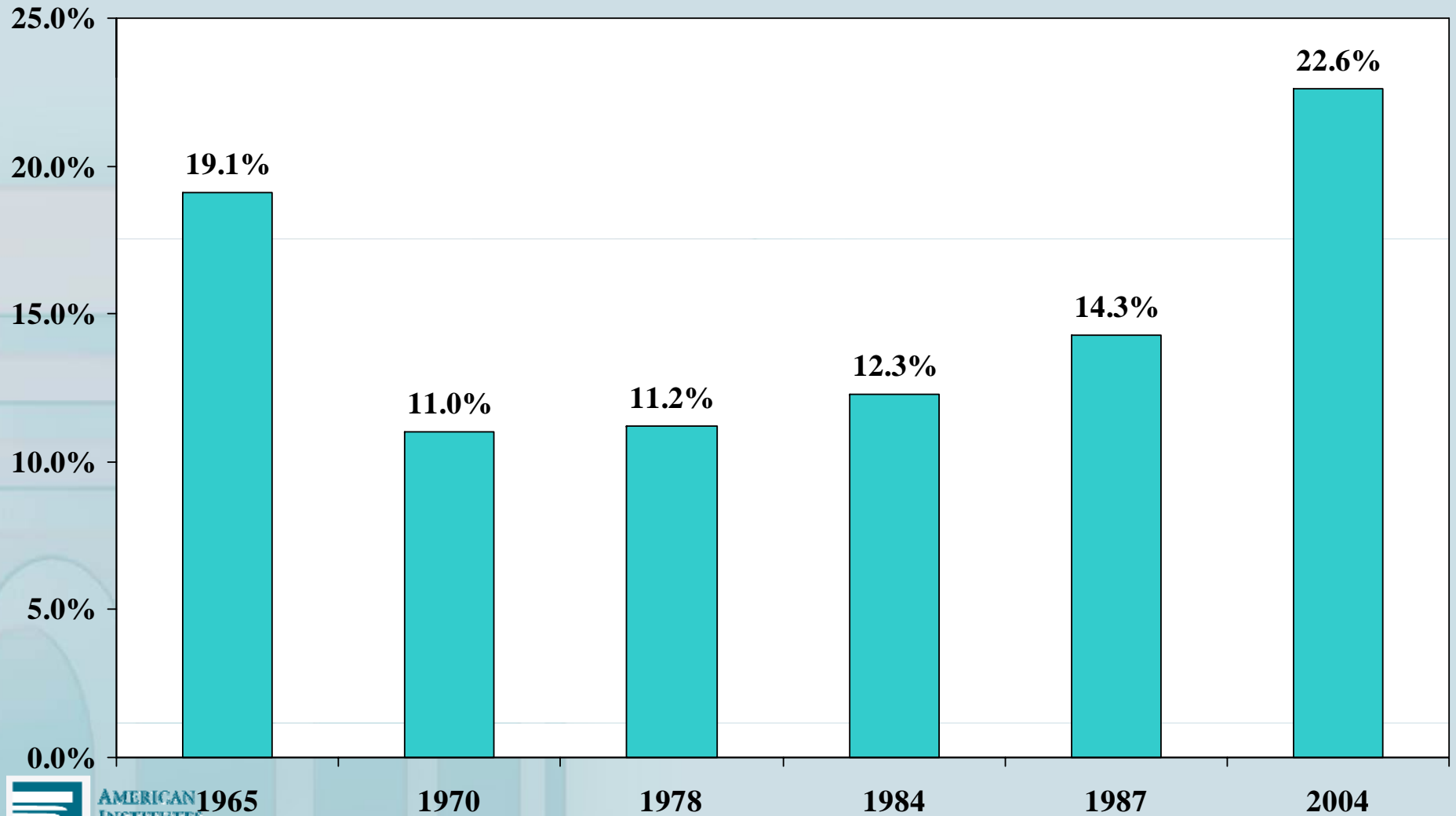
# Distribution of Per Capita Income of Elderly 2003



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Source: Current Population Survey, 2004

## Out-of Pocket Spending as a Share of Income Among Elderly Beneficiaries

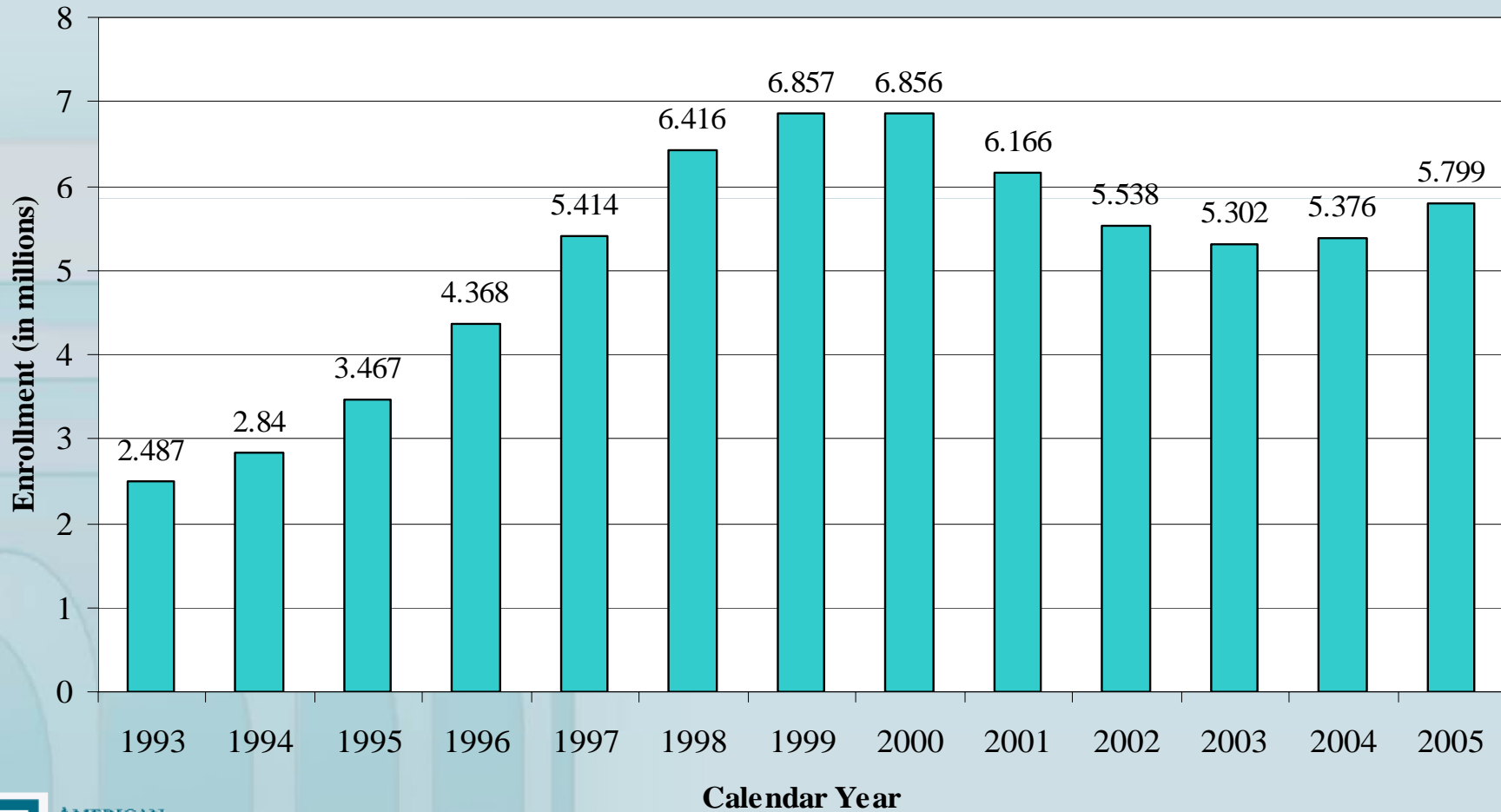


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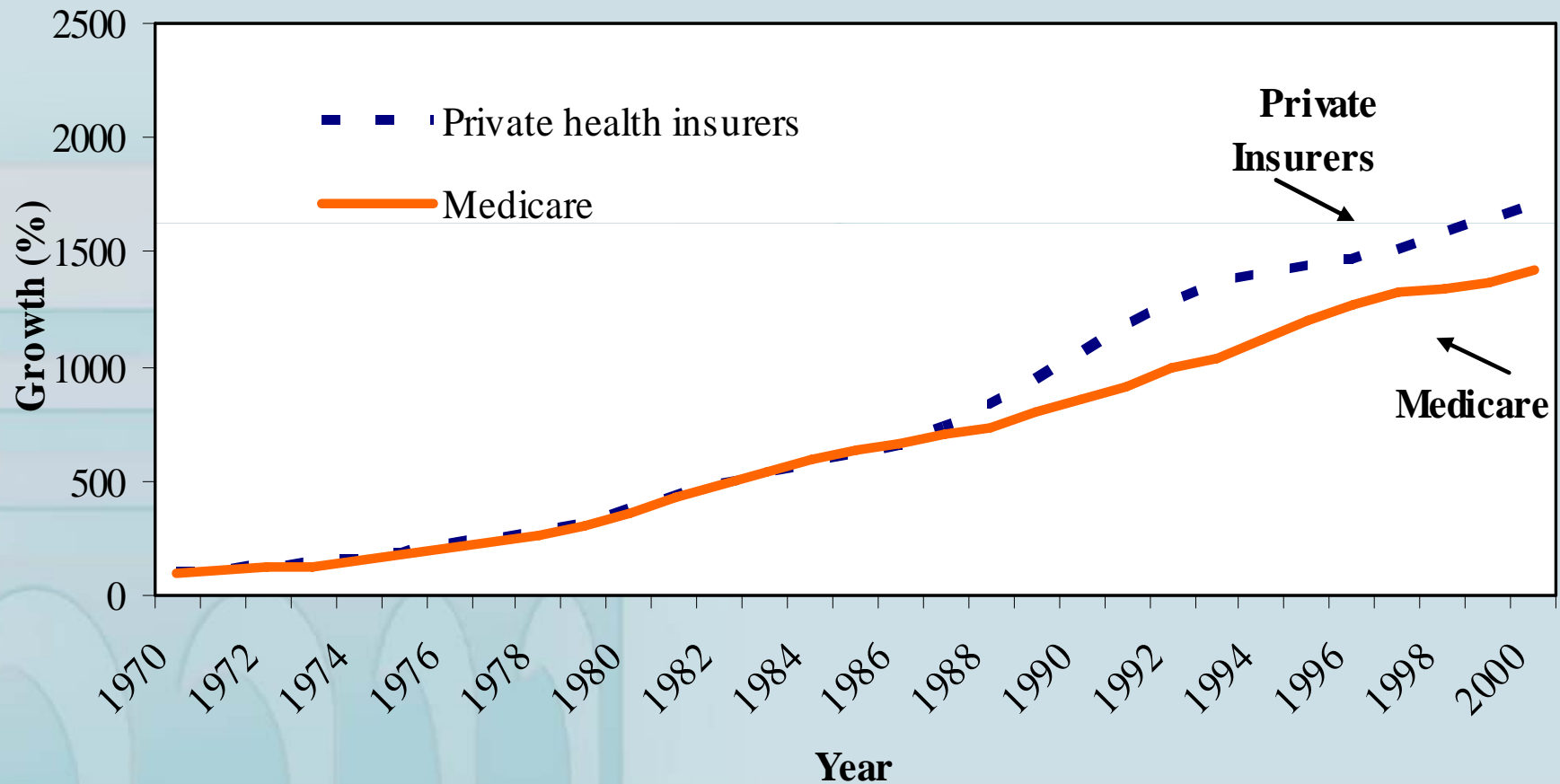
Source: American Institutes for Research Calculations Using NHE, CPI, CPS, and Trustees Report, MCBS



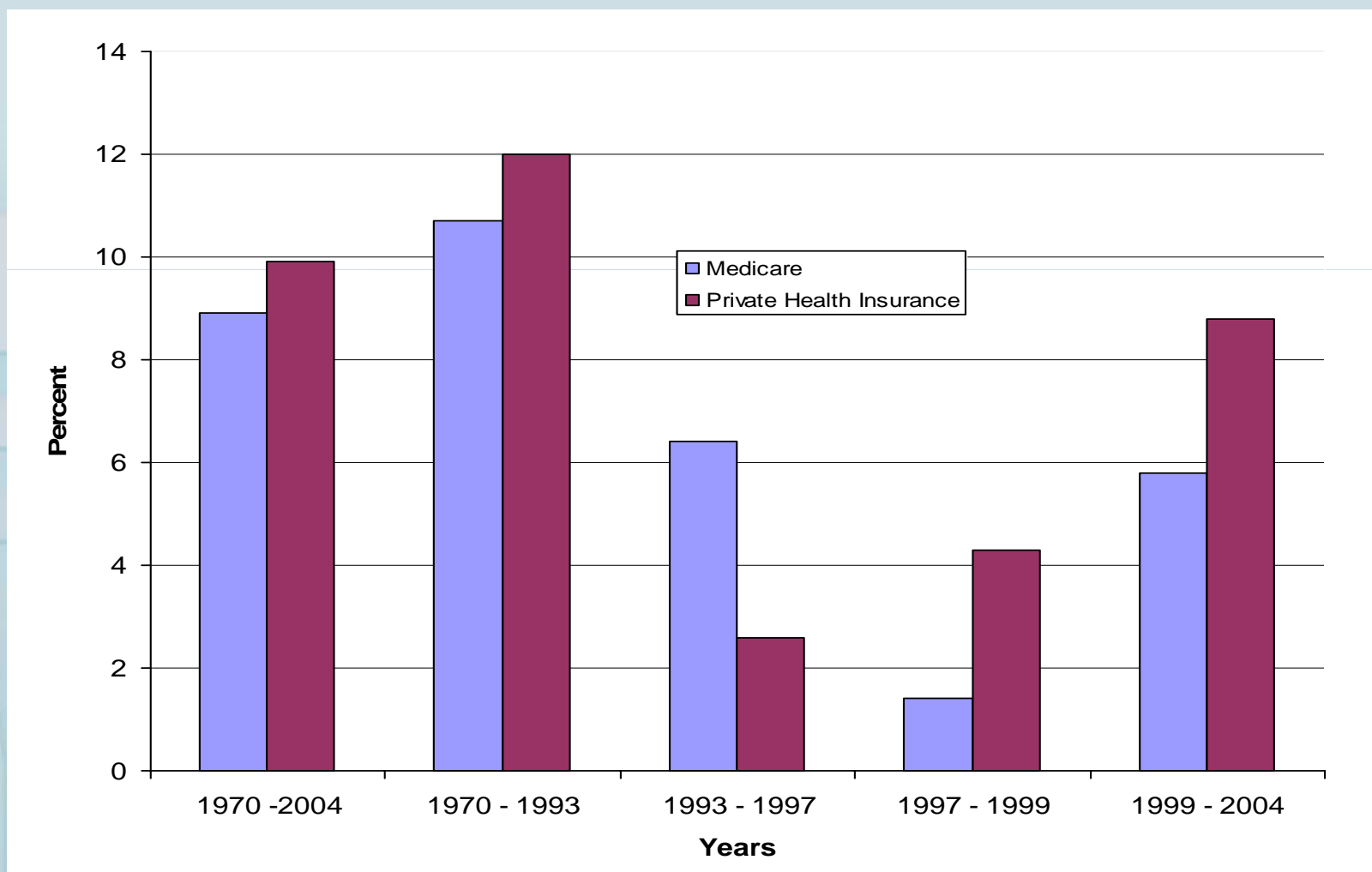
# Yearly Enrollment in Medicare Advantage Plan



# Cumulative Growth in Per Enrollee Payments for Comparable Services, Medicare And Private Insurers, 1970-2000\*



# Growth in Medicare Spending & Private Health Insurance Premiums per Enrollee for Comparable Benefits

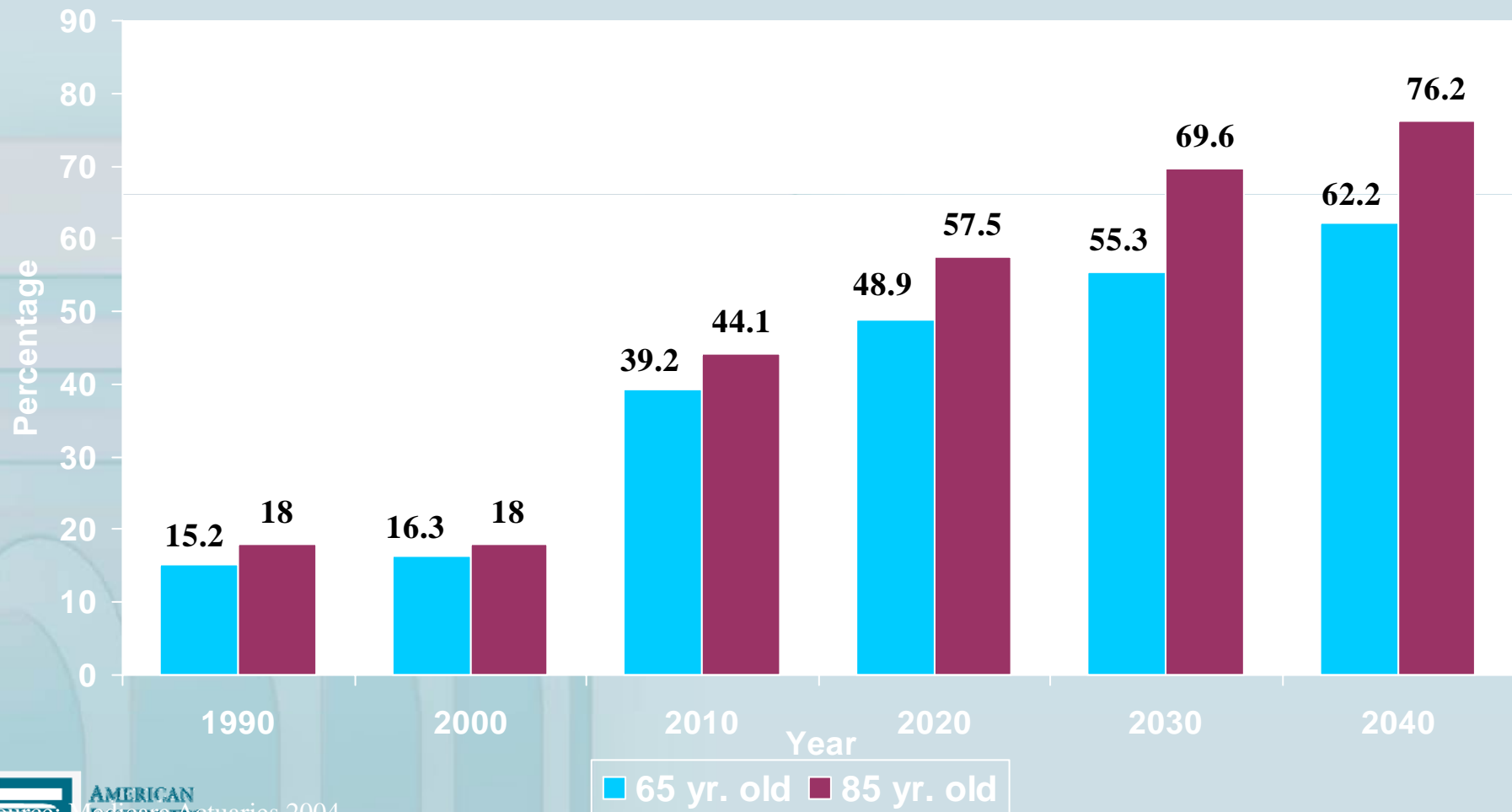


# Access to Care

- Affordability of benefits over time
- “Sustainability” of Medicare



# Medicare Liability as a Share of Social Security Benefit (Illustrative of 65 and 85 year olds)



Source: AMERICAN ACTUARIES 2004  
MEDICARE RESEARCH

Note: In 2010 and beyond, there is a large increase in liability because drugs become a Medicare Benefit. If all out-of-pocket costs were shown, the share would be higher in earlier years and lower after 2010

# Affordability

From 2003 to 2040

- Increase in GDP per worker- 63%
- Increase in GDP per worker if take out Medicare burden- 55%
- To do this requires tax increase



# Hold Line on Spending?

- No tax increase approach 42% cut
- Growth proportional to income 33% cut