

OFFICE OF THE ACTUARY

The Financial Status of Medicare

Presentation for the American Enterprise Institute

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Chart 1—Medicare enrollment, benefits, and financing

| | |
|--------------------------------|--|
| Hospital Insurance (HI) | Supplementary Medical Insurance (SMI) |
|--------------------------------|--|

Enrollment in CY 2005:

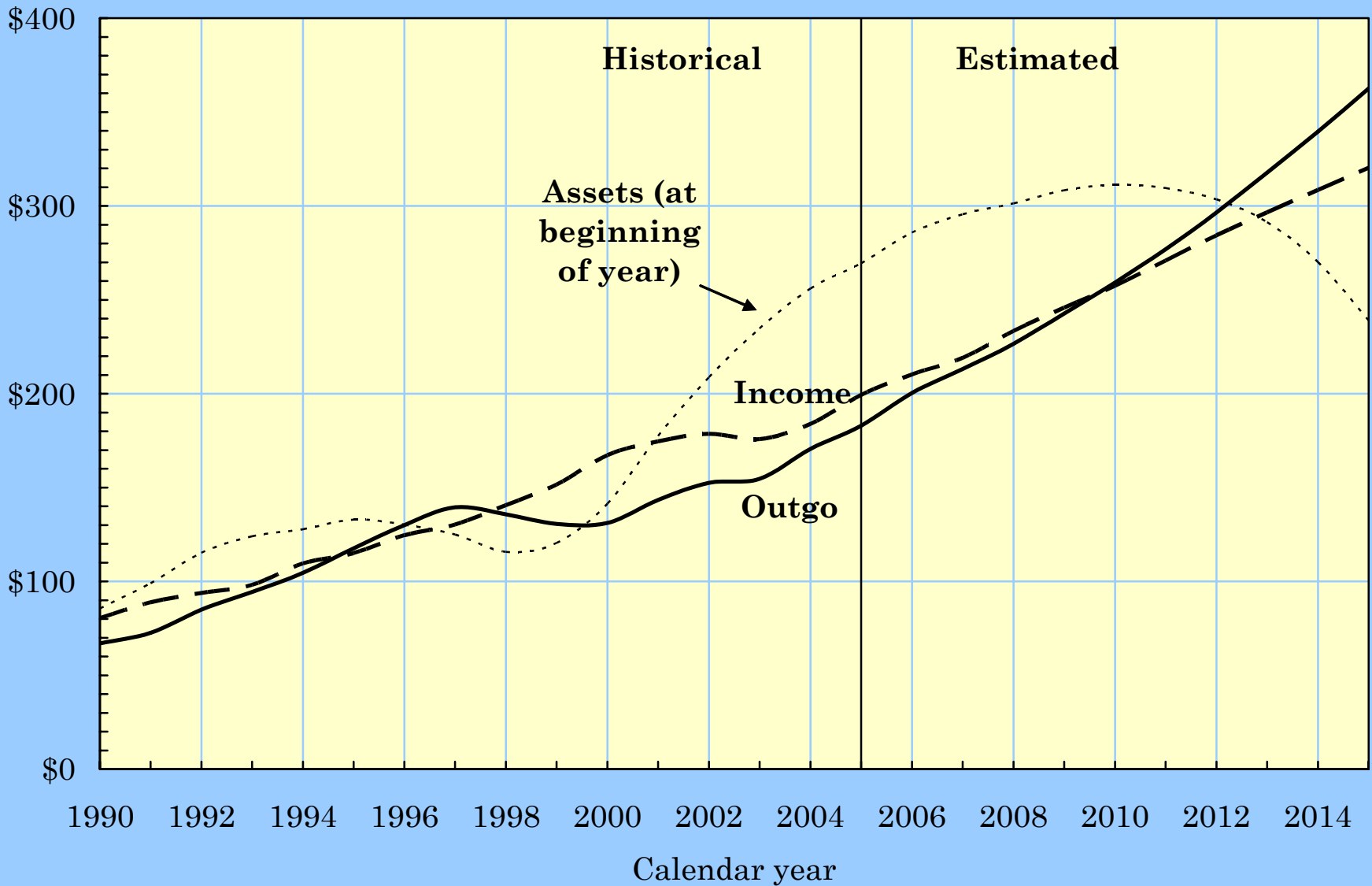
| | | |
|-------------------------------|------------|------------|
| Total..... | 42 million | 40 million |
| Proportion with services..... | 22% | 87% |

| | | |
|--|---|--|
| <p>Benefits*</p> <p>* Subject to certain deductible and coinsurance requirements</p> | <p>Inpatient hospital care</p> <p>Skilled nursing care</p> <p>Home health care (post-institutional)</p> <p>Hospice care</p> | <p>Physician services</p> <p>Outpatient hospital services</p> <p>Home health care (general)</p> <p>Drug discount card and (in 2006) prescription drug benefit</p> <p>Other services, e.g.</p> <ul style="list-style-type: none"> • Diagnostic tests • Medical equipment • Ambulance |
|--|---|--|

| | | |
|-------------------------------|--|--|
| <p>CY 2006 Financing.....</p> | <p>HI tax on covered earnings:</p> <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 <p>Revenue from income taxation of OASDI benefits (portion between 50% & 85%)</p> | <p>Part B premiums and general revenue transfers:</p> <ul style="list-style-type: none"> • \$88.50 per month in 2006; covers about 25% of costs • Tied to beneficiary income in 2007 and later • General revenues cover 75% of costs <p>Part D drug premiums, general revenues, and State transfers:</p> <ul style="list-style-type: none"> • Average premium in 2006 estimated to be \$25.00; covers 25% of standard benefit costs, about 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, outgo, and trust fund assets

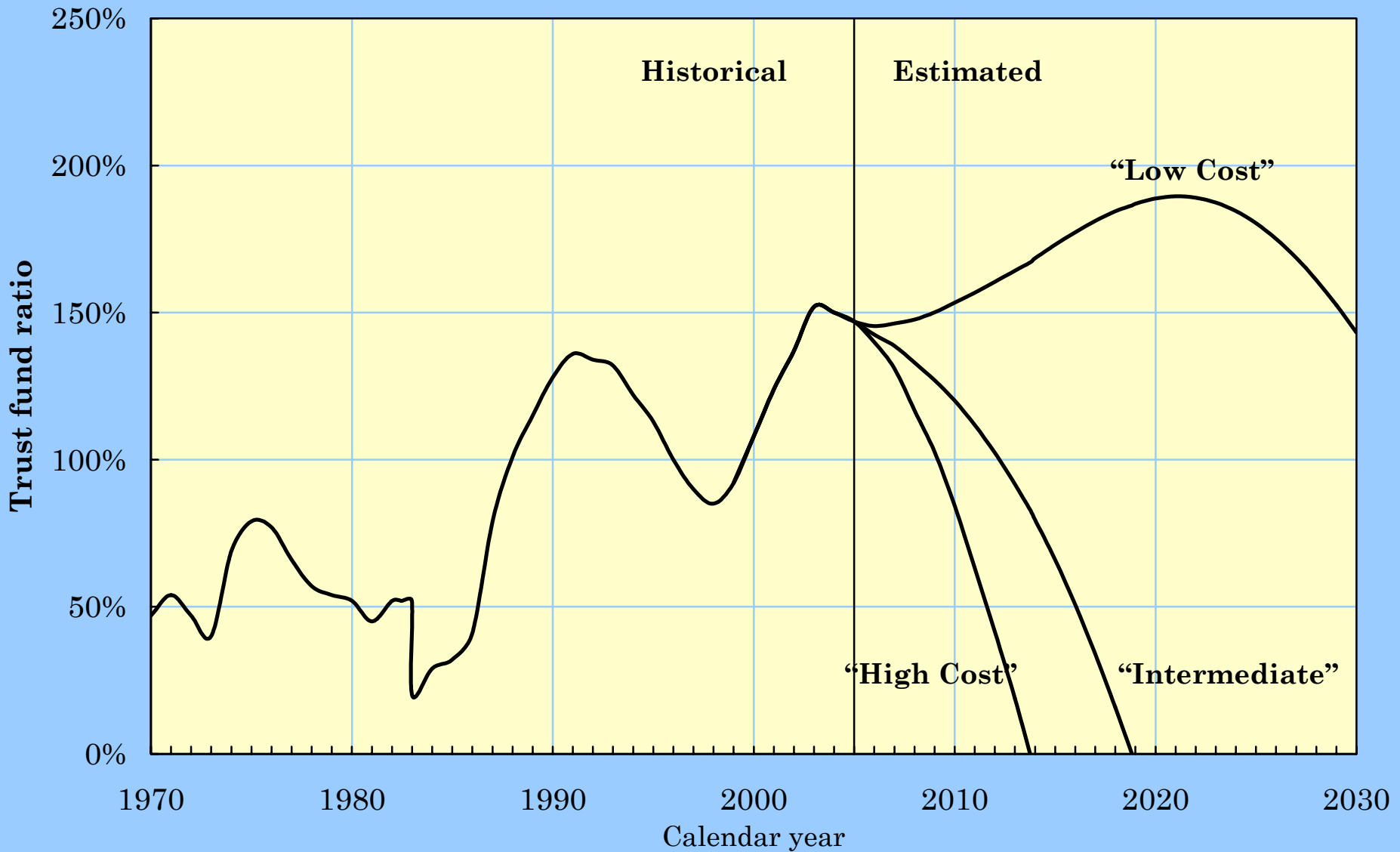
(In billions)



Note: Projections are based on the intermediate assumptions from the 2006 Trustees Report.

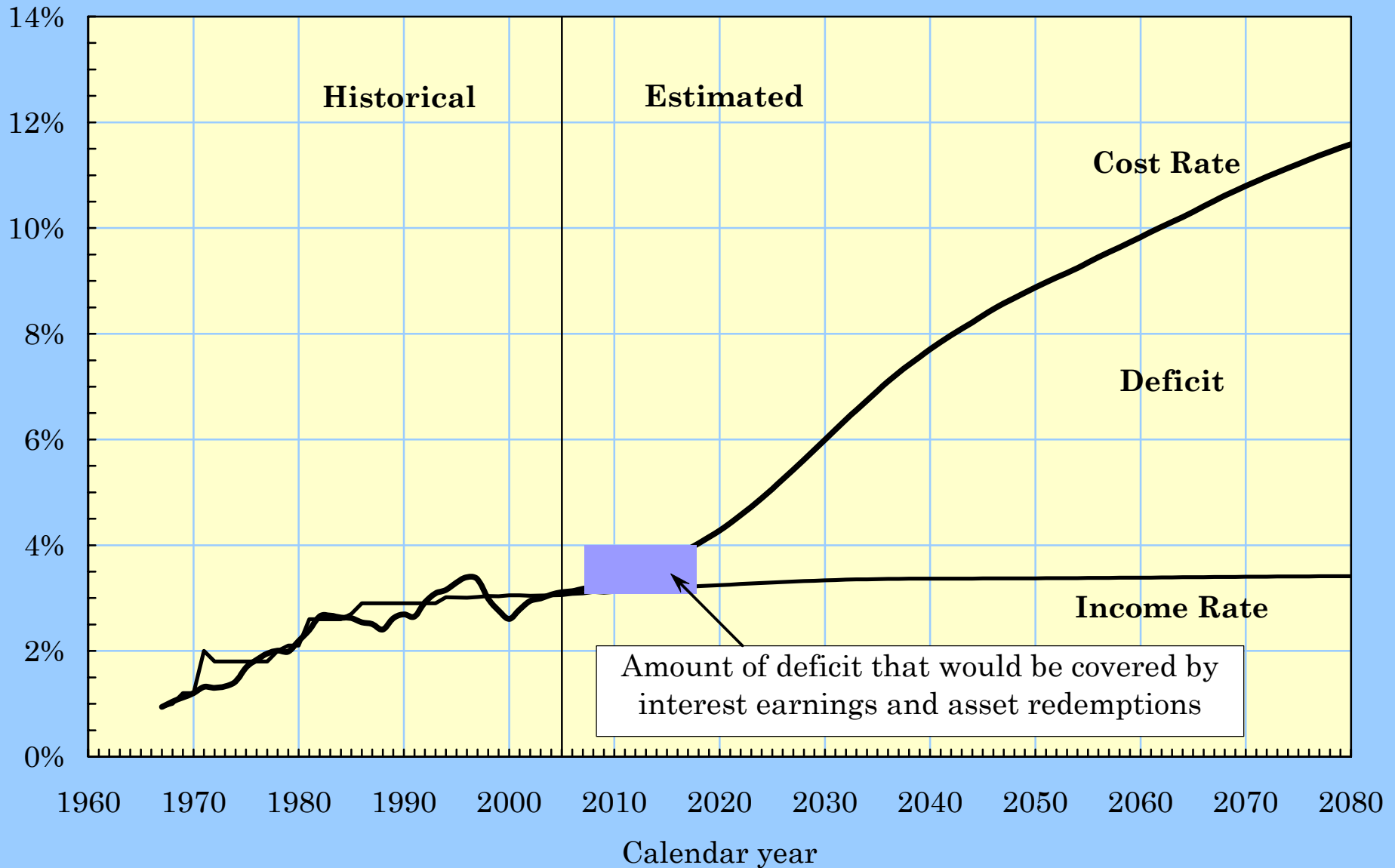
Chart 3—HI fund ratios under alternative assumptions

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



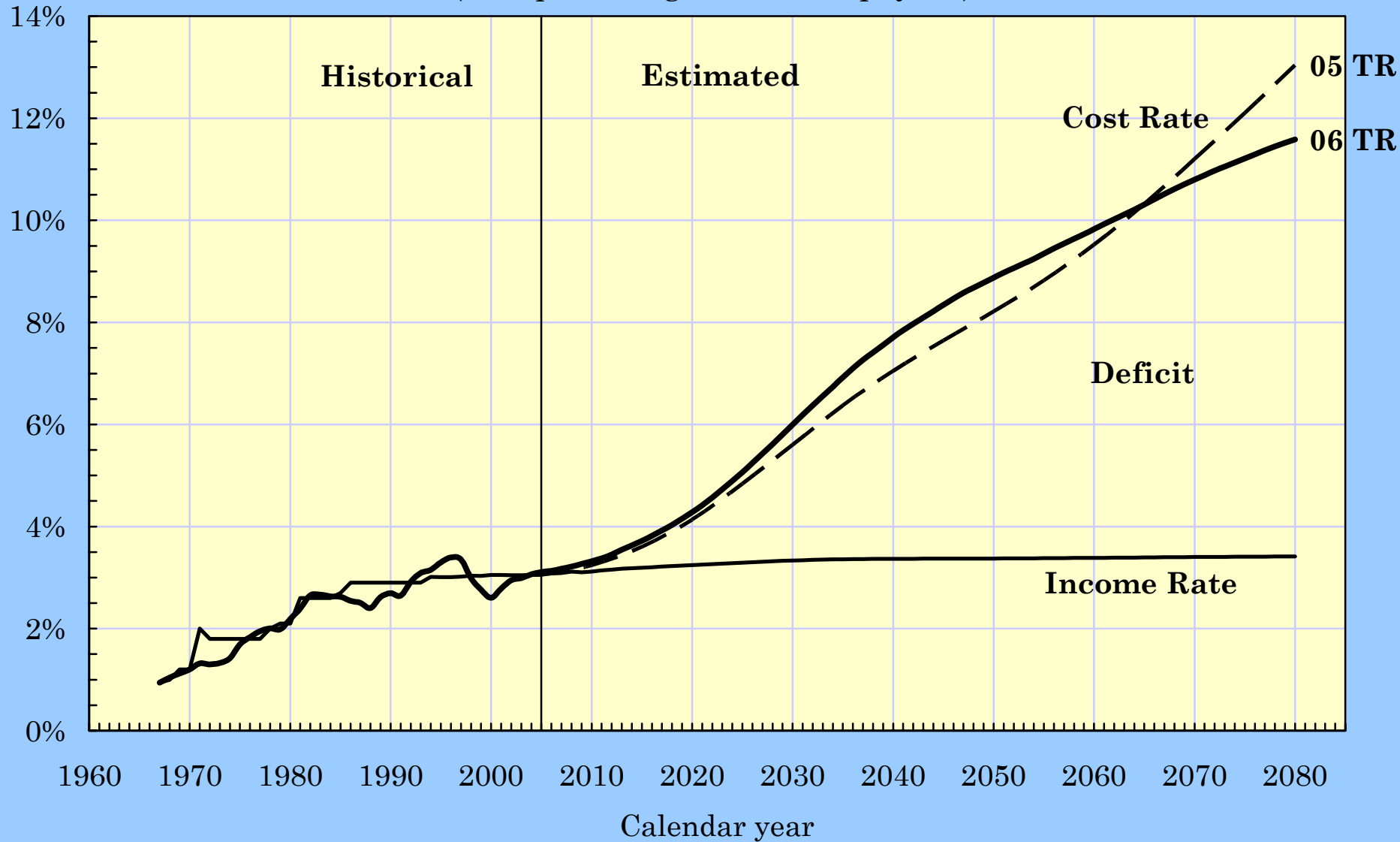
Note: Projections are based on the intermediate assumptions from the 2006 Trustees Report.

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 2006 Trustees Report.

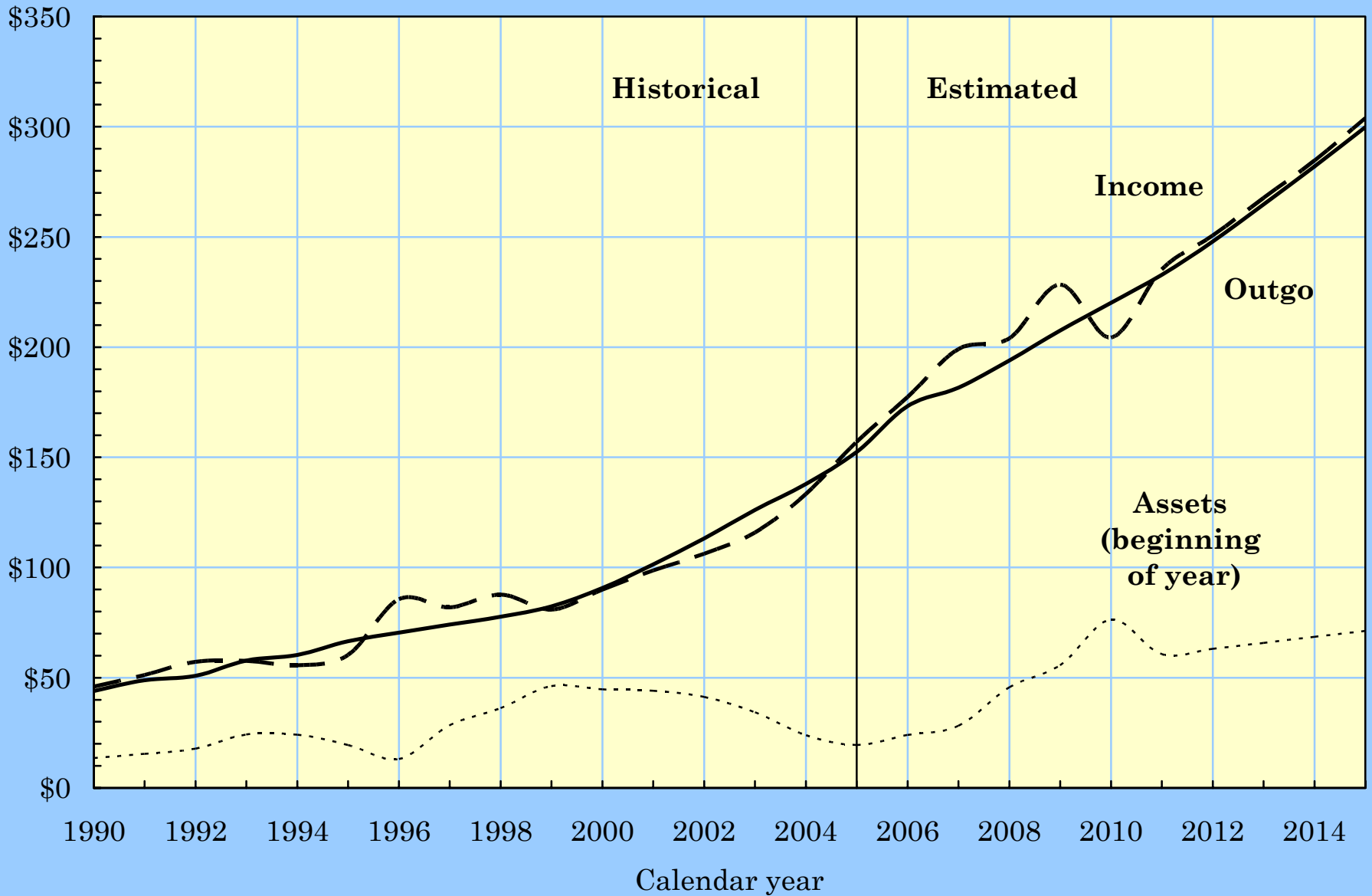
Chart 4.a--Long-range HI income and cost rates, and comparison to 2005 Trustees Report projection
(As a percentage of taxable payroll)



Note: Projections are based on the intermediate assumptions.

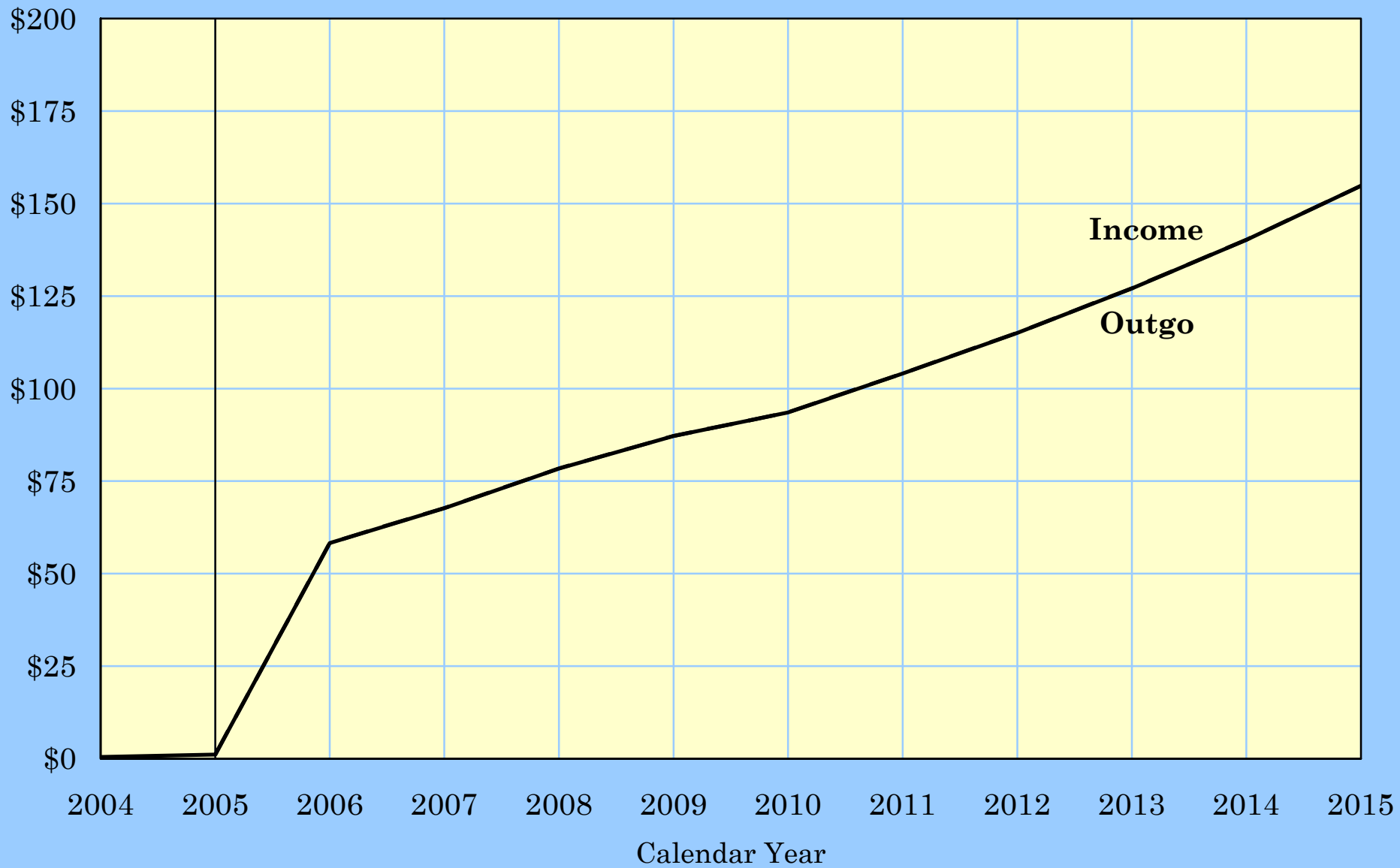
Chart 5—SMI Part B income, outgo, and trust fund assets

(In billions)



Note: Projections are based on the intermediate assumptions from the 2006 Trustees Report.

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



Note: Projections are based on the intermediate assumptions from the 2006 Trustees Report.

Chart 6.a—Comparison of 2006 Trustees Report Part D intermediate cost projections to range from 2005 Report
(in billions)

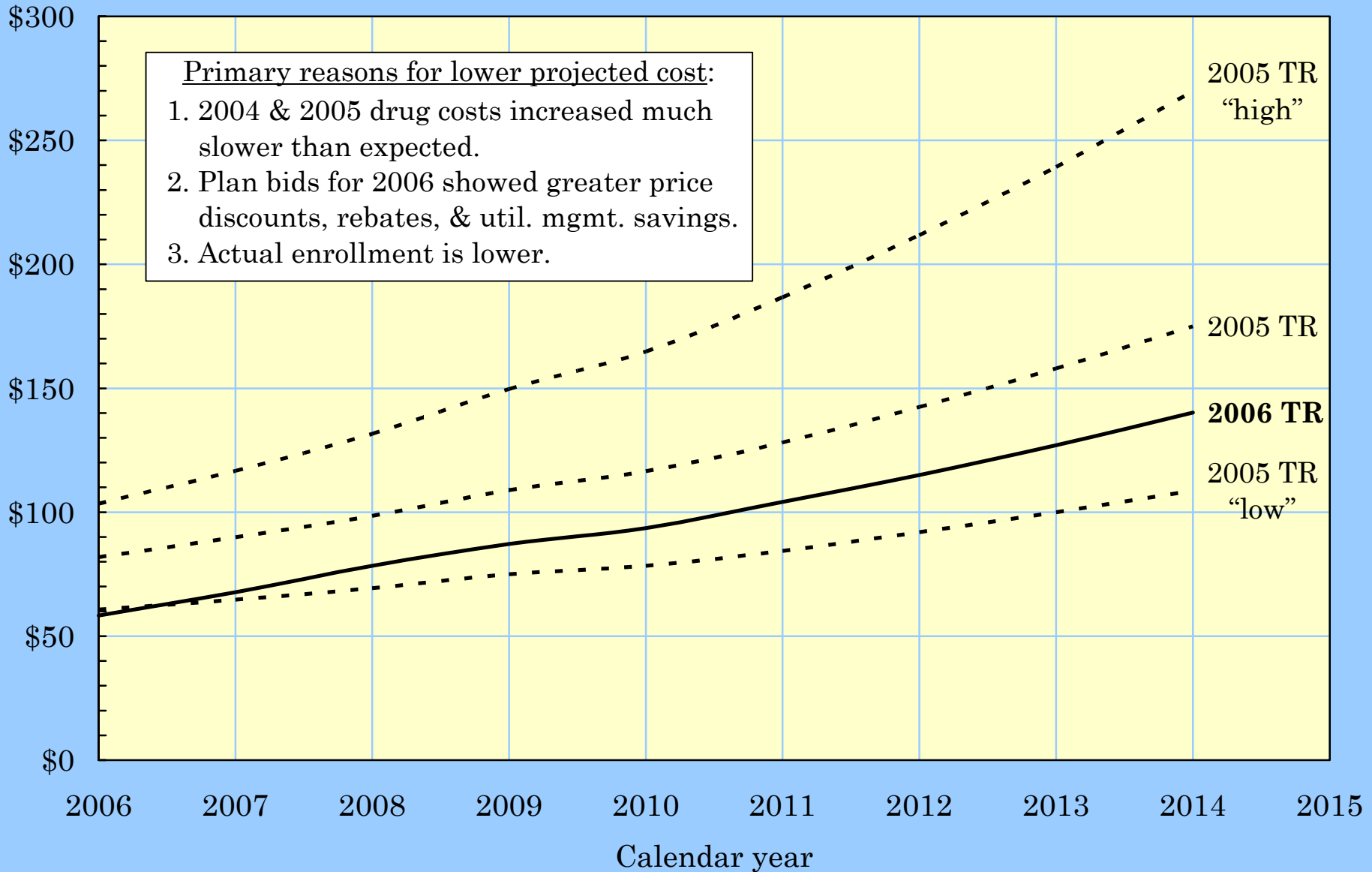


Chart 6.c—2006 PDP Premiums by Region

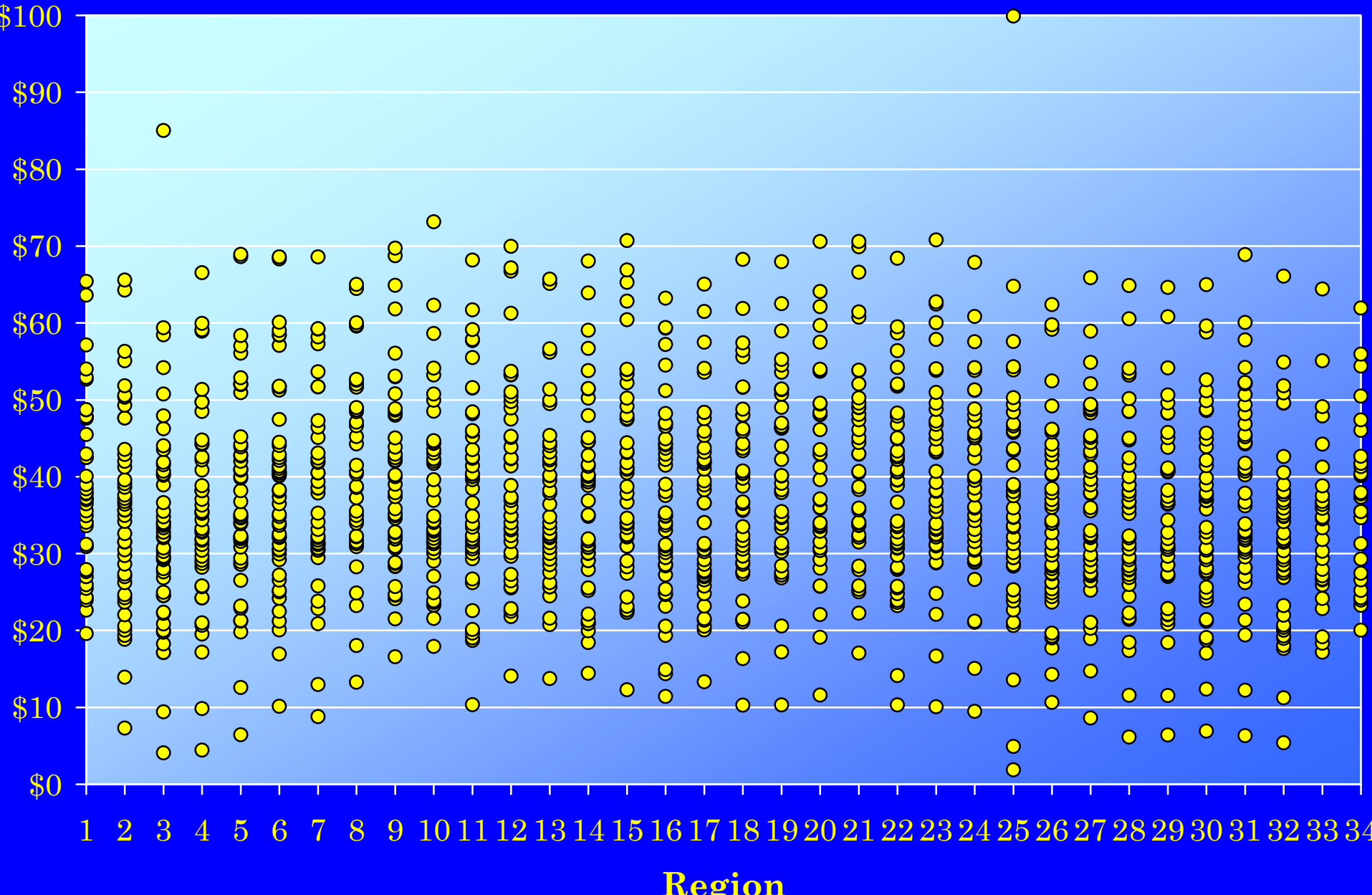
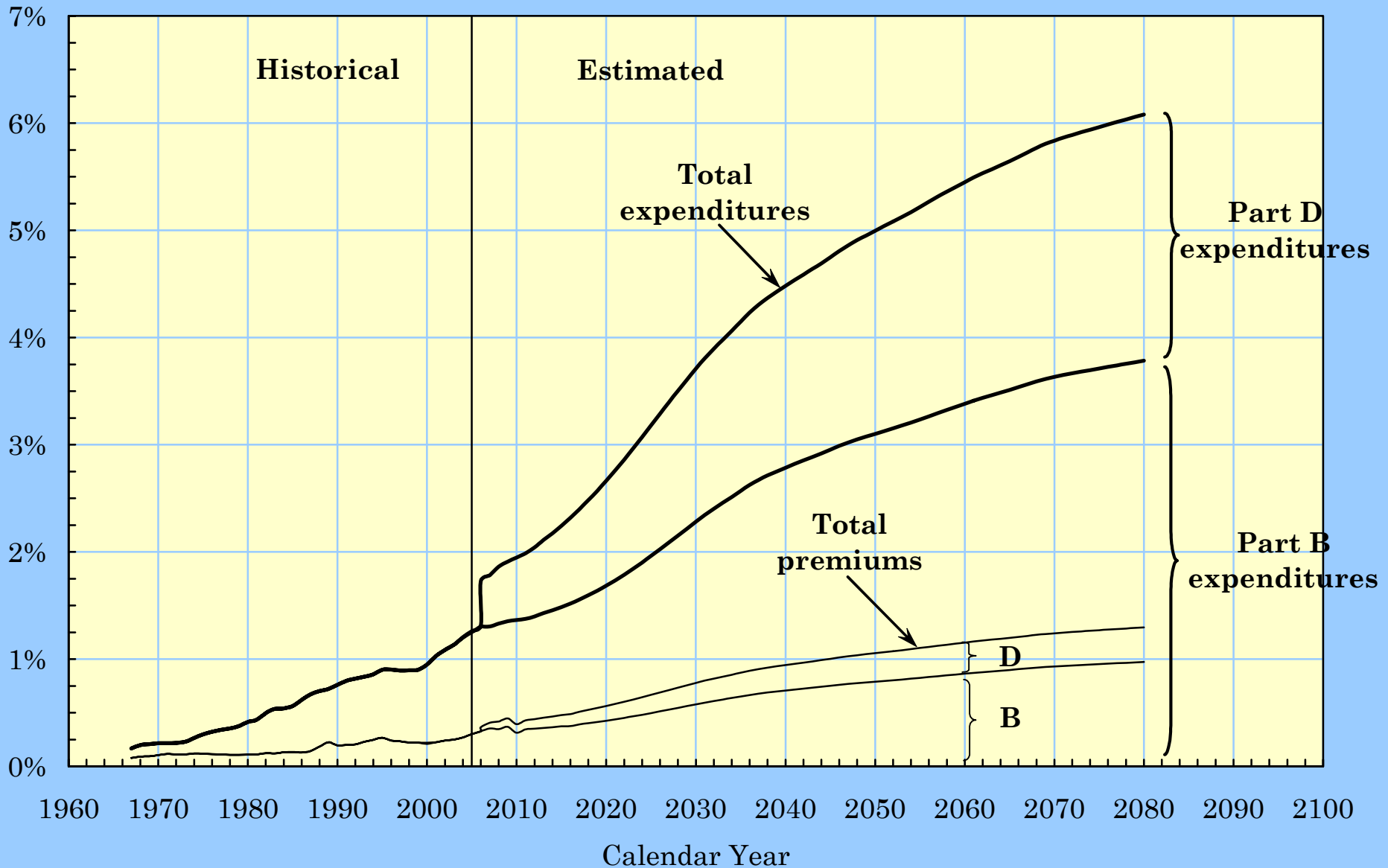


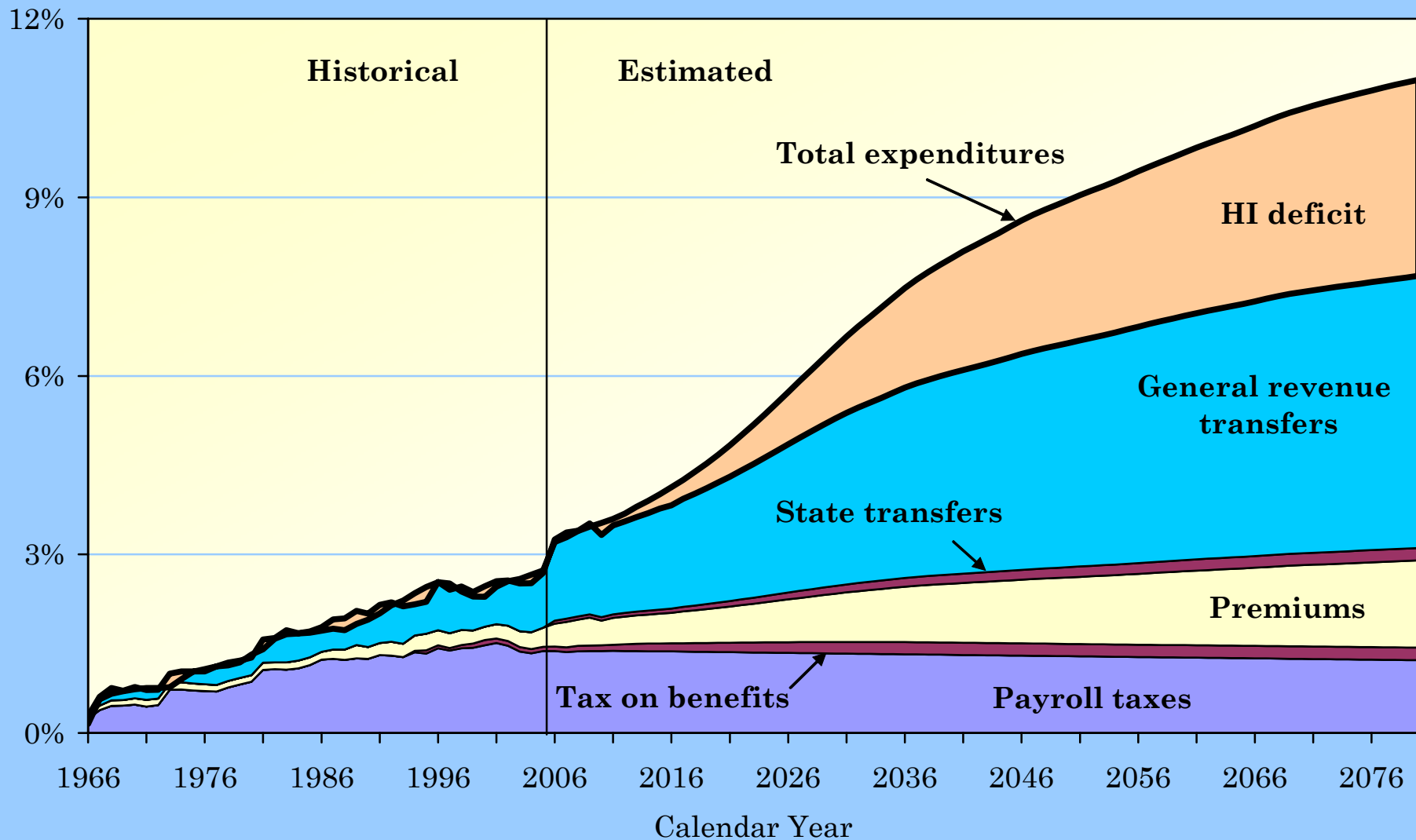
Chart 7--SMI expenditures and premium income

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



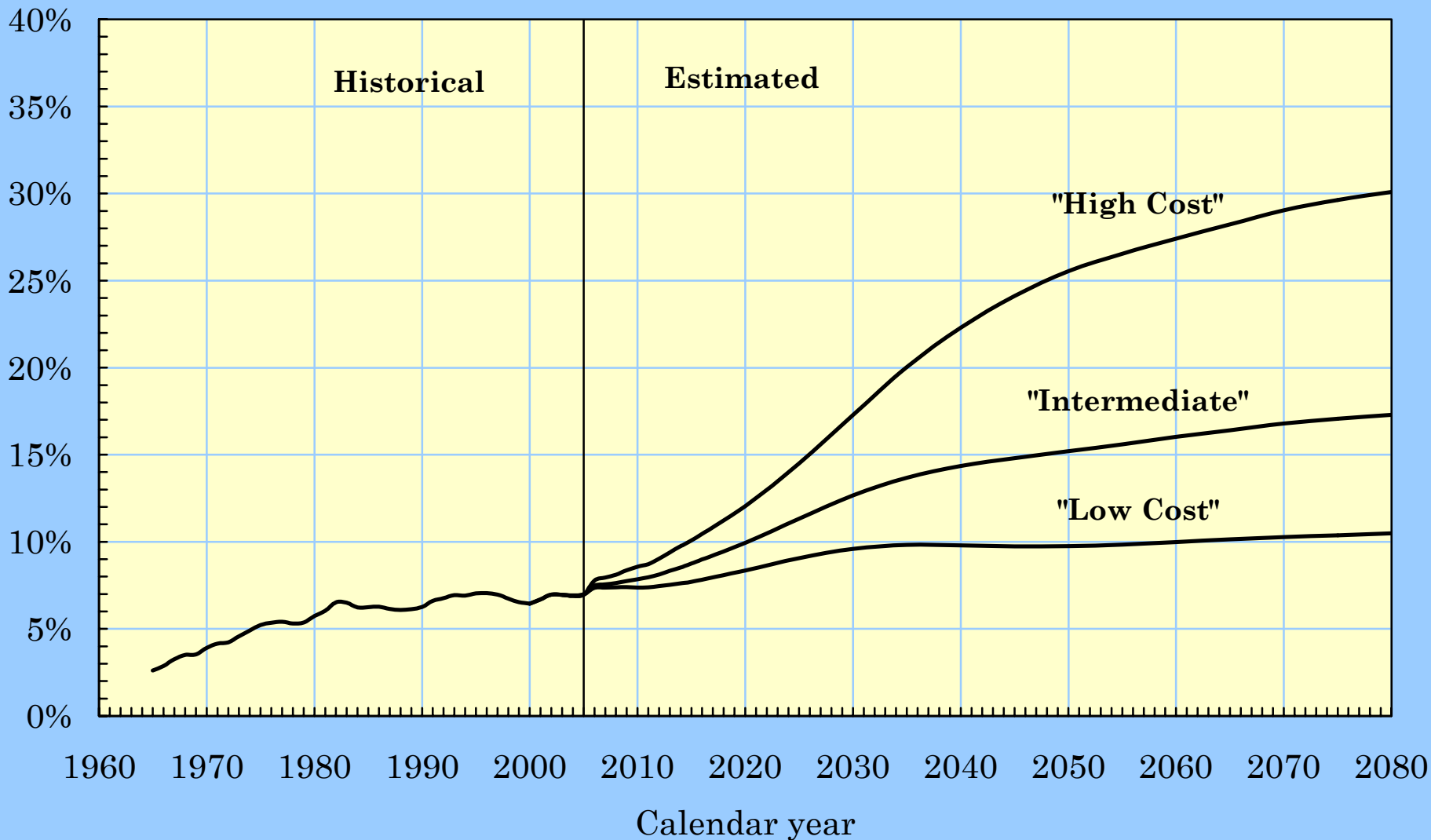
Note: Projections are based on the intermediate assumptions from the 2006 Trustees Report.

**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 2006 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 2006 Trustees Report.