



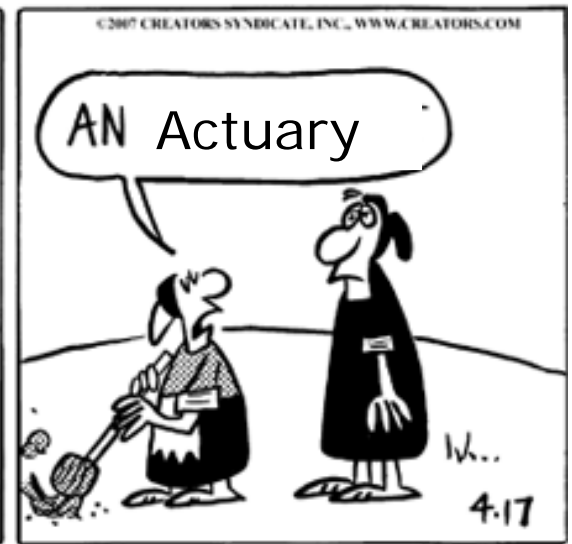
Medicare's Fiscal Future: Getting Worse? Getting Better?

American Enterprise Institute
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The Wizard of Id, Parker & Hart

Fiscal outlook: No major changes

One year later...

Key dates moved up 1 year

| | <u>2006 Report</u> | <u>2007 Report</u> |
|-------------------|--------------------|--------------------|
| Spending > Income | 2006 | 2007 |
| HI exhaustion | 2018 | 2019 |
| 45% year | 2012 | 2013 |

Need for general revenue largely unchanged

| | <u>2006 Report</u> | <u>2007 Report</u> |
|------------------|--------------------|--------------------|
| 75 year horizon | \$32.1 T | \$33.9 T |
| Infinite horizon | \$70.5 T | \$74.3 T |

Program outlook: Sweeping changes

Part D



**Medicare
Advantage**

New emphasis on quality, performance

Graphic: <http://www.fs.fed.us/r8/kisatchie/volunteer/index.html>

Can we trust trust-fund numbers?

Budget vs Trust Fund Analysis, FY 2006

| | HI | SMI | OASDI |
|------------------------------|----------------|-----------------|----------------|
| Revenue from the public | \$194.4 | \$ 47.9 | \$636.4 |
| Spending to the public | 184.9 | 195.5 | 548.5 |
| Net budget impact | \$ 9.5 | -\$147.7 | \$ 87.9 |
| Revenues from government | 15.9 | 164.1 | 97.4 |
| Net trust fund impact | \$ 25.4 | \$ 16.4 | \$185.2 |

Table V.E1, 2007 Medicare Trustees report



**HIGH
VOLTAGE**

BEFORE ENTERING

CALL YOUR POLLSTER

Will the warning cause good policy?

The legal bar is low

- President must propose...something
- The Congress must consider it
- No action is necessary

This year's response sets a predictable precedent

"President's budget...[w]ould eliminate the funding warning [and] extend the life of the HI trust fund 4 years."

Secretary Leavitt, CMS press release, April 23, 2007

What will Congress do?

Narrow policy or real solutions?

Short-term dollar focus likely to overlook policies that promote better long-term program performance

Put teeth in the funding warning?

Key elements:

- Improve traditional Medicare
- Pay for value-added, not added services
- Bidding, not price controls
- Improve care delivery and coordination
- Better evidence on what works for which patients at what cost, effectiveness of providers
- Promote real information transparency
- Transition to competition among all plans, including traditional Medicare