

OFFICE OF THE ACTUARY

The Financial Status of Medicare

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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 2007:

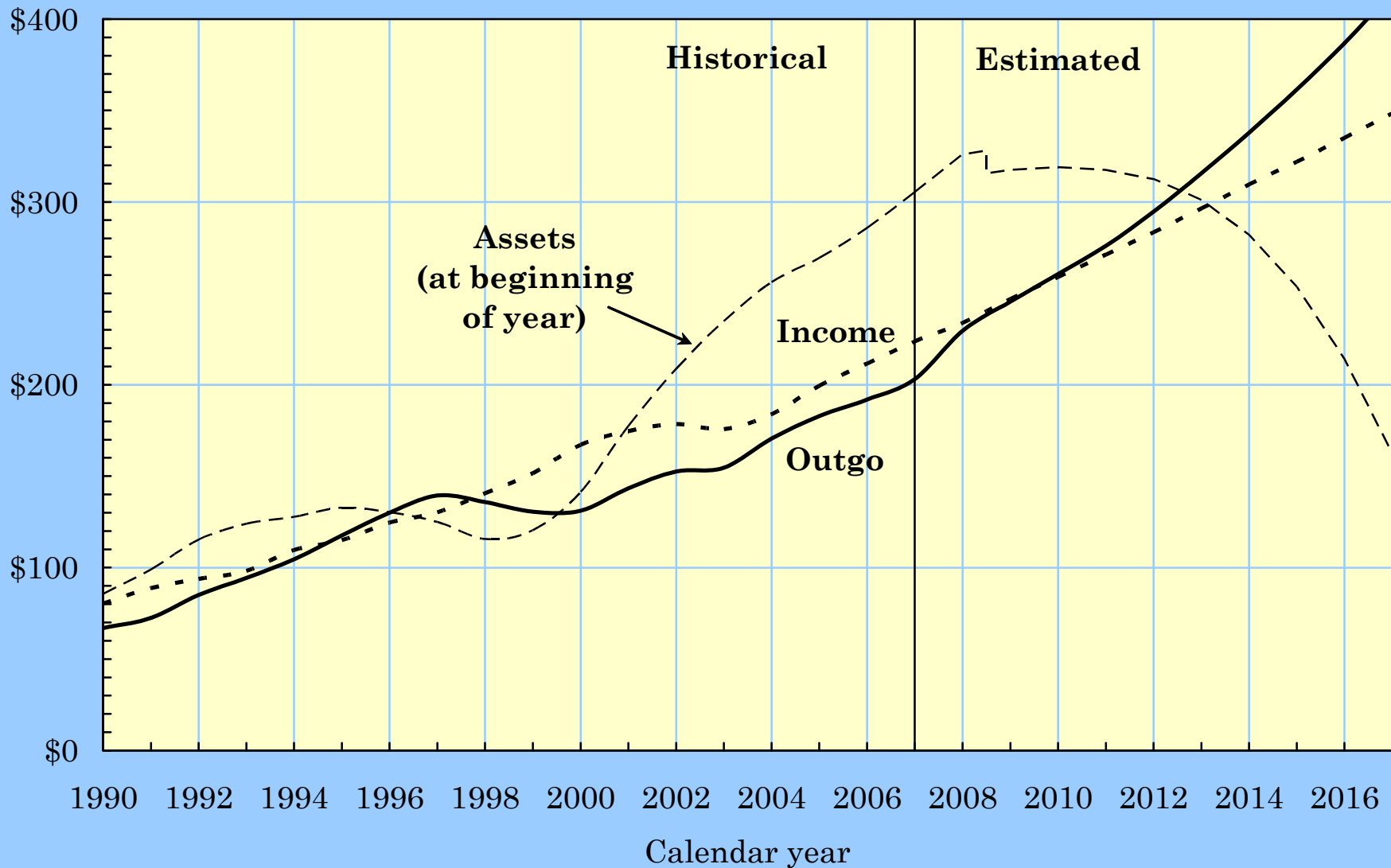
Total	44 million	Part B: 41 million	Part D: 31 million (24 + 7)
Proportion with services	22%	Part B: 87%	Part D: Approximately 90%

Benefits* * Subject to certain deductible and coinsurance requirements	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
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CY 2008 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 per month in 2008; covers about 25% of costs • 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 2008 is \$27.93; <u>average</u> premium is about \$25; covers 25.4% of standard benefit costs, 9% of total costs • State payments on behalf of dual beneficiaries cover about 14% of costs • General revenues cover 77% of costs
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Chart 2—HI income, outgo, and trust fund assets

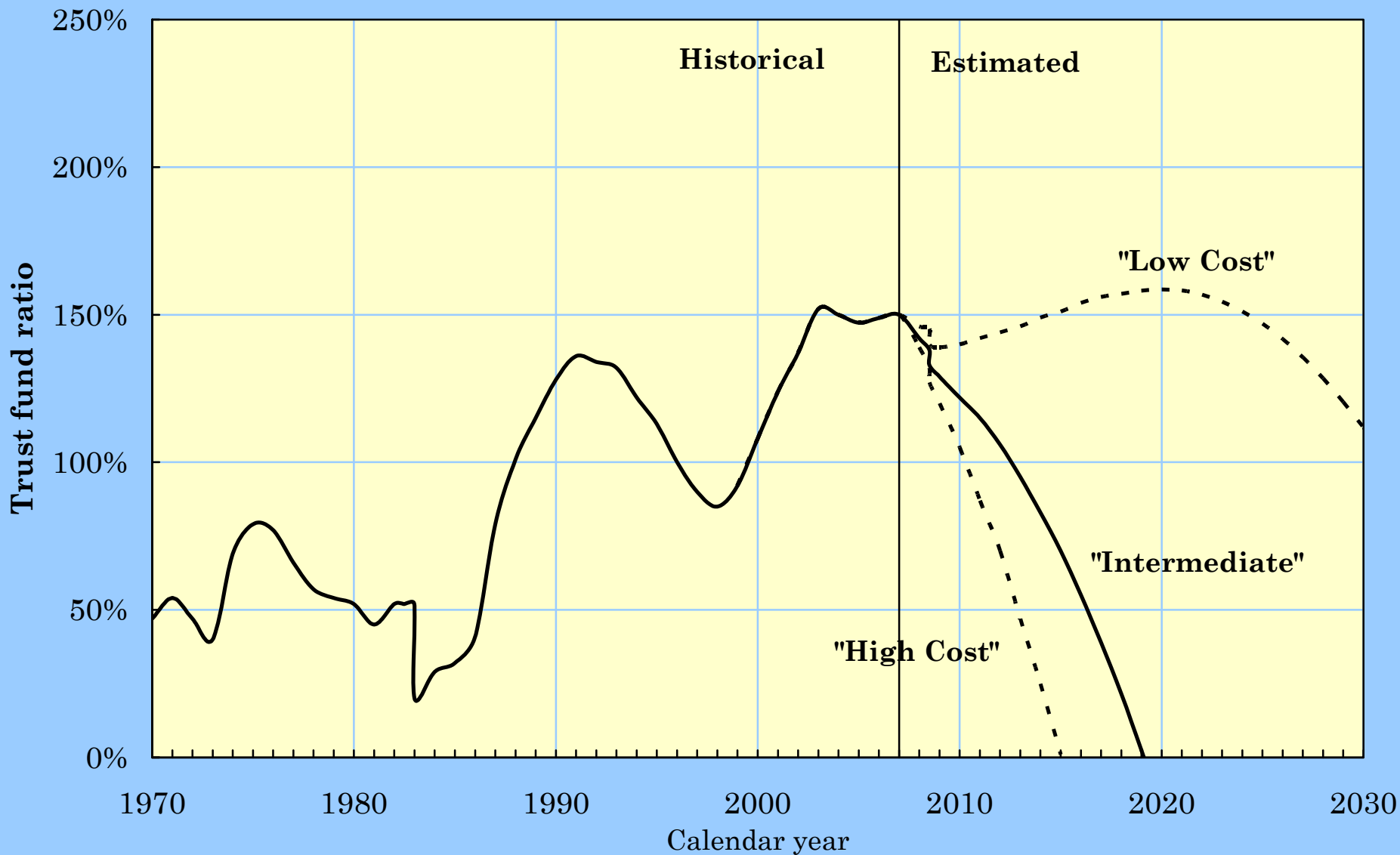
(In billions)



Note: Projections are based on the intermediate assumptions from the 2008 Trustees Report.

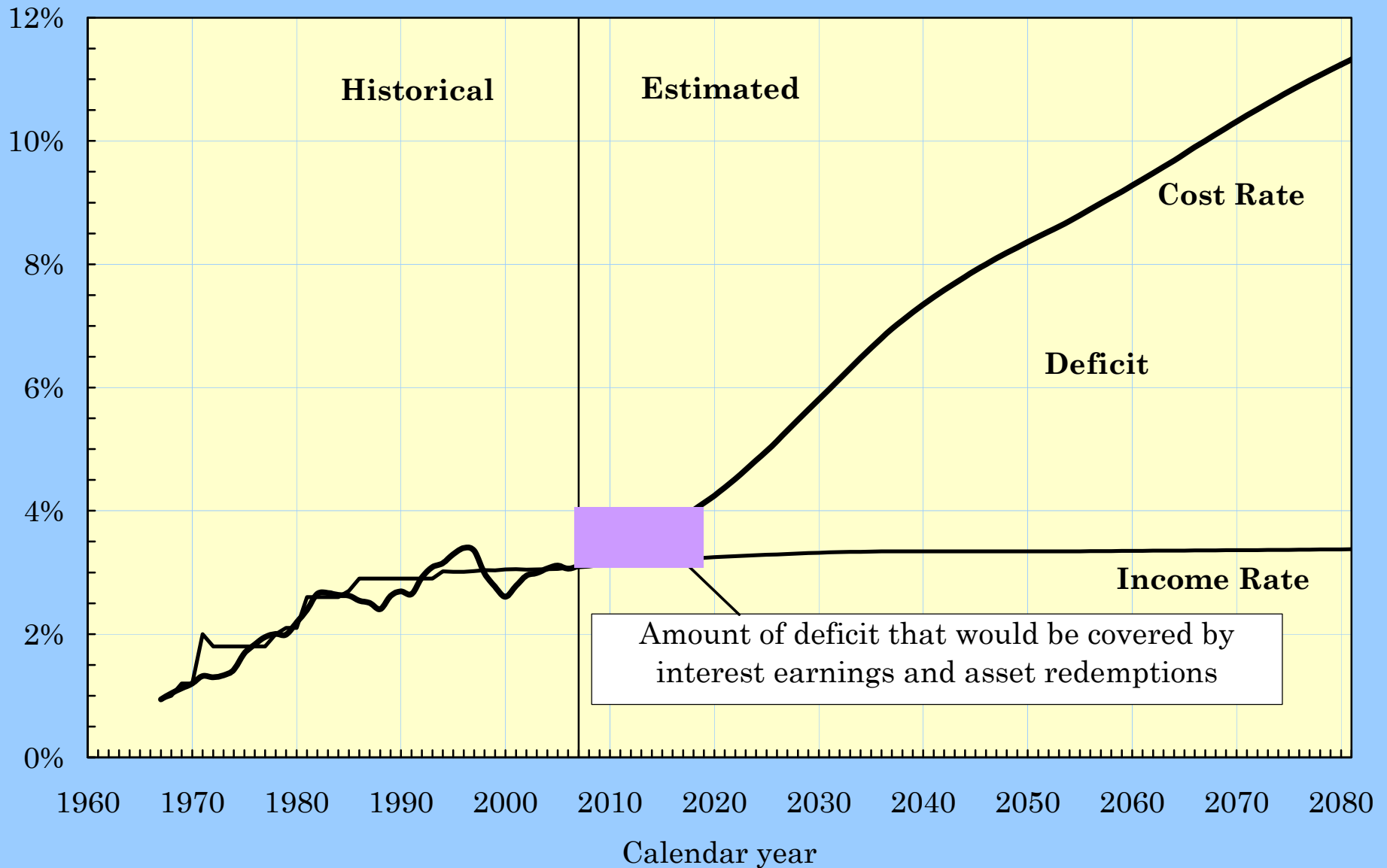
Chart 3—HI fund ratios under alternative assumptions

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



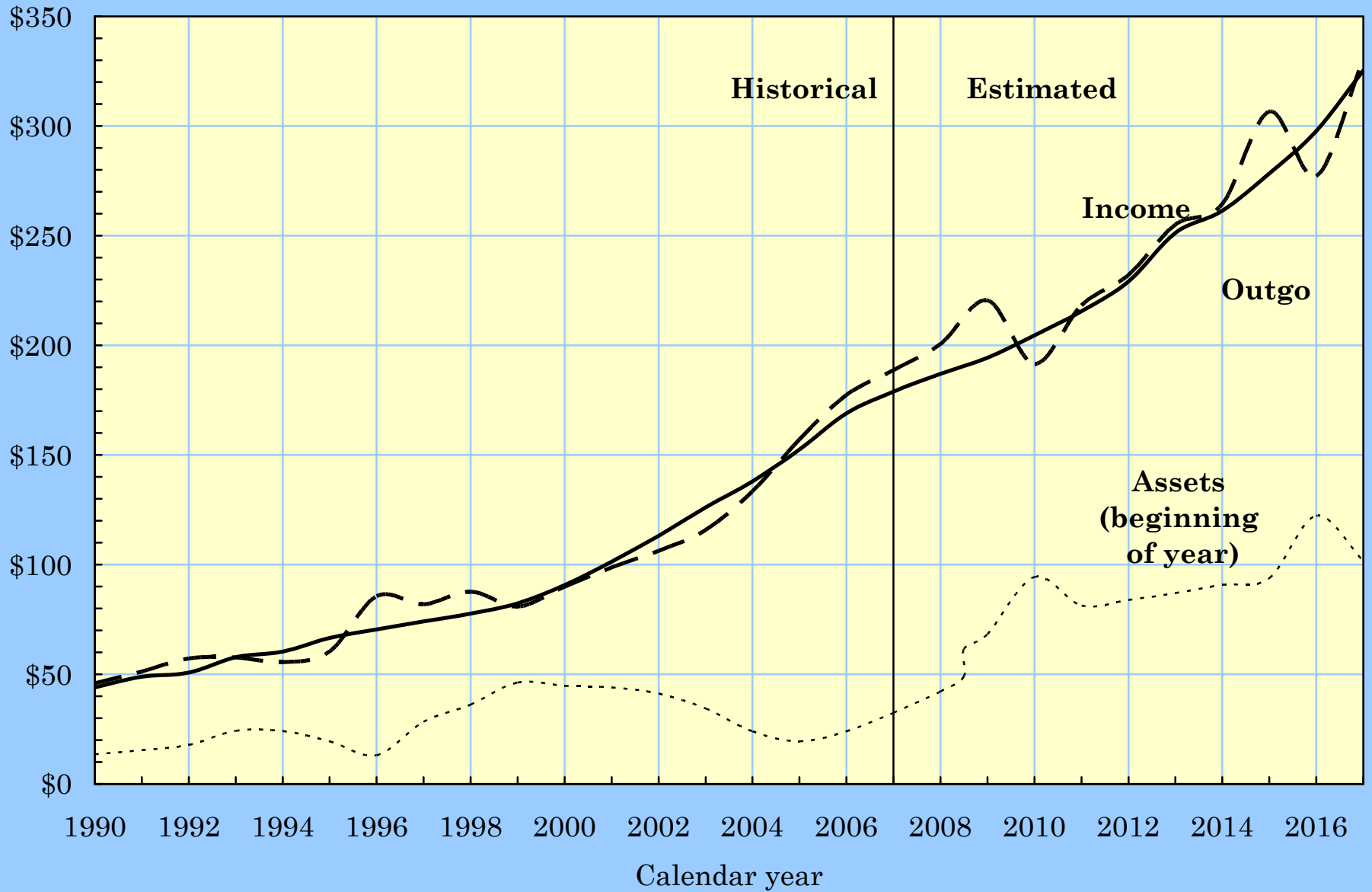
Note: Projections are based on the assumptions from the 2008 Trustees Report.

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 2008 Trustees Report.

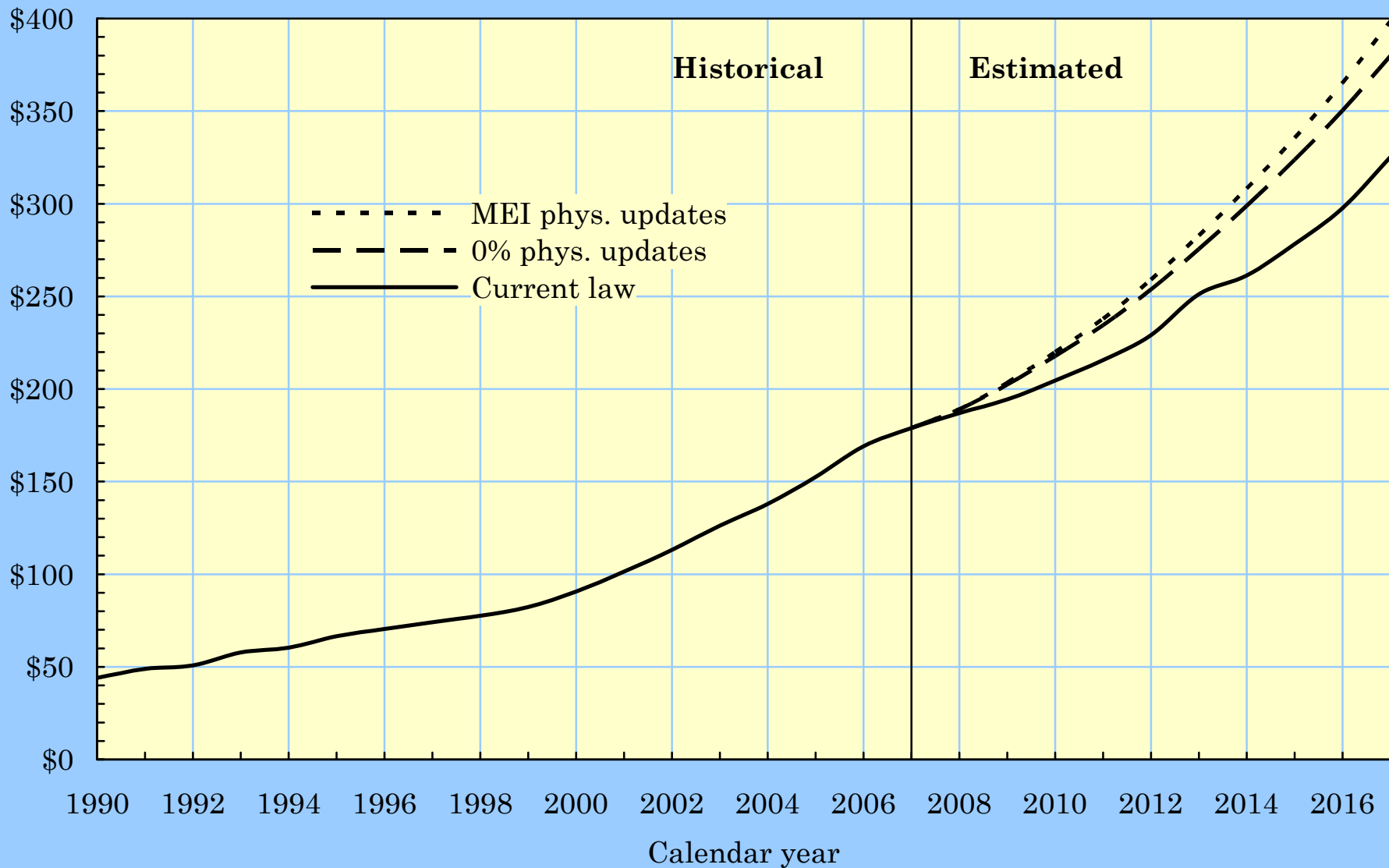
Chart 5—SMI Part B income, outgo, and trust fund assets
(In billions)



Note: Projections are based on the intermediate assumptions from the 2008 Trustees Report.

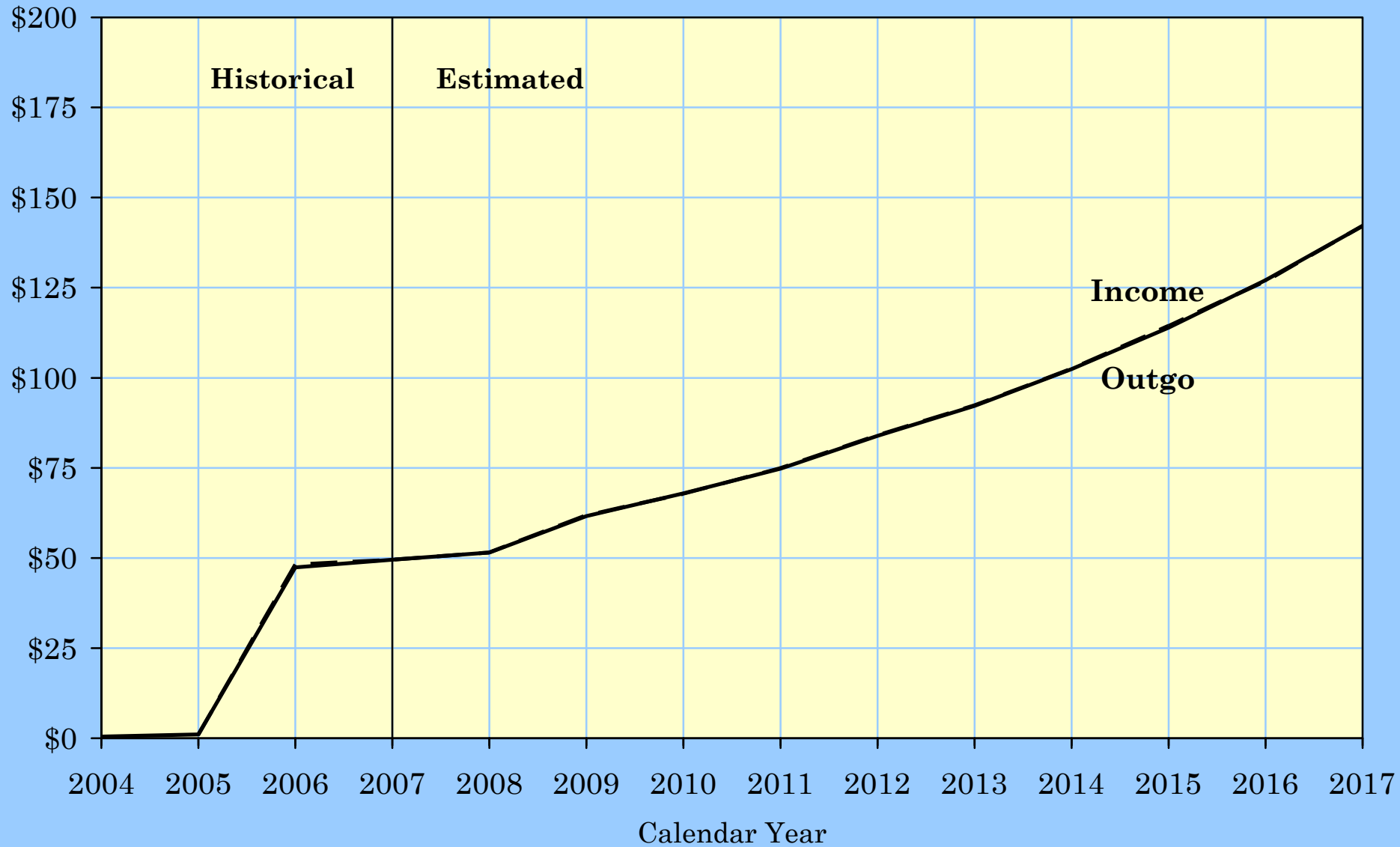
Chart 5.a—Illustration of possible understatement in projected Part B expenditures due to SGR

(In billions)



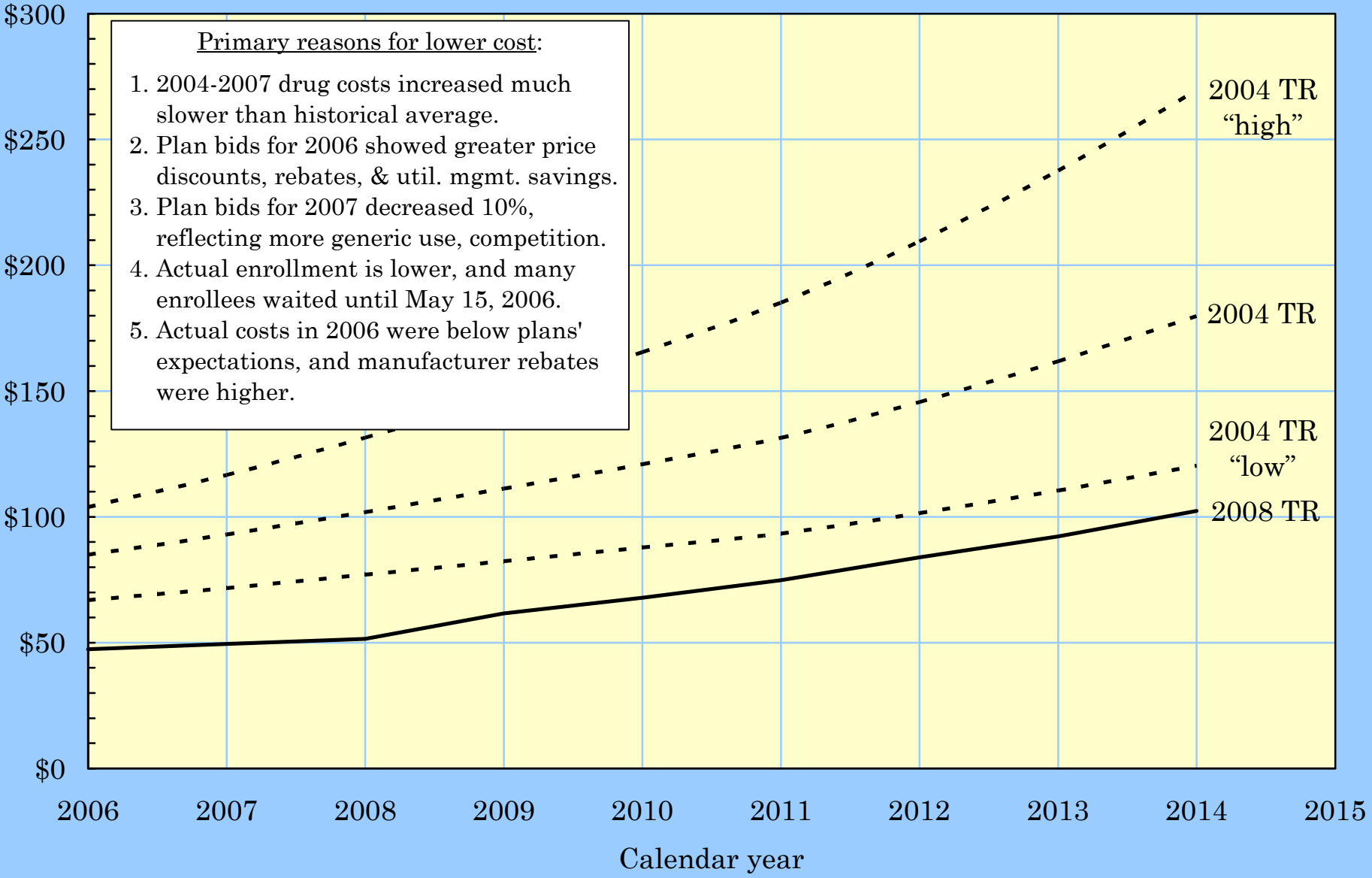
Note: Projections are based on intermediate assumptions from the 2008 Trustees Report.

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

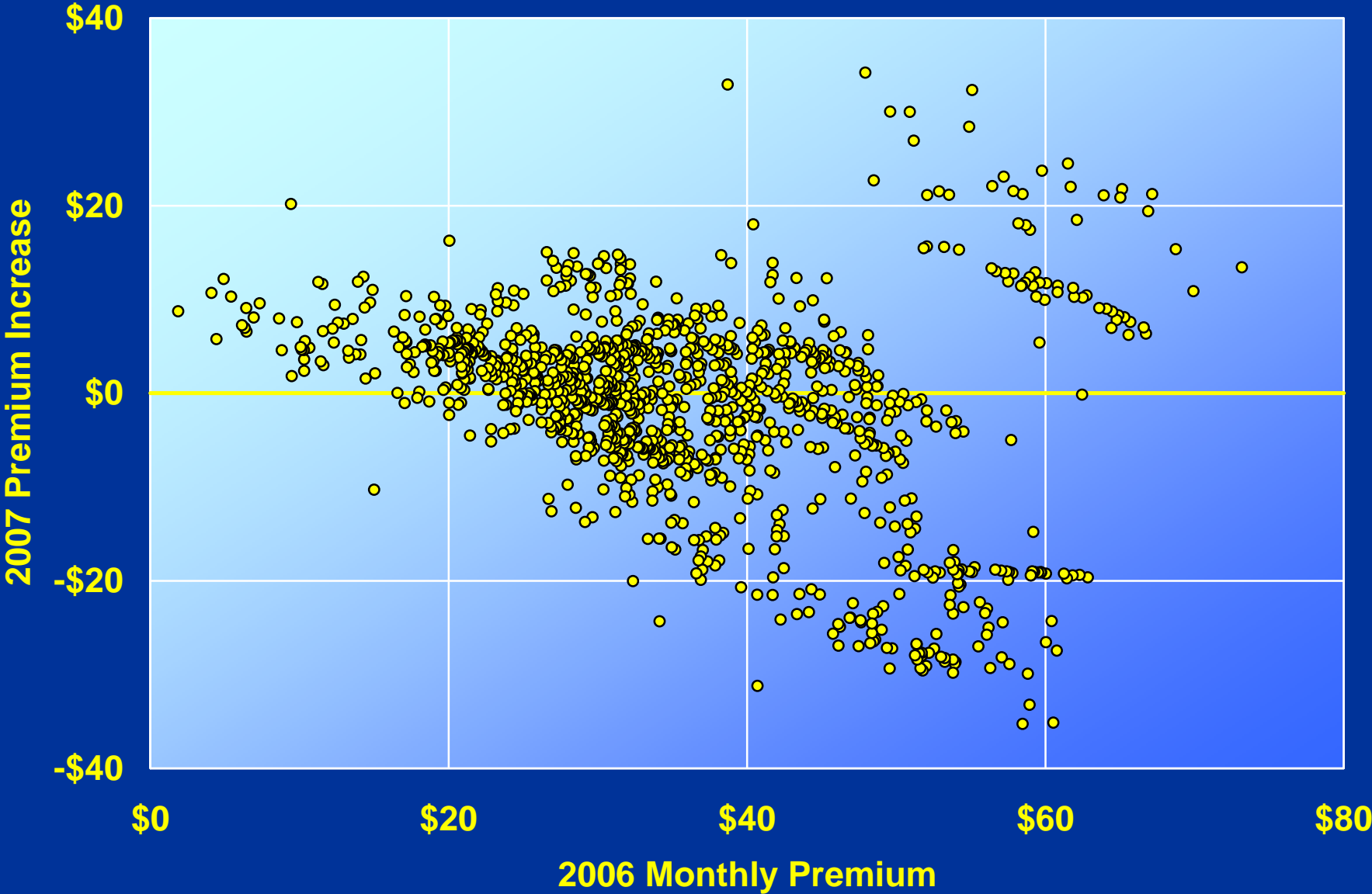


Note: Projections are based on the intermediate assumptions from the 2008 Trustees Report.

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

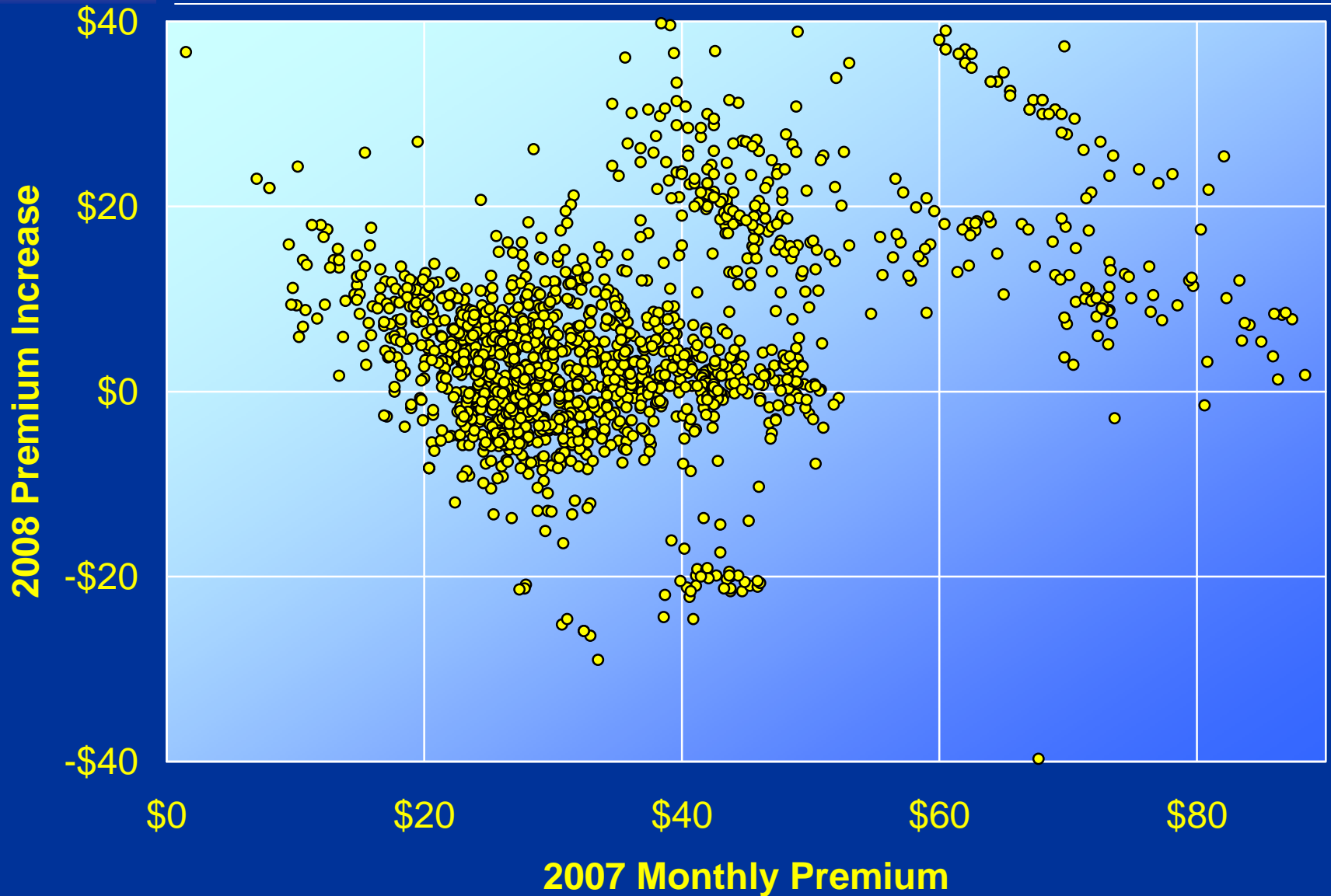
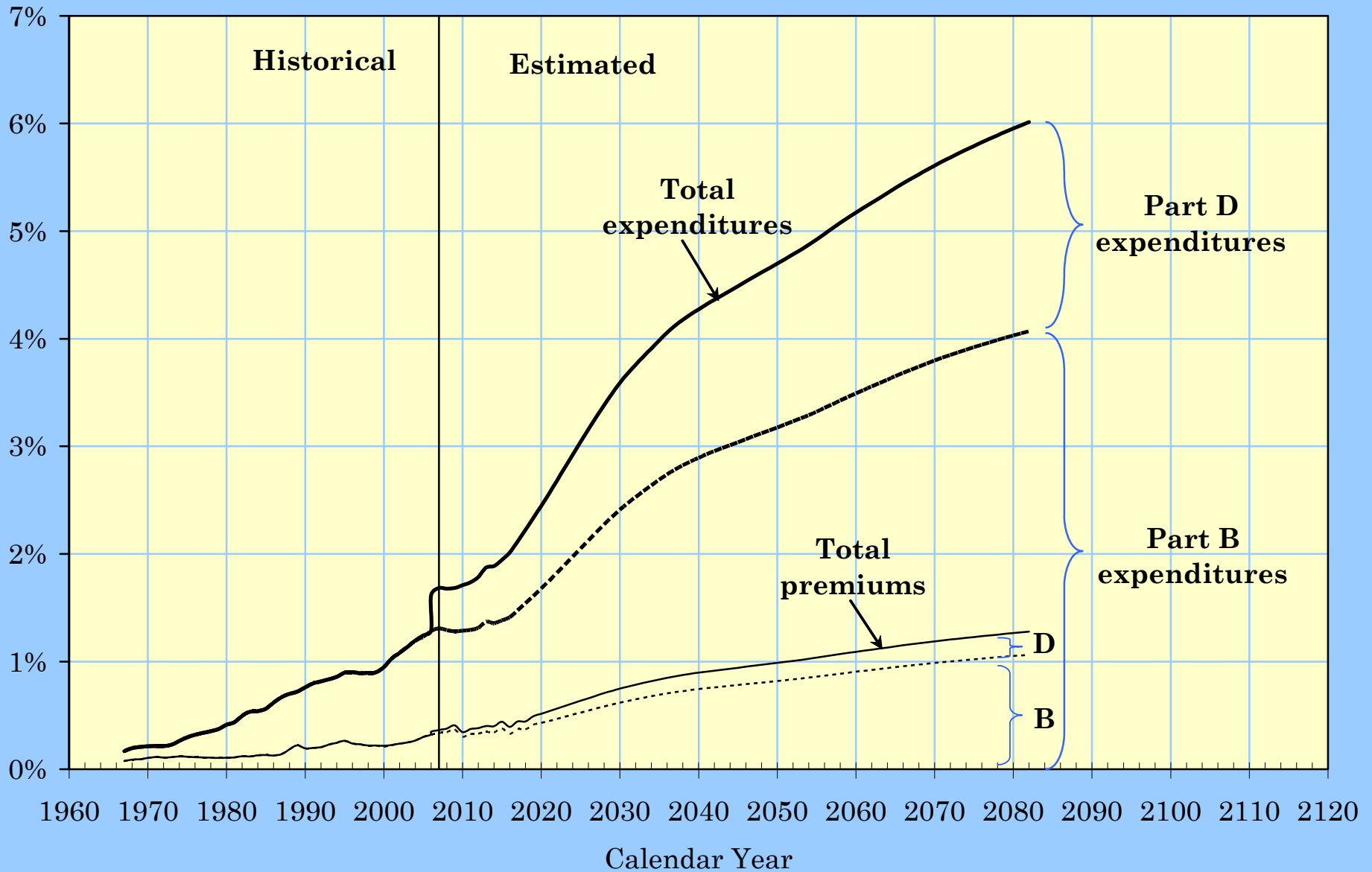


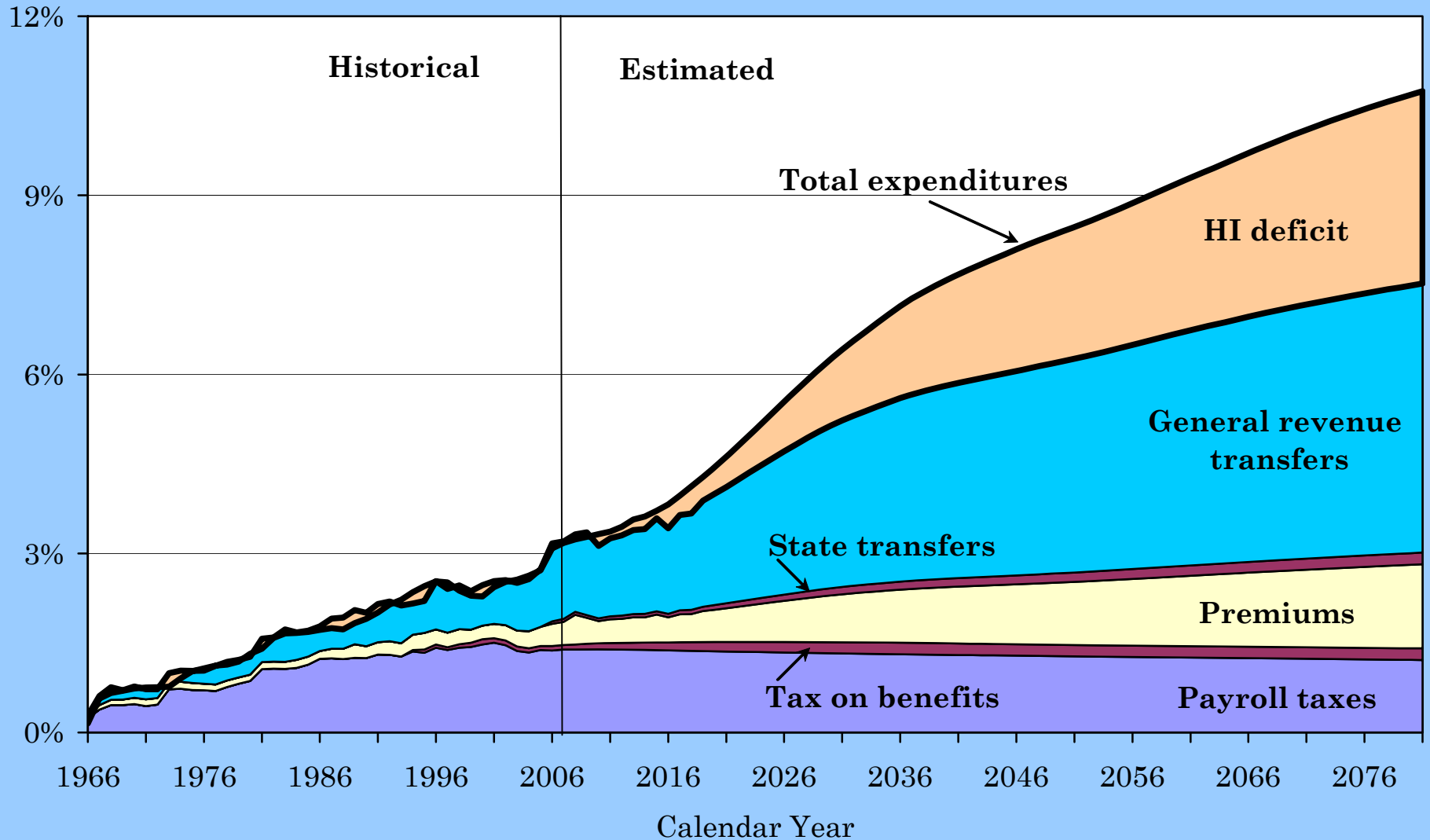
Chart 7--SMI expenditures and premium income

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



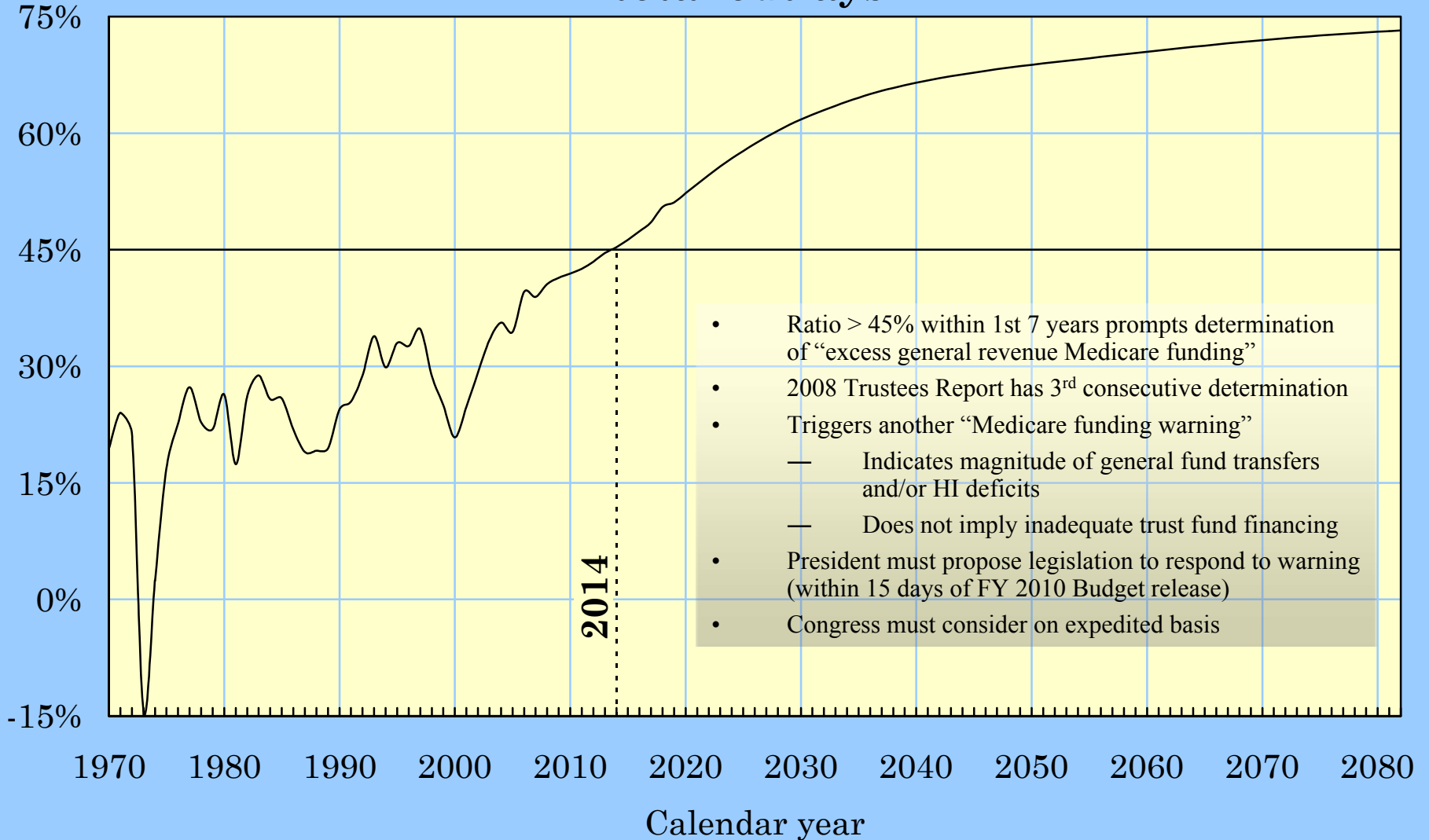
Note: Projections are based on the intermediate assumptions from the 2008 Trustees Report.

**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 2008 Trustees Report.

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



- Ratio > 45% within 1st 7 years prompts determination of “excess general revenue Medicare funding”
- 2008 Trustees Report has 3rd consecutive determination
- Triggers another “Medicare funding warning”
- Indicates magnitude of general fund transfers and/or HI deficits
- Does not imply inadequate trust fund financing
- President must propose legislation to respond to warning (within 15 days of FY 2010 Budget release)
- Congress must consider on expedited basis

Note: Projections are based on the intermediate assumptions from the 2008 Trustees Report.