

OFFICE OF THE ACTUARY

The Financial Status of Medicare

Presentation for the NASI Summer Academy for Interns
July 26, 2012



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Chart 1—Medicare enrollment, benefits, and financing

Hospital Insurance (HI)

Supplementary Medical Insurance (SMI)

Enrollment in CY 2011:

Total.....	48 million	Part B: 45 million	Part D: 36 million
Proportion with services.....	22%	Part B: 87%	Part D: Approximately 86%

Benefits* Inpatient hospital care
 Skilled nursing care
 Home health care (post-institutional)
 Hospice care

* Subject to certain deductible and coinsurance requirements

Part B:
 Physician services
 Outpatient hospital services
 Home health care (general)
 Other services, e.g.
 • Diagnostic tests
 • Medical equipment
 • Ambulance
 Part D:
 Prescription drug benefit

CY 2012 Financing HI tax on covered earnings:
 • 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 all earnings in covered employment
 • Tied to worker income in 2013 and later

Revenue from income taxation of OASDI benefits (portion between 50% & 85%)

Part B premiums and general revenue transfers:
 • \$99.90 standard monthly premium
 • Tied to beneficiary income in 2007 and later
 • Fees on manufacturers, importers of brand-name Rx drugs
 • General revenues cover 76% of costs

Part D drug premiums, general revenues, and State transfers:
 • Base premium in 2012 is \$31.08; average premium is about \$30; covers 25.5% of standard benefit costs, 13% of total costs
 • Tied to beneficiary income in 2011 and later
 • State payments on behalf of certain beneficiaries cover about 12% of costs
 • General revenues cover 75% of costs

Chart 2—Factors accounting for growth in Personal Health Care Spending and the economy, 1965-2010

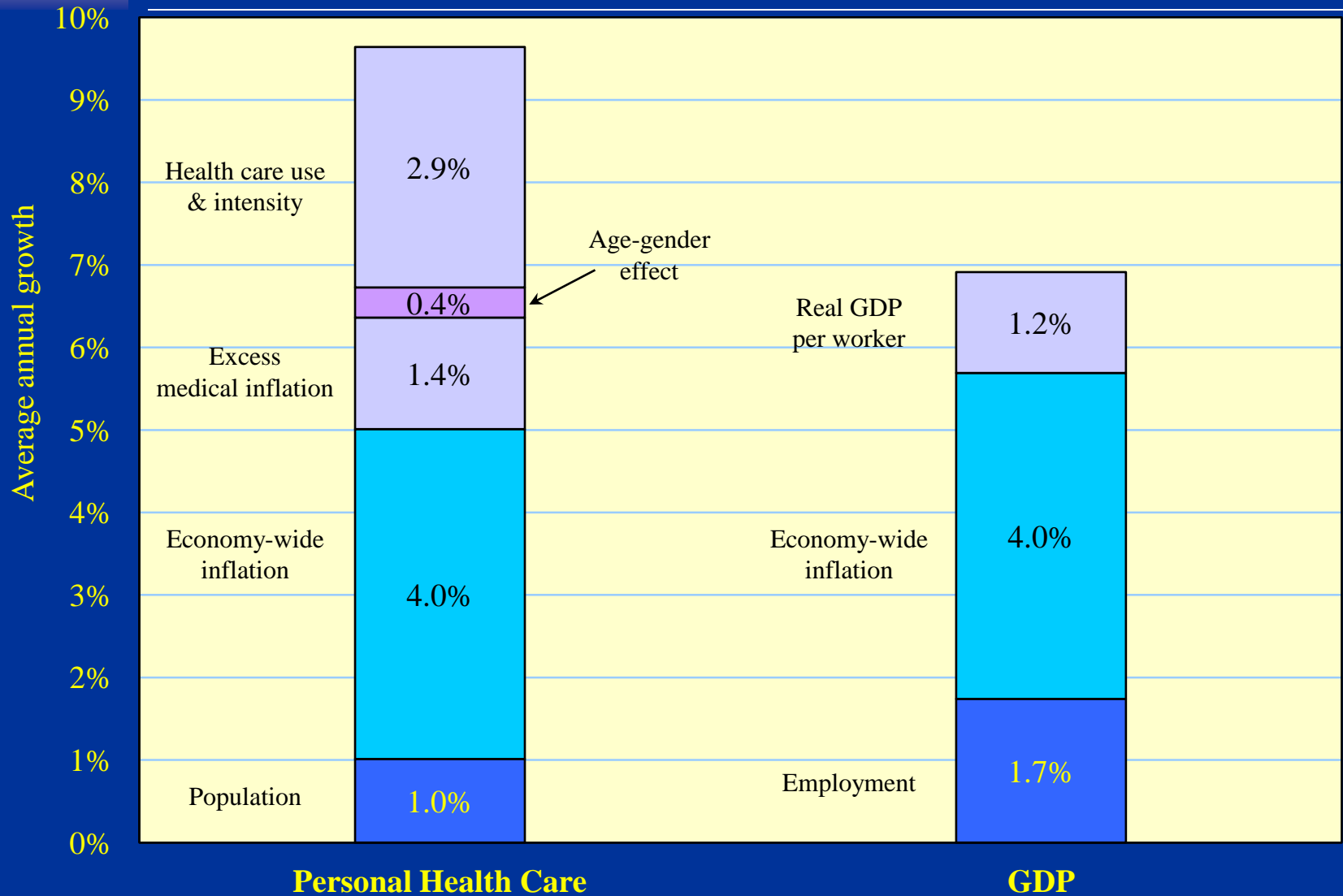
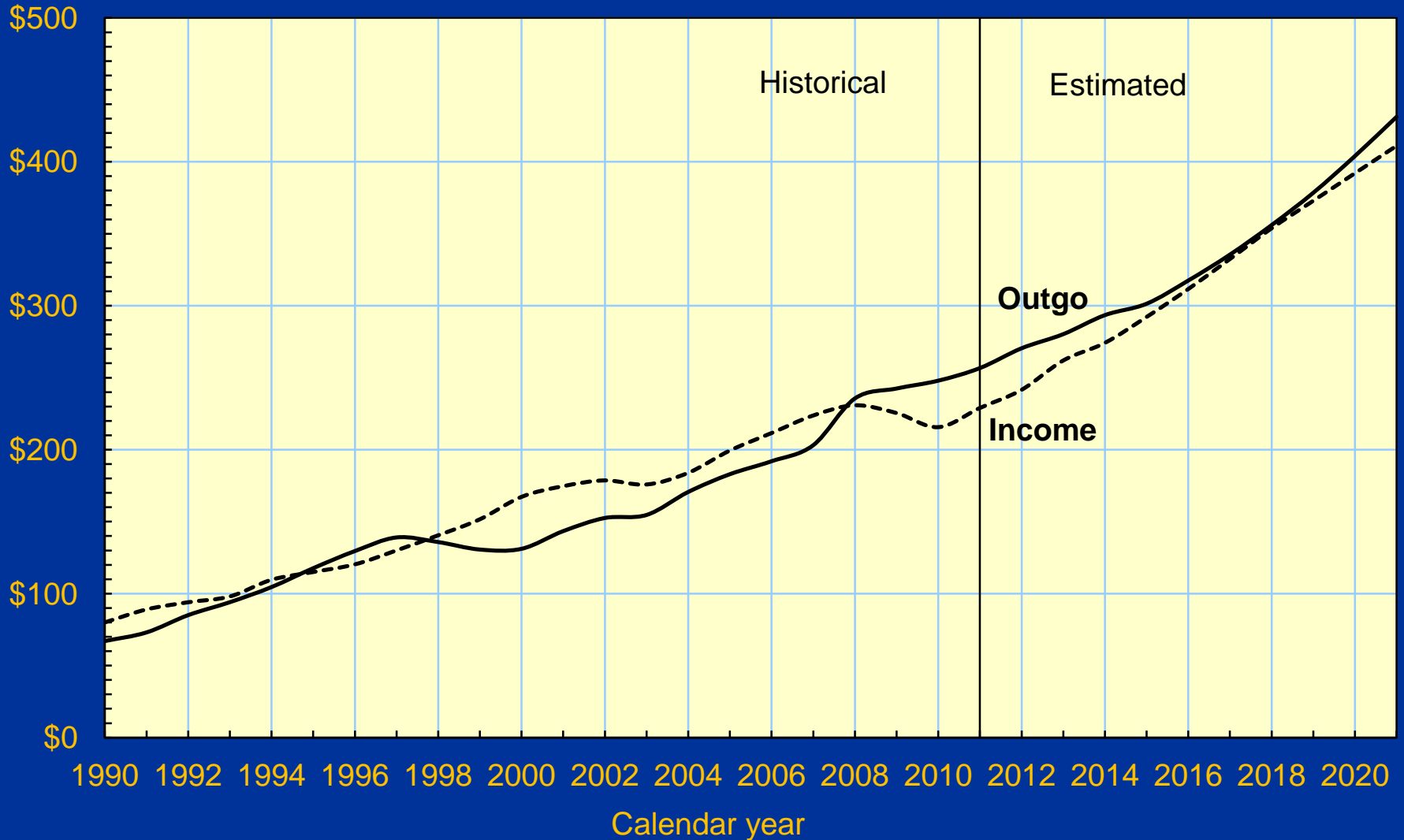
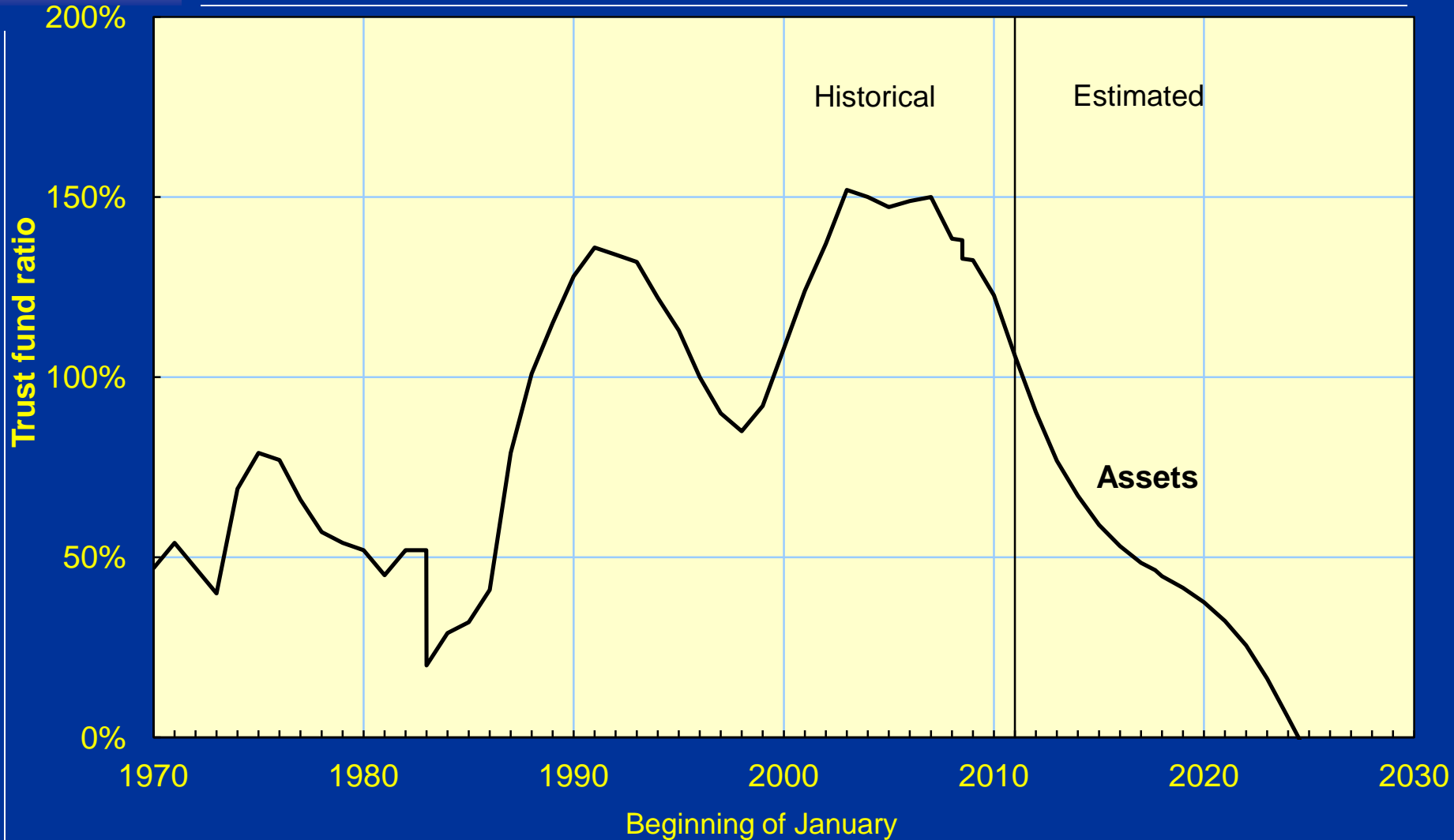


Chart 3—HI income and outgo (In billions)



Note: Projections are based on the intermediate assumptions from the 2012 Trustees Report.

Chart 4—HI fund ratios under alternative assumptions
 (Assets at beginning of year as percentage of annual expenditures)



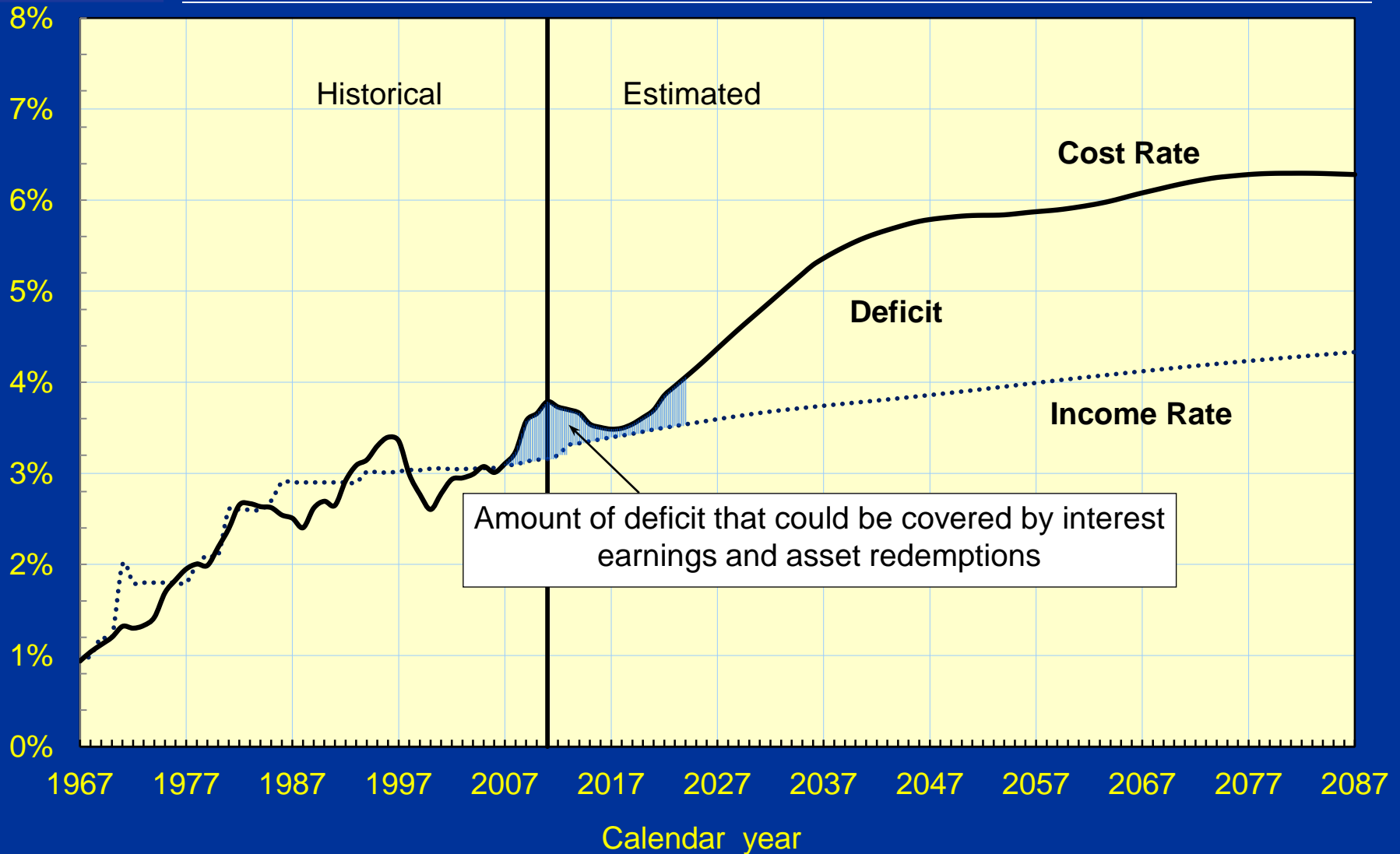
Note: Projections are based on the assumptions from the 2012 Trustees Report.

Chart 5—Long-range HI income and cost rates (As a percentage of taxable payroll)



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Chart 5—Long-range HI income and cost rates (As a percentage of taxable payroll)



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Chart 6—Long-range HI Income and Cost Rates, Current Law and Illustrative Alternative

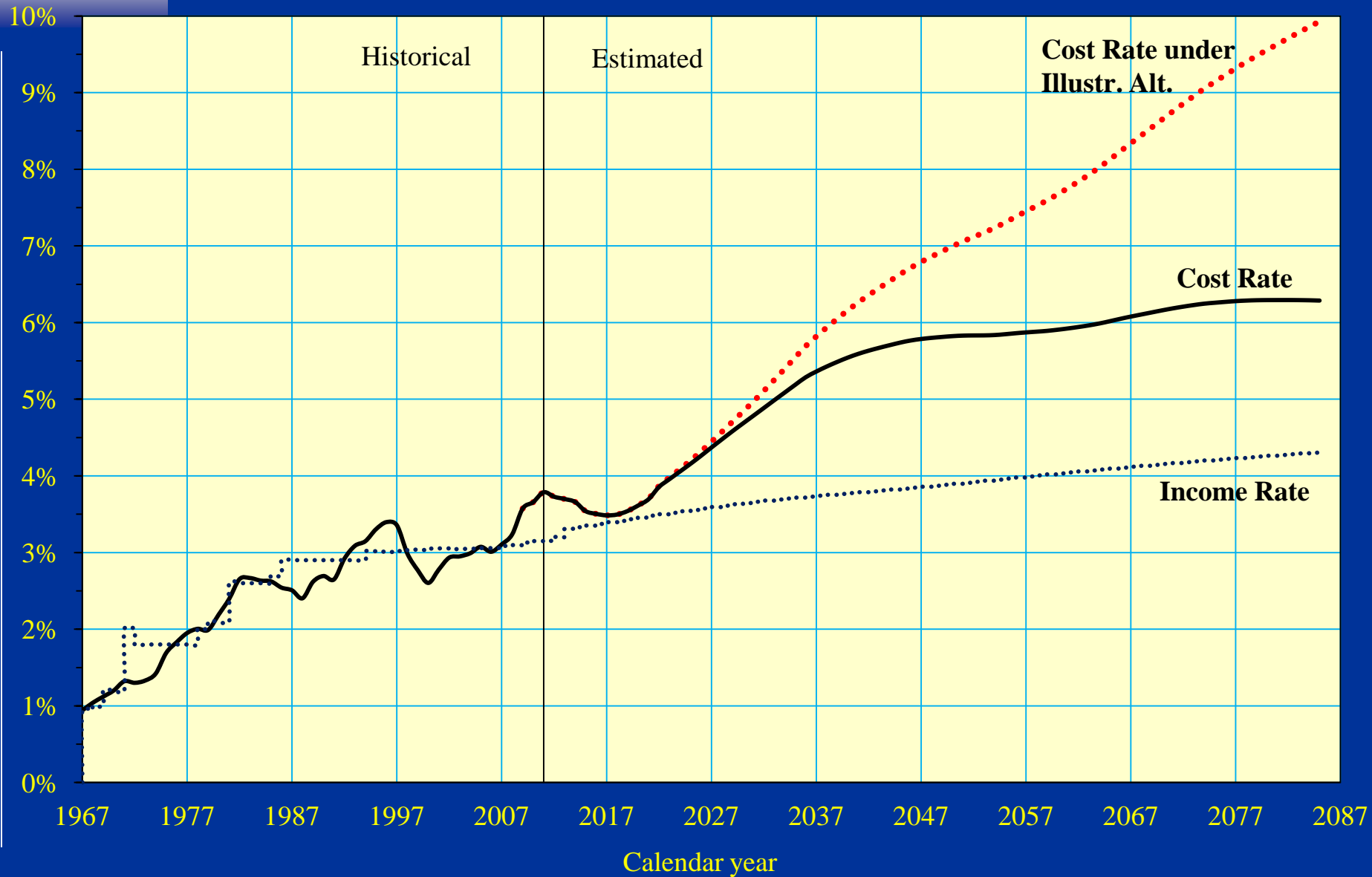




Chart 7—Comparison of relative Medicare, Medicaid, and PHI prices for inpatient hospital services under current law

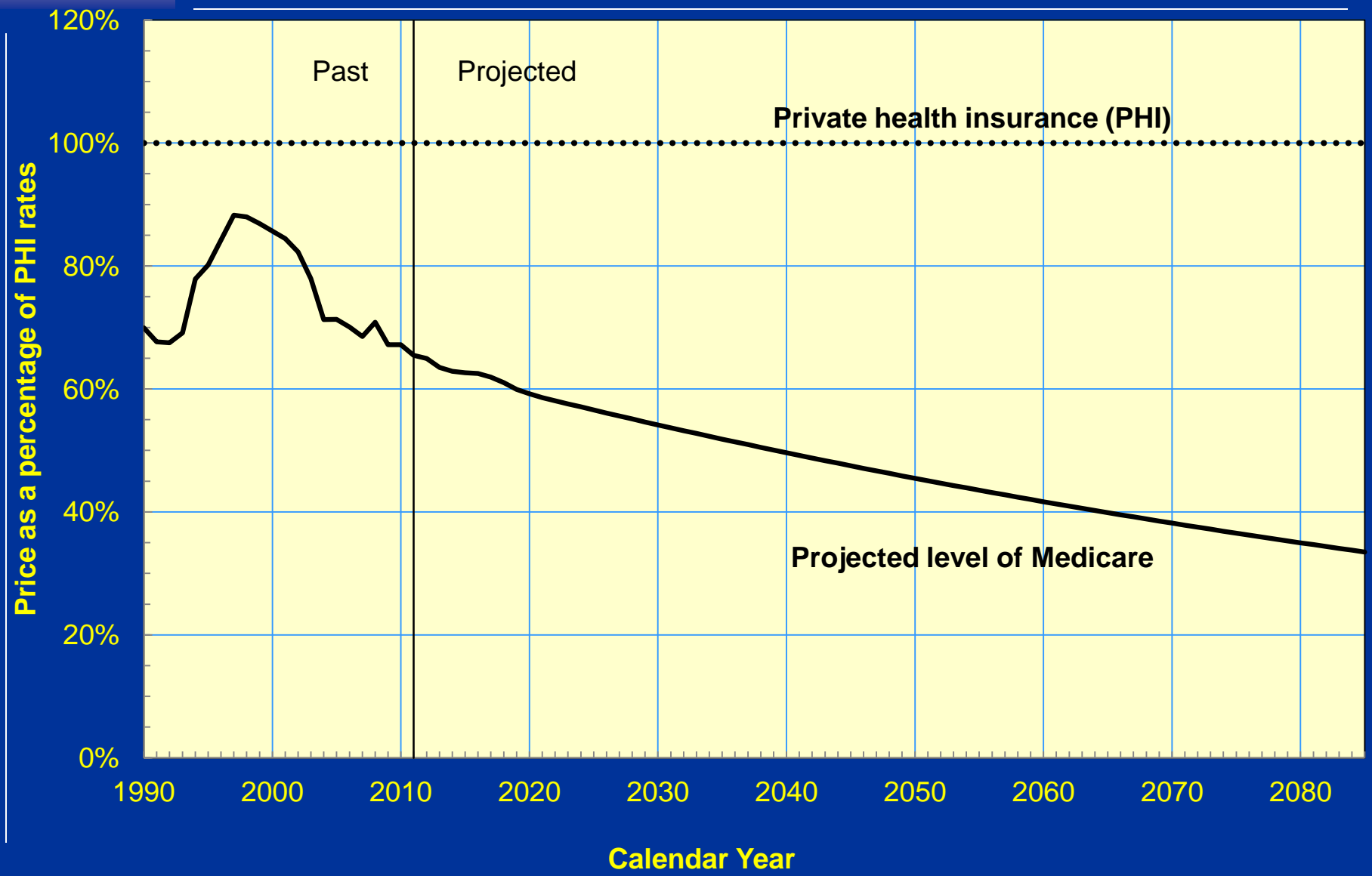


Chart 8—Comparison of relative Medicare, Medicaid, and PHI prices for physician services under current law

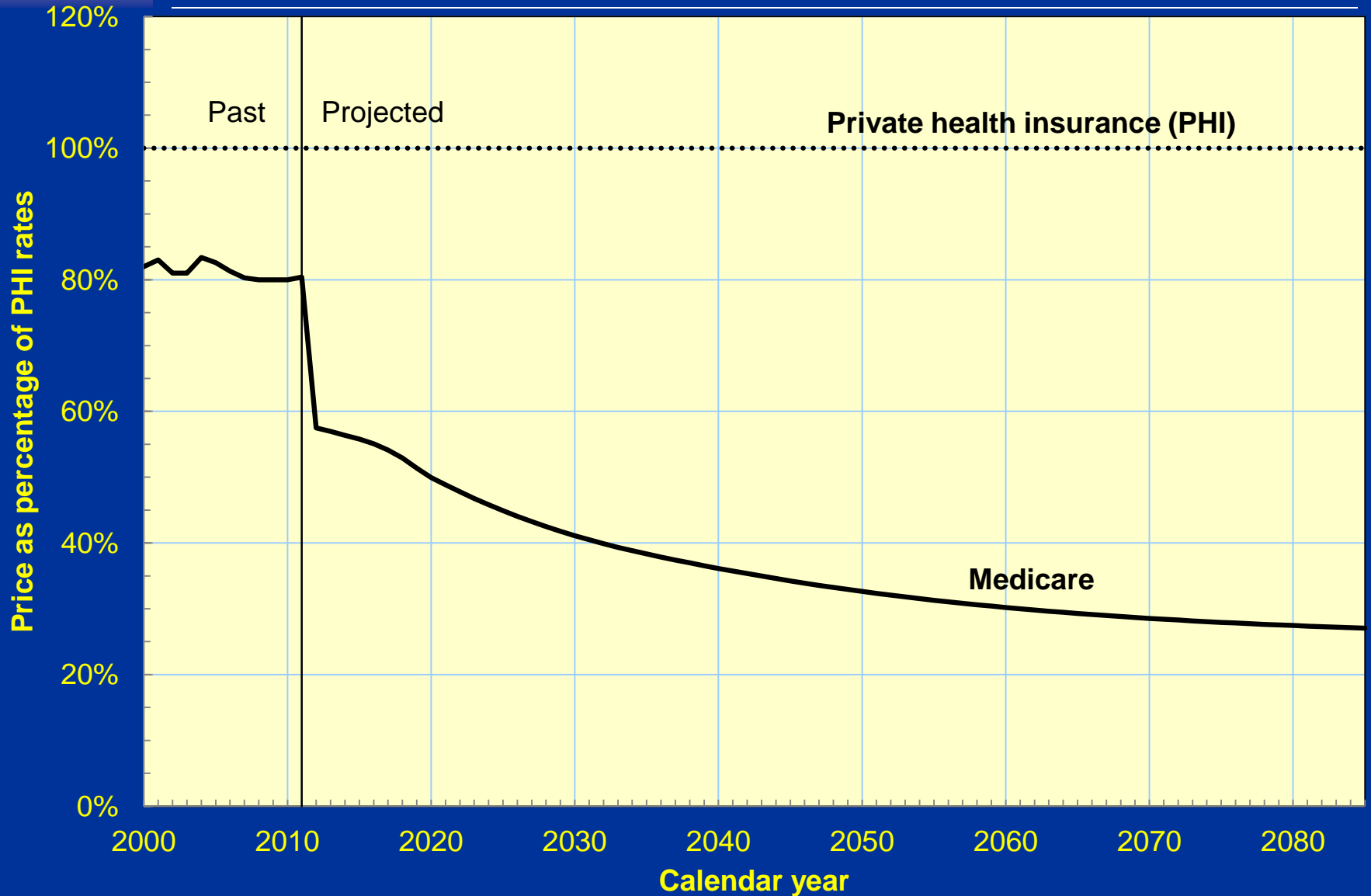
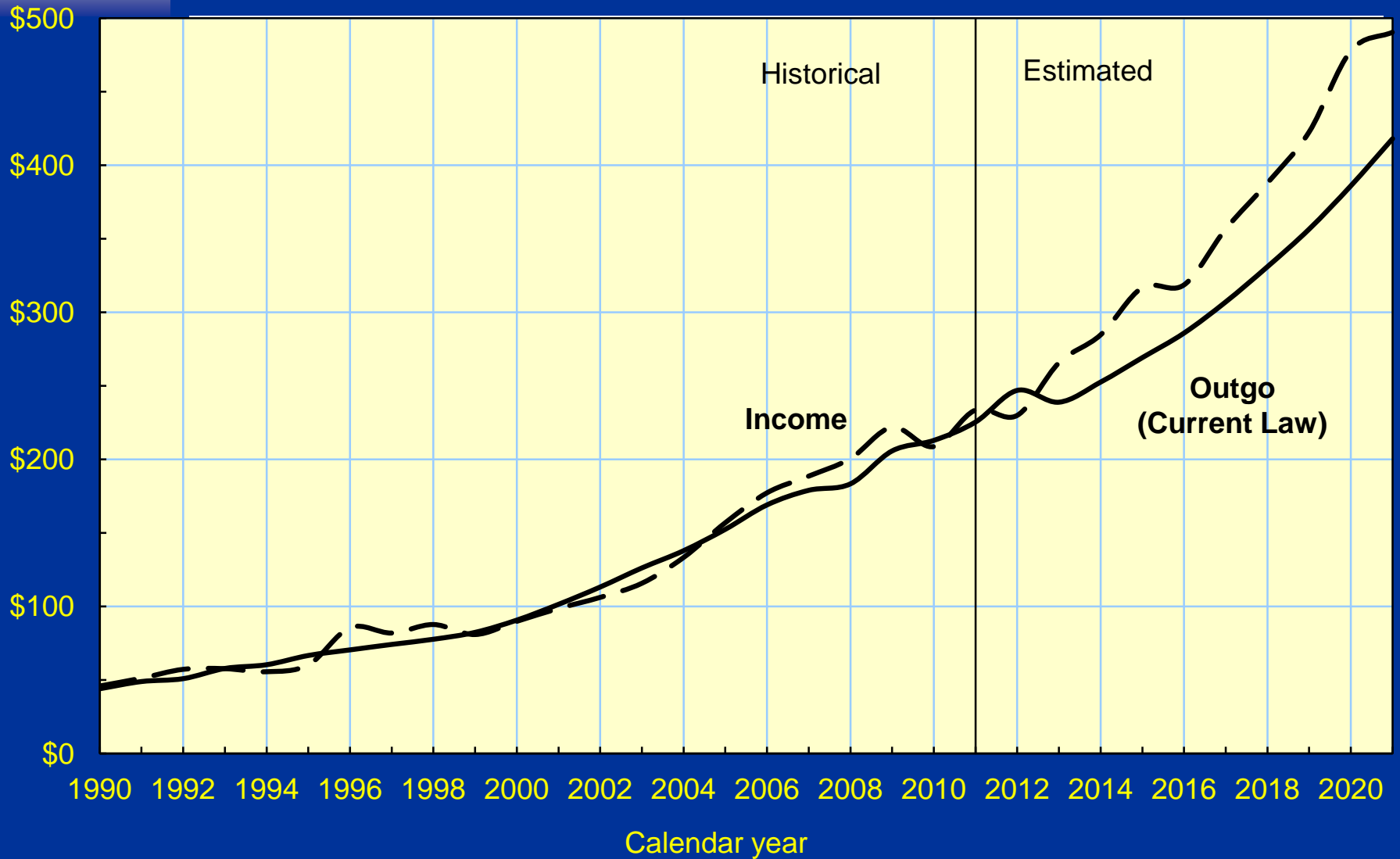
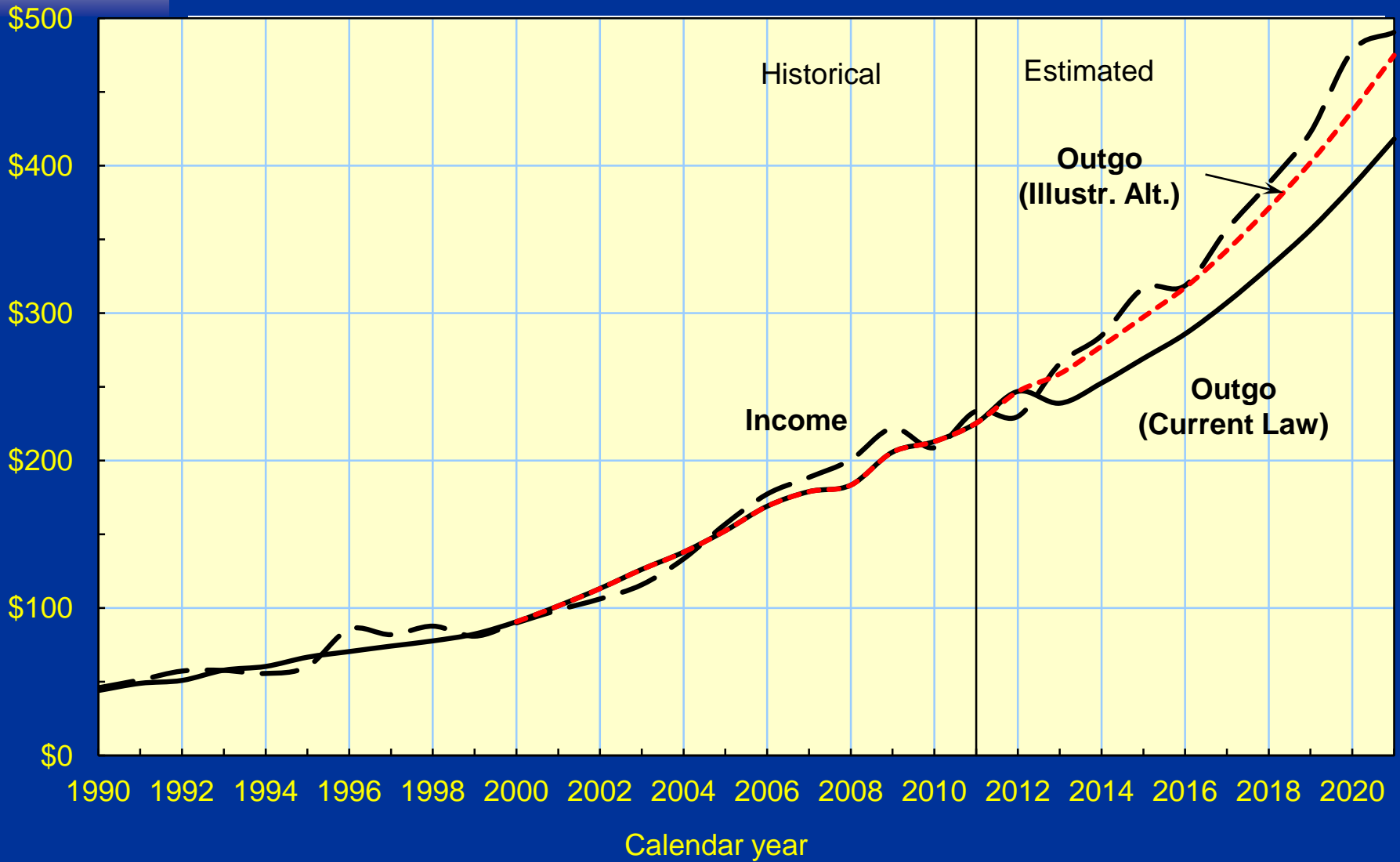


Chart 9—SMI Part B income and outgo (In billions)



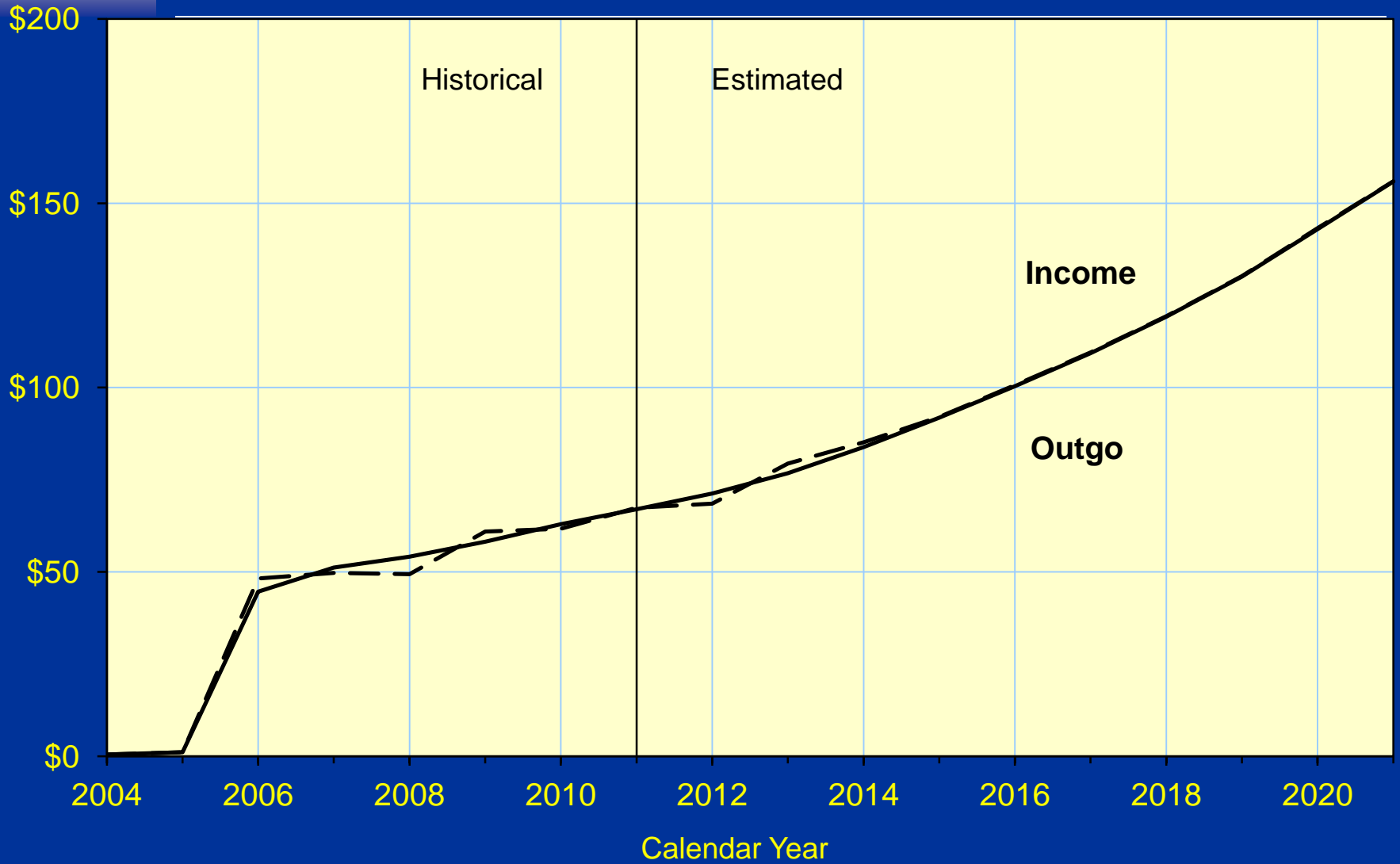
Note: Projections are based on the intermediate assumptions from the 2012 Trustees Report.

Chart 9—SMI Part B income and outgo (In billions)



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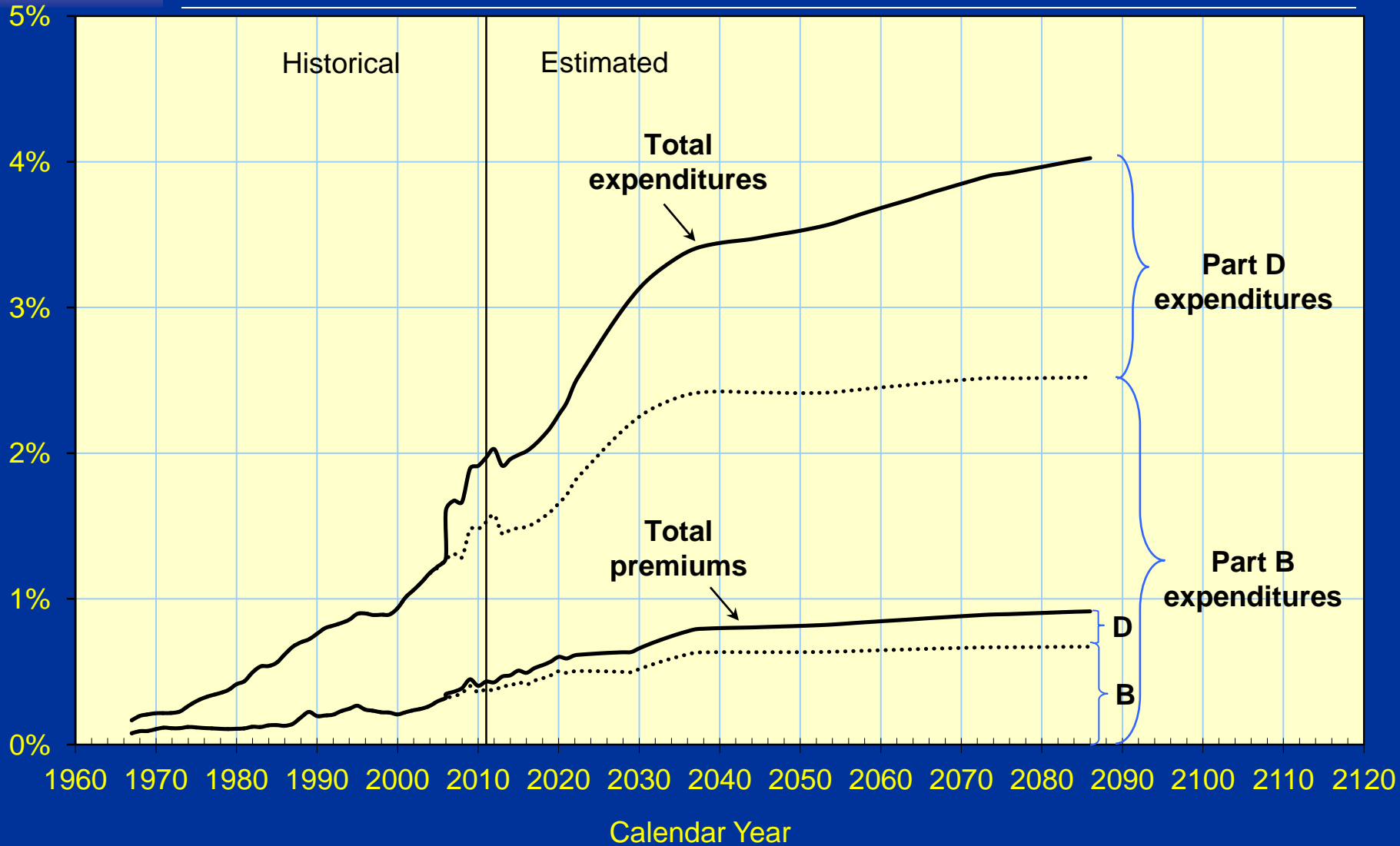
Chart 10—SMI Part D income and outgo (In billions)



Note: Projections are based on the intermediate assumptions from the 2012 Trustees Report.

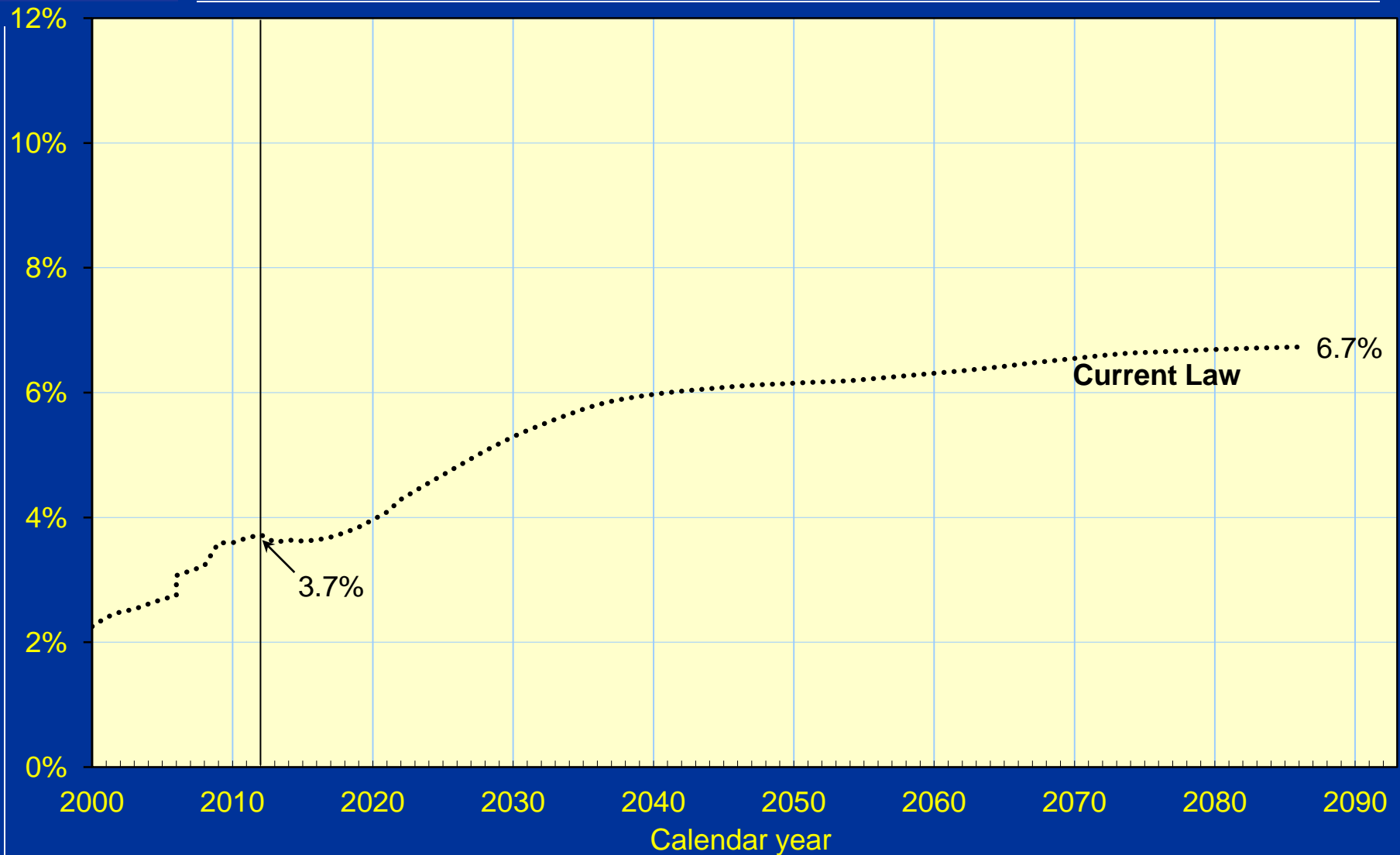
Chart 11—SMI expenditures and premium income

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



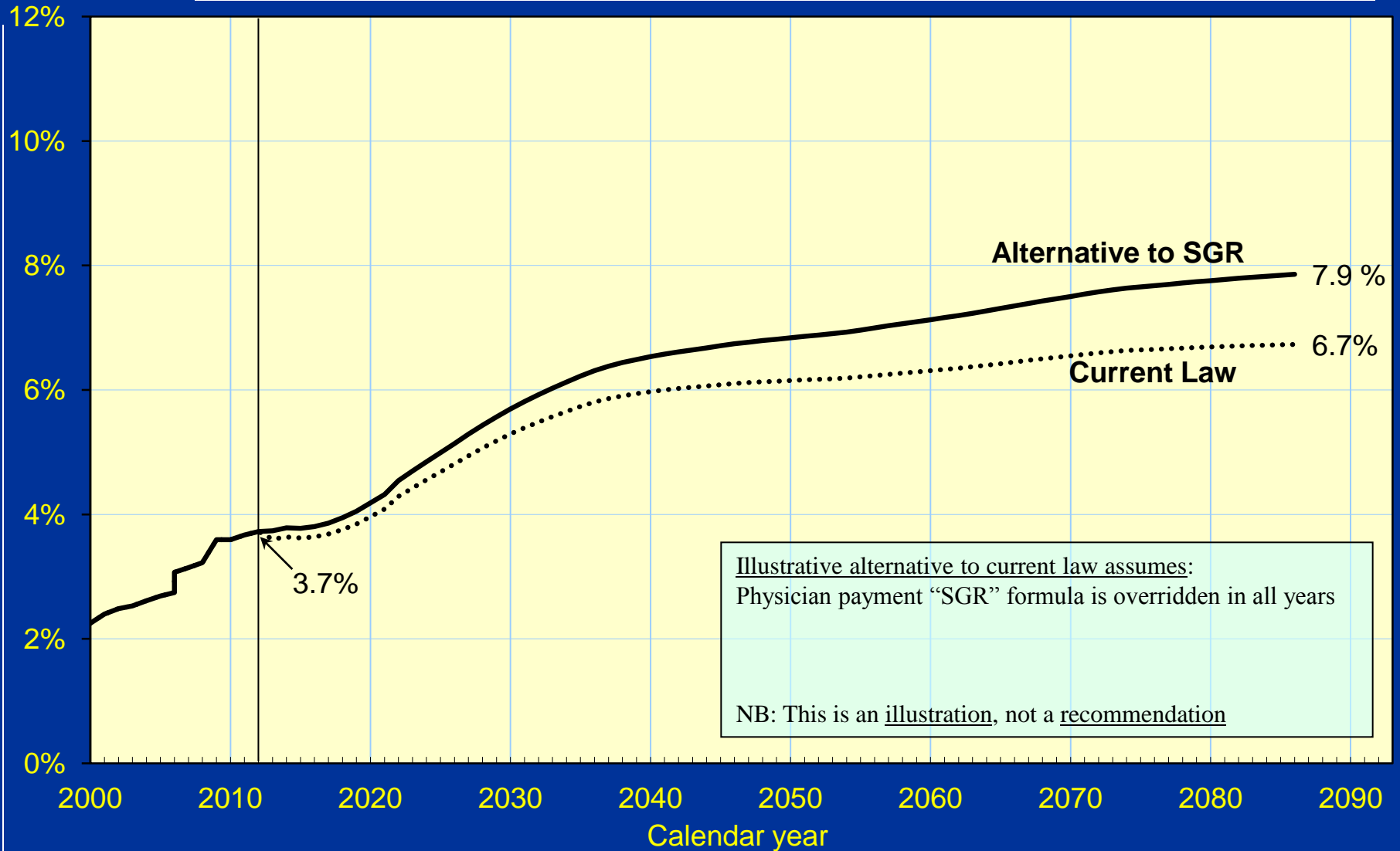
Note: Projections are based on the intermediate assumptions from the 2012 Trustees Report.

Chart 12—Medicare Expenditures as a Percentage of GDP under Current Law and Illustrative Alternative Projections



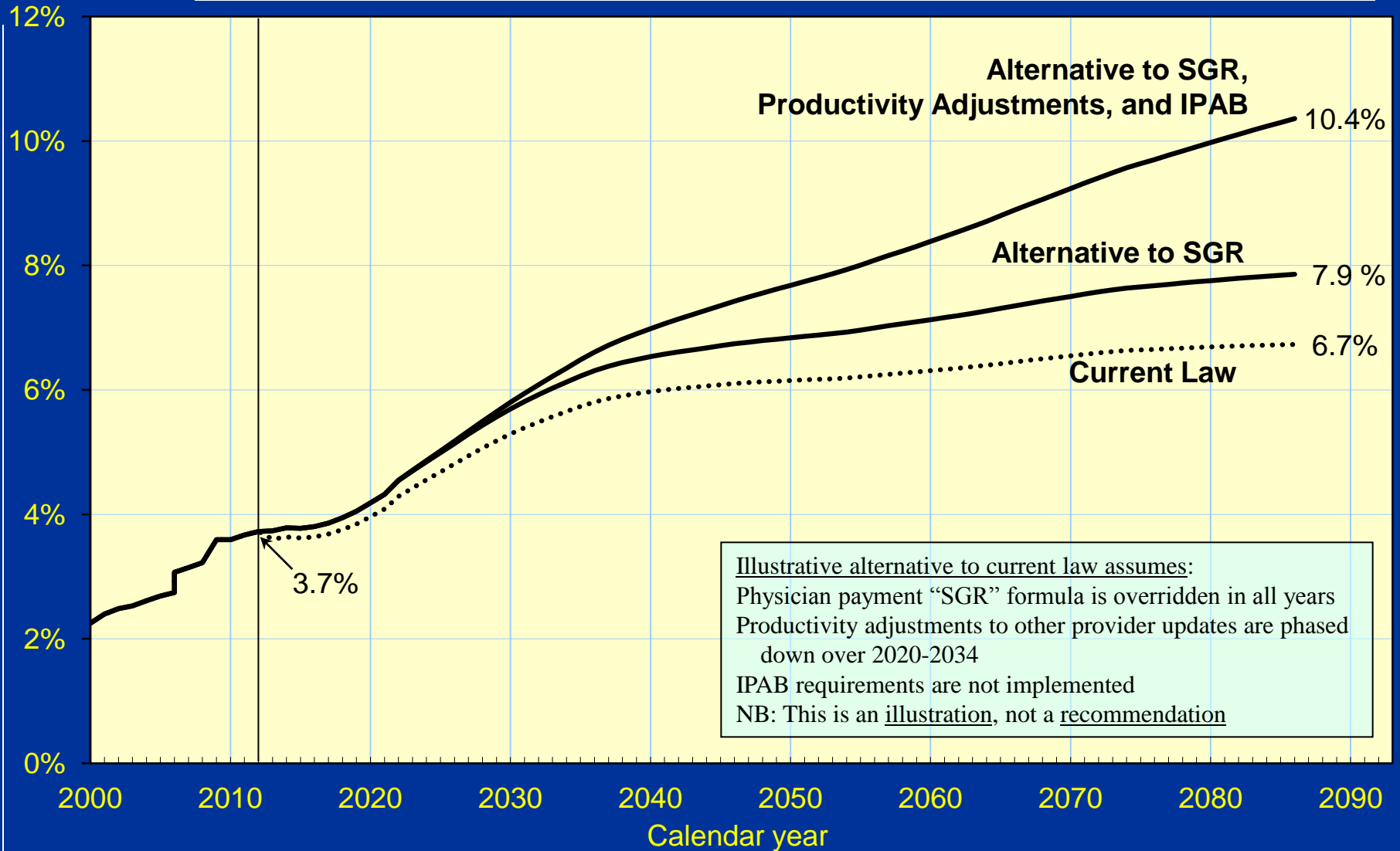
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Chart 13—Possible methods of reducing Medicare expenditures, Part I

	Slow growth rate?
• Reduce waste & inefficiency	✗
• Reduce fraud & abuse	✗
• Emphasize preventive care	✗
• Use electronic health records	✗
• Pay for performance	✗
• Reduce provider payment rates	✓
• Increase beneficiary cost-sharing	?
• Increase age of eligibility	✗

Chart 14—Possible methods of reducing Medicare expenditures, Part II

Slow growth rate?

- Manage care ?
- Introduce delivery, payment innovations ?
- Develop national practice standards ?
- Adopt new medical technology more prudently ✓
- Increase competition ?
- Convert to “premium support” system ✗
- Convert to “premium support” with limited updates ✓
- Convert to “defined contribution” (global payment) system ✓