Medicare’s Political & Financial Future

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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 are often viewed narrowly
# Medicare as a Share of the Federal Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>1970</td>
<td>3.5%</td>
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<tr>
<td>1975</td>
<td>4.2%</td>
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<tr>
<td>1980</td>
<td>5.8%</td>
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<td>1985</td>
<td>7.4%</td>
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<td>1990</td>
<td>8.6%</td>
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<td>1995</td>
<td>11.7%</td>
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<tr>
<td>2000</td>
<td>12.1%</td>
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<tr>
<td>2001</td>
<td>12.8%</td>
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<tr>
<td>2011</td>
<td>16.6%</td>
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</tbody>
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Source: CBO 2005
Growth in Medicare Spending as a Share of GDP and in Beneficiaries as a Share of Total Population

- Medicare as a Share of GDP
- Prescription Drug Benefit as a share of GDP
- Medicare as share of the population

Source: 2005 OASDI and Medicare Trustees Report
Projected 2025 Medicare spending as a share of GDP

Source: Medicare Trustees Report, 1997-2000, 2005
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

Source: Current Population Survey, 2004
Out-of Pocket Spending as a Share of Income Among Elderly Beneficiaries

- 1965: 19.1%
- 1970: 11.0%
- 1978: 11.2%
- 1984: 12.3%
- 1987: 14.3%
- 2004: 22.6%

Source: American Institutes for Research Calculations Using NHE, CPI, CPS, and Trustees Report, MCBS
Yearly Enrollment in Medicare Advantage Plan

Source: Board of Trustees (2005)
Cumulative Growth in Per Enrollee Payments for Comparable Services, Medicare And Private Insurers, 1970-2000*

*Includes hospital care, physician, and clinical services, durable medical equipment, and other professional services

Source: Boccuti and Moon, 2003
Growth in Medicare Spending & Private Health Insurance Premiums per Enrollee for Comparable Benefits

Years

1970 - 2004
1970 - 1993
1993 - 1997
1997 - 1999
1999 - 2004

Percent

Medicare
Private Health Insurance
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: Medicare Actuaries 2004

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.
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