

Medicare's Gaps and Challenges

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Medicare's Benefits and Gaps

- **Covers basic medical benefits (hospital, physician, labs, etc.)**
 - **Part A deductible (\$840/benefit period in 2003)**
 - **Part B monthly premium (\$58.70/month in 2003)**
- **High cost-sharing requirements**
- **No outpatient drug benefit**
- **No hearing aids, eyeglasses, or dental care; limited long-term care**
- **More than 9 in 10 rely on supplemental insurance to fill gaps**
- **Seniors spend more than a fifth of their income on health care (22% on average)**

Figure 2

Supplemental Insurance for Medicare Beneficiaries, by Poverty Level

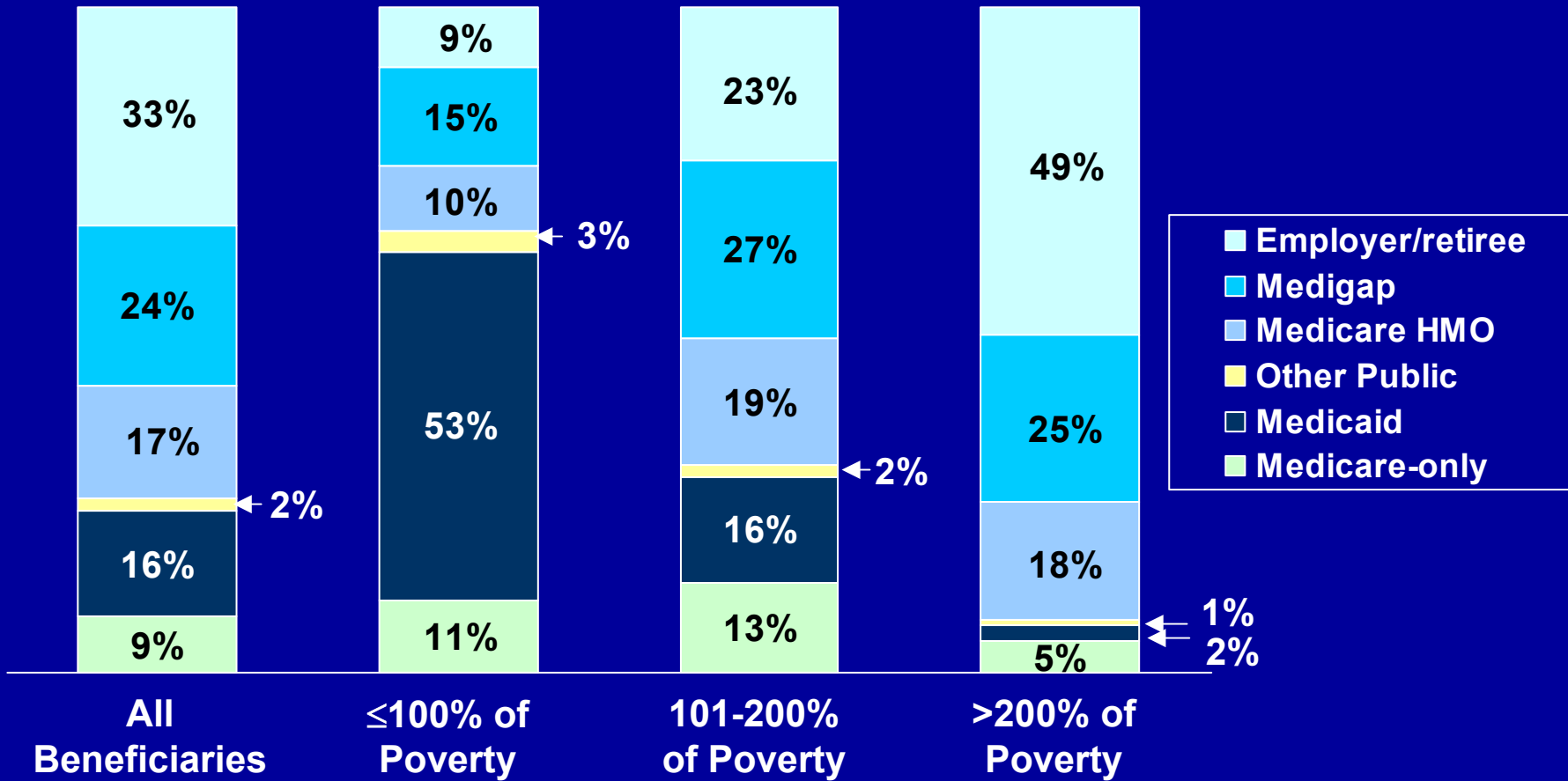


Figure 3

Trends in Employer-Sponsored Retiree Health Benefits

Percent of firms with 200+ employees offering retiree health benefits:

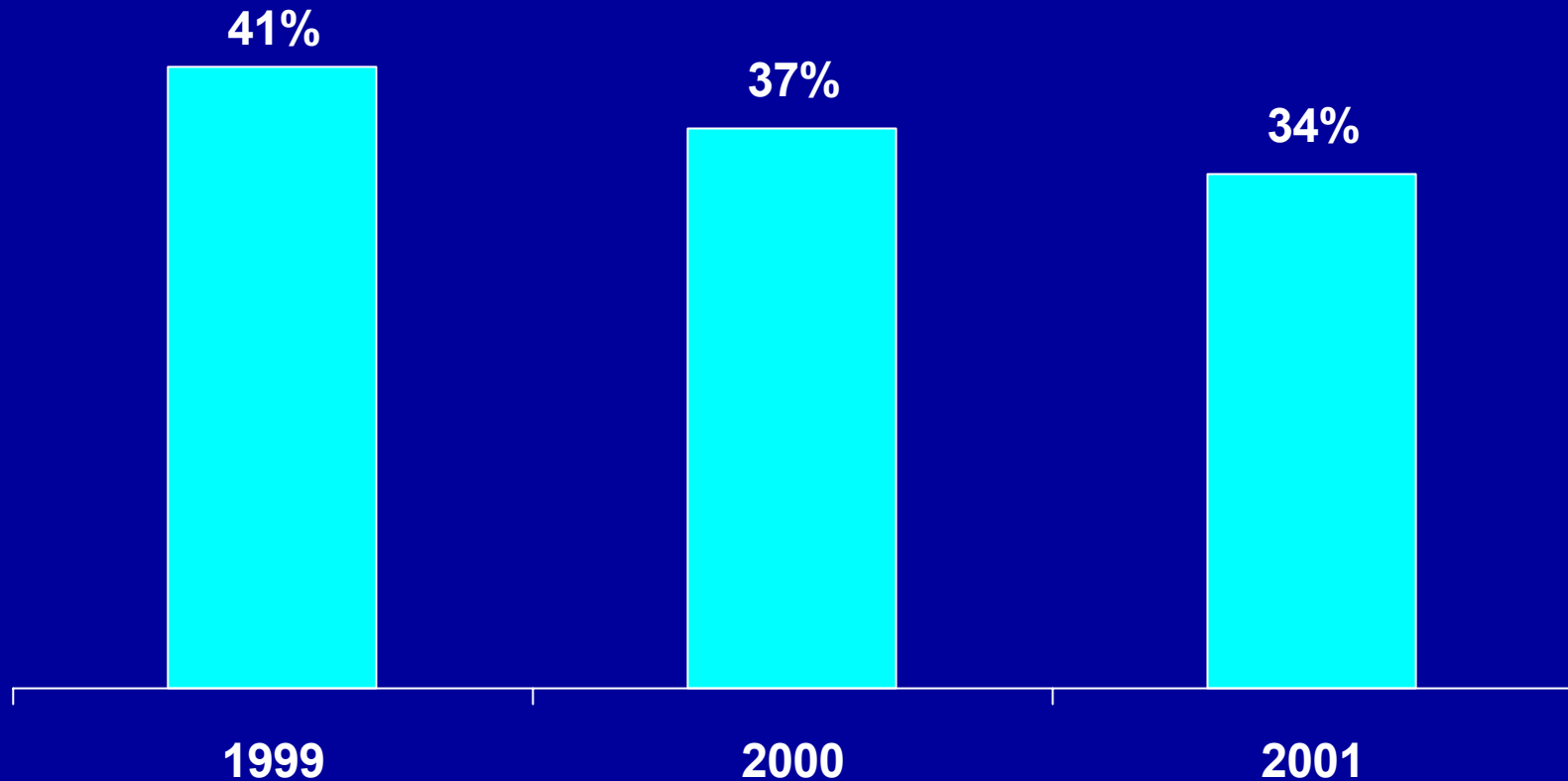
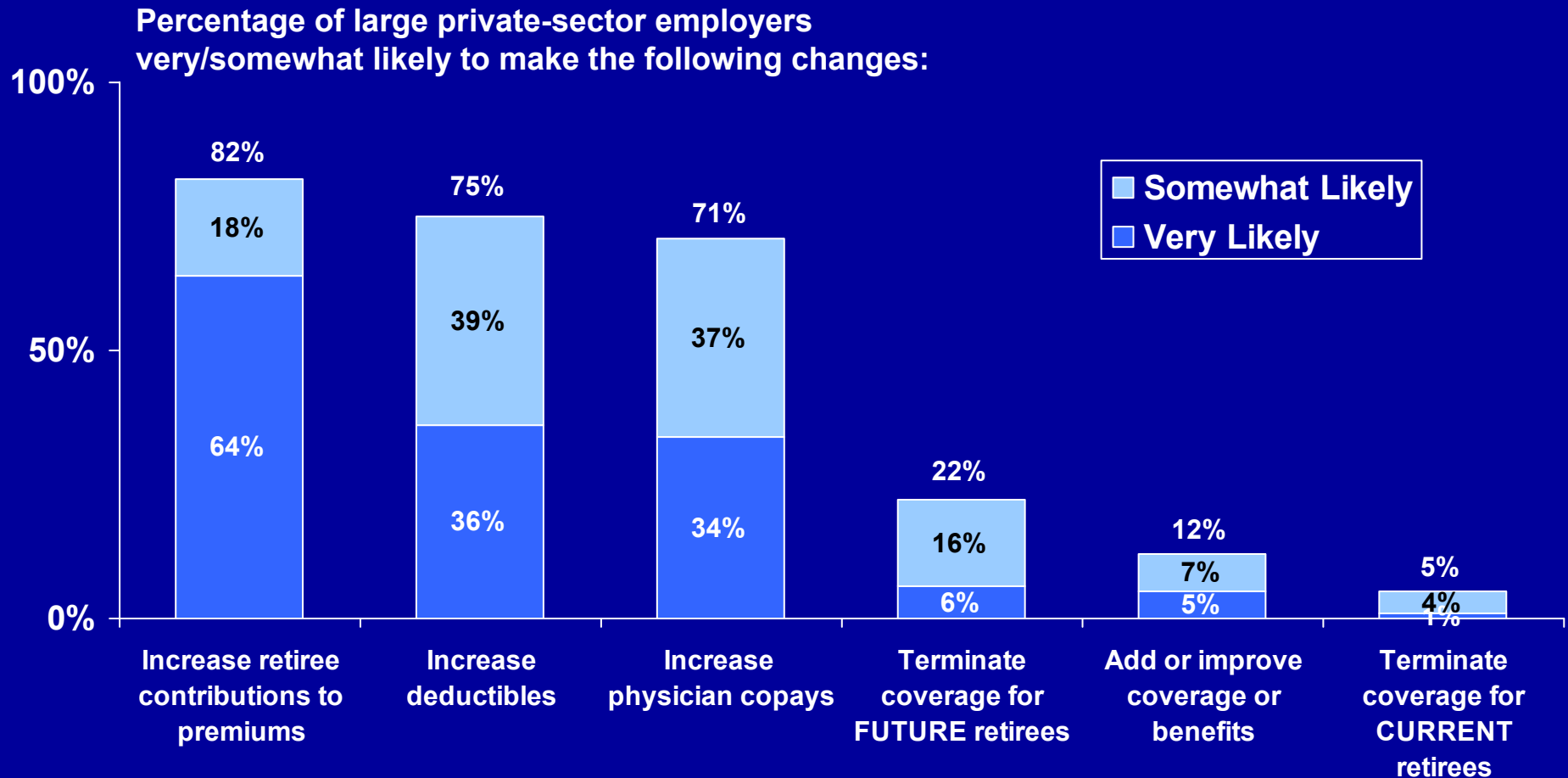


Figure 4

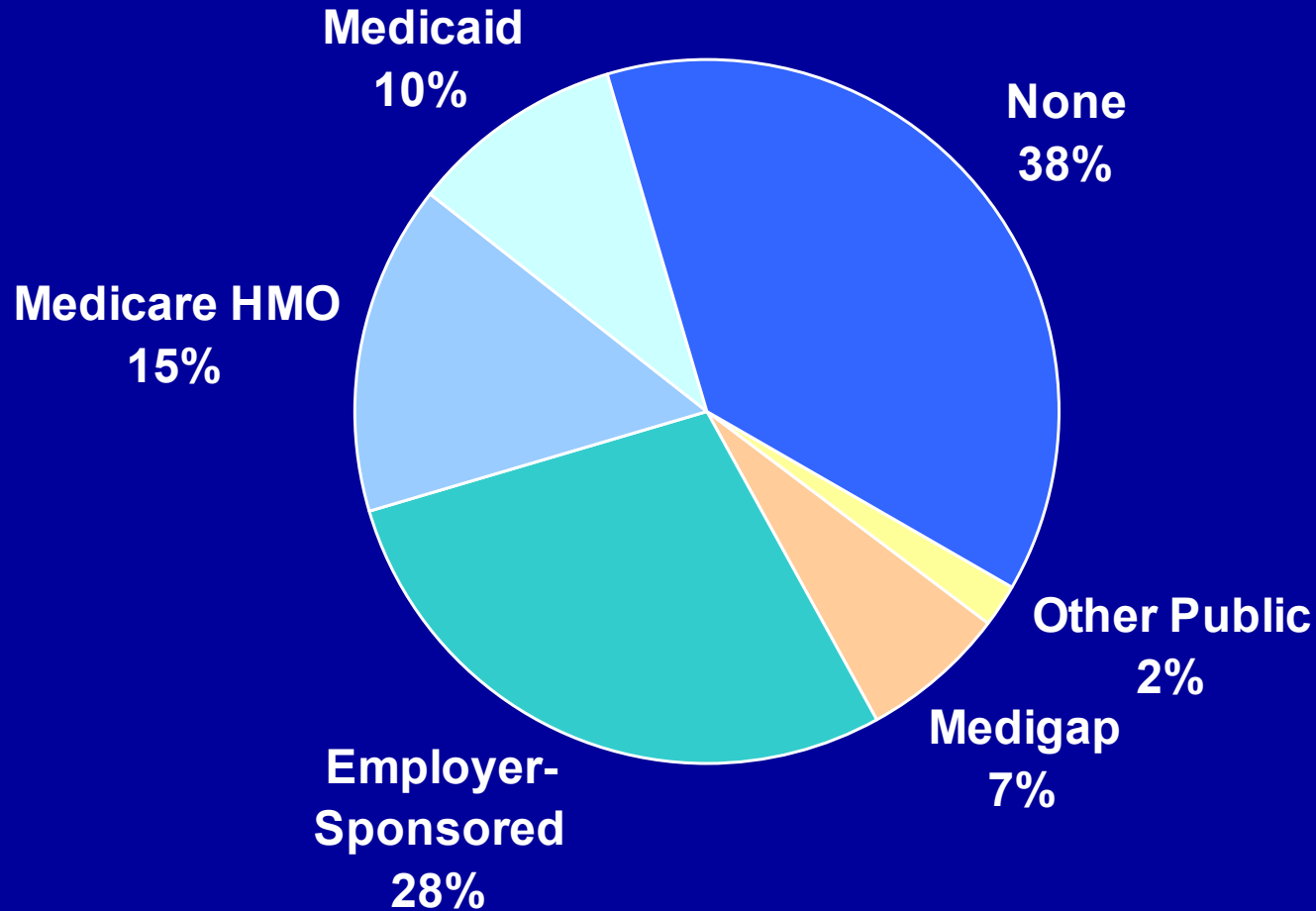
Key Changes Expected in Retiree Health Coverage in the Next Three Years



Note: Based on responses from private-sector firms with 1,000 or more employees that offer retiree health benefits.
SOURCE: Kaiser/Hewitt 2002 Retiree Health Survey, December 2002.

Figure 5

Sources of Prescription Drug Coverage, Fall 1999

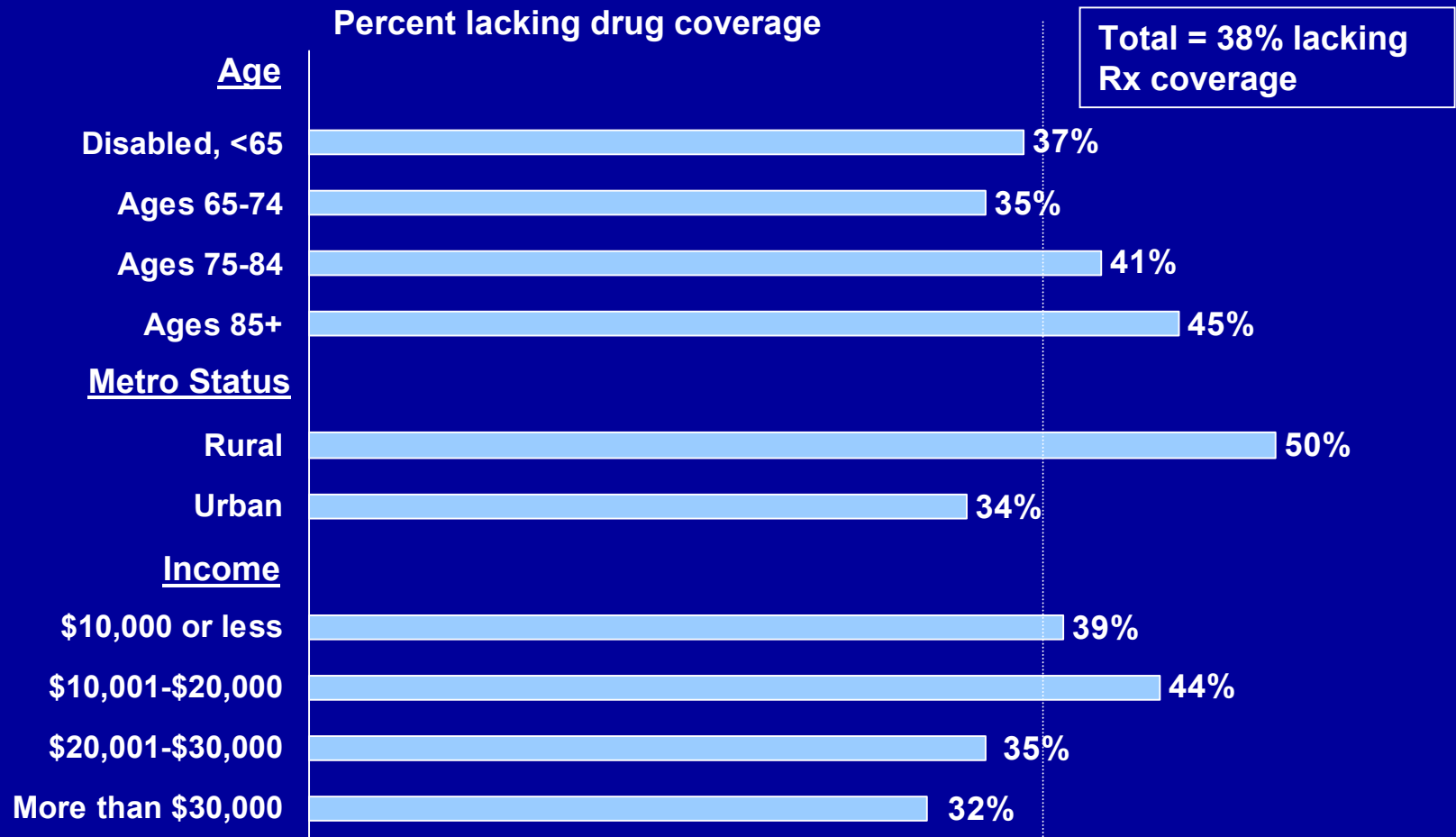


**Total = 34.2 million non-institutionalized
Medicare beneficiaries**

SOURCE: Laschober, et al., *Health Affairs*, Feb 2002. Analysis of non-institutionalized beneficiaries enrolled for a full year.

Figure 6

Percent of Medicare Beneficiaries Without Prescription Drug Coverage, by Characteristics, Fall 1999

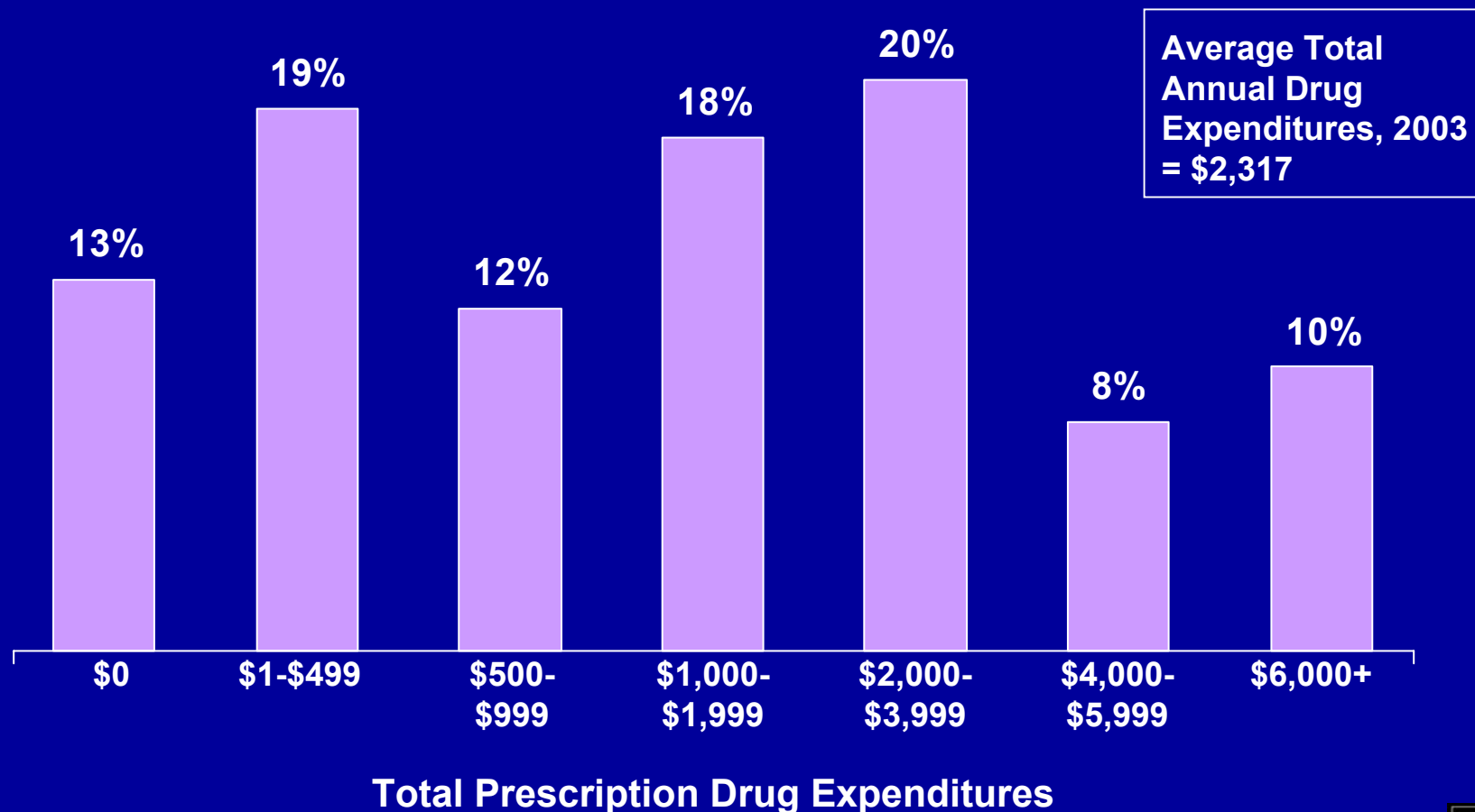


Note: Analysis of non-institutionalized beneficiaries enrolled for a full year.
SOURCE: Laschober, et al., *Health Affairs*, February 2002.

Figure 7

Distribution of Medicare Beneficiaries, by Total Prescription Drug Expenditures, 2003

Percent of beneficiaries

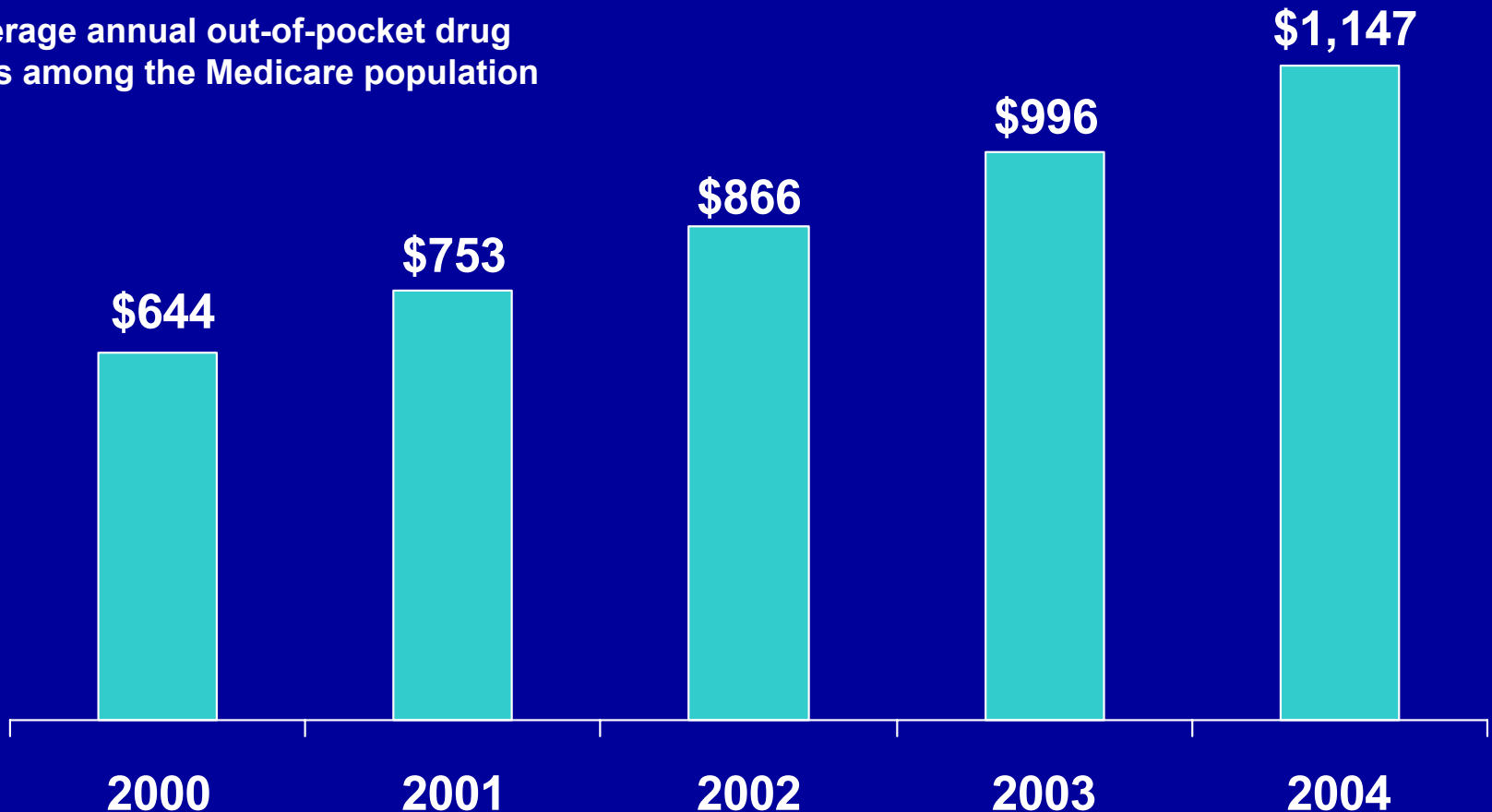


SOURCE: Actuarial Research Corporation analysis for The Kaiser Family Foundation (using CBO's 2003 estimates of prescription drug spending, which reflect adjustments in historical spending and lower expected economic growth in the near term).

Figure 8

Growth in Medicare Beneficiaries' Out-of-Pocket Prescription Drug Expenditures, 2000-2004

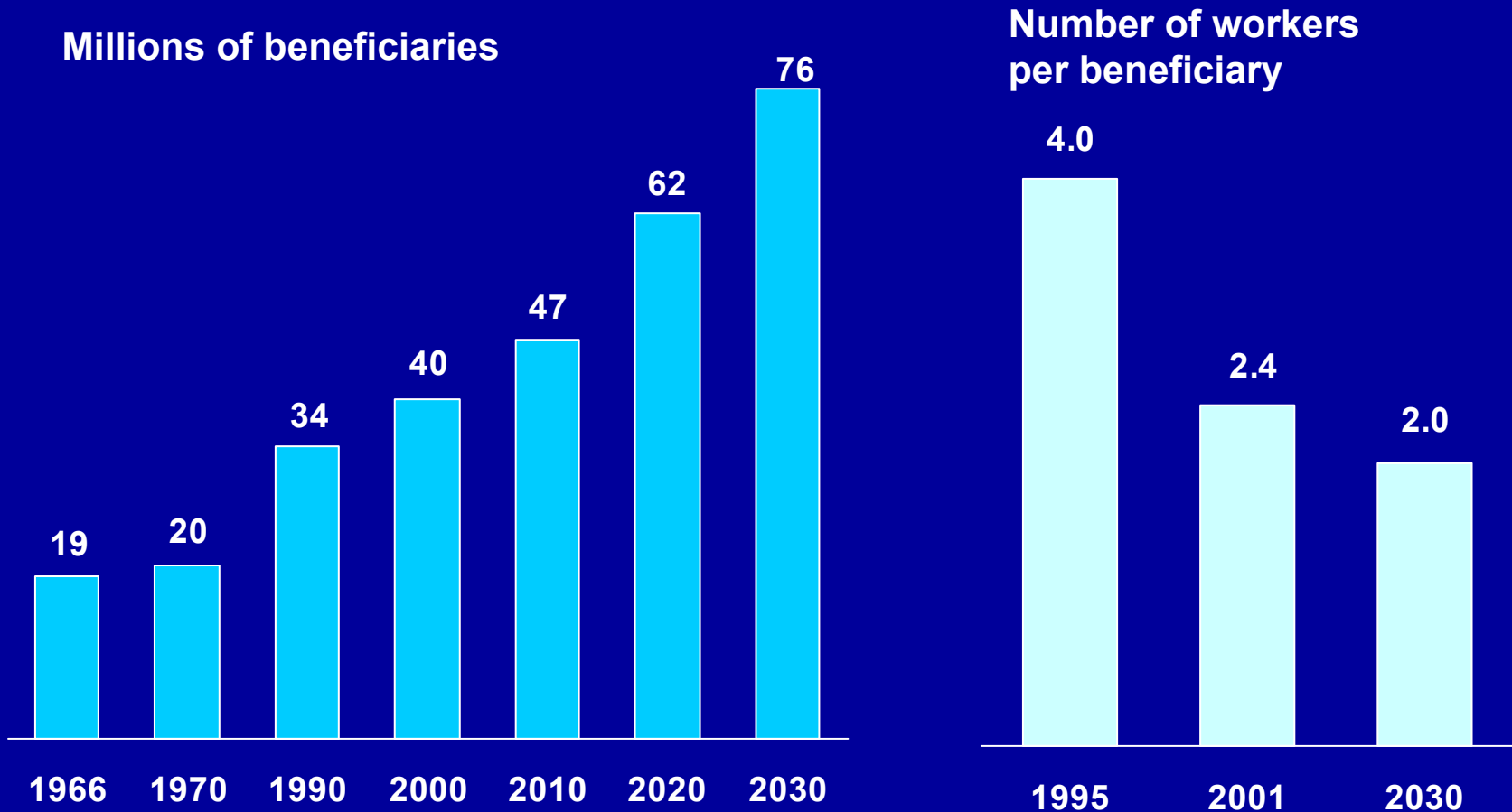
Average annual out-of-pocket drug costs among the Medicare population



SOURCE: Actuarial Research Corporation analysis for The Kaiser Family Foundation (using CBO's 2003 estimates of prescription drug spending, which reflect adjustments in historical spending and lower expected economic growth in the near term).

Figure 9

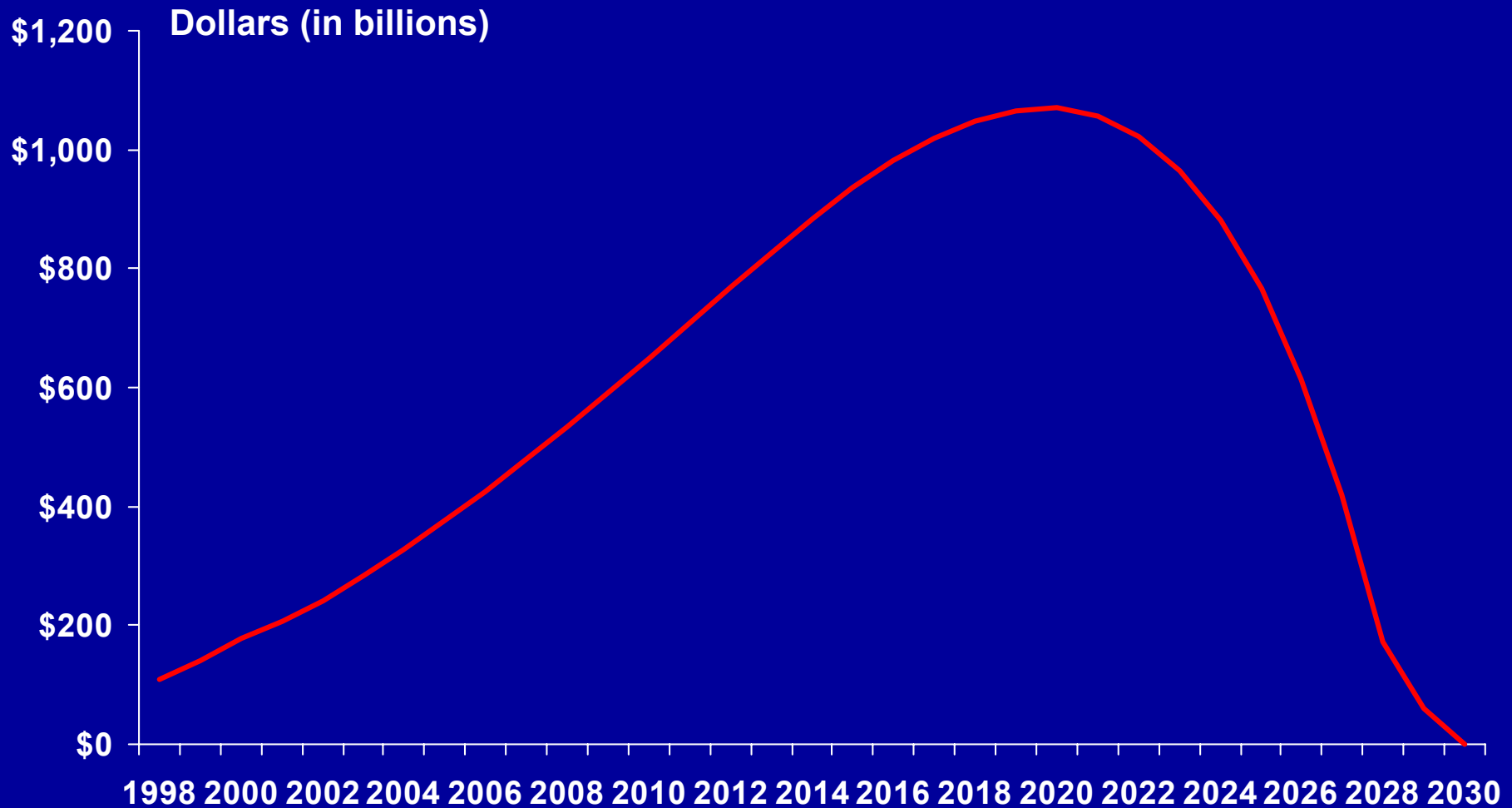
The Medicare population is growing rapidly, while the number of workers per beneficiary is declining



SOURCE: Health Care Financing Administration, Office of the Actuary, December 1998; 2002 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund and Supplementary Medical Insurance Trust Fund.

Figure 10

Projected Solvency of the Medicare Hospital Insurance Trust Fund



SOURCE: 2002 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund and Supplementary Medical Insurance Trust Fund; unpublished data from HCFA, Office of the Actuary.

Medicare's Challenges

- **Improving benefits (e.g., prescription drugs, stop-loss)**
- **Strengthening protections for low-income and otherwise vulnerable beneficiaries**
- **Setting fair payments for plans and providers**
- **Serving as a fair and reliable business partner for health plans, physicians, and other providers**
- **Financing care for the rapidly growing Medicare population**