

Medicare: The Basics

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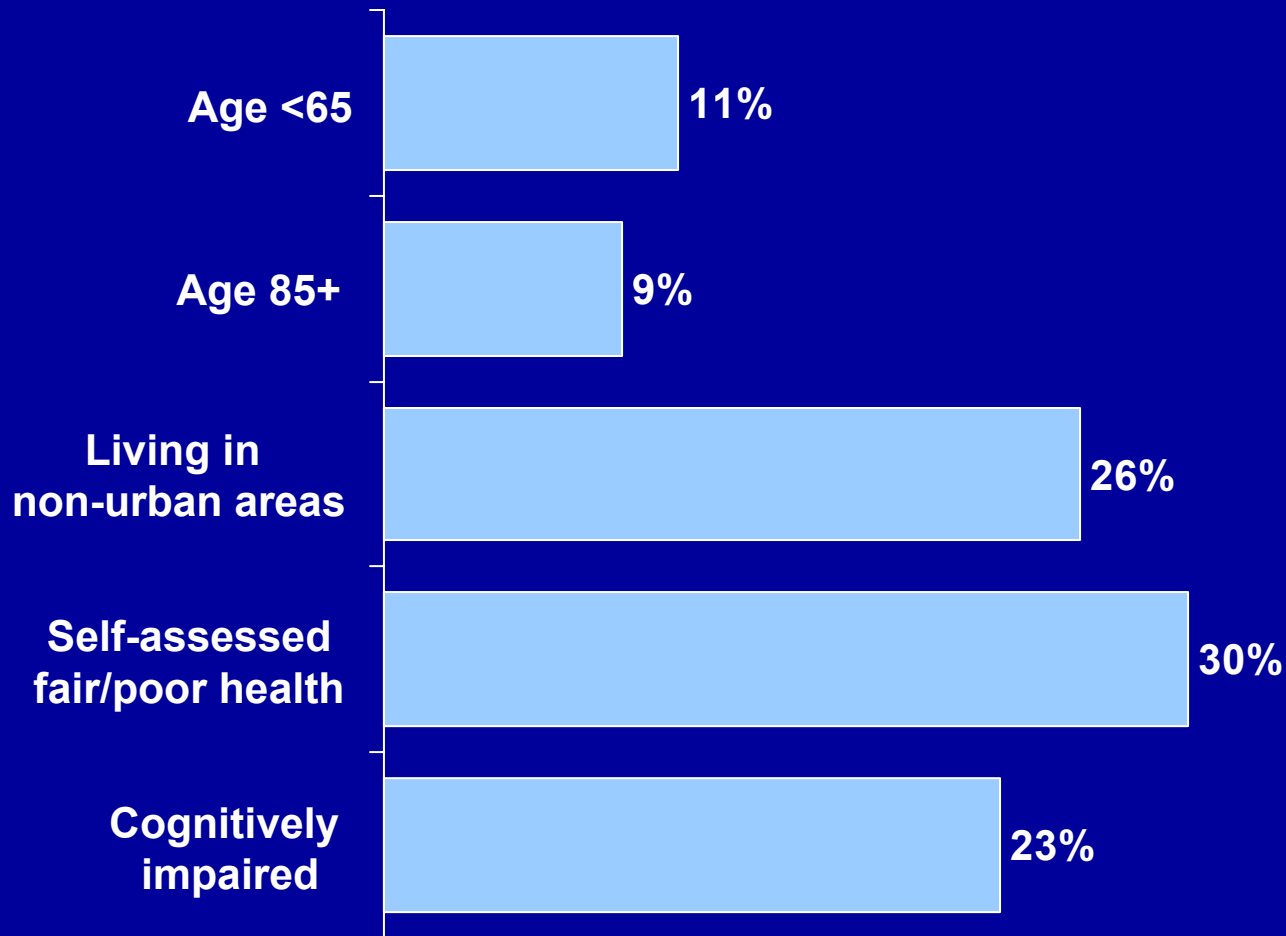
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Medicare Today

- Enacted in 1965 to provide health and economic security to seniors
- Covers 41 million people (35 million elderly, 6 million under-65 disabled)
- Pays for hospital, physician, and other medical services
 - Does not cover outpatient prescription drugs or long-term care
- \$269 billion in benefit payments, 2003
 - 13% of the federal budget
- Administered by the Centers for Medicare & Medicaid Services (CMS) through private carriers and fiscal intermediaries
- Financed by premiums, payroll taxes, and general revenues

Figure 2

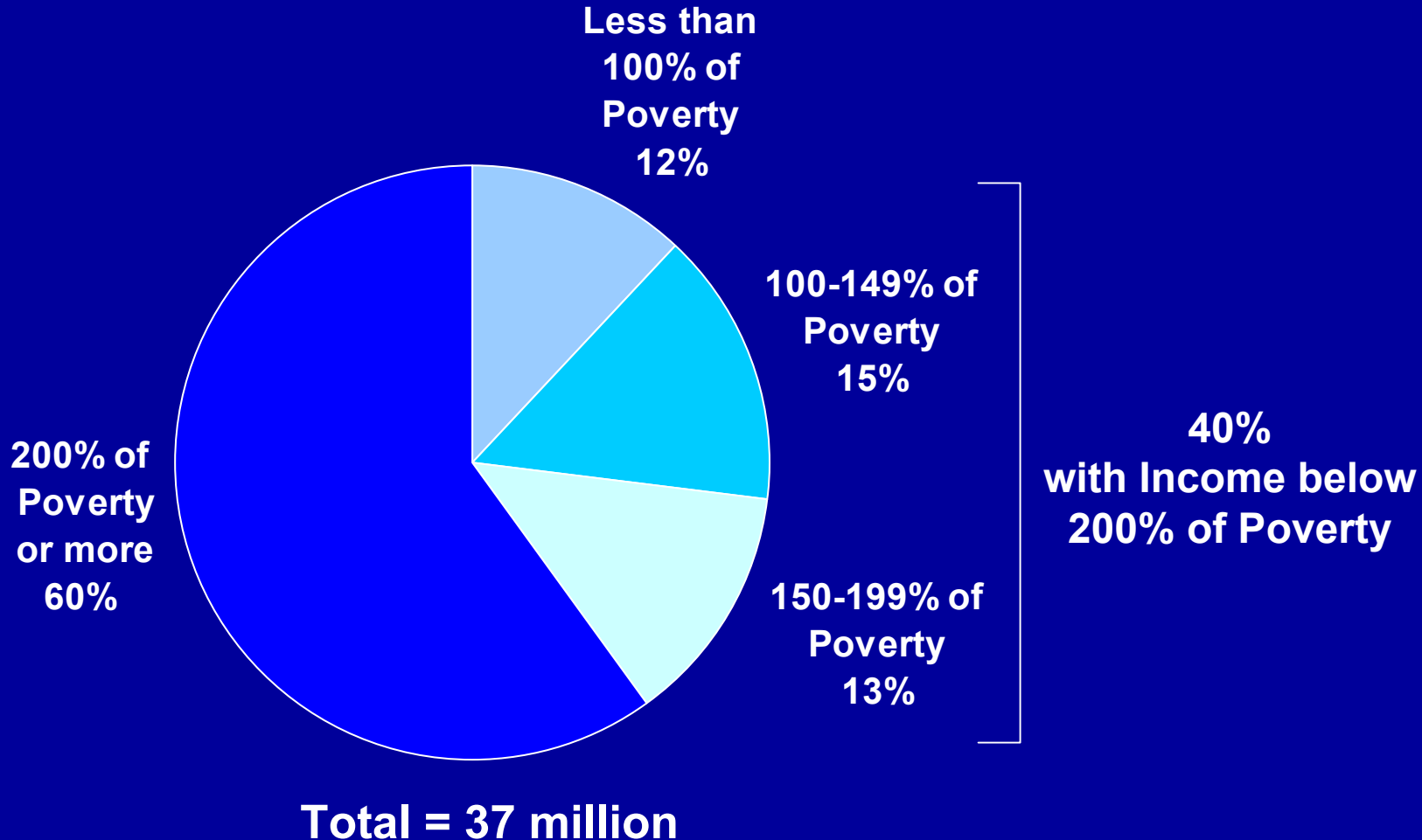
The Medicare Population: Key Characteristics



SOURCE: Moon Analysis of the 1997/1998/1999 MCBS.

Figure 3

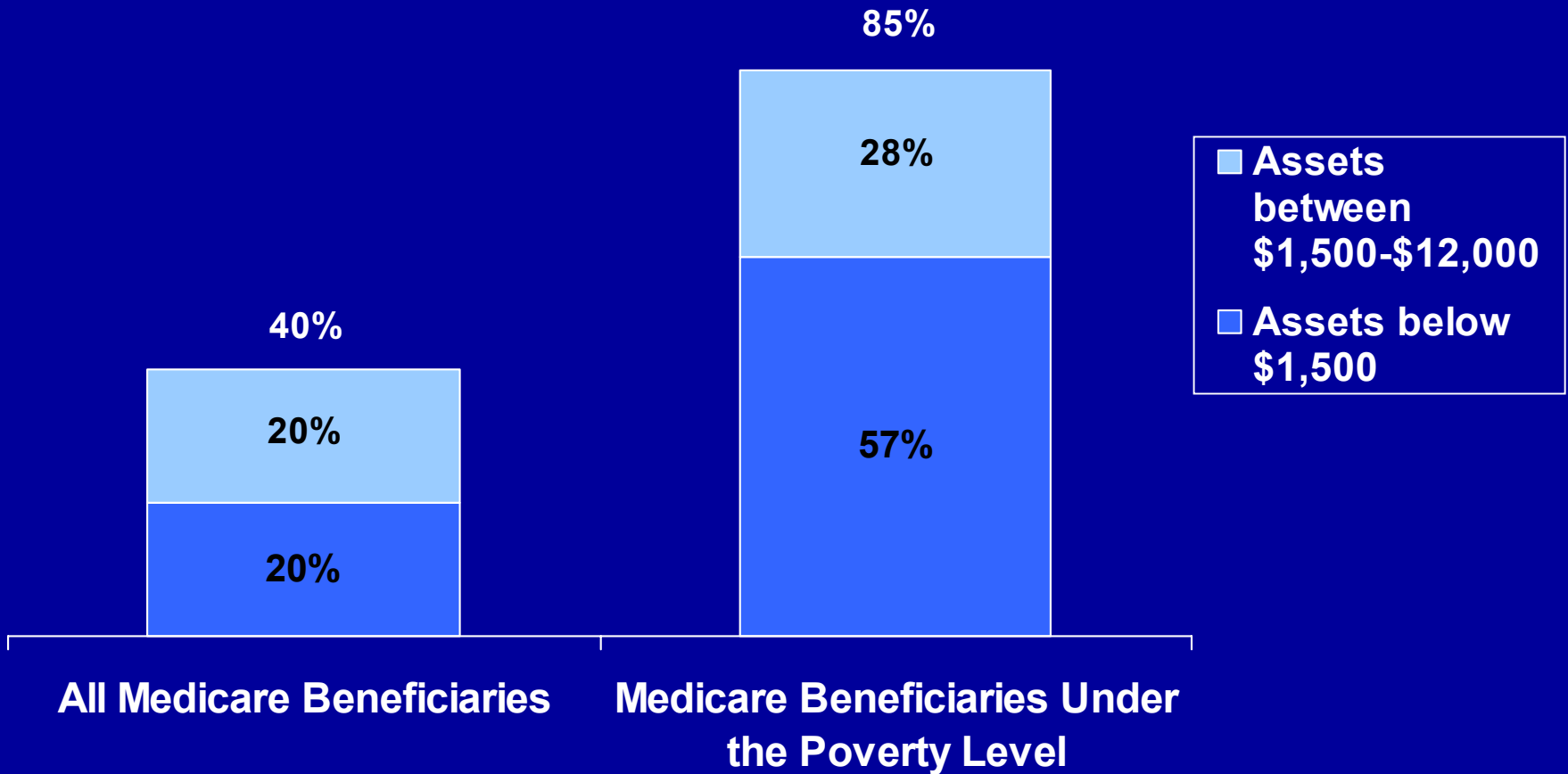
The Non-Institutionalized Medicare Population, by Poverty Level, 2000



Note: Reflects family income as defined by the Census. Under an alternative definition linked to eligibility levels, 49% of beneficiaries would have incomes <200% of poverty. 2000 federal poverty thresholds- individuals age 65+: \$8,259/singles and \$10,419/couples; disabled individuals under age 65: \$8,959/singles and \$11,590/couples. SOURCE: Urban Institute estimates based on 2001 Current Population Survey.

Figure 4

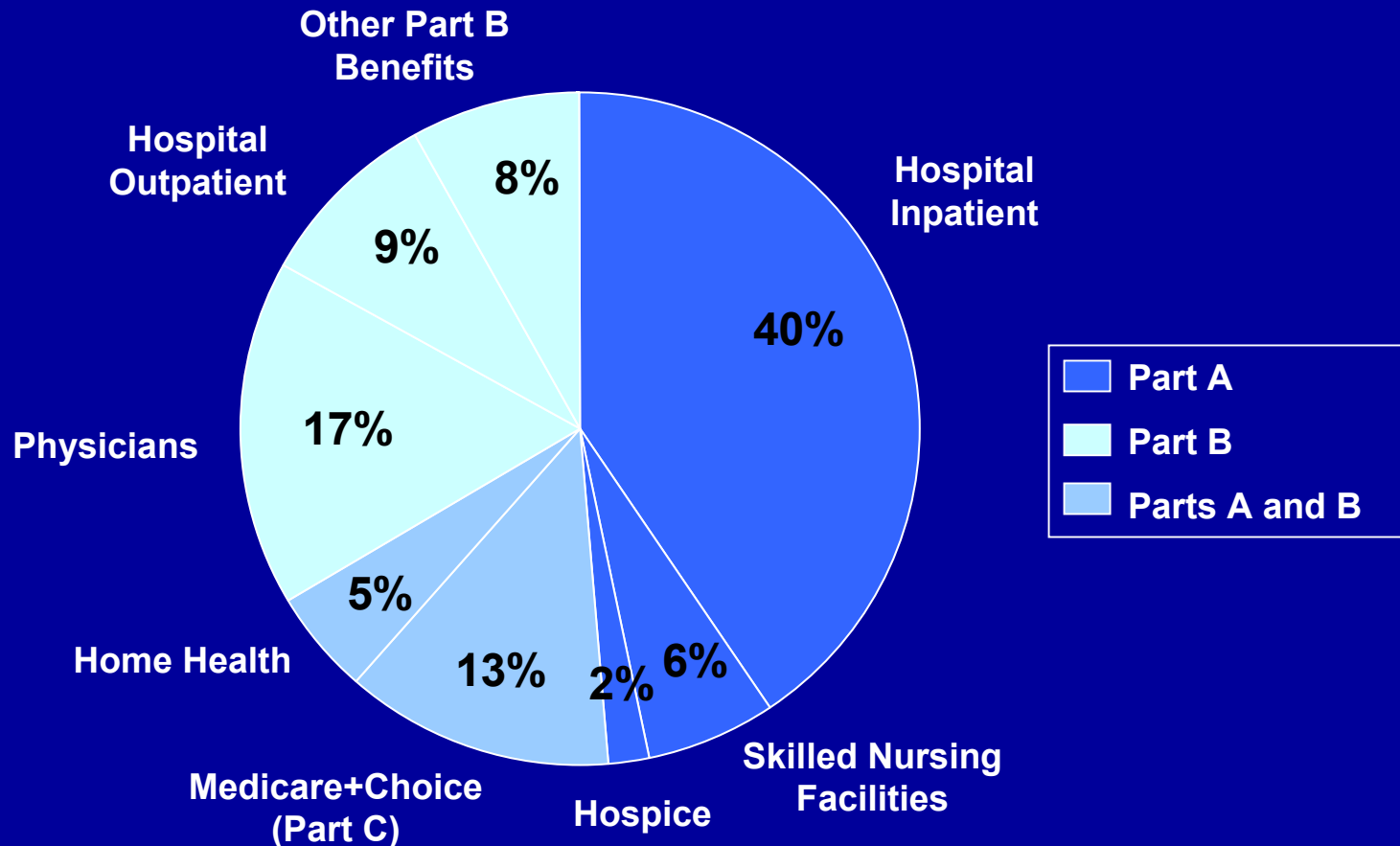
Income and Assets of Medicare Beneficiaries



Source: Moon, *Medicare Beneficiaries and Their Assets: Implications for Low-Income Programs*, June 2002 (report prepared for The Henry J. Kaiser Family Foundation).

Figure 5

Estimated Medicare Benefit Payments, by Type of Service, Fiscal Year 2002



Total = \$247 billion*

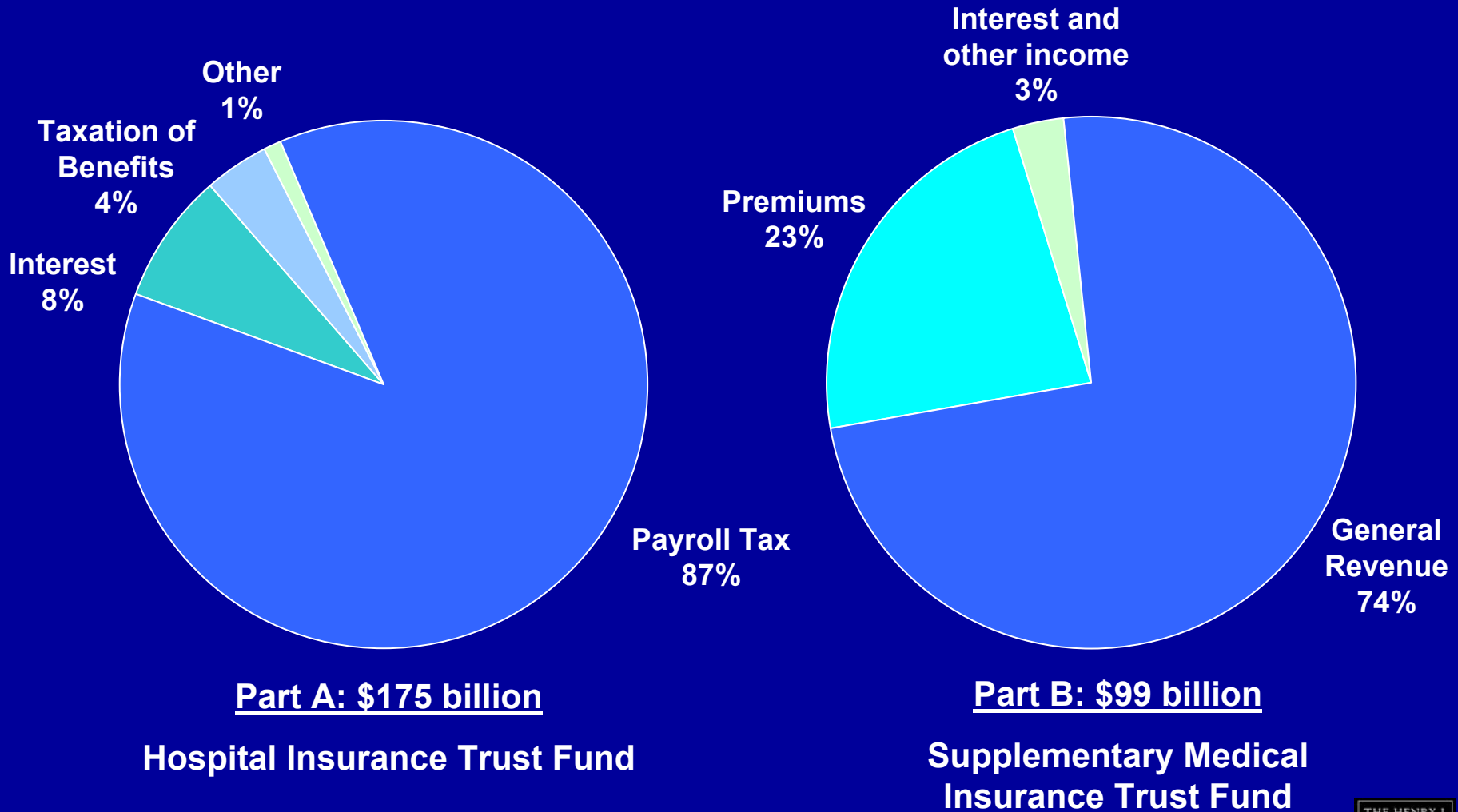
*Excludes administrative expenses.

Note: CBO estimates spending in FY 2003 to be \$269 billion; updated spending by service type not yet available.

SOURCE: CBO, *March 2002 Baseline: Medicare*.

Figure 6

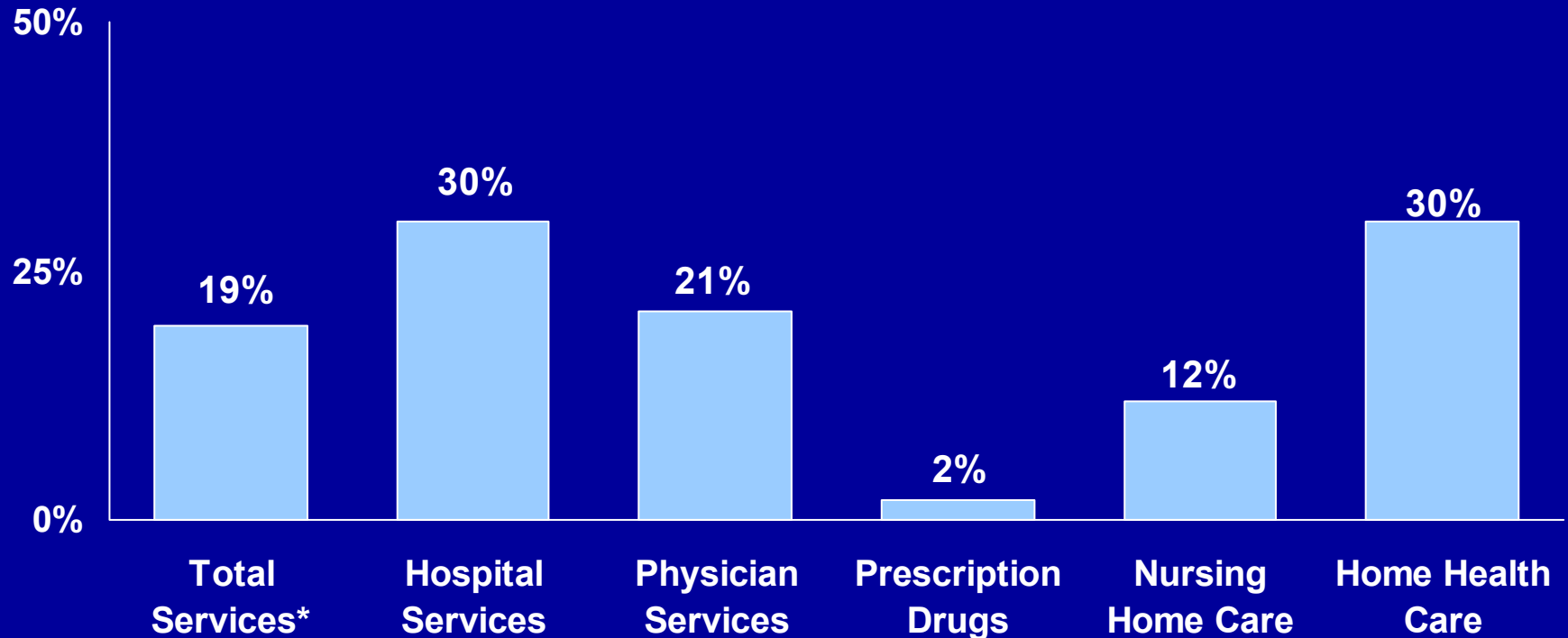
Sources of Medicare Revenue, Parts A and B, 2001



SOURCE: 2002 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, April 2002.

Figure 7

Medicare's Share of National Personal Health Expenditures, by Type of Service, 2001



(Expenditures in Billions)

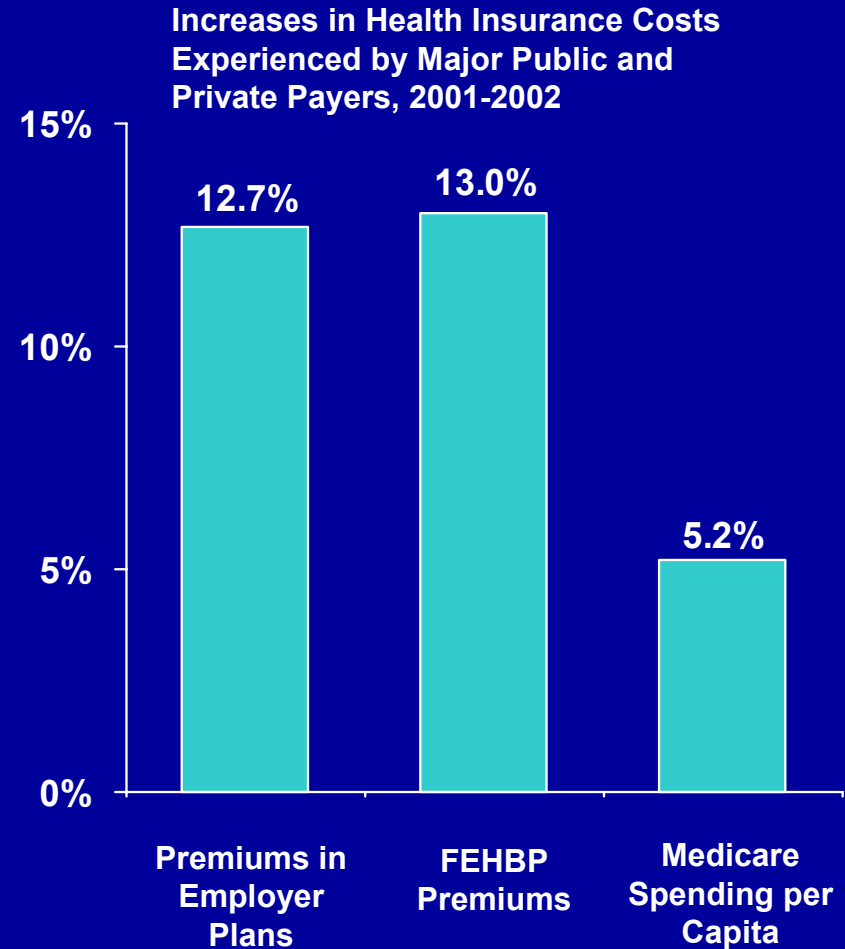
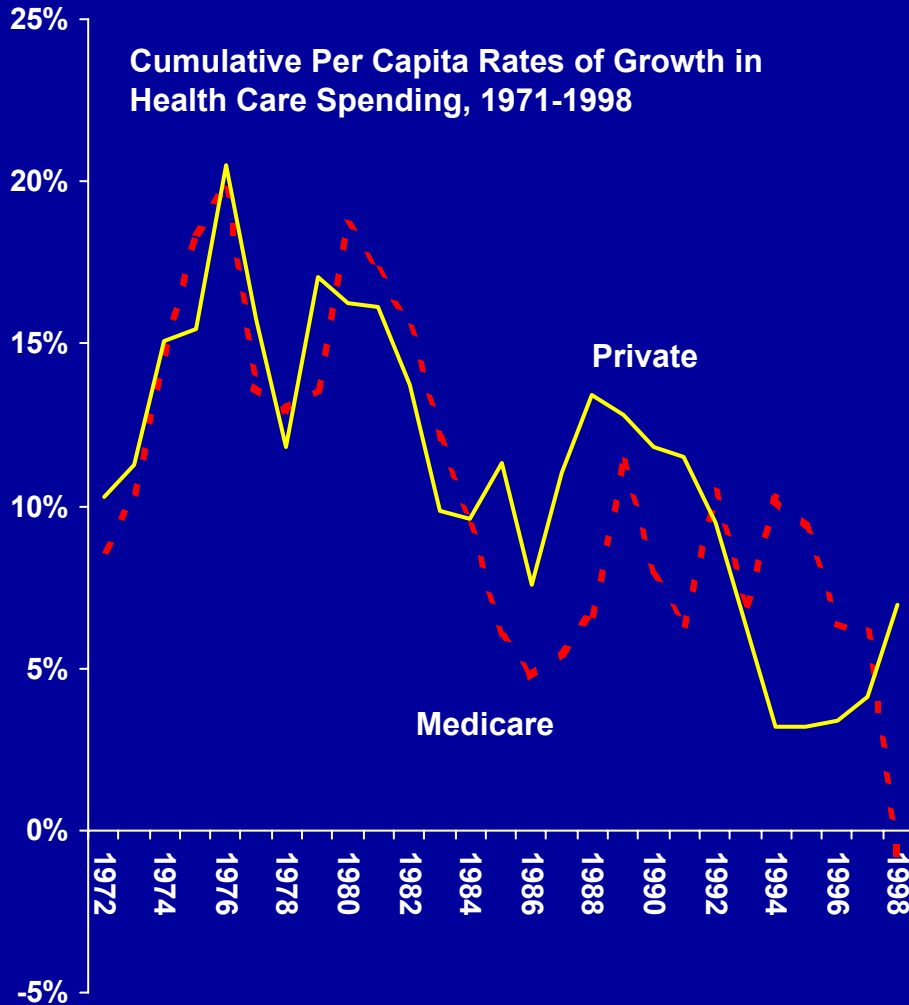
Medicare	\$223.5	\$135.0	\$63.9	\$2.4	\$11.6	\$9.9
Total	\$1,236.4	\$451.2	\$313.5	\$140.6	\$98.9	\$33.2

*Total services also includes dental care and other professional services.

SOURCE: Levit, et al., *Health Affairs*, Jan/Feb 2003.

Figure 8

Medicare Spending Versus Private Spending



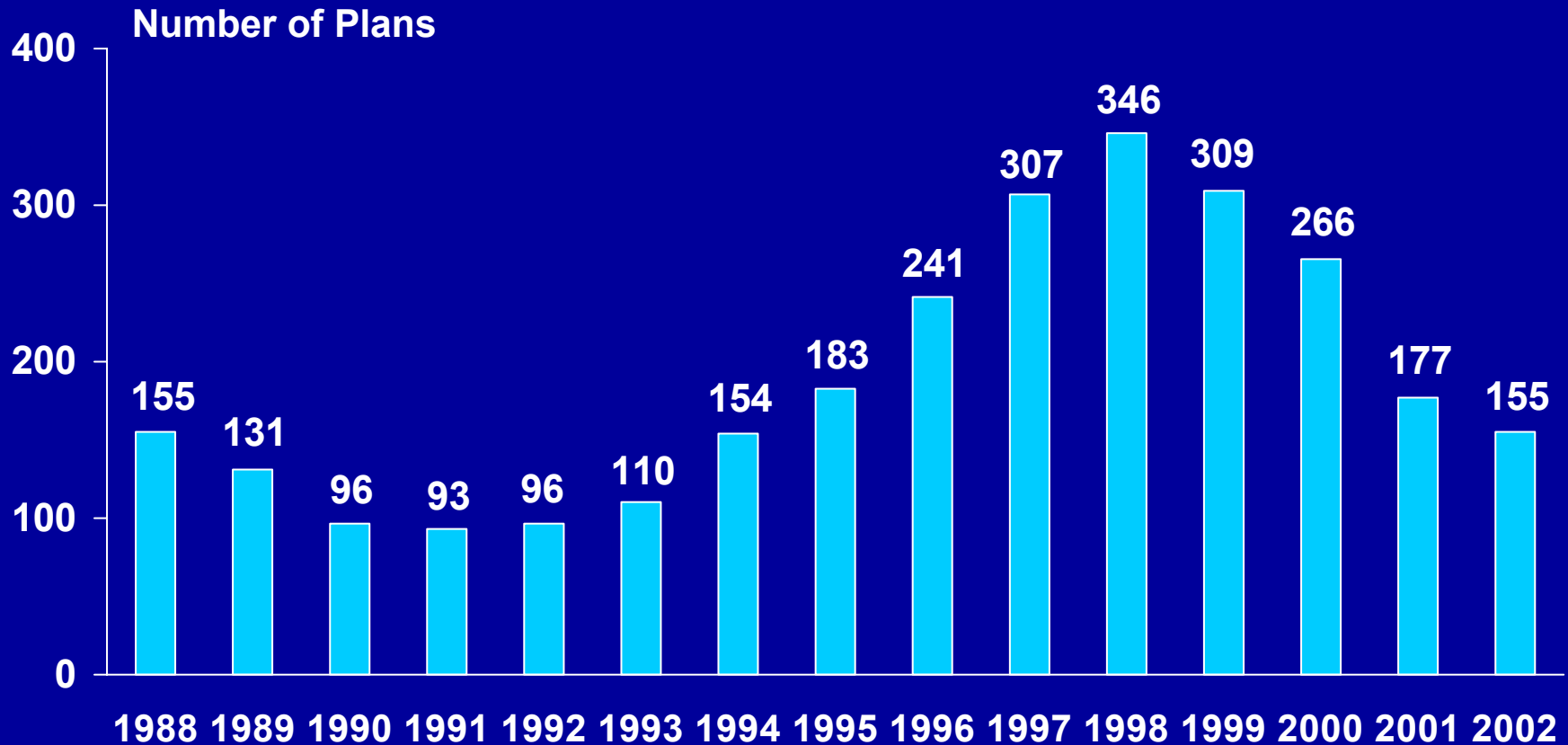
Note: All estimates are based on per capita expenditures. In 2002, the overall rate of inflation was 1.6% and growth in workers' earnings was 3.4%; does not include federal workers or retirees. Data reflect premiums for a family of 4. FEHBP covers roughly 8.6 million federal workers, retirees, and family members (approx 85% of all federal employees). Data reflect both enrollee and governmental premium contributions. Source: M. Moon, The Urban Institute, May 2001; Centers for Medicare & Medicaid Services (CMS), 2003; Office of Personnel Management News Release, September 17, 2002; 2002 Kaiser/HRET Employer Health Benefits Survey.

Medicare + Choice (Part C)

- Medicare HMOs available since 1980s
- M+C enacted under Balanced Budget Act of 1997
- Intended to expand types of private health plans available to beneficiaries
 - HMOs, PPOs, PSOs, PFFS plans, and MSAs
- Medicare pays plans a fixed monthly amount, adjusted for beneficiaries' age, sex, Medicaid enrollment, and institutional status
- Medicare+Choice plans have been an important source of supplemental benefits, like prescription drugs

Figure 10

Medicare HMOs and Other Private Health Plans Participating in Medicare, 1988-2002



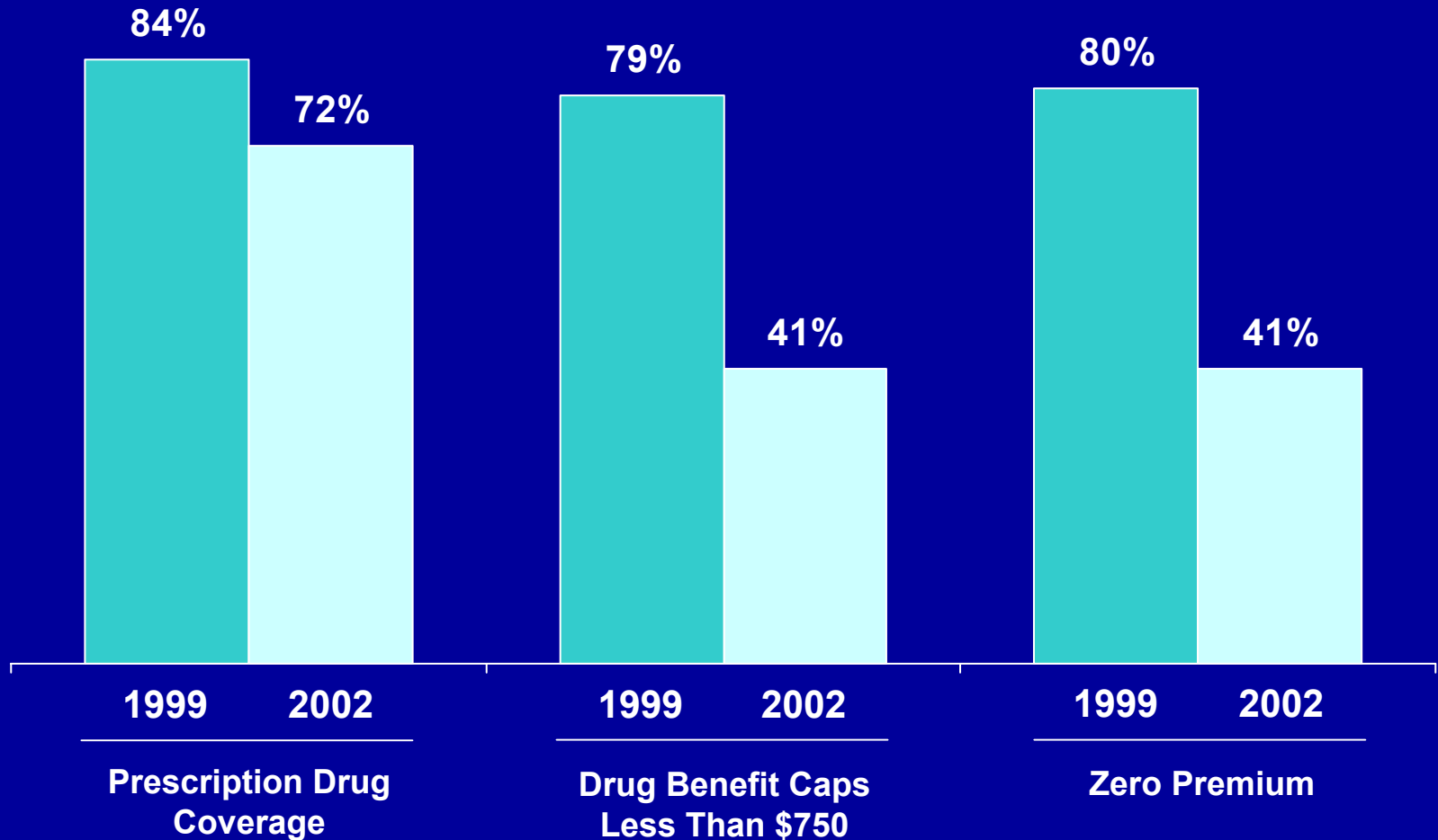
Note: All data are from December of the given year.

SOURCE: Centers for Medicare & Medicaid Services, Medicare Managed Care Contract Plans Monthly Summary Report.

Figure 11

Medicare+Choice Prescription Drug Benefits and Premiums

Percent of M+C enrollees in plans with:

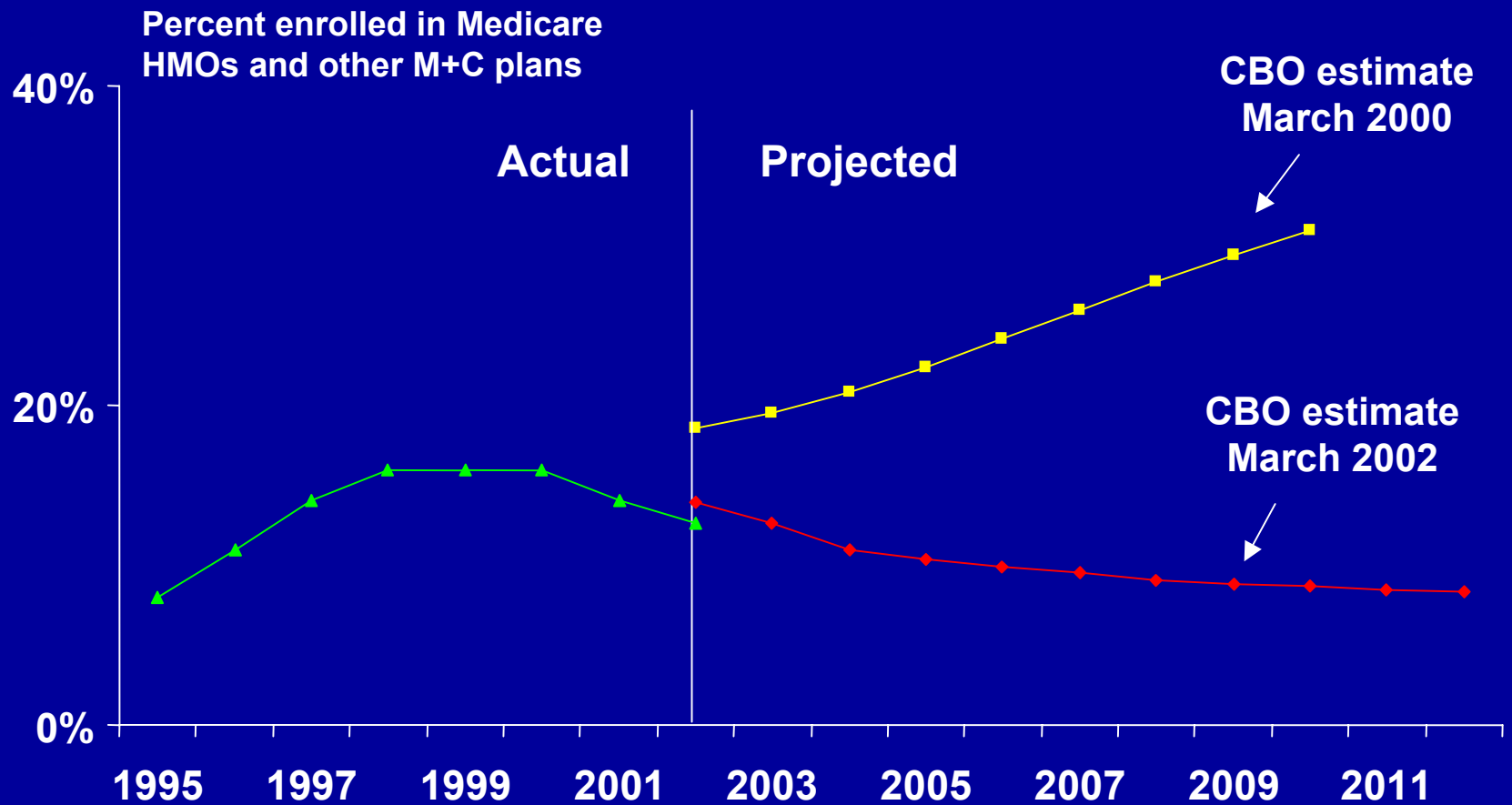


Note: Data reflect benefits offered by basic plans.

SOURCE: Mathematica Policy Research, Inc., 2002 analysis of Medicare Compare database for The Commonwealth Fund.

Figure 12

Actual and Projected Medicare+Choice Enrollment



SOURCE: CBO, March 2000 and March 2002 Medicare Baselines.