



Advising the Congress on Medicare issues

Context for Medicare policy

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Rising health care costs for all payers

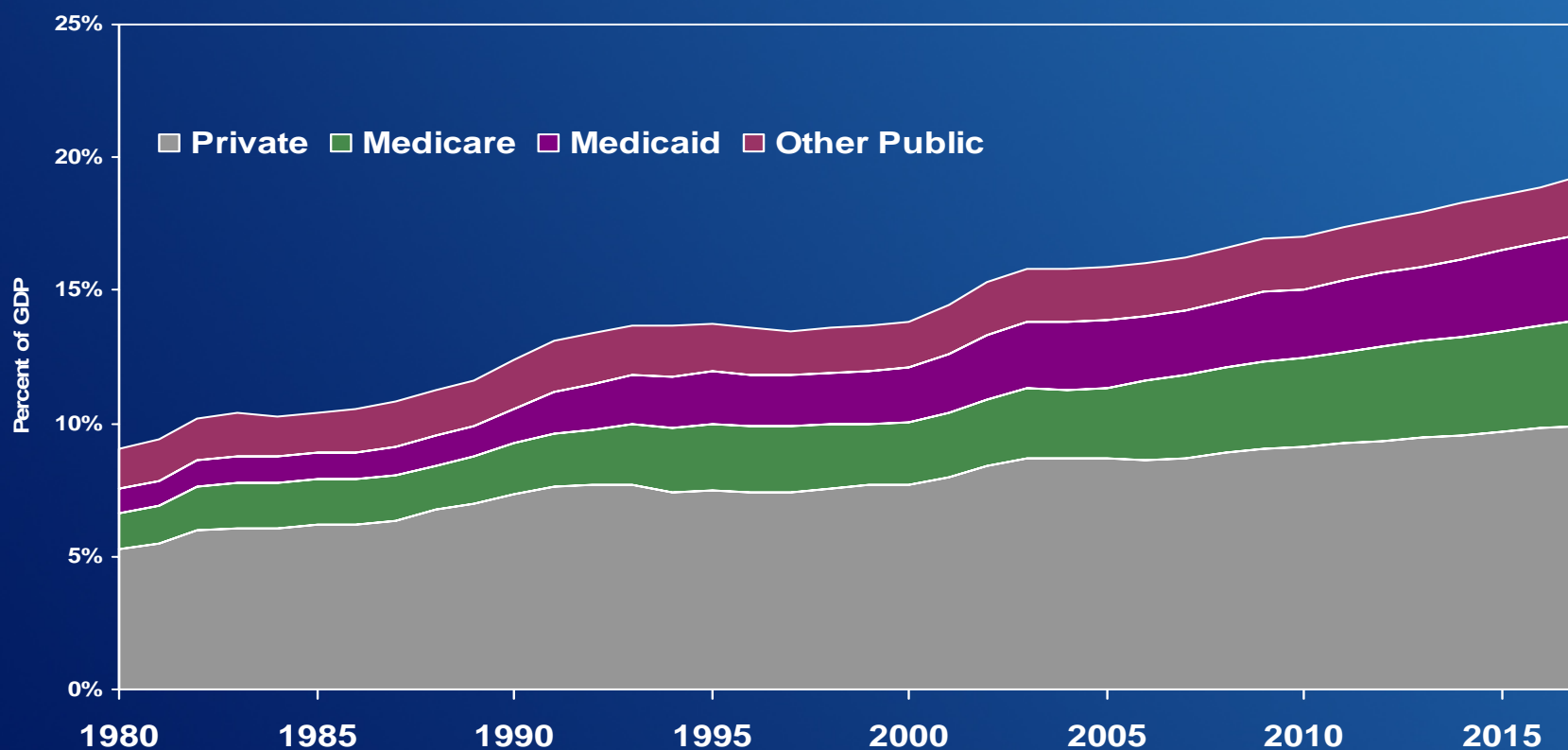
- Rate of increase has exceeded GDP growth

Payer	Per capita growth in excess of GDP, 1975-2005 (percentage points)
Medicare	+2.4
Fed. share of Medicaid	+2.2
All others	+2.0

Source: CBO

- Excess growth is projected to continue in the future

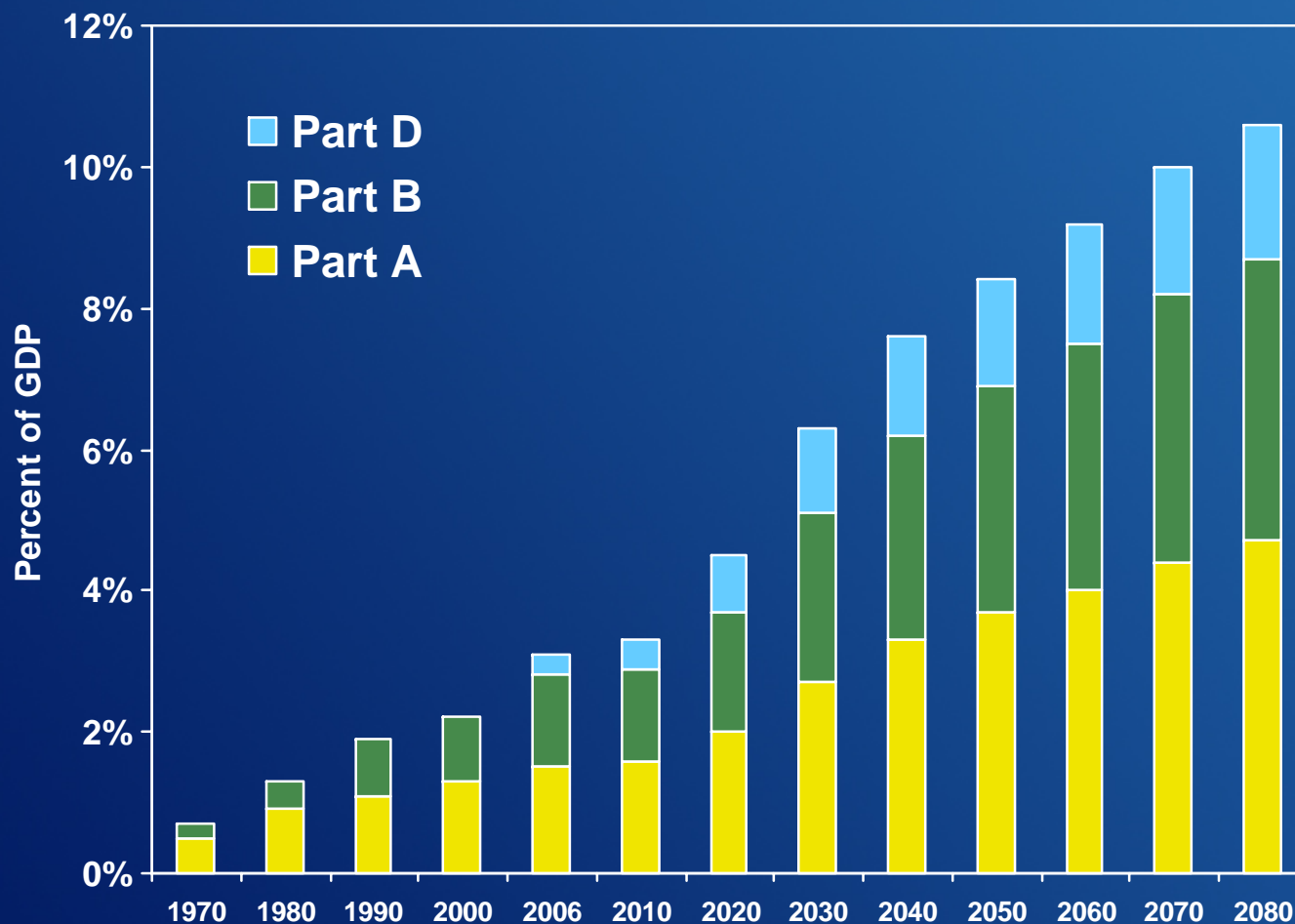
Health care will consume a growing share of Gross Domestic Product



Source: National Health Expenditure Accounts

Note: Medicaid spending includes both state and federal expenditures.

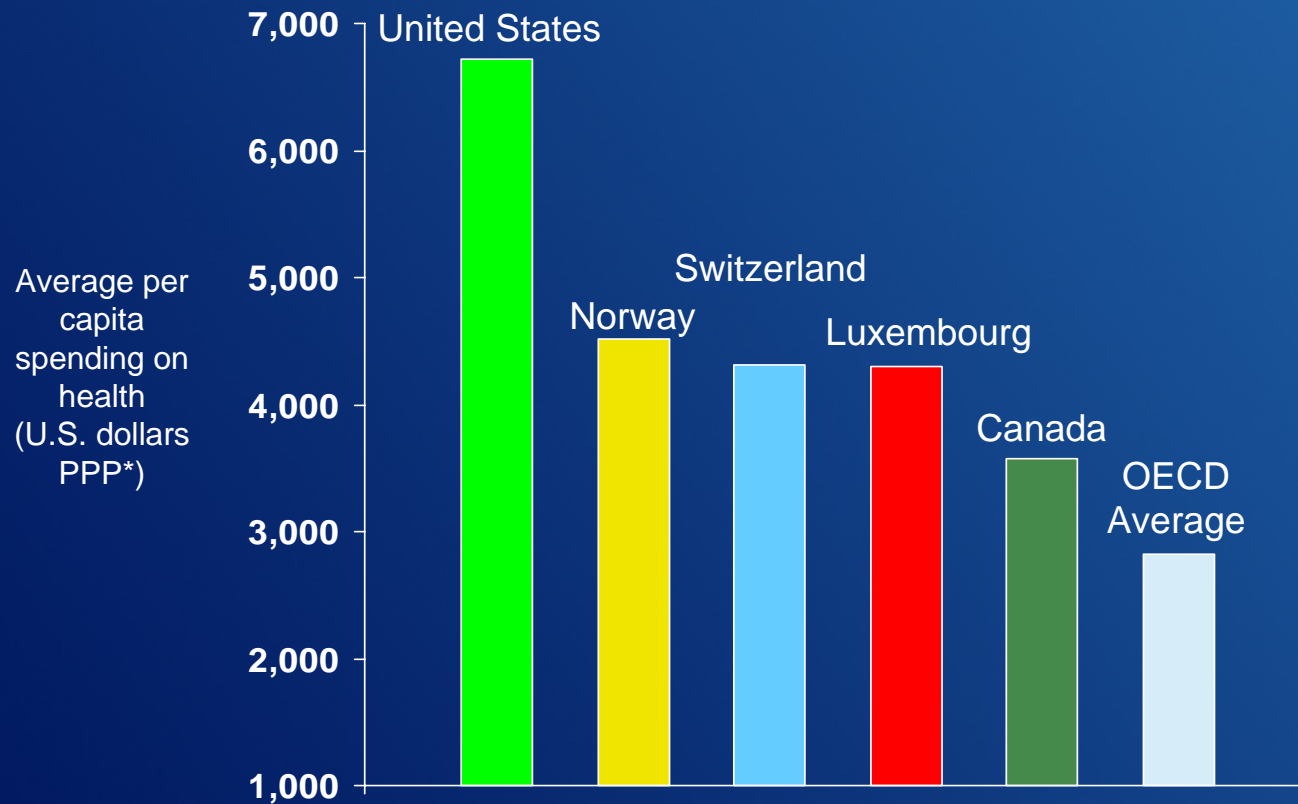
Medicare will consume a growing share of the nation's income



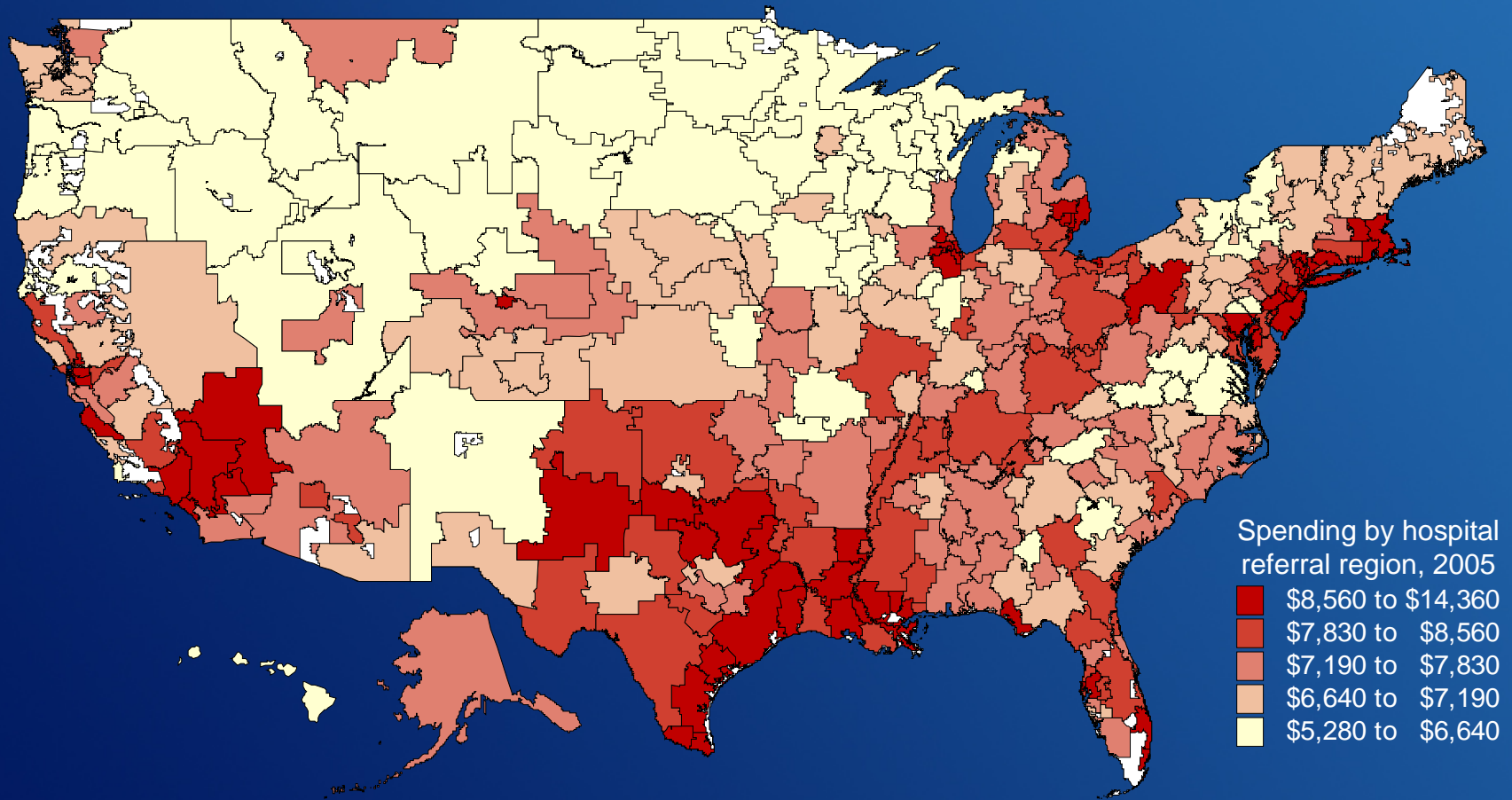
Major factors in the growth of health care spending

- Technology
- Income
- Insurance
- Prices
- Changes in longevity and demographics
- Changes in health status

U.S. spends more per capita than international peers in 2006



Regional variations in Medicare spending suggest opportunity to reduce variation and increase value



Medicare's financial status

- Hospital Insurance Trust Fund (Part A) exhausted in 2019
- Supplementary Medical Insurance Trust Fund (Part B and D) will account for a rising share of general revenue

Trust Fund	Sources of Revenue
Hospital Insurance (Part A)	Payroll taxes (91%), tax on social security benefits (6%), other (3%)
Supplementary Medical Insurance (Part B and D)	Premiums (21%), transfer from the general fund (69%), other (10%)

Rising Medicare costs raise issues for beneficiaries and policymakers

- Cost-sharing and premiums grow faster than Social Security benefits
- Trustees issue Medicare funding warning in 2008 (45 percent trigger)

Health care policy challenges

- Spending growth exceeds growth in national income
- Addressing the multiple factors driving growth
- Improving health care system's efficiency and quality
- Challenging choices for future generations

Conclusion and Discussion

- Discussion: Are there other aspects of fiscal and economic challenges to include in chapter?