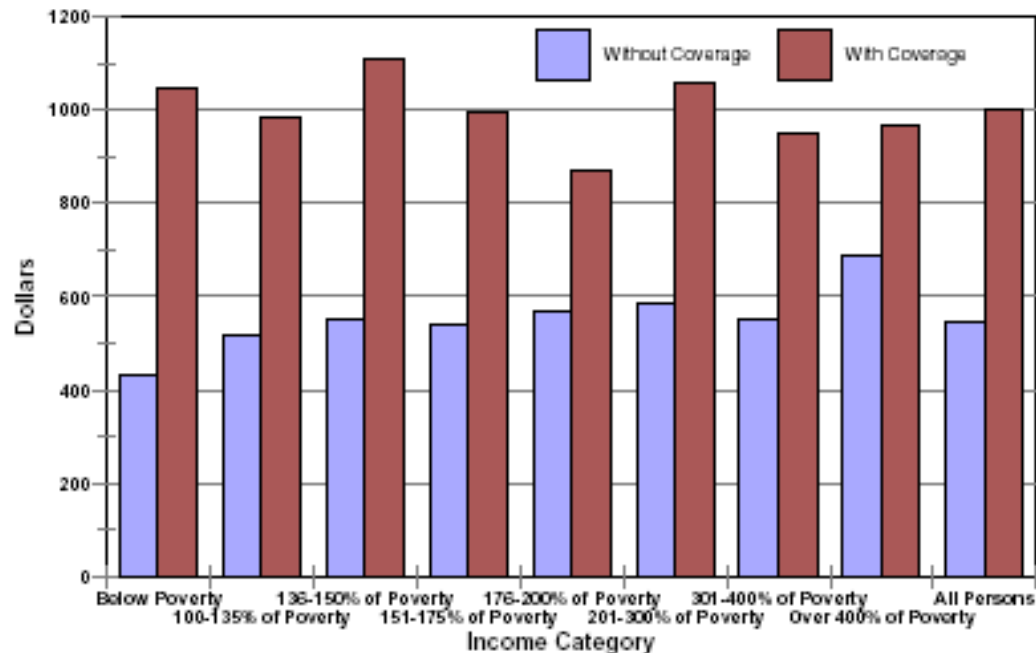


Prescription Drug Spending Increases With Coverage Not Income

CRS Report: “Medicare beneficiaries spent \$878 per capita on drugs in 1998. (This figure includes amounts spent by insurers on behalf of beneficiaries.) In that year, beneficiaries with drug coverage averaged \$999 per year, while those without coverage averaged \$546. Overall, drug spending is highly associated with the presence of drug coverage. Higher drug spending appeared to be more closely associated with the presence of drug coverage rather than income level.”

Figure 2. Average Annual Per-Capita Spending for Prescription Drugs for Medicare Beneficiaries by Presence or Absence of Drug Coverage and by Income Category, 1998

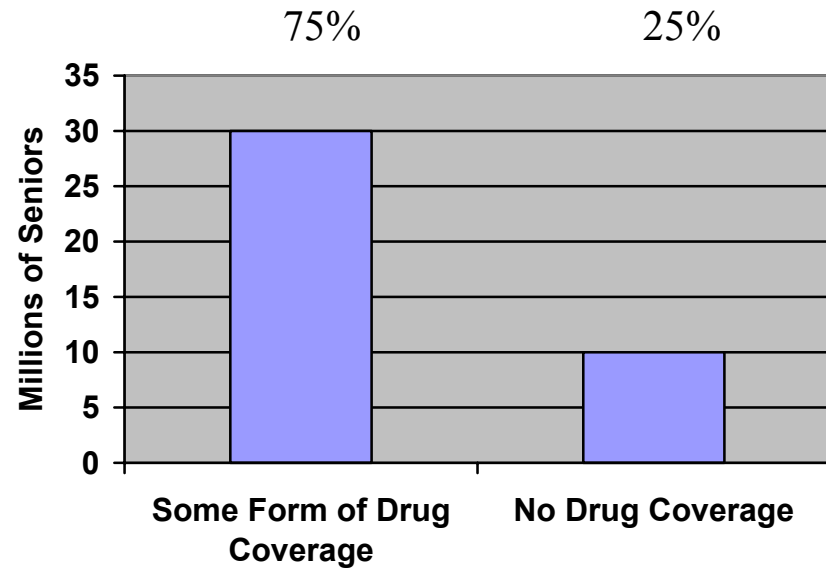


Source: Data based on article by Postal and Munnay. Health Affairs, March/April 2001 and personal communication with author.

Note: 1998 poverty threshold level for aged with \$7,818 for single and \$9,862 for couple; corresponding figures for disabled, \$8,480 and \$10,972.

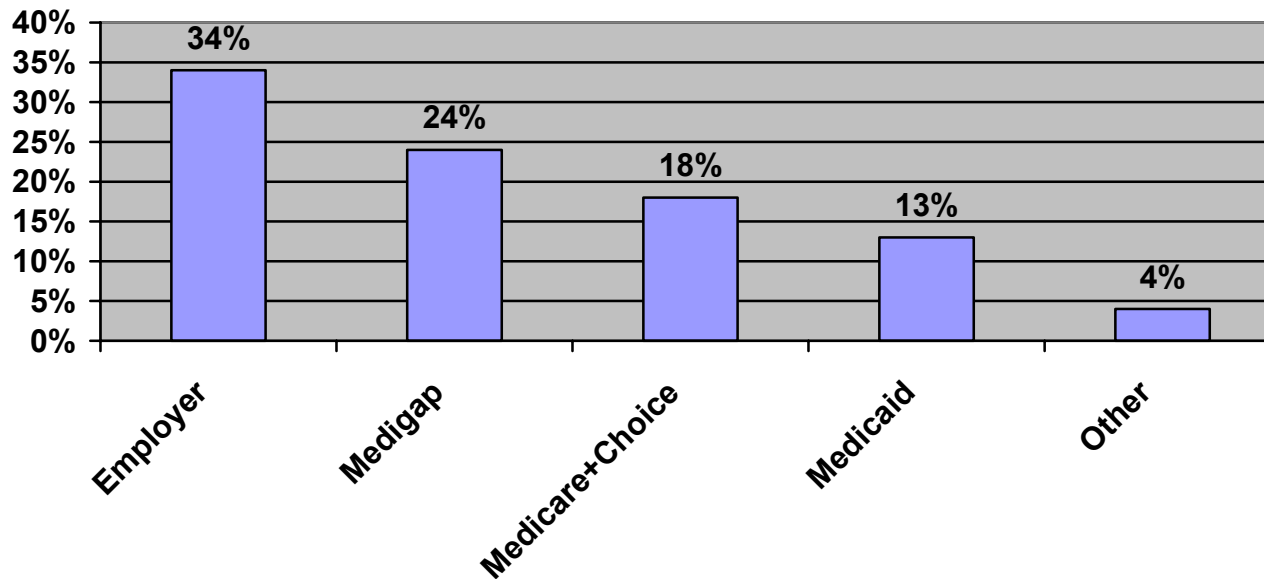
Three-Fourths of Seniors Already Have Drug Coverage

According to the Congressional Budget Office, 75% of the Medicare population – or roughly 30 million individuals – have some form of insurance coverage for the costs of prescription drugs for at least part of the year.



Source of Additional Coverage for Medicare Beneficiaries, 2000

Source: Joint Economic Committee



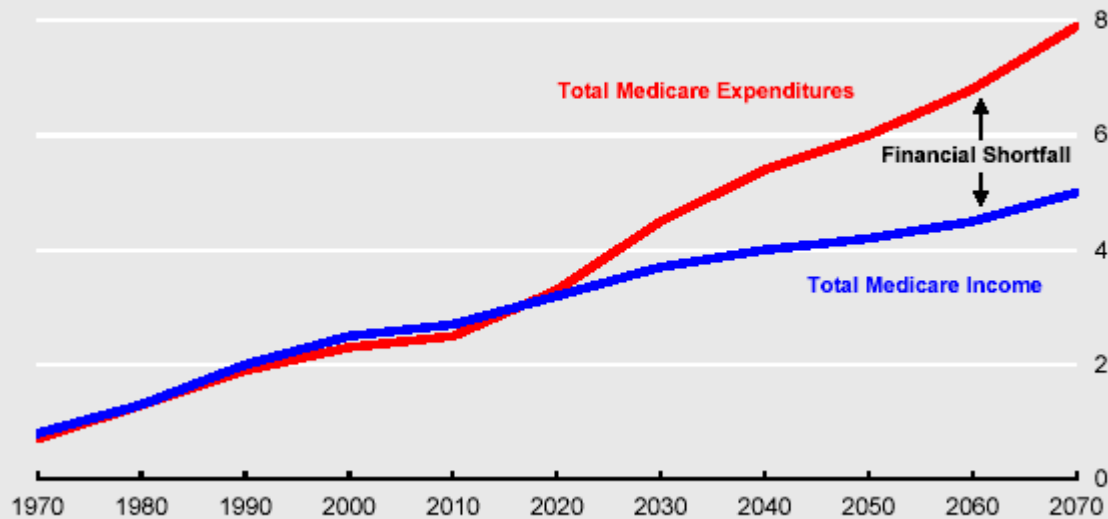
Estimated Spending on Outpatient Drugs by or for Medicare Beneficiaries, 2002-2012

| Year | Mean Per capita | Total (in billions) |
|------|-----------------|---------------------|
| 2002 | \$2,149 | \$86,893 |
| 2003 | \$2,439 | \$99,663 |
| 2004 | \$2,744 | \$113,421 |
| 2005 | \$3,059 | \$128,063 |
| 2006 | \$3,380 | \$143,491 |
| 2007 | \$3,712 | \$160,200 |
| 2008 | \$4,071 | \$179,102 |
| 2009 | \$4,458 | \$199,703 |
| 2010 | \$4,874 | \$222,484 |
| 2011 | \$5,324 | \$248,132 |
| 2012 | \$5,816 | \$278,311 |

Source: U.S. Congressional Budget Office. Estimates using March 2002 baseline projections. Estimates based on data from the 1999 MCBS with adjustments to account for under reporting by community respondents and for non-response by nursing homes residents. March 2002.

Chart 1. Medicare Expenditures and Income

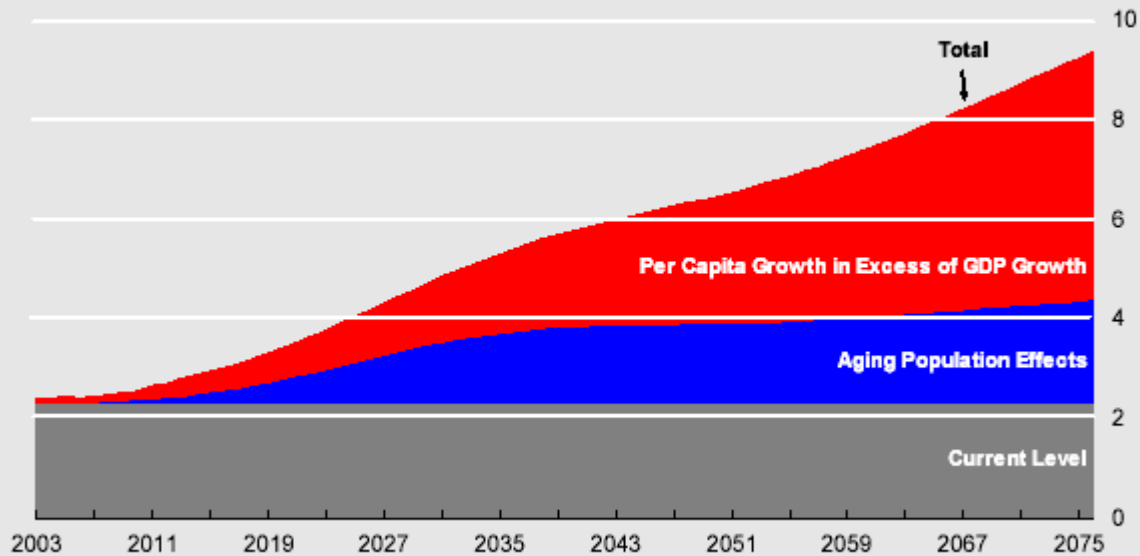
(As a percentage of GDP)



Source: 2003 Medicare Trustees Report, pg. 25

Chart 2. Projected Long-Range Growth of Medicare Spending

(As a percentage of GDP)



Source: Congressional Budget Office