

# Update on Medicare Spending and Financing and Highlights from the 2009 Medicare Trustees' Report

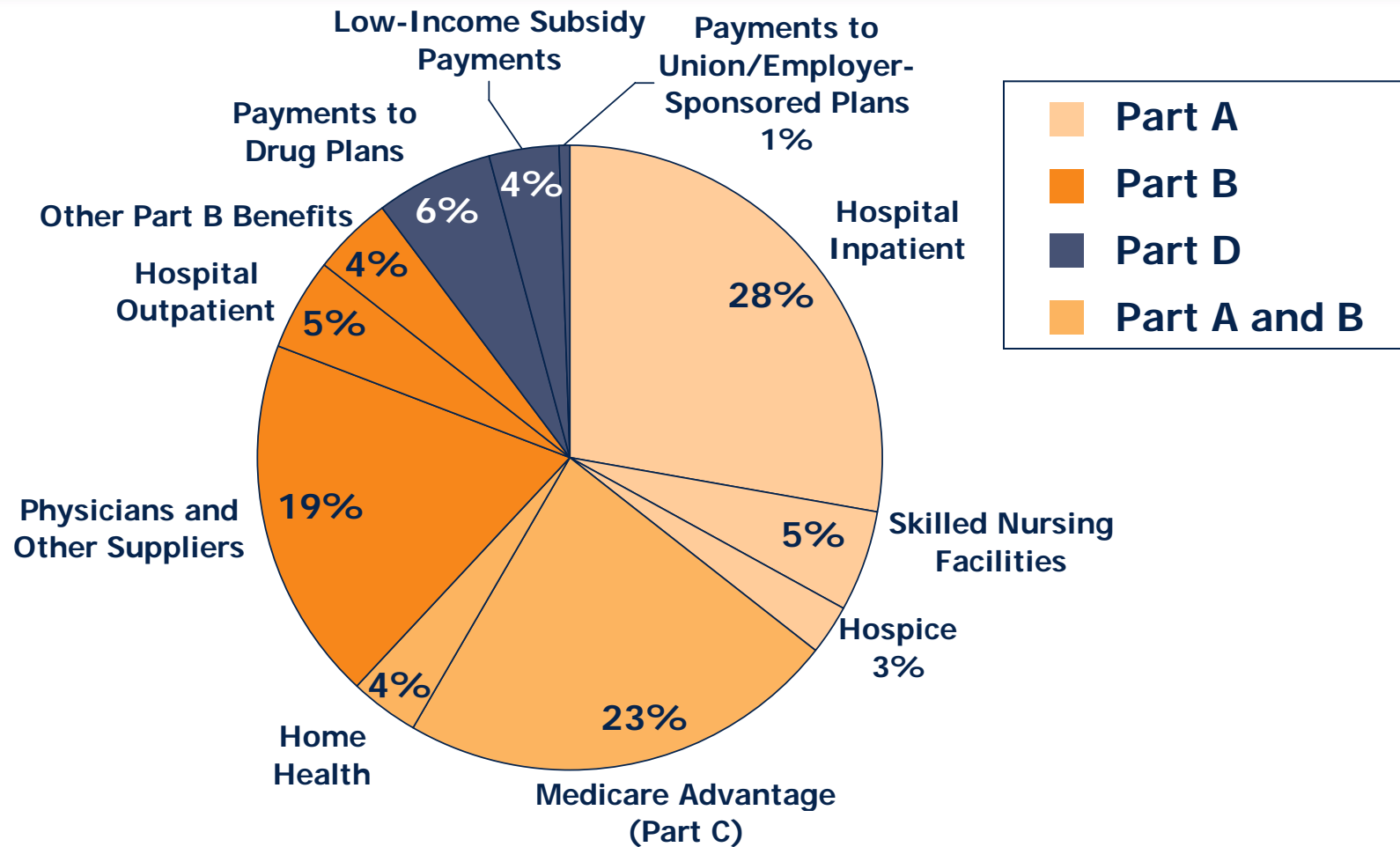
**MAY 2009**

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# HIGHLIGHTS

- Total Medicare spending is expected to rise from \$511 billion in 2009 to \$926 billion in 2018
- Medicare's Part A Hospital Insurance Trust Fund is projected to be exhausted by 2017, two years earlier than the 2008 projection
- Medicare spending is expected to rise from 3.5% of the Gross Domestic Product (GDP) in 2010 to 6.4% in 2030
- The monthly Medicare Part B premium is expected to increase from \$96.40 to \$104.20 in 2010, \$120.20 in 2011, and \$111.50 in 2012
  - Most Medicare beneficiaries will not pay the increase in the monthly Part B premium in 2010 due to the interaction of the "hold-harmless" provision and a projection of no annual Social Security cost-of-living increase
  - Beneficiaries not protected by the hold-harmless provision include dually-eligible beneficiaries for whom Medicaid pays premiums, higher-income beneficiaries, and new recipients of Social Security and Medicare
- A majority of Americans say the Medicare program is very important to the country as a whole, but most Americans do not support proposals that would increase out-of-pocket costs

# Medicare Benefit Payments, by Type of Service, 2009

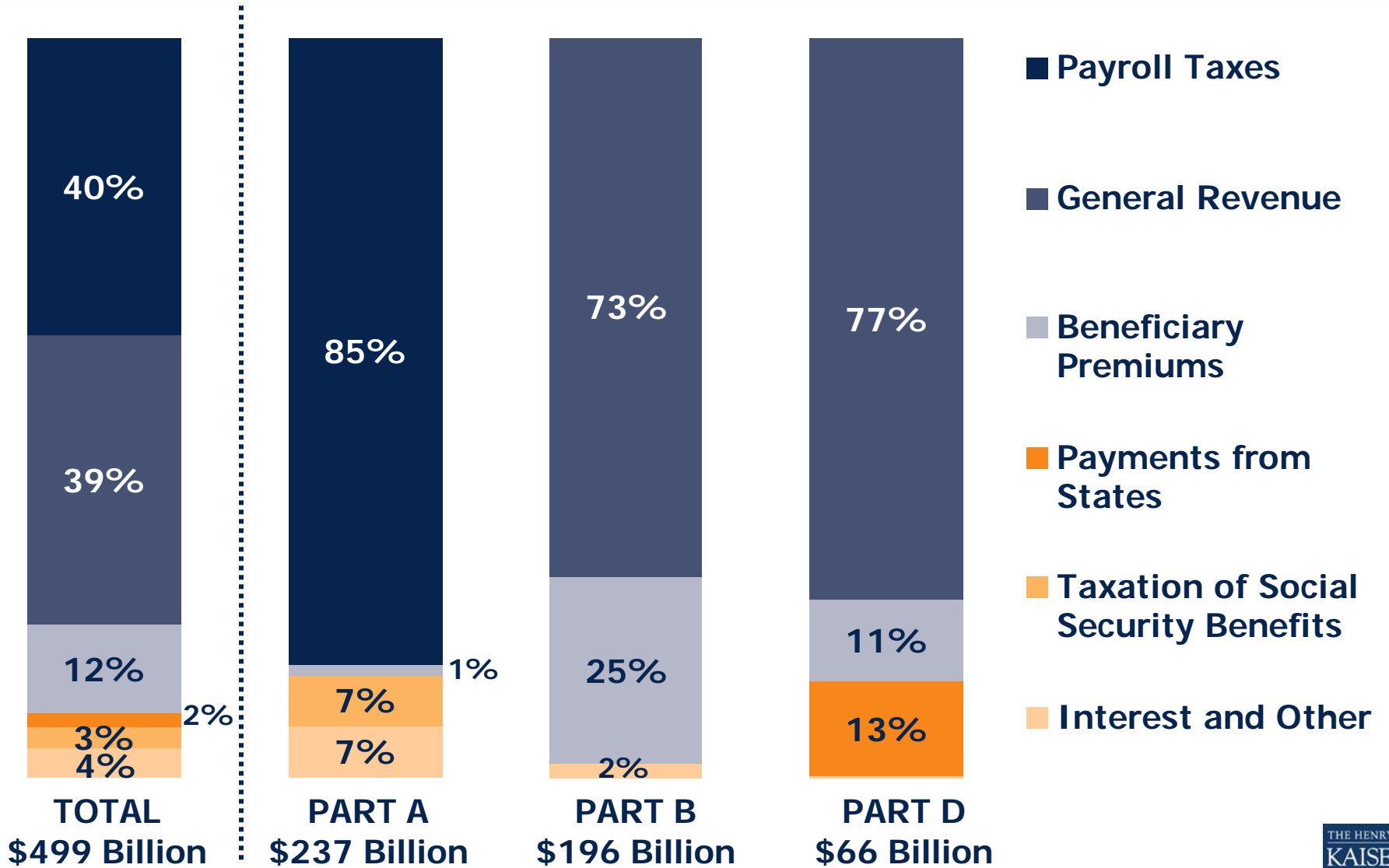


**Total Benefit Payments = \$484 billion**

Notes: Total does not include \$2.5 billion in administrative expenses such as spending for implementation of the Medicare drug benefit and the Medicare Advantage program. Total is net of \$9.4 billion in recoveries for 2009.

Source: Congressional Budget Office, Medicare Baseline, March 2009.

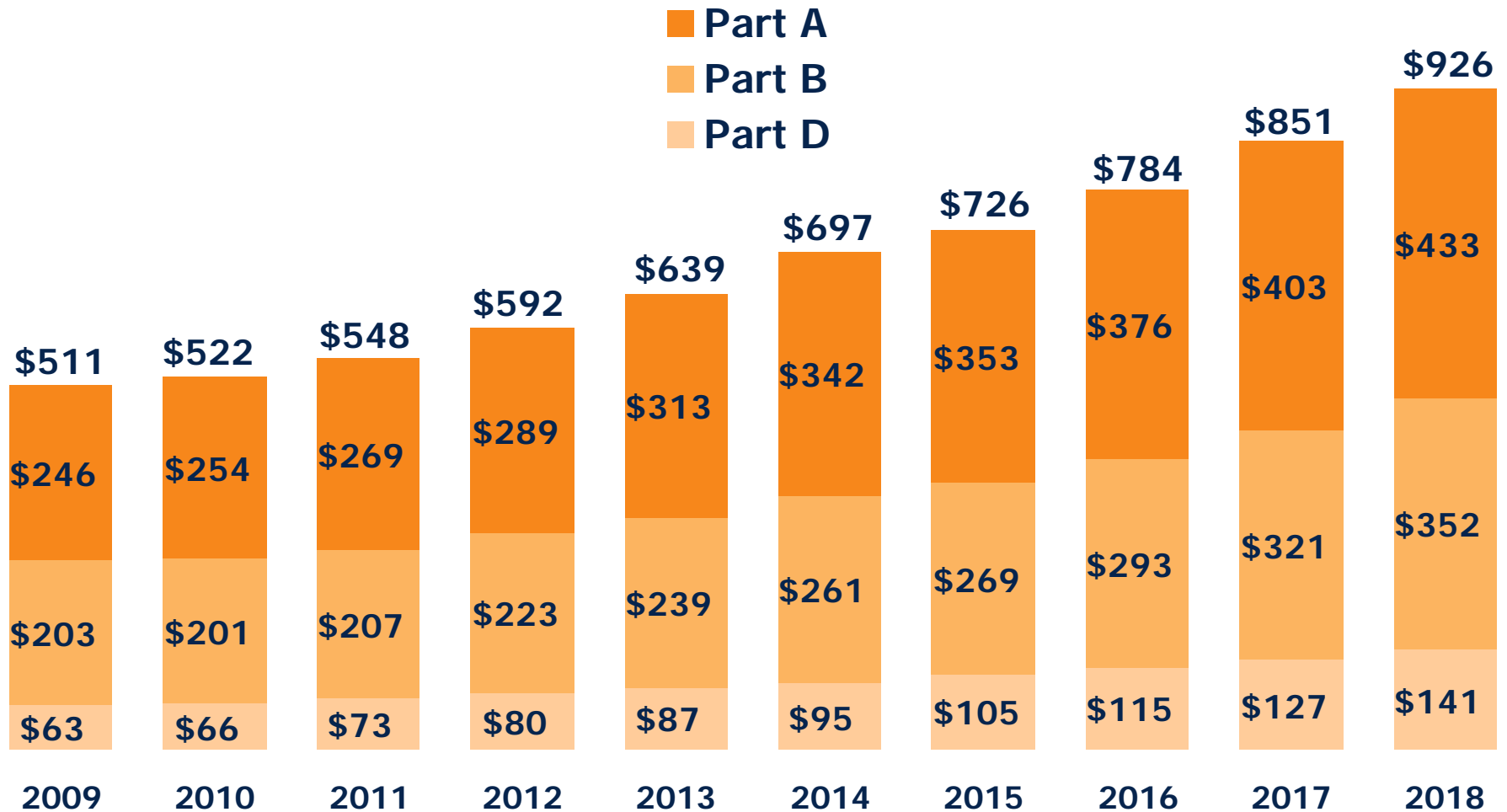
# Sources of Medicare Revenue in 2010



Source: 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Medicare Spending, 2009-2018

Amounts in \$ billions

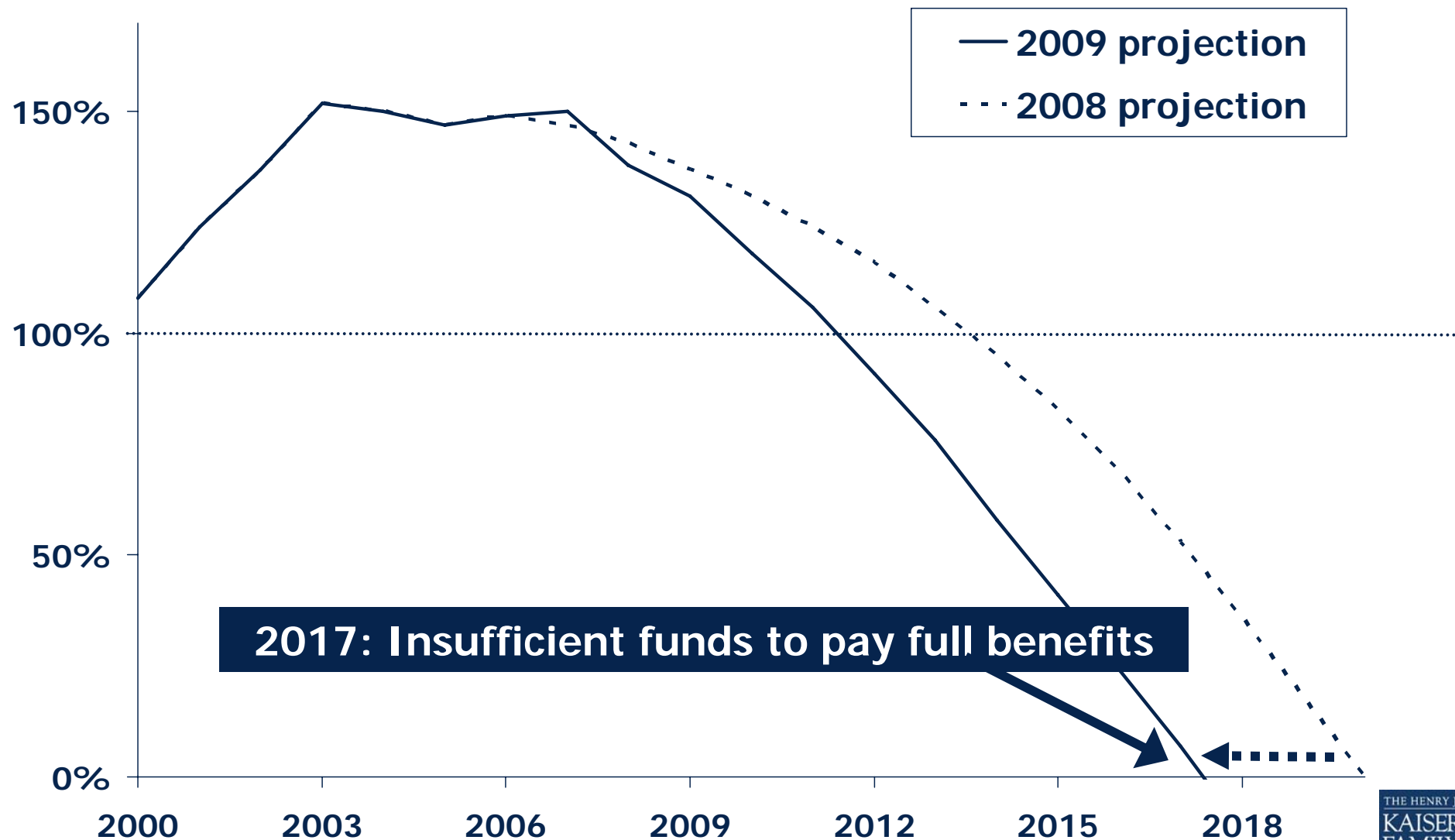


Notes: Numbers may not sum to total due to rounding. Amounts are intermediate estimates for each calendar year.

Source: 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Medicare's Part A Trust Fund will not have sufficient funds to pay full benefits in 2017

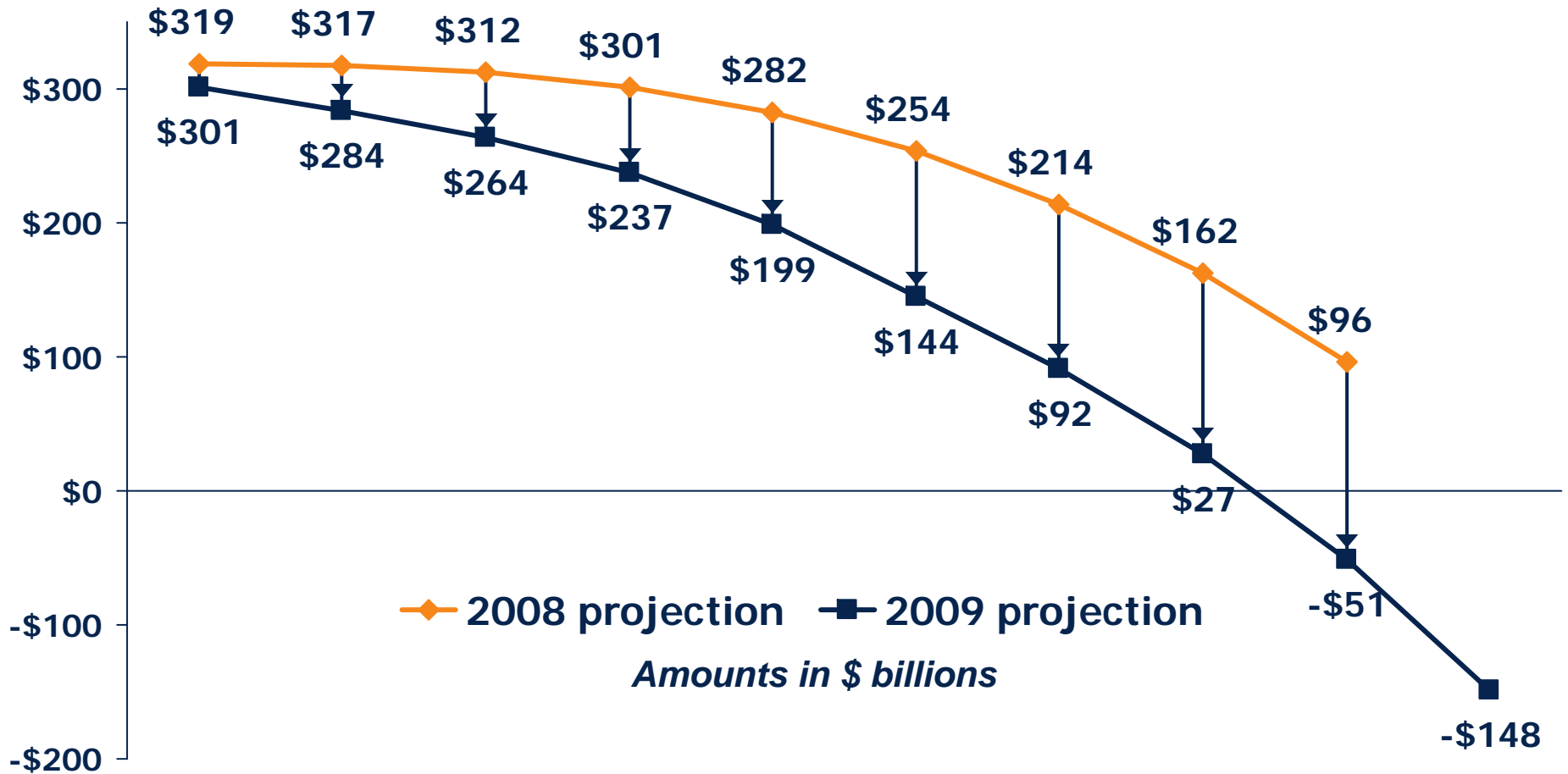
*Assets as a share of annual spending*



Source: 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# 2008 and 2009 Projections of the Part A Hospital Insurance Trust Fund Balance, 2009-2018

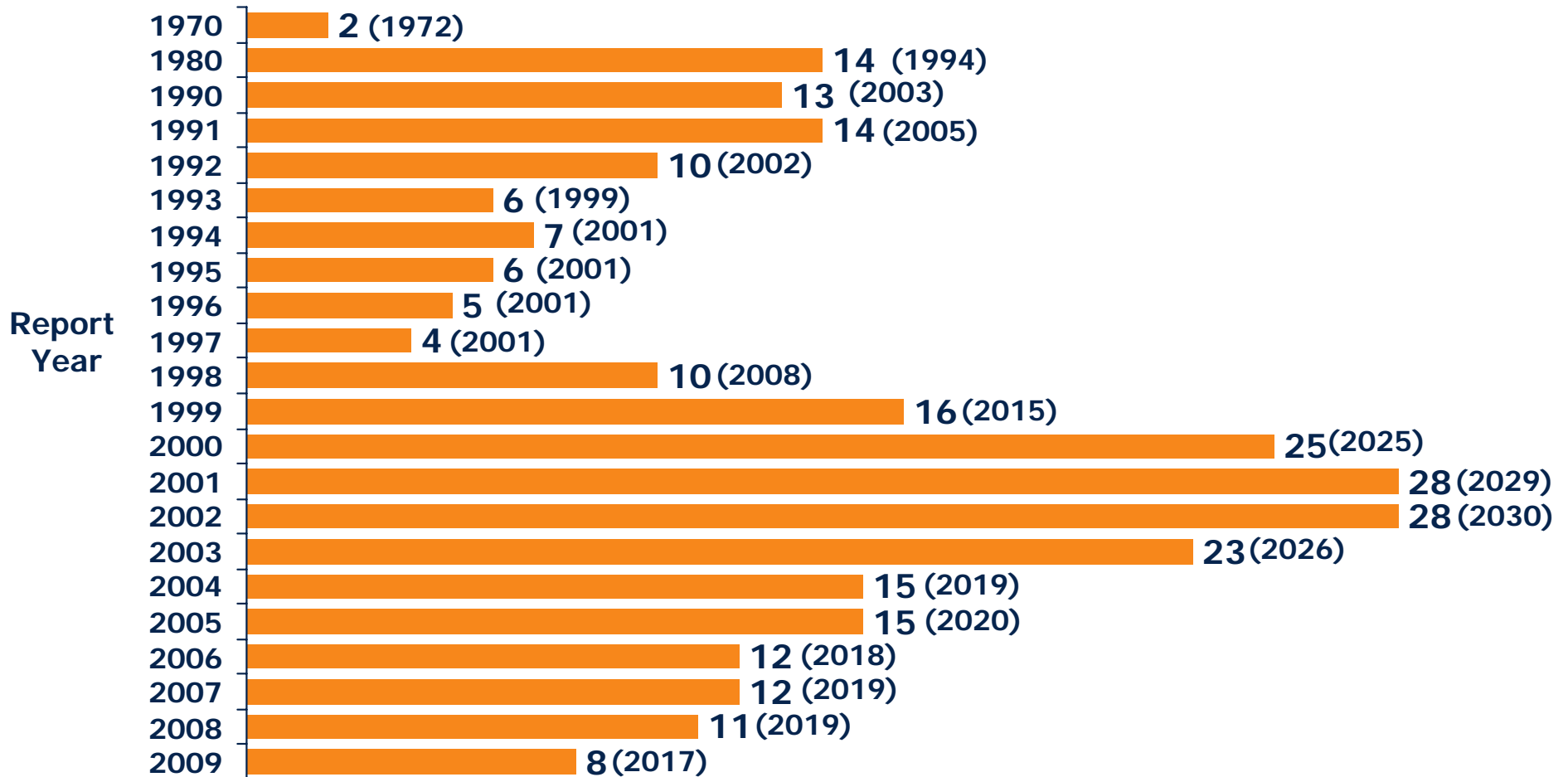
Year: 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018



Notes: 2008 projection period does not include 2018. Estimate for each year represents the trust fund balance at calendar year's end.  
 Source: 2008 and 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Solvency Projections of the Part A Hospital Insurance Trust Fund, 1970-2009

*Projected Number of Years to Insolvency (Projected Year of Insolvency):*

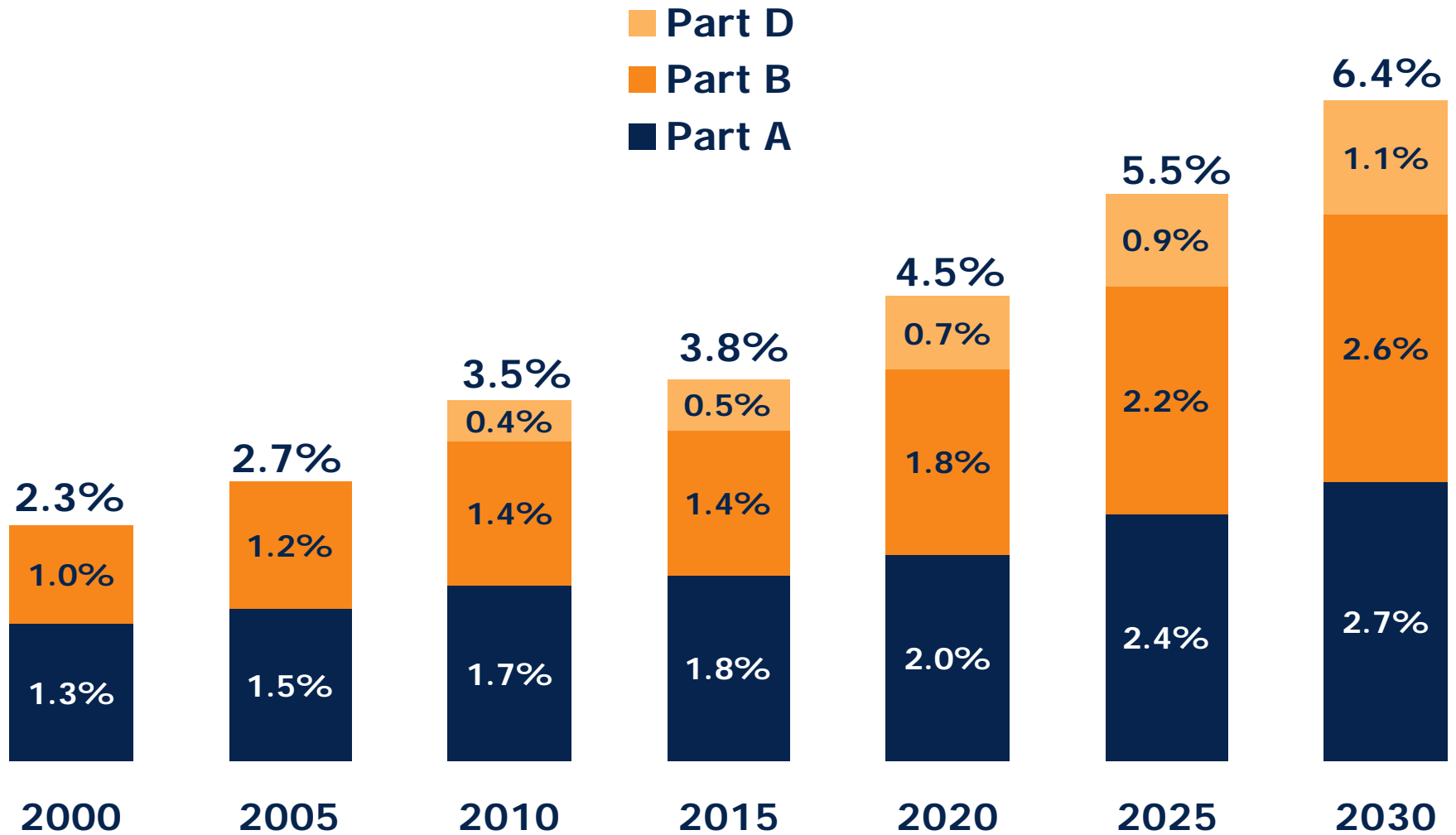


Notes: No specific projections were made for 1973-1975 and 1989. For all other years not displayed, the Hospital Insurance Trust Fund was projected to remain solvent for 17 or fewer years.

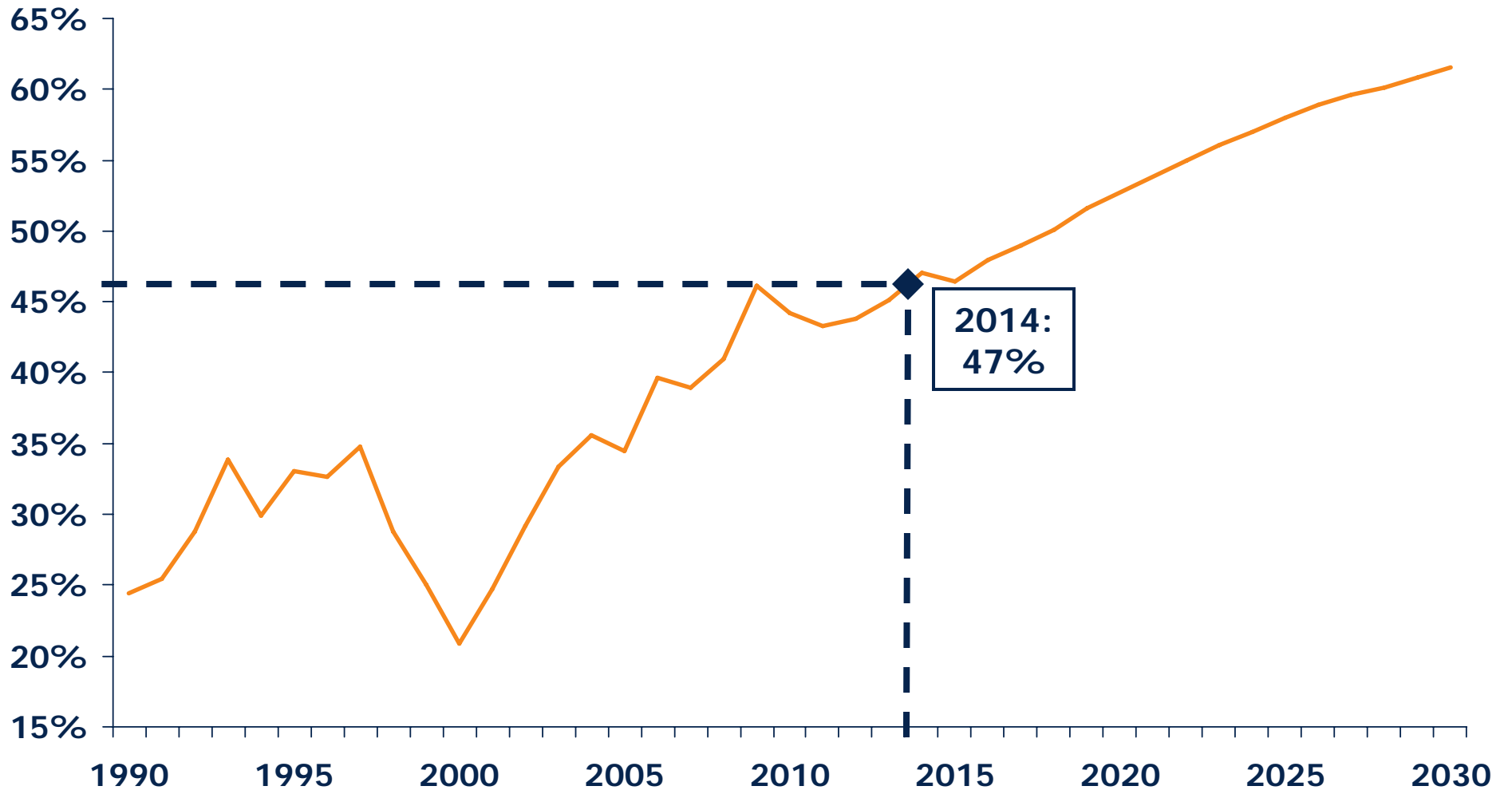
Source: Intermediate projections from 1970-2009 Annual Reports of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.



# Projected Medicare Spending as a Percent of Gross Domestic Product (GDP), 2000-2030



# General Revenue as a Share of Medicare Spending, 1990-2030

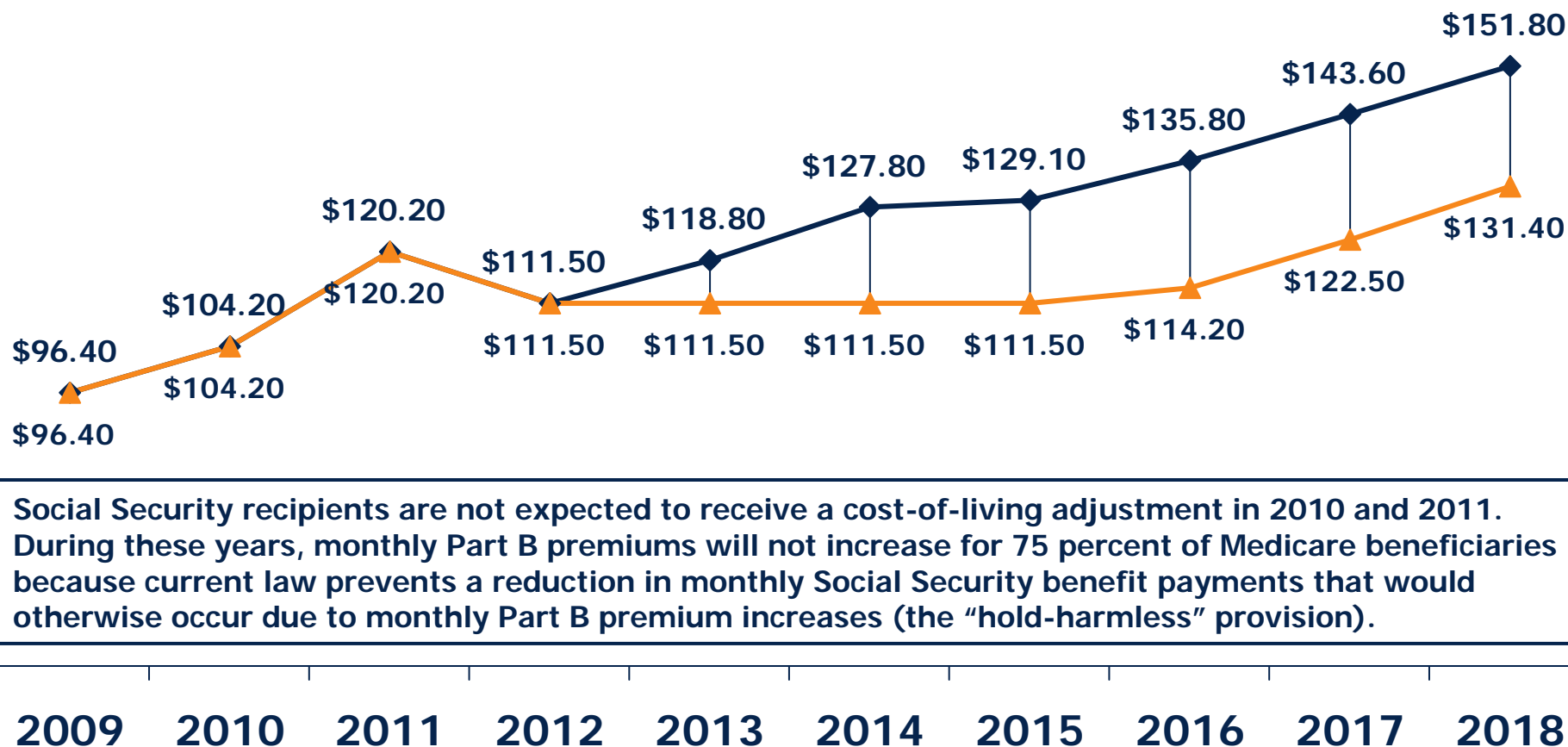


Notes: Estimates are for calendar years.

Source: 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

# Projected Monthly Medicare Part B Premiums Under Two Scenarios, 2009-2018

- ◆ Monthly Part B Premium - Assuming no reduction in physician payments
- ▲ Monthly Part B Premium - Current law\*



Social Security recipients are not expected to receive a cost-of-living adjustment in 2010 and 2011. During these years, monthly Part B premiums will not increase for 75 percent of Medicare beneficiaries because current law prevents a reduction in monthly Social Security benefit payments that would otherwise occur due to monthly Part B premium increases (the "hold-harmless" provision).

Notes: \*Current law assumes a margin that takes into account the likelihood that physician payments will not be reduced for 2010-2012.  
 Source: 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

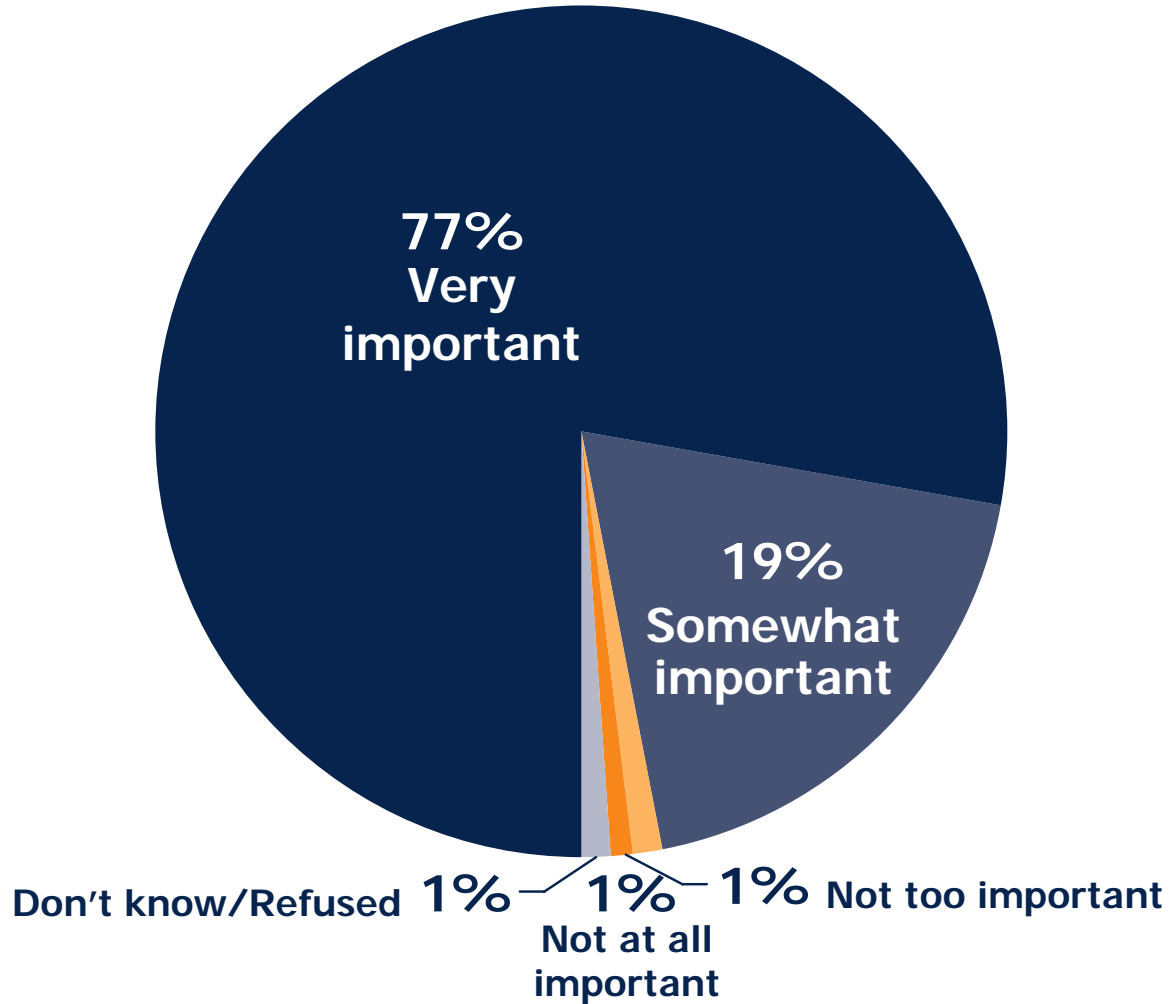
# Medicare Premiums and Cost Sharing, 2009-2018

Actual | Projected →

	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	% Increase 2009-18
<b>Part A: Hospital Insurance</b>											
Inpatient Deductible	1,068	1,112	1,160	1,212	1,268	1,328	1,388	1,452	1,516	1,584	48%
<b>Part B: Supplementary Medical Insurance</b>											
Monthly premium	96.40	104.20	120.20	111.50	111.50	111.50	111.50	114.20	122.50	131.40	36%
Deductible	135	146	168	156	156	156	156	160	172	184	36%
<b>Part D: Prescription Drug Benefit</b>											
Average monthly premium	30.36	32.83	34.99	37.26	39.50	41.97	44.88	48.10	51.68	55.60	83%
Deductible	295	305	320	335	355	375	400	425	455	490	66%
Coverage gap	3,454	3,576	3,778	3,976	4,169	4,406	4,685	5,004	5,361	5,755	67%

# Value of Medicare Program

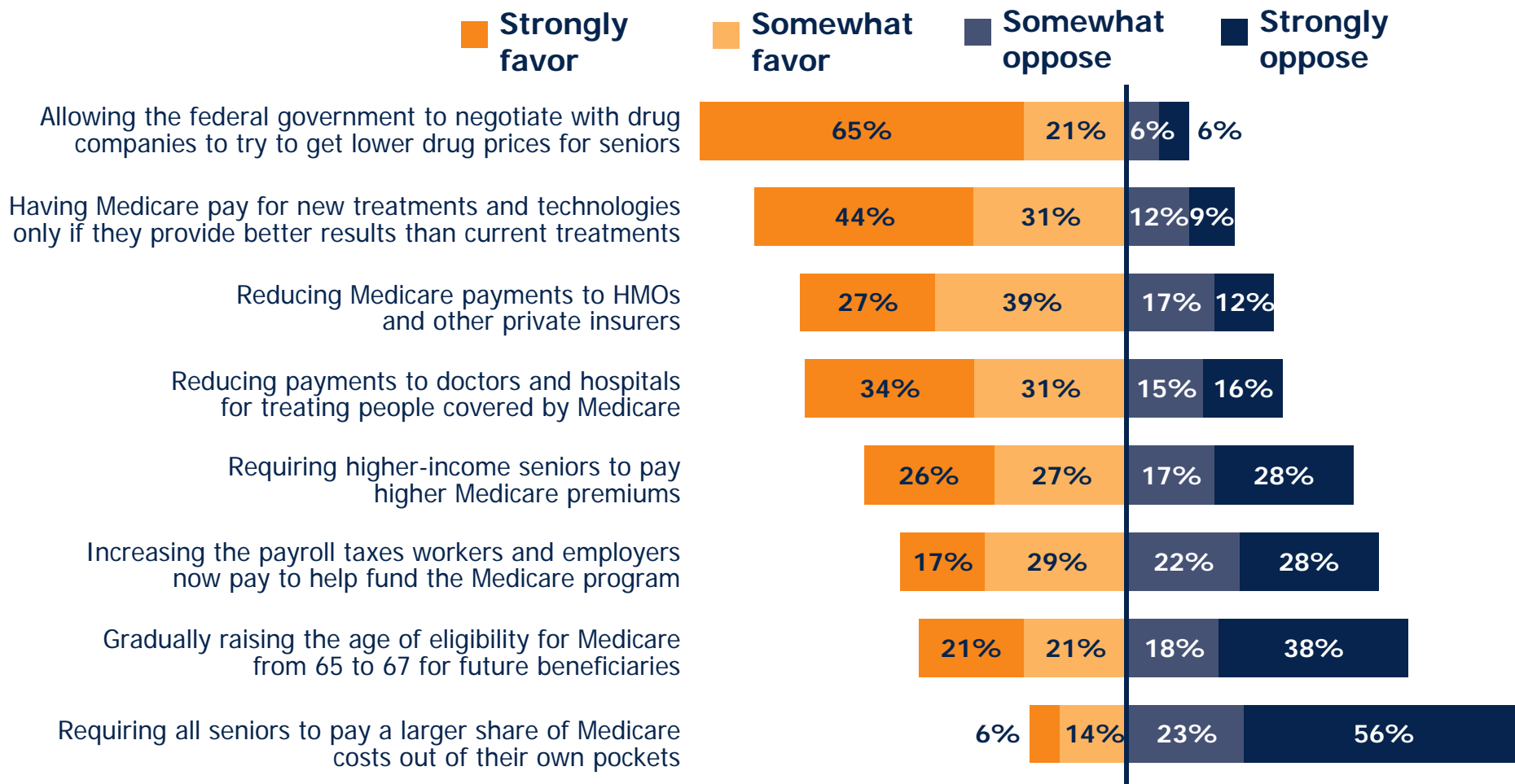
How important, if at all, is the Medicare program for the country as a whole?



Notes: Survey included a nationally representative sample of 1,203 adults ages 18 and older.  
Source: Kaiser Family Foundation, *Health Tracking Poll* (conducted Apr 2-8, 2009).

# Ways to Keep Medicare Financially Sound

I'm going to read you some proposals that could keep Medicare financially sound in the future. Please tell me whether you would generally favor or oppose each one.



Notes: Survey included a nationally representative sample of 1,203 adults ages 18 and older. Source: Kaiser Family Foundation, *Health Tracking Poll* (conducted Apr 2-8, 2009).

# Data Sources

**This chartpack was prepared by Juliette Cubanski of the Kaiser Family Foundation. It is based on data from the following sources:**

- 2008 and 2009 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds
- Congressional Budget Office, Medicare Baseline, March 2009
- Kaiser Family Foundation, *Health Tracking Poll* (conducted April 2-8, 2009)



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