

Briefing Charts on the Federal Budget: Implications for Medicare and Medicaid

Surplus/Deficit Projections

Figure 1

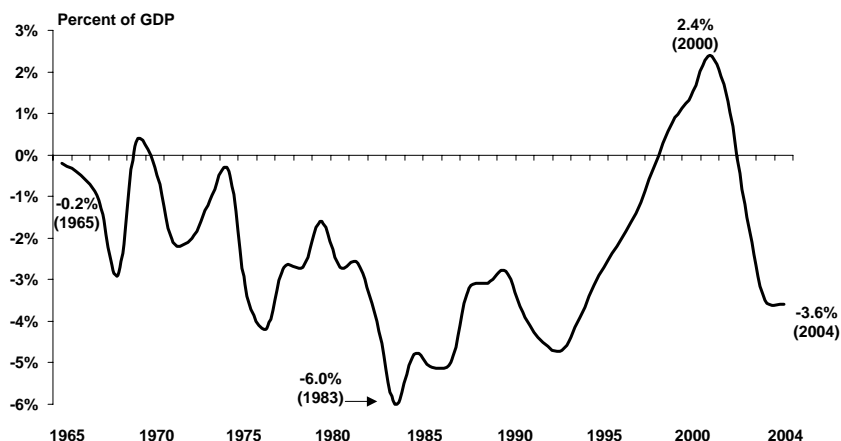
Medicare and Medicaid in the Federal Budget

- After record surpluses set in 2000, the federal government ended FY 2004 with a deficit of \$413 billion.
 - Largest factors driving the deficit are tax cuts, slower economy and increased government spending for the war in Iraq and war on terrorism
- CBO's "baseline" projections show that surpluses will return by 2012; however, projections adjusted to account for the extension of tax cuts, AMT Reform and the war in Iraq show large and growing deficits over the next 10 years.
- Health programs will face growing pressures.
 - Federal level – pressure to cut the deficit and extend tax policies
 - State level – slow recovery of state revenues, health programs growing faster than other programs
- The debate about health programs and entitlement programs could be framed by any proposals in the President's budget submission or the budget resolution



Figure 2

After record surpluses in 2000, the federal budget deficit was \$413 billion or -3.6 percent of GDP in 2004

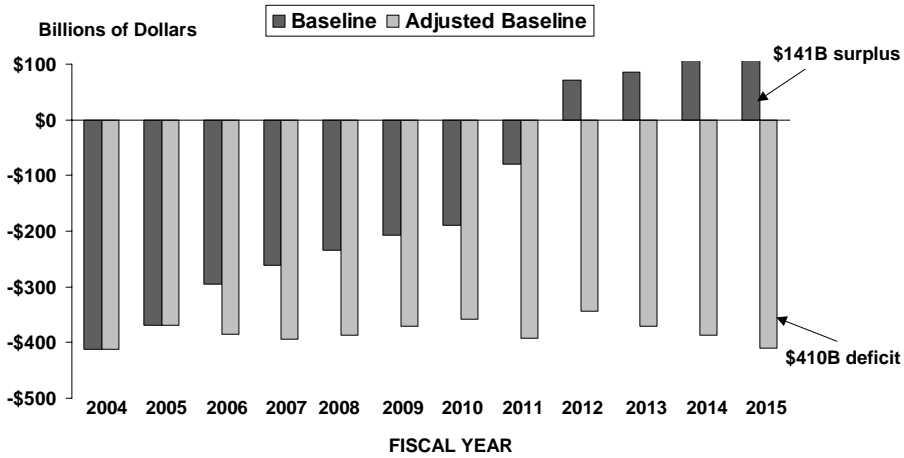


SOURCE: OMB, FY05 Budget and Final Monthly Treasury Statement of Receipts and Outlays of the US Government. Sept. 30, 2004



Figure 3

Projections that account for the extension of the tax cuts generate large deficits over the next decade

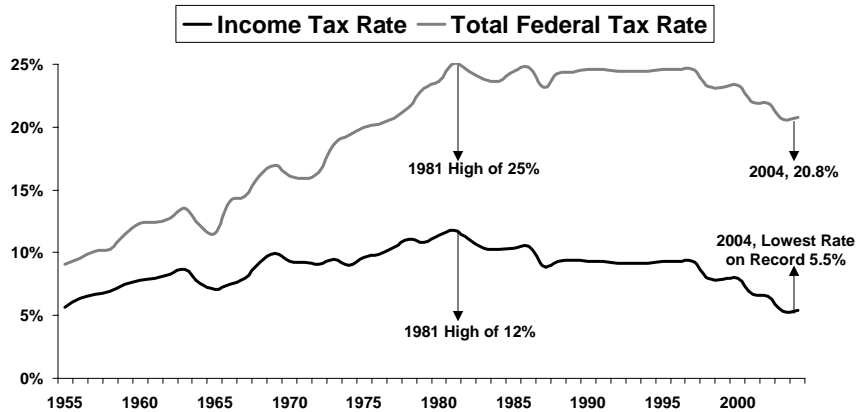


NOTE: Adjusted baseline accounts for extension of tax cuts, AMT reform and war costs
SOURCE: CBO, *Baseline Budget Outlook*, January 2005.



Figure 4

The federal income tax rate is the lowest on record



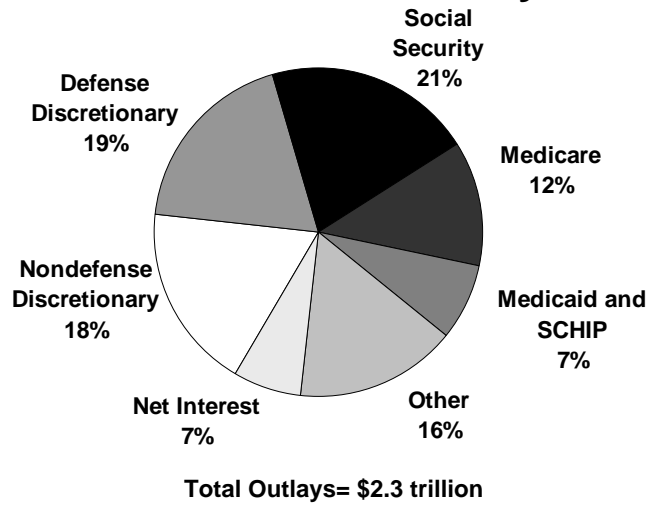
NOTE: Federal Tax Rates includes Federal income, Employer and Employee Social Security and Medicare (FICA) Tax Rates Median Income 4 Person Family
SOURCE: Department of Treasury, 1955-1996; 1997-2003, CBPP update based on Treasury methodology.



Medicare and Medicaid: A Federal Perspective

Figure 5

Medicaid and Medicare represented 19 percent of total federal outlays in 2004

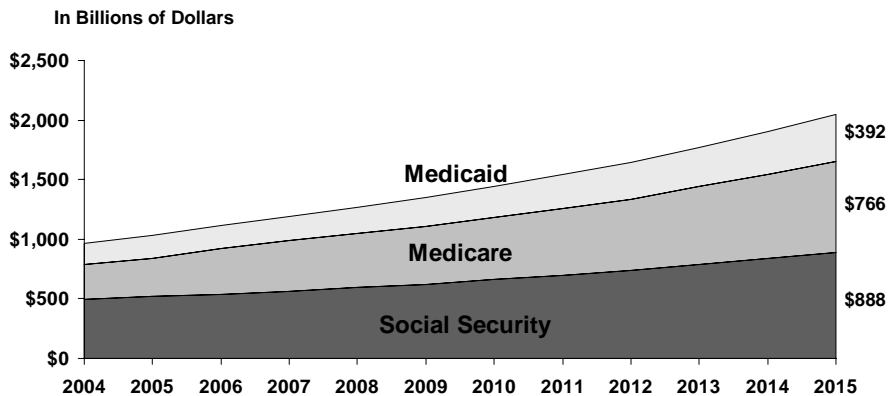


SOURCE: CBO, *Baseline Budget Outlook*, January 2005.



Figure 6

Medicare and Medicaid will increase faster than Social Security over the next decade

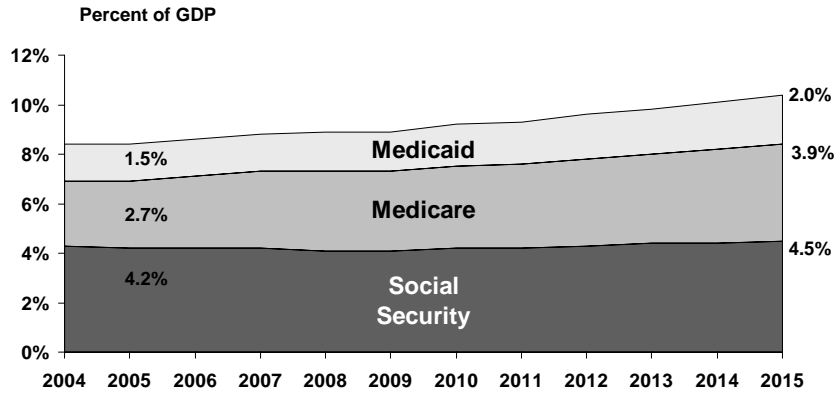


SOURCE: CBO, *Baseline Budget Outlook*, January 2005.
 Note: Medicaid total represents federal share of spending.



Figure 7

Entitlement programs will increase as a share of GDP over the next 10 years, but the impact will be more significant in later years

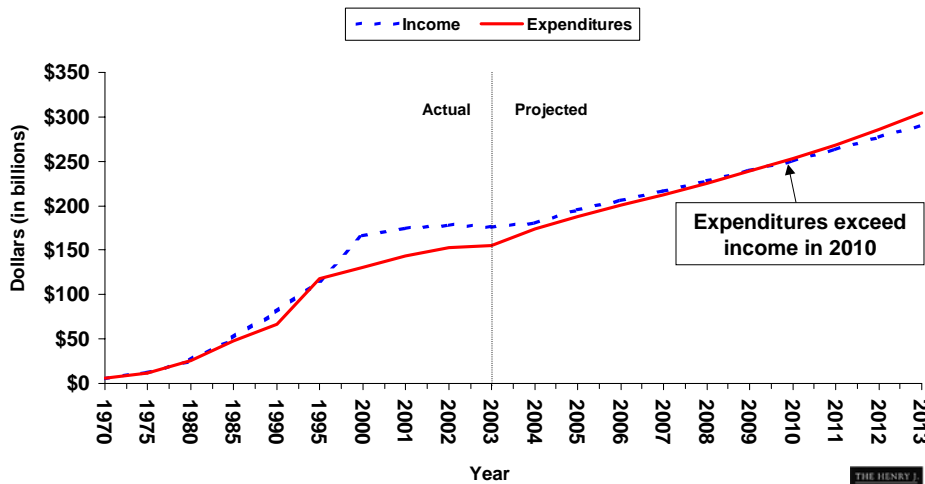


SOURCE: CBO, *Baseline Budget Outlook*, January 2005.



Figure 8

Medicare's Hospital Insurance Trust Fund spending will exceed income beginning in 2010

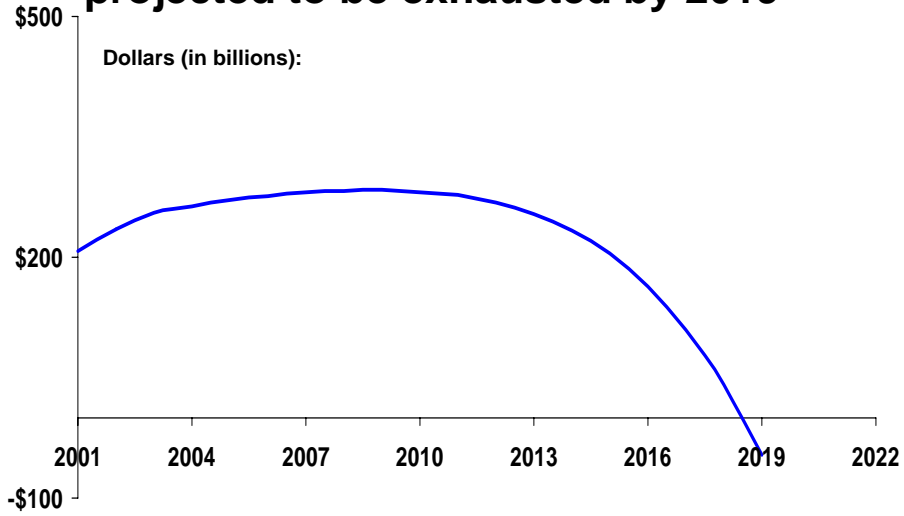


SOURCE: 2004 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund



Figure 9

Medicare's Hospital Insurance Trust Fund is projected to be exhausted by 2019

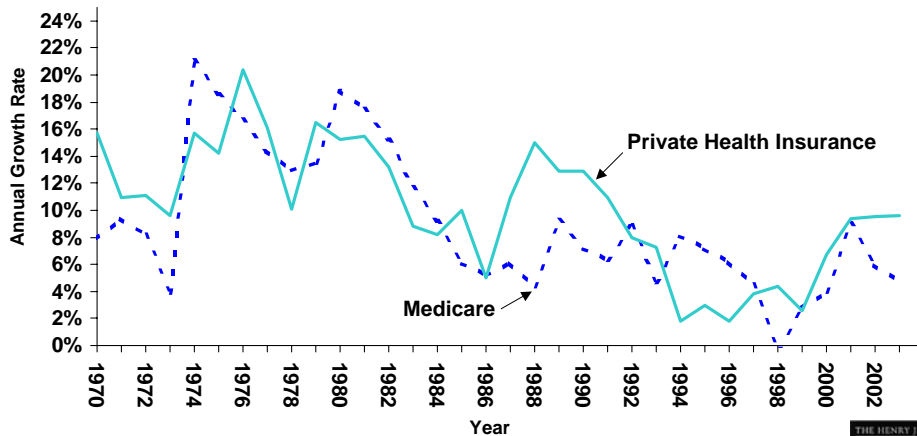


Note: Reflects trust fund assets at end of calendar year.
SOURCE: 2004 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund



Figure 10

Medicare spending per enrollee has grown at a slower pace, on average, than private health insurance spending



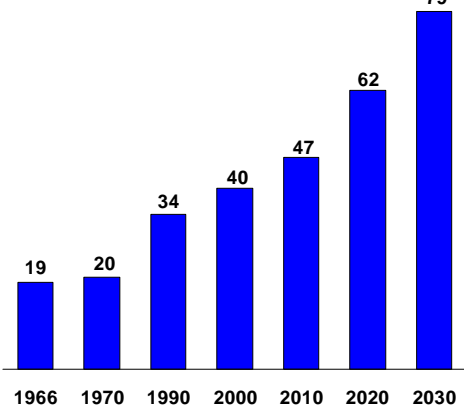
SOURCE: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.



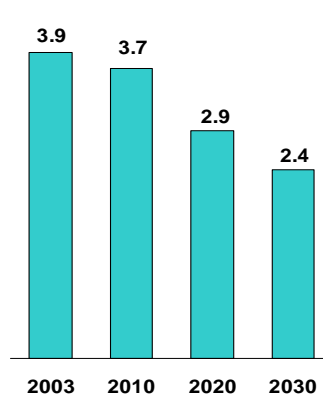
Figure 11

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

Millions of beneficiaries



Number of workers per beneficiary



SOURCE: 2004 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund



Medicaid: The State Perspective

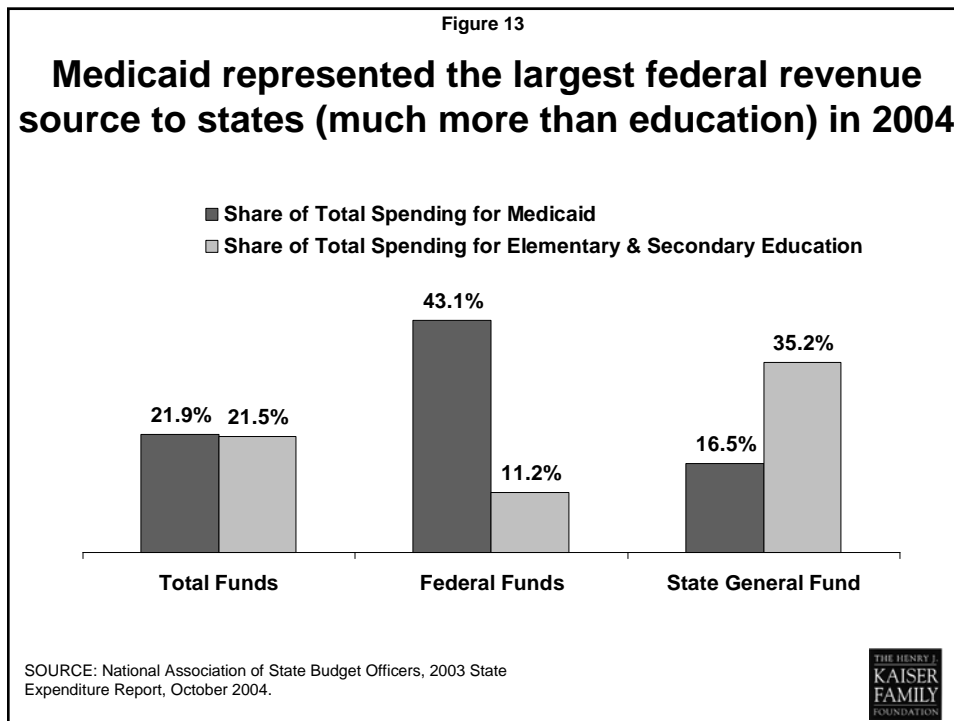
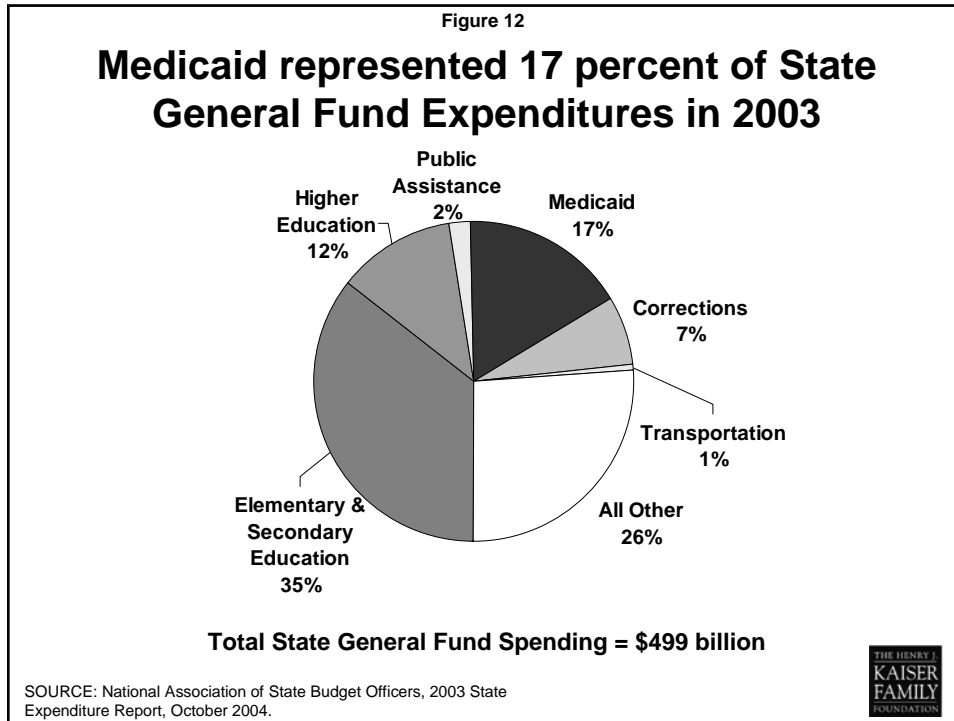
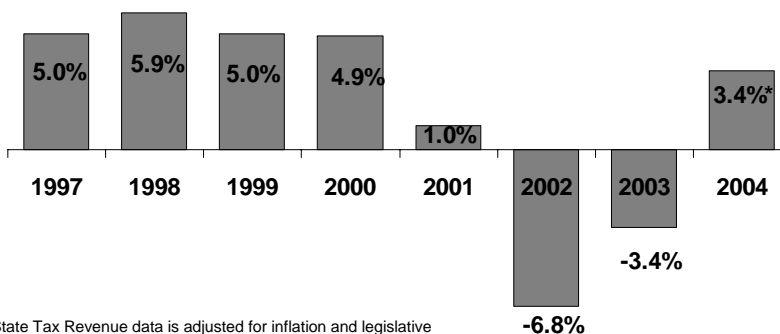


Figure 14

State revenues dropped dramatically in 2002 and are now recovering slowly

State Tax Revenue 1997 - 2004



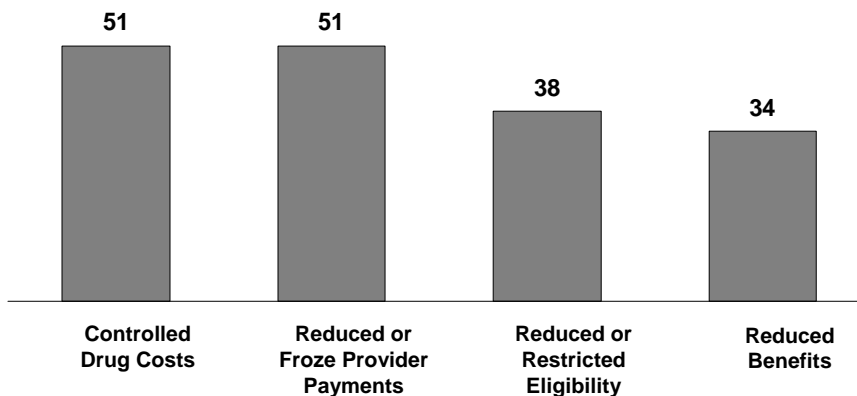
NOTE: State Tax Revenue data is adjusted for inflation and legislative changes. 2004 is a preliminary estimate.

SOURCE: Analysis by the Rockefeller Institute of Government of data from the Bureau of the Census, Bureau of Economic Analysis and the National Association of State Budget Officers.



Figure 15

States have already taken action to control costs over the last 4 years from 2002 to 2005



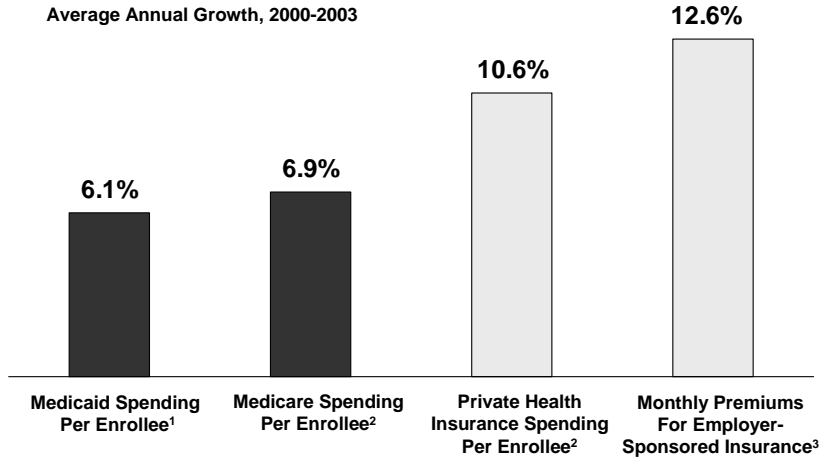
SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, June and December 2002, September 2003, and October 2004.



Figure 16

Medicaid and Medicare Per Enrollee Spending Grew Slower than Private Health Insurance Spending between 2000 and 2003

Average Annual Growth, 2000-2003



¹ Holahan and Ghosh, *Health Affairs*, 2005.

² CMS Office of the Actuary, *National Health Accounts*, 2005.

³ Kaiser/HRET Survey, 2003.



The Budget Cycle

