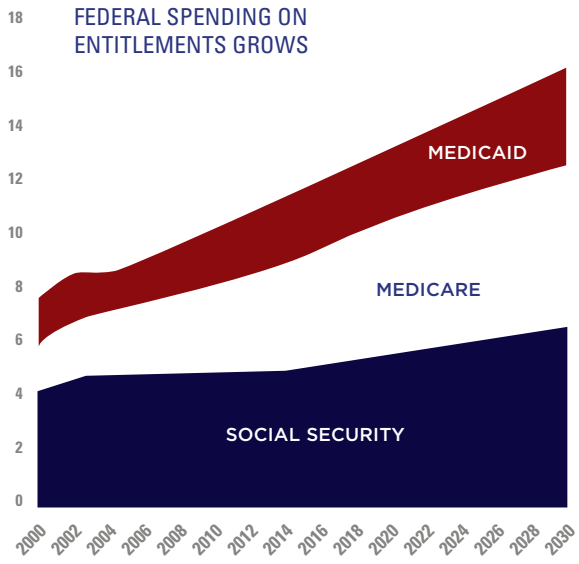
THE MEDICARE CHALLENGE

HEALTHCARE LEADERSHIP COUNCIL

What It Means for the Country, What It Means for Our Future.



What Is Medicare?

Medicare is health insurance for people age 65 or over, people with disabilities, and people with end-stage renal disease. Created by an Act of Congress in 1965, Medicare was envisioned as a classic "pay as you go" program: Active workers contribute money through payroll taxes to the Medicare Trust Fund. The fund then covers healthcare expenses for the Medicare population. Every American worker contributes to Medicare, and every American worker is promised they can look forward to being covered by Medicare upon reaching age 65.

What's Wrong?

Medicare is a vital healthcare lifeline for millions of older Americans and their families. But the number of active workers paying into Medicare isn't keeping up with the rising number of beneficiaries. Also, we are not as healthy as we should be, and our healthcare costs are much greater than anticipated; they now represent more than 17 percent of gross domestic product and are the highest of any developed country in the world. These costs are quickly outpacing the money coming in.

The number of people enrolled in Medicare will nearly double in the next 20 years, from 47 million in 2010 to 80 million by 2030.

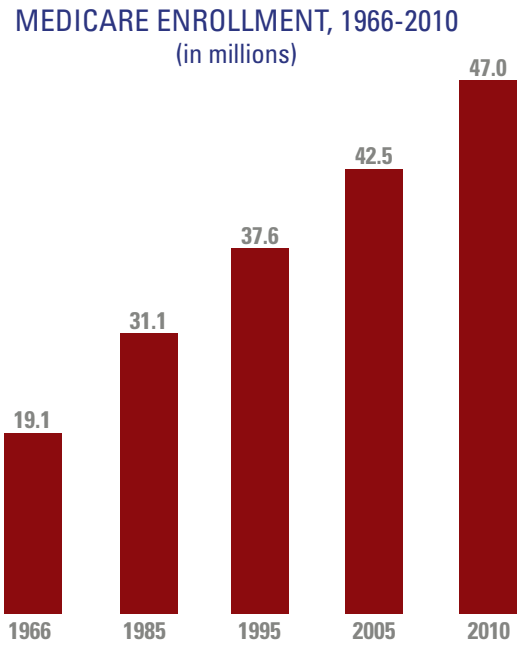
The number of active workers paying into Medicare isn't keeping up with the rising number of Medicare beneficiaries.

How Did This Happen?

Medicare is an "entitlement program," a government program to which citizens contribute with the expectation of later withdrawals or benefits. Over the years, the number of workers paying into Medicare has declined, while the number of people needing coverage has soared.

Why Does It Matter?

The national debt is rapidly increasing, creating a burden for our children and grandchildren. Each year more of our economy is devoted to Medicare spending that exceeds revenues, which drives up the national debt. Just as with your family budget, it doesn't make sense to spend more than you earn. Without significant change, there will be nothing left to provide coverage for future generations.



What's Next?

As the Baby Boomers begin to retire and use more healthcare services, their demands on the Medicare program will outpace their contributions to the Medicare Trust Fund. We have to make changes to continue this valuable program that ensure access to high-quality, affordable healthcare.

The U.S. population is aging, leading to rising Medicare enrollment.

The average baby boomer couple will pay $114,000 into Medicare, but will receive $350,000 in medical care.

7,500 people now join the Medicare ranks, on average, each day.

The number of people paying into Medicare is declining. In 1965, there were 19 workers paying into the system for one Medicare beneficiary. By 2030, only 2 workers will support one beneficiary.

The average Medicare beneficiary receives $3 in services for every $1 paid in payroll taxes.

We can't stay on our current path. The Medicare challenge affects us all:

> **It Affects Our Health:** Without change, current and future Medicare beneficiaries won't have access to high-quality, affordable healthcare.

> **It Affects Our Economy:** Without change, we cannot ensure an environment for innovation, economic growth, and jobs.

> **It Affects Our Future:** Without change, the standard of living for our children and grandchildren will be compromised. Beyond healthcare, investments in necessary infrastructure—like schools, bridges and public safety—will be at risk.

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