The Medicare Challenge

What it Means for the Country, What it Means for Our Future

SANOFI

NewYork-Presbyterian
The University Hospitals of Columbia and Cornell

Aetna

McKESSON
Empowering Healthcare

ascend LEARNING

V VANDERBILT UNIVERSITY MEDICAL CENTER

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ASCENSION HEALTH

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of Tennessee
plans for better health. plans for a better life.

PREMIER

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HEALTHWAYS

ResMed

Johnson & Johnson

AstraZeneca

HCSC
Health Care Service Corporation

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BAYLOR Health Care System

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IU HEALTH

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Medtronic

NorthShore University HealthSystem

MERCK

VANDERBILT School of Nursing

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Weight Watchers

THERAGENICS CORPORATION

IKARIA ADVANCING CRITICAL CARE

Marshfield Clinic

FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM

MemorialCare
The Standard of Excellence in Health Care

Texas Health Resources

What We're Facing

The Problem
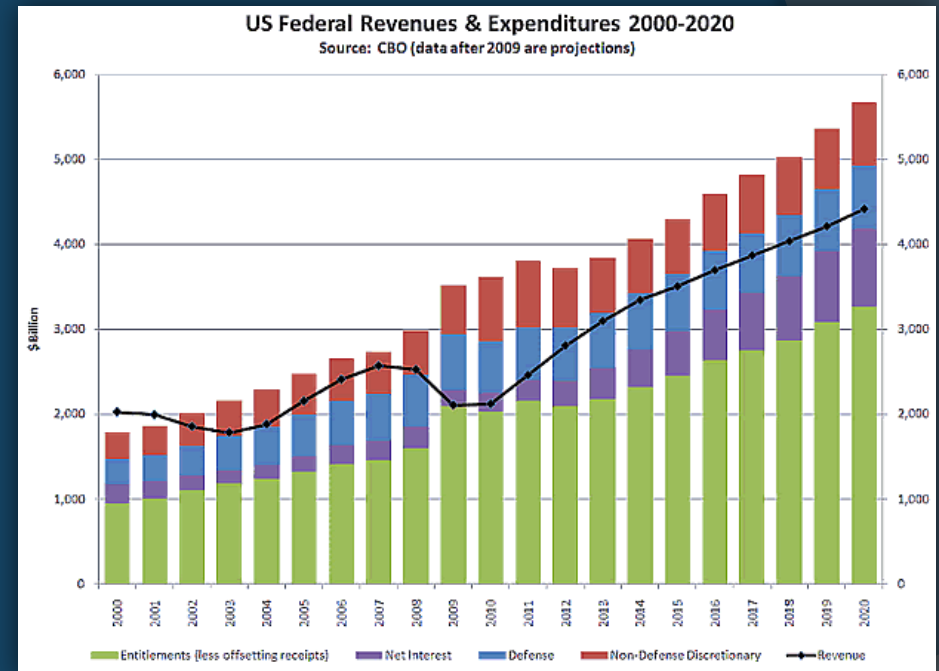
- National debt rapidly increasing
  - Burden for future generations
- Aging U.S. population requires more healthcare
- Current entitlement structure cannot survive without significant tax increases, benefit cuts
- Significant out-of-pocket costs for Medicare beneficiaries

The Challenge

- Maintain affordable access to quality healthcare for current, future Medicare beneficiaries
- Ensure environment for economic growth and jobs today; opportunities for children, grandchildren tomorrow

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The Numbers Don't Add Up

- Federal deficit in 2002: $157.8 Billion

- Federal deficit in 2011: $1.299 Trillion
  - Over 800% increase in 9 years

- Federal spending far exceeds revenues
  - Spending: 24% of GDP
  - Revenues: 15% of GDP

US Federal Revenues & Expenditures 2000-2020
Source: CBO (data after 2009 are projections)

Legend: Entitlements (less offsetting receipts), Net Interest, Defense, Non-Defense Discretionary, Revenue

Inaction has Worsened the Problem

- Federal debt has increased from 33% of GDP to 62% of GDP in a decade
  - Wars in Iraq and Afghanistan
  - New federal spending programs
  - Recession
- Growth of entitlement programs – under current law – makes debt reduction difficult

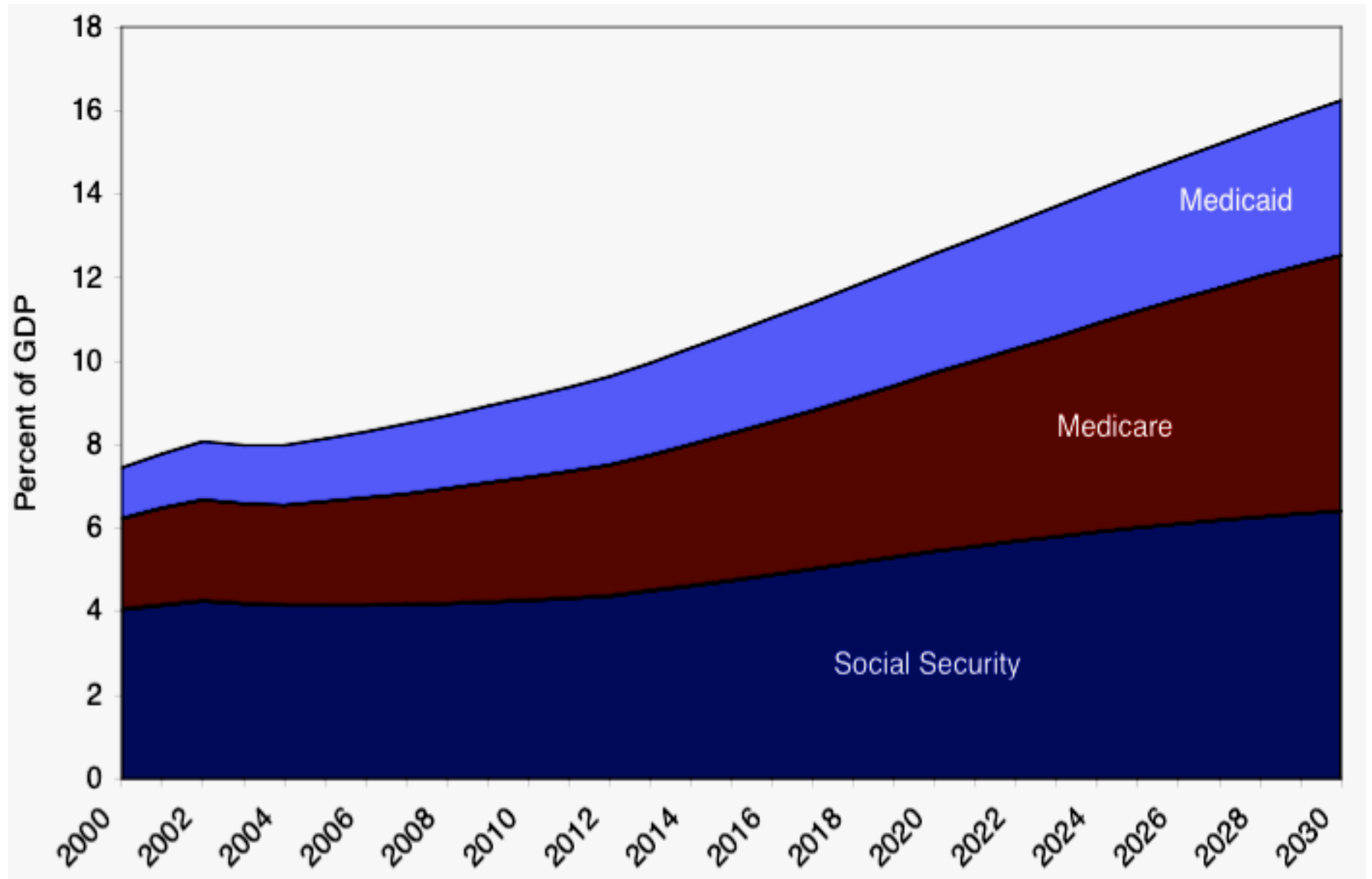**Medicare Spending as a Percent of Total Federal Spending, Fiscal Year 2010**

Defense Discretionary
Social Security
Nondefense Discretionary
Medicare[1]
Net Interest
Other[2]
Medicaid and CHIP
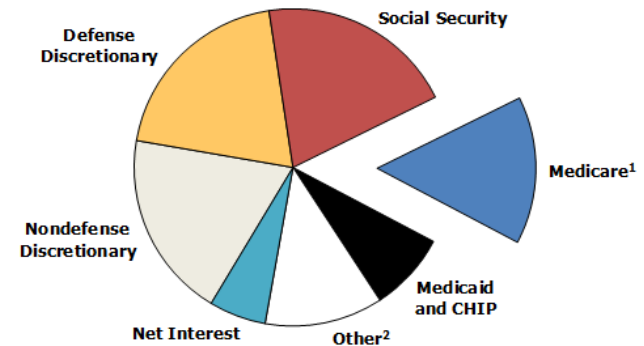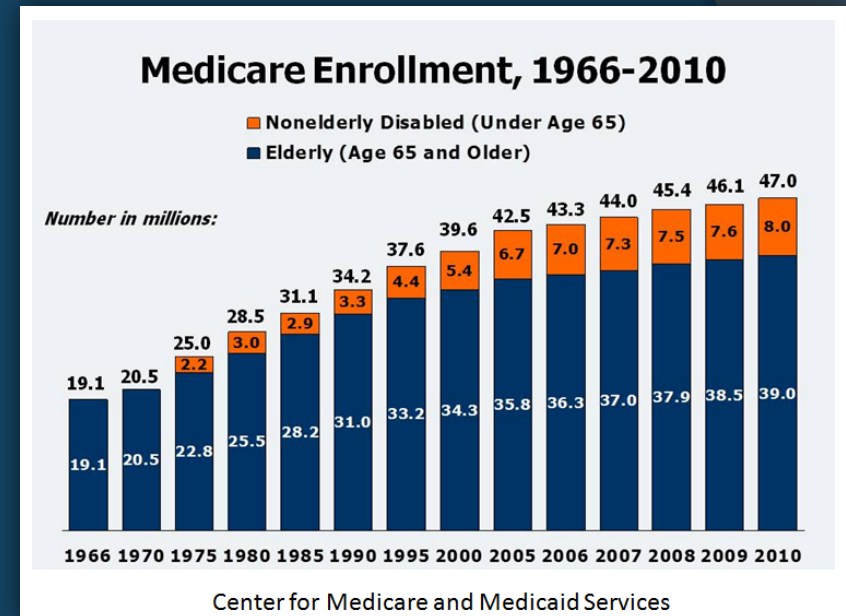
Total Federal Spending, FY2010 = $3.5 Trillion
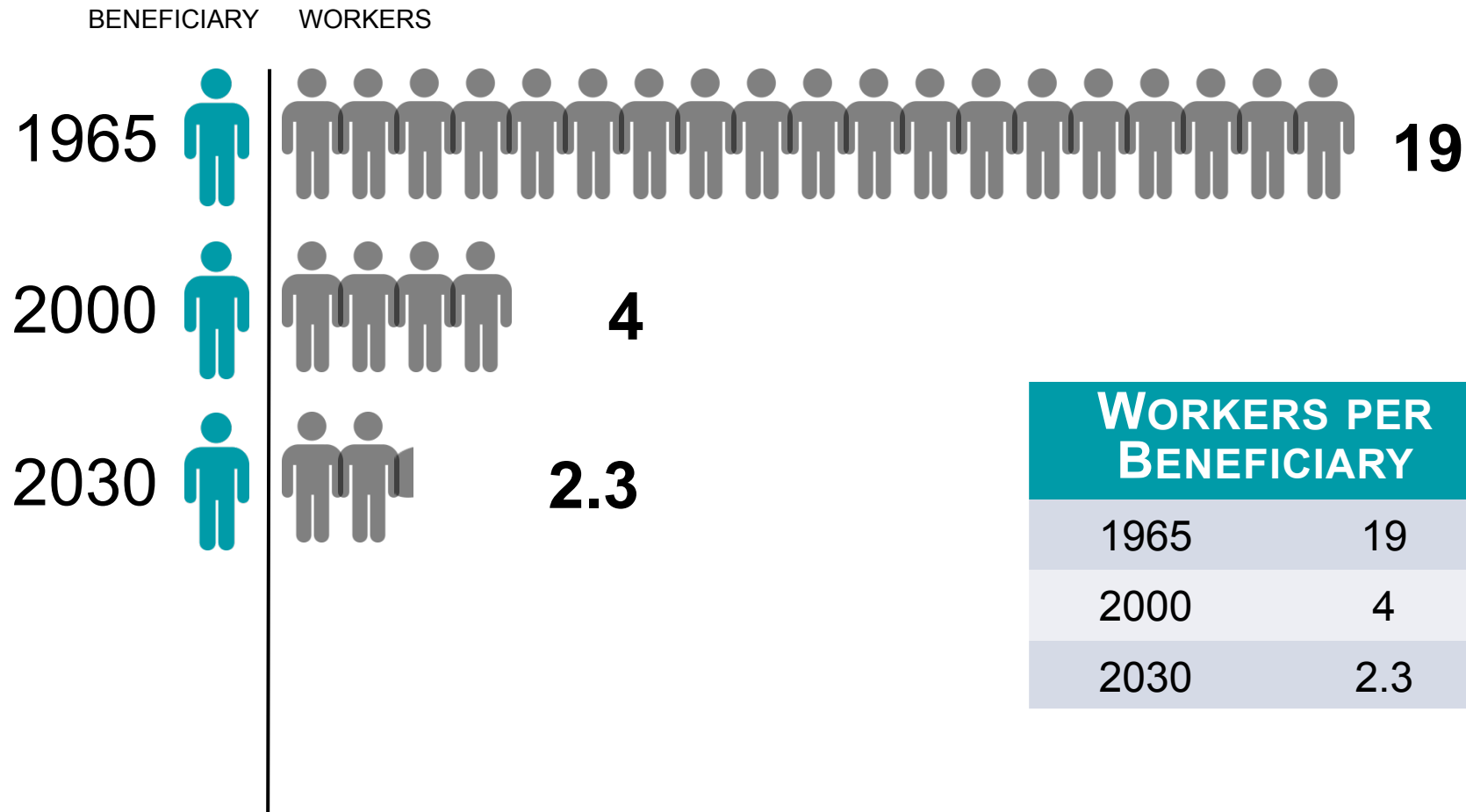
Federal Spending on Entitlements

Reasons for Growth in Entitlement Spending

- Aging "Baby Boomers" dramatically increasing Medicare enrollment
  - 7,500 new beneficiaries per day starting in 2011
  - 47 million beneficiaries in 2010, 80 million by 2030
- Payment structure encourages high utilization of health services
  - Average beneficiary receives $3 in services for every $1 paid in payroll taxes

Medicare Enrollment, 1966-2010

- Nonelderly Disabled (Under Age 65)
- Elderly (Age 65 and Older)

Number in millions:

Year	Total	Nonelderly Disabled	Elderly
1966	19.1		19.1
1970	20.5		20.5
1975	25.0	2.2	22.8
1980	28.5	3.0	25.5
1985	31.1	2.9	28.2
1990	34.2	3.3	31.0
1995	37.6	4.4	33.2
2000	39.6	5.4	34.3
2005	42.5	6.7	35.8
2006	43.3	7.0	36.3
2007	44.0	7.3	37.0
2008	45.4	7.5	37.9
2009	46.1	7.6	38.5
2010	47.0	8.0	39.0

Center for Medicare and Medicaid Services

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ACTIVE WORKERS PER MEDICARE BENEFICIARY

BENEFICIARY   WORKERS

1965   19

2000   4

2030   2.3

WORKERS PER BENEFICIARY	
1965	19
2000	4
2030	2.3

Source: *Source: 2010 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*

Path is Not Sustainable

- Three options if current Medicare cost increases continue:
  - Crushing national debt
  - Significant tax increases on employers, individuals
  - Slashing program access and benefits
- Medicare Trust Fund runs out of money in 2024

Trustees: Key Medicare Program Will Exhaust in 2024

Estimate blames sluggish economy

WASHINGTON, DC
Friday, May 13, 2011

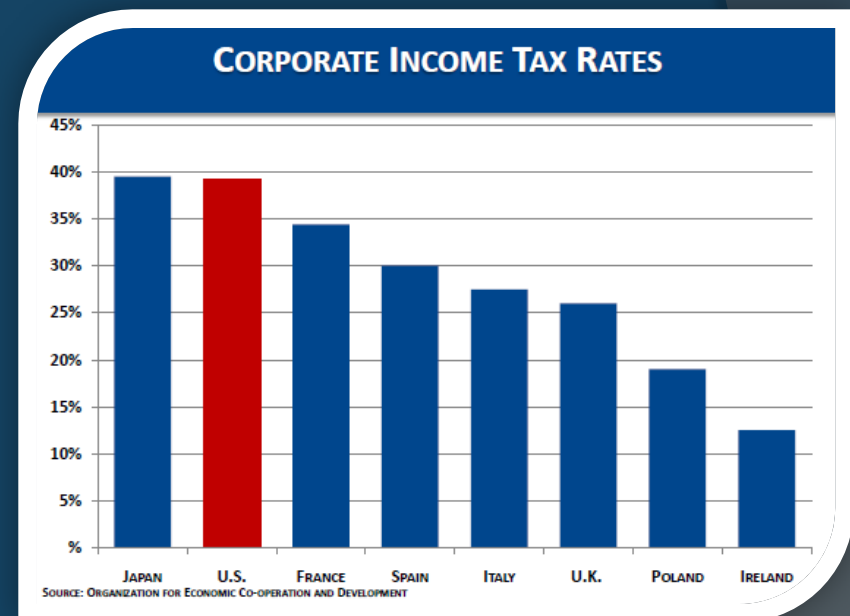The Medicare and Social Security Trustees report says Social Security and Medicare will run out of money sooner than anticipated. The annual report, which provides an update on the solvency and cost of the two entitlement programs, blames the sluggish economy for the changes.

The Hospital Insurance fund, which pays for hospital stays of Medicare recipients, will run out in 2024, five years earlier than last year's report estimate. The Social Security Trust Fund will be exhausted in 2036. When the trust fund runs dry, Social Security benefits do not stop but decrease by 22%

The entitlement programs, which cover one-third of the U.S.

SOCIAL SECURITY & MEDICARE TRUSTEES REPORT
KATHLEEN SEBELIUS
Health & Human Services Secretary
C-SPAN2 c-span.org

HHS Secretary Sebelius

Effect of Rising Deficits on the U.S. Economy

- Funding entitlement programs will require higher taxes
  - U.S. already has one of highest corporate tax rates in world
  - Decline in economic growth, loss of jobs inevitable
- Health sector adding jobs today, a silver lining in current economy
  - Payment cuts, taxes, fees will slow job creation
- Fewer resources for education, infrastructure and others

CORPORATE INCOME TAX RATES

SOURCE: ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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There Are Solutions

- Structural reform of Medicare is essential in order to:
  - Control federal deficit
  - Make Medicare stable
  - Protect access to innovative, quality healthcare
- Democrats, Republicans need to work together to develop long-term solutions

It's Time to Act

"Washington needs to enact a fiscal plan NOW – not next year, not after the next election, but now…the longer we put these choices off, the more difficult and potentially harmful they become."

-- Erskine Bowles and Senator Alan Simpson, co-chairs, National Commission on Fiscal Responsibility and Reform

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