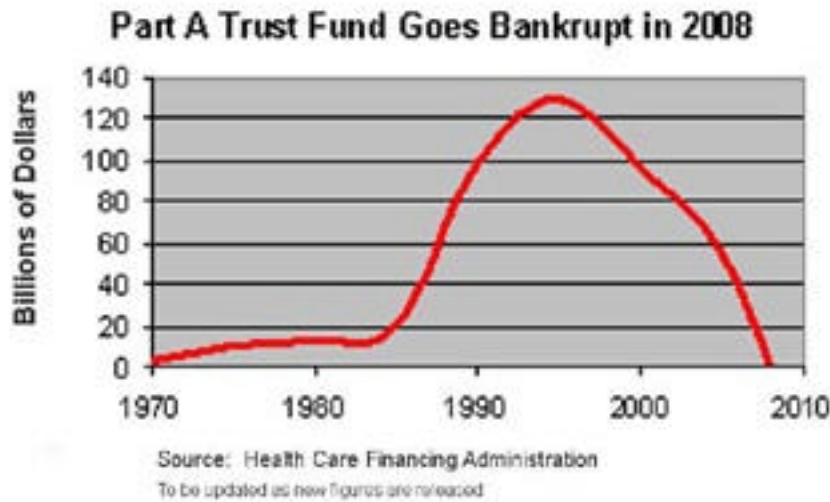


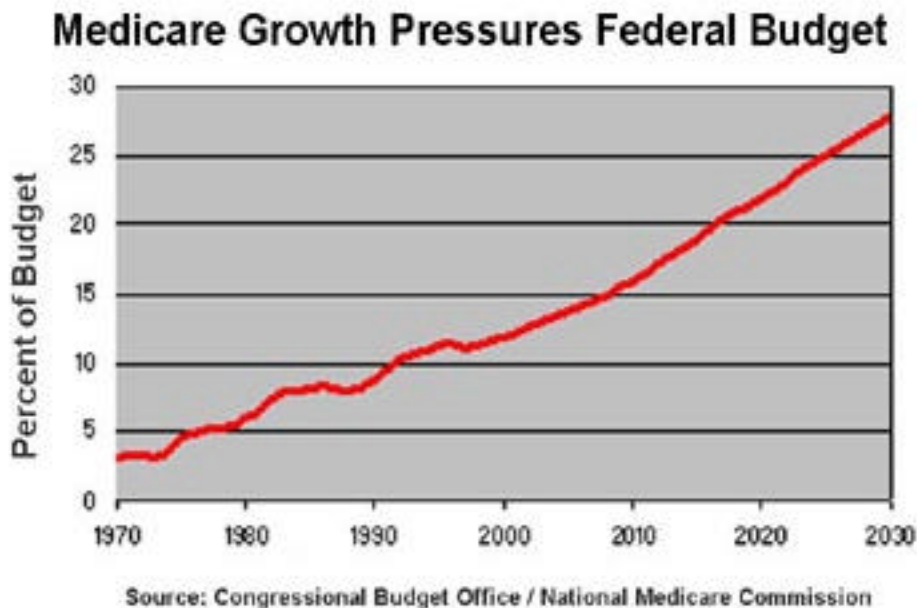
Challenges Facing Medicare



Fact #1

Medicare Goes Broke in 2008

The Balanced Budget Act of 1997 (which also created the Medicare Commission) ensures solvency of the Medicare Part A trust fund for the next 10 years. But, without reform, the trust fund goes bankrupt in the year 2008.



Fact #2

Medicare Spending Affects Other Programs

Annual Medicare expenditures will climb from \$207 billion in 2002, to between \$2.2 and \$3 trillion by the year 2030. As a result, Medicare spending will become a much larger part of the federal budget, potentially affecting the funding of other important programs such as national defense, education, health and safety, and protecting the environment.

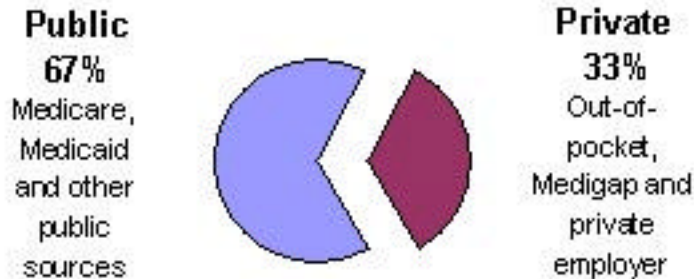


Fact #3

Beneficiaries' Out-of-Pocket Costs to Rise

As the Medicare system itself faces financial troubles, Medicare beneficiaries also face higher costs. Today, beneficiaries pay nearly 30 percent of their health care costs from their own pockets. In 1995, those costs averaged \$2,563 per person to pay for premiums, services and products not covered by Medicare. In the future, out-of-pocket costs are expected to rise.

Who Pays for Medicare Beneficiaries' Health Care?



Source: 1995 Medicare Current Beneficiary Survey, HCFA

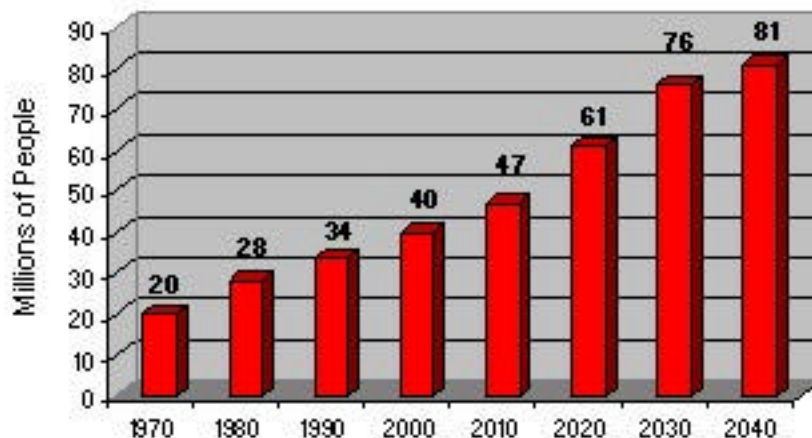


Fact #4

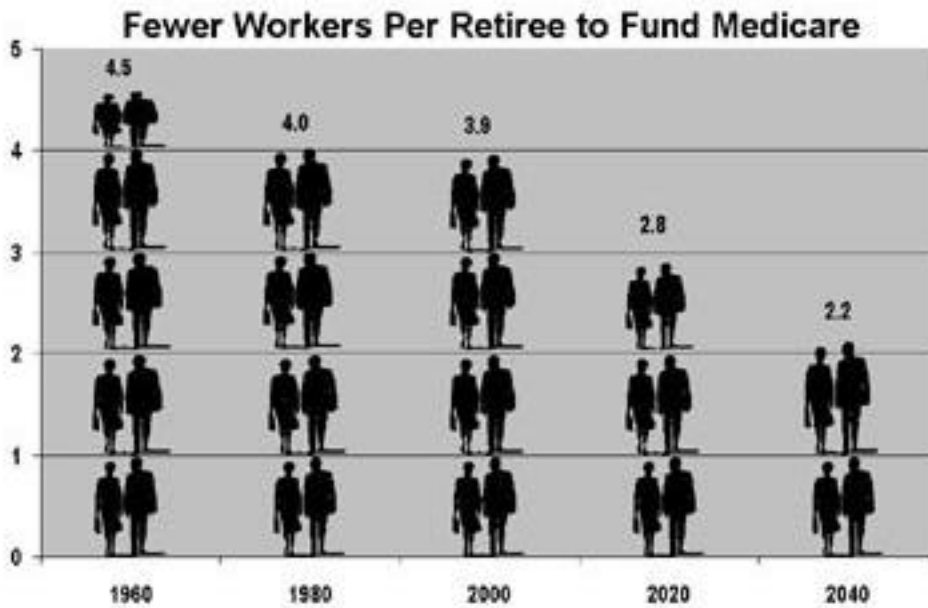
77 Million Baby Boomers to Enter Medicare

Medicare must be strengthened and improved to handle the increased demand of 77 million "Baby Boomers" (people born between 1946 and 1964) who will begin entering Medicare in the year 2011.

Medicare Enrollment Soars



Source: Health Care Financing Administration



Source: Health Care Financing Administration



Fact #5

Fewer Workers Per Retiree to Fund Medicare

As the number of new Medicare beneficiaries rises sharply, there will be significantly fewer workers per retiree to fund Medicare.

¹ source: 1998 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund