

Office of the Actuary

The Honorable Pete Stark
Subcommittee on Health
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

July 2, 2004

Dear Congressman Stark:

Thank you for your letter to Secretary Thompson concerning table II.C14—SMI Out-of-Pocket Expenses as a Percentage of Illustrative Social Security Benefit-- which appeared in the 2003 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. I have been asked to reply to your concerns.

Table II.C14 was not included in the 2004 report but was replaced with a chart showing similar information. The attached table provides the information you requested in the same form as table II.C14 from the 2003 report. The out-of-pocket payments for Parts A, B, and D of the Medicare program are shown as a percentage of an illustrative 65-year-old's Social Security benefit. Also shown are the Medicare out-of-pocket payments for the same illustrative beneficiary 20 years later at age 85.

For the purposes of this table, an illustrative beneficiary is defined as (1) paying the standard Part B premium, (2) paying the average Part D premium, (3) incurring the average level of copayments for all aged beneficiaries each year, and (4) receiving a monthly Social Security benefit at age 65 equal to approximately the average benefit for all OASDI beneficiaries in the year shown, with the standard OASDI benefit increases applying in subsequent years. The examples in the table are intended to illustrate the impact of growth in Medicare out-of-pocket costs on beneficiaries. In practice, the impact on individual beneficiaries can vary substantially from these illustrations, depending on specific copayment and Social Security benefit levels.

Please let us know if you have any questions about this information.

Sincerely,



Sol Mussey, ASA
Director, Medicare and Medicaid Cost Estimates Group
Office of the Actuary

Attachments

Medicare Out-of-pocket expenses as a percentage of illustrative social security benefit

Illustrative 65-year old (percentage of Social Security benefit)								
CY	Part A	Part B		Part B	Part D		Part D	TOTAL
	Out-of-pocket expenses	Part B premium	Part B Copayments	Out-of-pocket expenses	Part D premium	Part D Copayments	Out-of-pocket expenses	Out-of-pocket expenses
1967	1.5%	3.8%	2.5%	6.2%			0.0%	7.8%
1968	1.6%	4.5%	2.7%	7.2%			0.0%	8.7%
1969	1.5%	4.3%	2.9%	7.2%			0.0%	8.7%
1970	1.4%	3.8%	2.7%	6.4%			0.0%	7.8%
1971	1.3%	4.5%	2.5%	7.0%			0.0%	8.3%
1972	1.4%	4.4%	2.5%	7.0%			0.0%	8.4%
1973	1.3%	3.8%	2.5%	6.3%			0.0%	7.6%
1974	1.4%	3.8%	2.6%	6.4%			0.0%	7.8%
1975	1.4%	3.7%	2.8%	6.5%			0.0%	7.9%
1976	1.5%	3.4%	3.0%	6.4%			0.0%	7.9%
1977	1.6%	3.4%	3.2%	6.6%			0.0%	8.2%
1978	1.8%	3.3%	3.4%	6.8%			0.0%	8.6%
1979	1.8%	3.2%	3.6%	6.9%			0.0%	8.7%
1980	1.9%	3.0%	3.8%	6.8%			0.0%	8.7%
1981	1.9%	2.9%	3.8%	6.7%			0.0%	8.6%
1982	2.2%	3.0%	4.0%	7.0%			0.0%	9.2%
1983	2.4%	3.1%	4.4%	7.5%			0.0%	10.0%
1984	2.4%	3.6%	4.7%	8.2%			0.0%	10.7%
1985	2.3%	3.6%	4.9%	8.6%			0.0%	10.9%
1986	2.6%	3.5%	5.4%	8.9%			0.0%	11.6%
1987	2.8%	4.0%	6.0%	10.0%			0.0%	12.7%
1988	2.8%	5.2%	6.3%	11.5%			0.0%	14.3%
1989	2.0%	6.4%	6.6%	12.9%			0.0%	14.9%
1990	2.9%	5.4%	6.8%	12.2%			0.0%	15.2%
1991	3.0%	5.3%	6.8%	12.2%			0.0%	15.1%
1992	3.0%	5.4%	7.1%	12.5%			0.0%	15.5%
1993	3.0%	6.0%	7.0%	13.1%			0.0%	16.1%
1994	3.1%	6.6%	7.3%	13.9%			0.0%	17.0%
1995	3.1%	7.1%	7.6%	14.7%			0.0%	17.8%
1996	3.1%	6.3%	7.6%	13.9%			0.0%	17.0%
1997	3.0%	6.3%	7.7%	13.9%			0.0%	17.0%
1998	2.8%	6.1%	7.4%	13.5%			0.0%	16.4%
1999	2.7%	6.2%	7.6%	13.8%			0.0%	16.5%
2000	2.6%	6.0%	7.6%	13.6%			0.0%	16.3%
2001	2.7%	6.3%	7.7%	14.0%			0.0%	16.7%
2002	2.8%	6.5%	7.9%	14.4%			0.0%	17.2%
2003	2.8%	6.9%	8.1%	15.0%			0.0%	17.8%
2004	2.8%	7.6%	8.2%	15.8%			0.0%	18.6%
2005	2.9%	8.7%	8.3%	17.0%			0.0%	19.9%
2006	2.6%	8.7%	7.2%	16.0%	4.1%	14.6%	18.6%	37.2%
2007	2.6%	8.7%	6.9%	15.6%	4.3%	15.3%	19.6%	37.8%
2008	2.6%	8.8%	6.8%	15.6%	4.5%	15.9%	20.3%	38.5%
2009	2.6%	8.8%	6.5%	15.3%	4.6%	16.3%	20.9%	38.8%
2010	2.6%	8.7%	6.4%	15.2%	4.7%	16.7%	21.4%	39.2%
2011	2.6%	8.7%	6.3%	15.0%	4.8%	17.0%	21.8%	39.4%
2012	2.6%	8.7%	6.3%	15.0%	4.9%	17.8%	22.7%	40.2%
2013	2.6%	8.8%	6.3%	15.1%	5.1%	18.5%	23.6%	41.2%
2014	2.6%	9.0%	6.4%	15.4%	5.3%	19.2%	24.5%	42.4%
2015	2.6%	9.2%	6.6%	15.8%	5.5%	19.8%	25.3%	43.7%
2016	2.6%	9.9%	6.7%	16.6%	5.6%	20.4%	26.0%	45.2%
2017	2.6%	10.0%	6.8%	16.8%	5.8%	21.0%	26.8%	46.2%
2018	2.6%	10.1%	6.9%	17.1%	5.9%	21.6%	27.5%	47.1%
2019	2.6%	10.3%	7.0%	17.3%	6.1%	22.1%	28.2%	48.0%
2020	2.6%	10.4%	7.1%	17.4%	6.2%	22.6%	28.8%	48.9%
2021	2.6%	10.5%	7.2%	17.6%	6.3%	23.1%	29.4%	49.7%
2022	2.6%	10.6%	7.2%	17.8%	6.5%	23.5%	30.0%	50.5%
2023	2.7%	10.7%	7.3%	18.0%	6.6%	23.9%	30.5%	51.2%
2024	2.7%	10.8%	7.4%	18.2%	6.7%	24.3%	31.0%	51.9%

Medicare Out-of-pocket expenses as a percentage of illustrative social security benefit

Illustrative 65-year old (percentage of Social Security benefit)								
CY	Part A	Part B		Part B	Part D	Part D	Part D	TOTAL
	Out-of-pocket expenses	Part B premium	Part B Copayments	Out-of-pocket expenses	premium	Copayments	Out-of-pocket expenses	Out-of-pocket expenses
2025	2.7%	10.9%	7.5%	18.4%	6.8%	24.7%	31.4%	52.6%
2026	2.8%	11.1%	7.6%	18.6%	6.9%	25.0%	31.8%	53.2%
2027	2.8%	11.2%	7.7%	18.8%	6.9%	25.2%	32.1%	53.8%
2028	2.8%	11.3%	7.7%	19.0%	7.0%	25.4%	32.4%	54.2%
2029	2.9%	11.4%	7.8%	19.2%	7.1%	25.6%	32.6%	54.7%
2030	2.9%	11.5%	7.9%	19.5%	7.1%	25.8%	32.9%	55.3%
2031	3.0%	11.7%	8.0%	19.7%	7.2%	26.0%	33.2%	55.8%
2032	3.0%	11.8%	8.1%	19.9%	7.2%	26.2%	33.5%	56.4%
2033	3.1%	12.0%	8.2%	20.2%	7.3%	26.5%	33.8%	57.1%
2034	3.1%	12.1%	8.4%	20.5%	7.4%	26.8%	34.2%	57.8%
2035	3.2%	12.3%	8.5%	20.8%	7.4%	27.1%	34.5%	58.5%
2036	3.2%	12.5%	8.6%	21.0%	7.5%	27.3%	34.9%	59.1%
2037	3.3%	12.6%	8.7%	21.3%	7.6%	27.7%	35.3%	59.9%
2038	3.4%	12.8%	8.8%	21.6%	7.7%	28.0%	35.7%	60.7%
2039	3.4%	13.0%	8.9%	21.9%	7.8%	28.3%	36.1%	61.4%
2040	3.5%	13.1%	9.1%	22.2%	7.9%	28.7%	36.6%	62.2%
2041	3.6%	13.3%	9.2%	22.5%	8.0%	29.0%	37.0%	63.1%
2042	3.6%	13.5%	9.3%	22.8%	8.1%	29.4%	37.5%	63.9%
2043	3.7%	13.7%	9.4%	23.1%	8.2%	29.8%	37.9%	64.8%
2044	3.7%	13.9%	9.6%	23.4%	8.3%	30.2%	38.4%	65.6%
2045	3.8%	14.0%	9.7%	23.7%	8.4%	30.5%	38.9%	66.4%
2046	3.8%	14.2%	9.8%	24.0%	8.5%	30.9%	39.4%	67.2%
2047	3.9%	14.4%	9.9%	24.3%	8.6%	31.3%	39.9%	68.0%
2048	3.9%	14.5%	10.0%	24.5%	8.7%	31.7%	40.3%	68.8%
2049	4.0%	14.7%	10.1%	24.8%	8.8%	32.1%	40.8%	69.6%
2050	4.0%	14.8%	10.3%	25.1%	8.9%	32.5%	41.3%	70.5%
2051	4.1%	15.0%	10.4%	25.4%	9.0%	32.8%	41.8%	71.3%
2052	4.1%	15.2%	10.5%	25.7%	9.1%	33.2%	42.3%	72.1%
2053	4.2%	15.4%	10.6%	26.0%	9.2%	33.6%	42.8%	73.0%
2054	4.2%	15.5%	10.7%	26.3%	9.3%	34.0%	43.3%	73.8%
2055	4.3%	15.7%	10.9%	26.6%	9.4%	34.4%	43.8%	74.7%
2056	4.3%	15.9%	11.0%	26.9%	9.5%	34.8%	44.3%	75.5%
2057	4.4%	16.1%	11.1%	27.2%	9.6%	35.2%	44.8%	76.3%
2058	4.4%	16.3%	11.2%	27.5%	9.7%	35.6%	45.2%	77.1%
2059	4.5%	16.5%	11.4%	27.8%	9.8%	36.0%	45.7%	78.0%
2060	4.5%	16.7%	11.5%	28.2%	9.9%	36.3%	46.2%	78.9%
2061	4.6%	16.9%	11.7%	28.5%	10.0%	36.7%	46.7%	79.8%
2062	4.6%	17.1%	11.8%	28.9%	10.1%	37.1%	47.2%	80.7%
2063	4.7%	17.3%	12.0%	29.3%	10.2%	37.5%	47.7%	81.7%
2064	4.7%	17.5%	12.1%	29.7%	10.3%	37.9%	48.2%	82.6%
2065	4.8%	17.8%	12.3%	30.0%	10.4%	38.3%	48.7%	83.6%
2066	4.9%	18.0%	12.4%	30.4%	10.5%	38.7%	49.2%	84.5%
2067	4.9%	18.2%	12.6%	30.7%	10.6%	39.2%	49.8%	85.4%
2068	5.0%	18.4%	12.7%	31.1%	10.7%	39.6%	50.3%	86.4%
2069	5.1%	18.6%	12.9%	31.5%	10.9%	40.1%	50.9%	87.4%
2070	5.1%	18.8%	13.0%	31.8%	11.0%	40.5%	51.5%	88.5%
2071	5.2%	19.0%	13.2%	32.2%	11.1%	41.0%	52.1%	89.5%
2072	5.3%	19.3%	13.3%	32.6%	11.2%	41.5%	52.7%	90.6%
2073	5.4%	19.5%	13.5%	33.0%	11.3%	41.9%	53.3%	91.6%
2074	5.4%	19.7%	13.6%	33.3%	11.5%	42.4%	53.9%	92.7%
2075	5.5%	19.9%	13.8%	33.7%	11.6%	42.9%	54.5%	93.7%
2076	5.6%	20.2%	13.9%	34.1%	11.7%	43.4%	55.1%	94.8%
2077	5.7%	20.4%	14.1%	34.5%	11.9%	43.9%	55.7%	95.9%
2078	5.7%	20.6%	14.3%	34.9%	12.0%	44.4%	56.4%	97.0%

Same person in 20 years - Age 85 (percentage of Social Security benefit)

CY	Part A	Part B premium	Part B Copayments	Part B	Part D premium	Part D Copayments	Part D	TOTAL
	Out-of-pocket expenses			Out-of-pocket expenses			Out-of-pocket expenses	Out-of-pocket expenses
1967								
1968								
1969								
1970								
1971								
1972								
1973								
1974								
1975								
1976								
1977								
1978								
1979								
1980								
1981								
1982								
1983								
1984								
1985								
1986								
1987	3.2%	4.6%	7.0%	11.6%				14.9%
1988	3.2%	6.1%	7.3%	13.4%				16.6%
1989	2.4%	7.9%	8.1%	16.0%				18.4%
1990	3.5%	6.4%	8.0%	14.5%				18.0%
1991	3.5%	6.4%	8.1%	14.5%				18.0%
1992	3.7%	6.8%	8.8%	15.5%				19.3%
1993	3.8%	7.7%	9.0%	16.6%				20.5%
1994	3.7%	7.7%	8.6%	16.3%				20.0%
1995	3.7%	8.5%	9.1%	17.6%				21.3%
1996	3.7%	7.5%	9.0%	16.6%				20.2%
1997	3.6%	7.4%	9.1%	16.5%				20.1%
1998	3.4%	7.2%	8.8%	16.1%				19.4%
1999	3.1%	7.1%	8.7%	15.8%				18.9%
2000	2.9%	6.6%	8.5%	15.1%				18.0%
2001	3.0%	7.0%	8.7%	15.7%				18.7%
2002	3.2%	7.5%	9.0%	16.4%				19.6%
2003	3.3%	8.2%	9.5%	17.6%				20.9%
2004	3.3%	9.0%	9.6%	18.6%				21.9%
2005	3.4%	10.1%	9.6%	19.8%				23.1%
2006	3.0%	10.0%	8.3%	18.3%	4.7%	16.7%	21.4%	42.7%
2007	2.9%	9.7%	8.0%	17.7%	4.9%	17.4%	22.3%	42.9%
2008	2.9%	9.6%	7.6%	17.1%	5.1%	18.1%	23.1%	43.1%
2009	2.8%	9.6%	7.4%	17.0%	5.2%	18.6%	23.8%	43.7%
2010	2.8%	9.6%	7.2%	16.8%	5.4%	19.1%	24.5%	44.1%
2011	2.8%	9.6%	7.1%	16.7%	5.5%	19.5%	25.0%	44.5%
2012	2.8%	9.6%	7.0%	16.7%	5.7%	20.5%	26.2%	45.7%
2013	2.9%	9.7%	7.0%	16.7%	5.9%	21.4%	27.3%	46.8%
2014	2.9%	9.8%	7.0%	16.9%	6.2%	22.3%	28.5%	48.2%
2015	2.9%	10.1%	7.2%	17.3%	6.4%	23.2%	29.6%	49.8%
2016	2.9%	10.4%	7.4%	17.9%	6.6%	24.1%	30.7%	51.5%
2017	2.9%	11.2%	7.6%	18.8%	6.8%	24.9%	31.7%	53.5%
2018	2.9%	11.4%	7.8%	19.2%	7.1%	25.7%	32.8%	54.9%
2019	3.0%	11.7%	8.0%	19.6%	7.3%	26.5%	33.8%	56.4%
2020	3.0%	11.8%	8.1%	19.9%	7.5%	27.2%	34.6%	57.5%
2021	3.0%	12.0%	8.2%	20.2%	7.6%	27.8%	35.4%	58.6%
2022	3.1%	12.2%	8.3%	20.5%	7.8%	28.4%	36.3%	59.8%
2023	3.1%	12.3%	8.4%	20.7%	8.0%	29.0%	36.9%	60.8%
2024	3.1%	12.4%	8.5%	20.8%	8.0%	29.2%	37.3%	61.2%

Same person in 20 years - Age 85 (percentage of Social Security benefit)

CY	Part A	Part B			Part D		Part D	TOTAL
	Out-of-pocket expenses	Part B premium	Part B Copayments	Out-of-pocket expenses	Part D premium	Part D Copayments	Out-of-pocket expenses	Out-of-pocket expenses
2025	3.2%	12.7%	8.7%	21.4%	8.3%	30.1%	38.4%	63.0%
2026	3.3%	13.0%	8.9%	21.9%	8.5%	30.8%	39.3%	64.5%
2027	3.4%	13.3%	9.1%	22.4%	8.9%	32.4%	41.3%	67.1%
2028	3.4%	13.5%	9.2%	22.7%	9.1%	32.9%	42.0%	68.2%
2029	3.5%	13.6%	9.3%	23.0%	9.2%	33.3%	42.5%	69.0%
2030	3.5%	13.7%	9.4%	23.2%	9.3%	33.6%	42.9%	69.6%
2031	3.6%	13.9%	9.5%	23.4%	9.3%	33.9%	43.2%	70.2%
2032	3.6%	14.0%	9.6%	23.7%	9.4%	34.1%	43.6%	70.8%
2033	3.7%	14.2%	9.8%	23.9%	9.5%	34.4%	43.9%	71.5%
2034	3.8%	14.4%	9.9%	24.2%	9.6%	34.7%	44.3%	72.3%
2035	3.8%	14.5%	10.0%	24.5%	9.6%	35.0%	44.7%	73.0%
2036	3.9%	14.6%	10.1%	24.7%	9.7%	35.3%	45.0%	73.6%
2037	3.9%	14.8%	10.2%	25.0%	9.8%	35.6%	45.3%	74.2%
2038	4.0%	14.9%	10.3%	25.2%	9.8%	35.8%	45.7%	74.8%
2039	4.0%	15.1%	10.4%	25.4%	9.9%	36.1%	46.0%	75.5%
2040	4.1%	15.2%	10.5%	25.7%	10.0%	36.4%	46.4%	76.2%
2041	4.2%	15.4%	10.6%	26.0%	10.1%	36.7%	46.8%	76.9%
2042	4.2%	15.5%	10.7%	26.2%	10.1%	37.1%	47.2%	77.7%
2043	4.3%	15.7%	10.8%	26.5%	10.2%	37.4%	47.7%	78.5%
2044	4.3%	15.9%	11.0%	26.8%	10.3%	37.8%	48.1%	79.3%
2045	4.4%	16.1%	11.1%	27.1%	10.4%	38.2%	48.6%	80.2%
2046	4.5%	16.2%	11.2%	27.4%	10.6%	38.6%	49.2%	81.1%
2047	4.5%	16.4%	11.3%	27.7%	10.7%	39.0%	49.7%	81.9%
2048	4.6%	16.6%	11.4%	28.0%	10.8%	39.5%	50.2%	82.8%
2049	4.6%	16.7%	11.6%	28.3%	10.9%	39.9%	50.8%	83.7%
2050	4.7%	16.9%	11.7%	28.6%	11.0%	40.3%	51.3%	84.6%
2051	4.7%	17.1%	11.8%	28.9%	11.1%	40.8%	51.9%	85.4%
2052	4.8%	17.2%	11.9%	29.2%	11.2%	41.2%	52.4%	86.3%
2053	4.8%	17.4%	12.0%	29.5%	11.3%	41.6%	53.0%	87.3%
2054	4.8%	17.6%	12.2%	29.8%	11.5%	42.1%	53.6%	88.2%
2055	4.9%	17.8%	12.3%	30.1%	11.6%	42.6%	54.2%	89.2%
2056	4.9%	18.0%	12.4%	30.4%	11.7%	43.1%	54.8%	90.2%
2057	5.0%	18.2%	12.6%	30.8%	11.8%	43.5%	55.3%	91.1%
2058	5.0%	18.4%	12.7%	31.1%	12.0%	44.0%	55.9%	92.1%
2059	5.1%	18.6%	12.9%	31.5%	12.1%	44.5%	56.6%	93.2%
2060	5.2%	18.9%	13.0%	31.9%	12.2%	45.0%	57.2%	94.3%
2061	5.2%	19.1%	13.2%	32.4%	12.4%	45.5%	57.8%	95.4%
2062	5.3%	19.4%	13.4%	32.8%	12.5%	46.0%	58.5%	96.6%
2063	5.4%	19.7%	13.6%	33.2%	12.6%	46.5%	59.2%	97.8%
2064	5.5%	19.9%	13.8%	33.7%	12.8%	47.1%	59.8%	99.0%
2065	5.5%	20.2%	14.0%	34.2%	12.9%	47.6%	60.5%	100.2%
2066	5.6%	20.5%	14.1%	34.6%	13.1%	48.1%	61.2%	101.4%
2067	5.7%	20.7%	14.3%	35.0%	13.2%	48.7%	61.9%	102.7%
2068	5.8%	21.0%	14.5%	35.5%	13.4%	49.3%	62.7%	103.9%
2069	5.9%	21.2%	14.7%	35.9%	13.5%	49.9%	63.5%	105.2%
2070	5.9%	21.5%	14.9%	36.4%	13.7%	50.5%	64.2%	106.5%
2071	6.0%	21.8%	15.0%	36.8%	13.8%	51.1%	65.0%	107.8%
2072	6.1%	22.0%	15.2%	37.3%	14.0%	51.8%	65.8%	109.2%
2073	6.2%	22.3%	15.4%	37.7%	14.2%	52.4%	66.5%	110.5%
2074	6.3%	22.6%	15.6%	38.2%	14.3%	53.0%	67.3%	111.8%
2075	6.4%	22.8%	15.8%	38.6%	14.5%	53.6%	68.1%	113.1%
2076	6.5%	23.1%	16.0%	39.1%	14.7%	54.3%	68.9%	114.5%
2077	6.6%	23.4%	16.2%	39.5%	14.8%	54.9%	69.7%	115.8%
2078	6.6%	23.6%	16.4%	40.0%	15.0%	55.5%	70.5%	117.2%