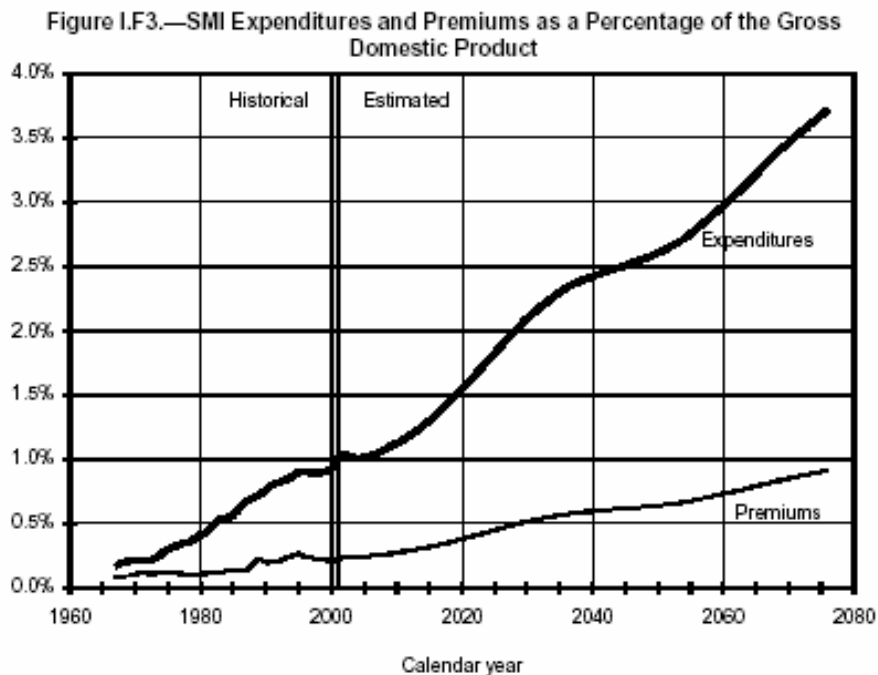
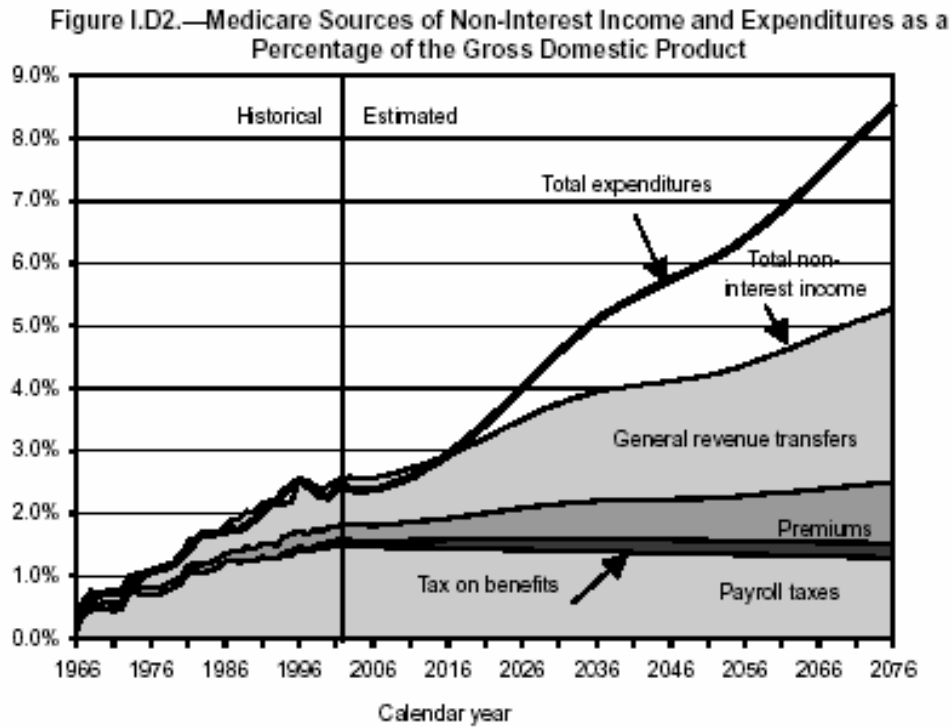


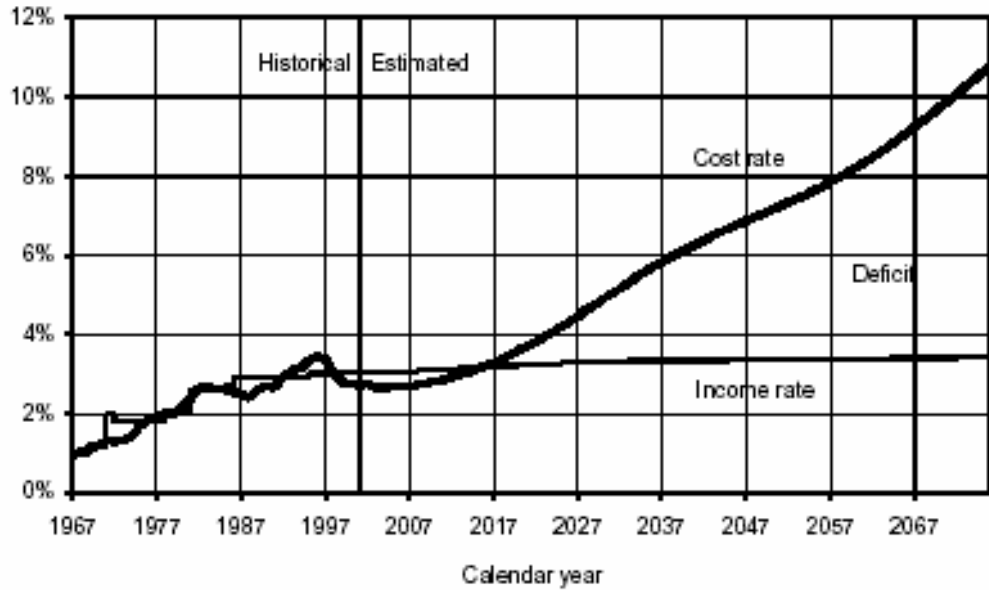
**Figure 1: Medicare Part A and B Expenditures and Income**



Source: 2002 ANNUAL REPORT OF THE BOARDS OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE AND FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS

**Figure 2: Part A Long Range Forecast**

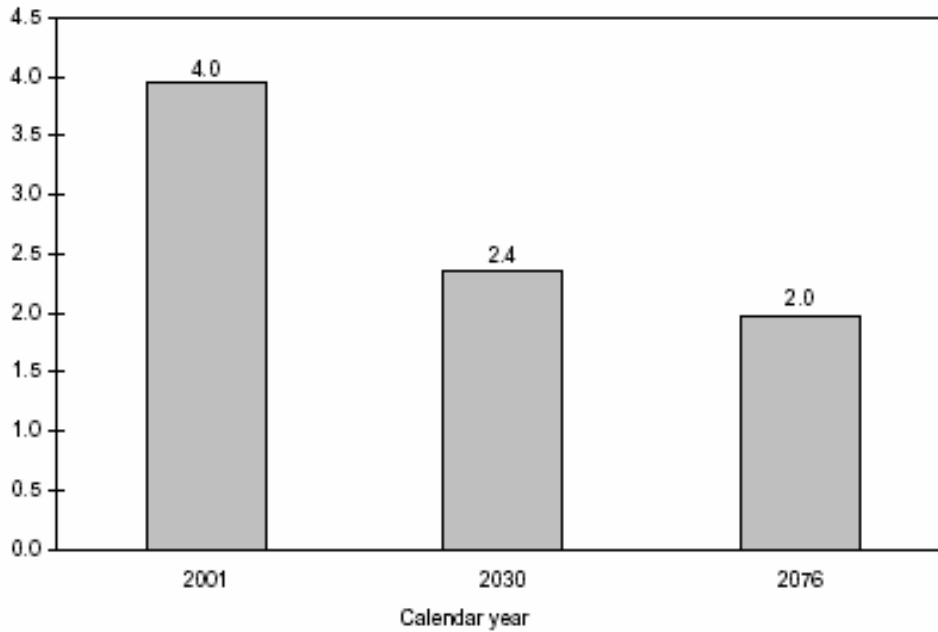
**Figure I.E4.—Long-Range HI Income and Cost as a Percentage of Taxable Payroll, Intermediate Assumptions**



Source: 2002 ANNUAL REPORT OF THE BOARDS OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE AND FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS

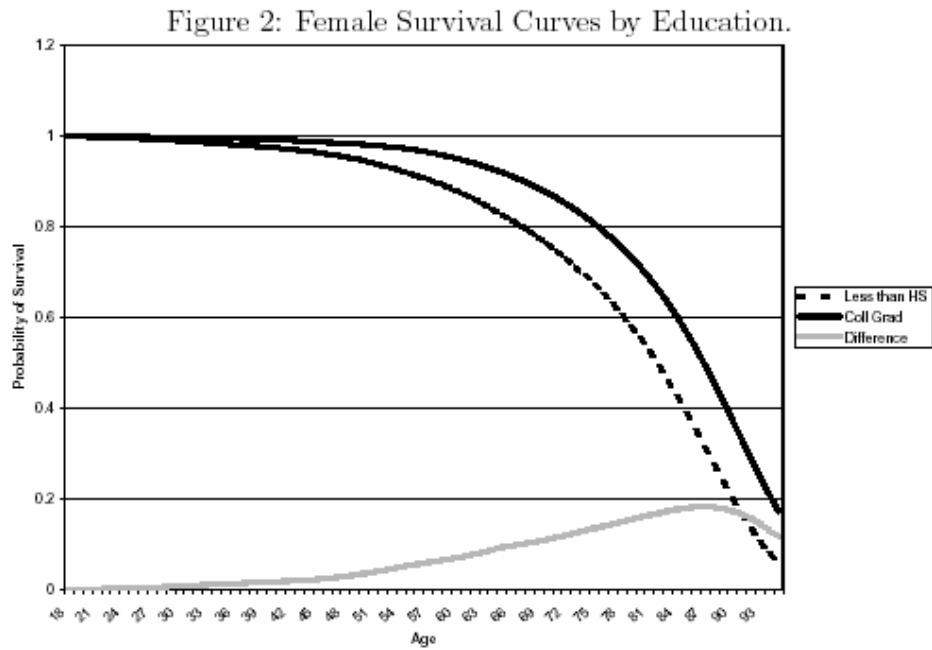
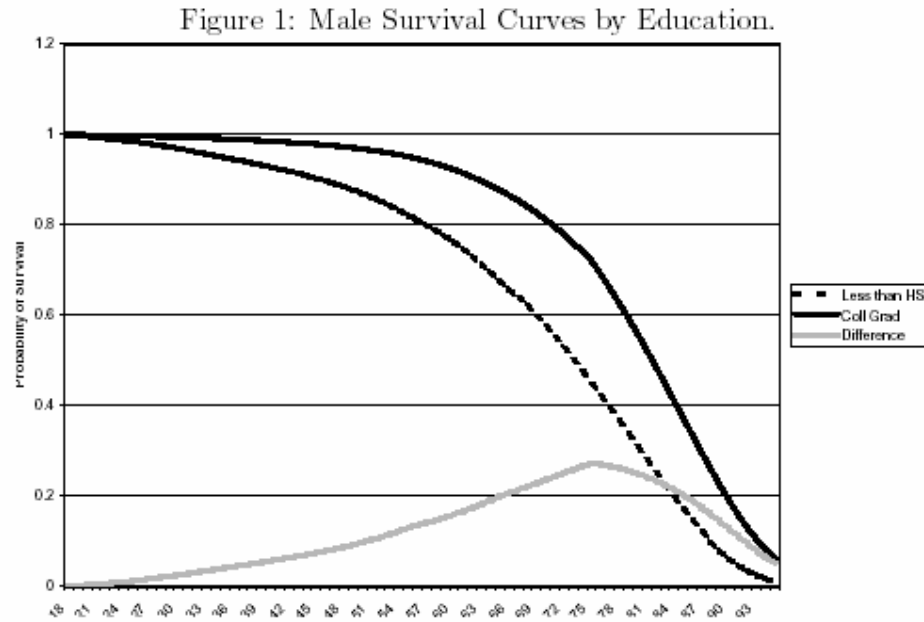
**Figure 3: Forecast of Number of Workers per Beneficiary**

Figure I.E5.—Workers per HI Beneficiary  
[Based on intermediate assumptions]



Source: 2002 ANNUAL REPORT OF THE BOARDS OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE AND FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS

Figure 4: Survival by Education Group



Source: Bhattacharya and Lakdawalla (2002) based on information from Vital Statistics

Figure 5: Real per Capita Medicare Benefits by Education Group

Table 2: Real Per Capita Medicare Benefits by Educational Attainment.

		Females				Males			
		High Sch Dropouts	High Sch Grads	College Attendees	College Grads	High Sch Dropouts	High Sch Grads	College Attendees	College Grads
Total Medicare	65-74	\$4,455	\$3,363	\$3,232	\$2,366	\$4,941	\$3,908	\$3,794	\$3,407
	75-84	\$6,001	\$5,310	\$5,433	\$4,478	\$6,361	\$6,051	\$6,315	\$5,573
	85+	\$7,565	\$6,765	\$5,717	\$5,915	\$7,323	\$7,565	\$7,561	\$6,170
Medicare Part A	65-74	\$2,574	\$1,733	\$1,612	\$892	\$2,990	\$2,101	\$1,891	\$1,737
	75-84	\$3,786	\$3,112	\$3,171	\$2,450	\$3,783	\$3,590	\$3,461	\$2,974
	85+	\$5,290	\$4,547	\$3,609	\$3,974	\$4,937	\$5,184	\$5,208	\$3,590
Medicare Part B	65-74	\$1,535	\$1,173	\$1,092	\$1,035	\$1,494	\$1,309	\$1,217	\$1,199
	75-84	\$1,814	\$1,630	\$1,629	\$1,515	\$1,930	\$1,795	\$2,096	\$2,005
	85+	\$1,868	\$1,711	\$1,576	\$1,587	\$1,776	\$1,770	\$1,728	\$1,890
Medicare HMO	65-74	\$346	\$459	\$529	\$440	\$464	\$507	\$696	\$479
	75-84	\$405	\$568	\$635	\$513	\$648	\$666	\$757	\$595
	85+	\$406	\$507	\$532	\$353	\$621	\$610	\$625	\$690

Source: MCBS, 1992-1998.

Notes: All values are per capita real 1997 dollars and are deflated by the Geographic Practice Cost Index for the relevant county and year.

Source: Bhattacharya and Lakdawalla (2002) based on information from Vital Statistics

Figure 6: Expected Lifetime Net Present Value of Medicare Benefits

Table 4: Expected Net Present Value of Medicare Benefits, by Sex and Education.

	Real Interest Rate	Male				Female			
		Less than HS	HS Grad	Coll Attendee	Coll Grad	Less than HS	HS Grad	Coll Attendee	Coll Grad
No Growth	0%	\$45,215	\$46,988	\$49,105	\$50,067	\$41,463	\$42,277	\$43,008	\$40,848
	1%	\$25,563	\$26,128	\$27,306	\$27,614	\$22,970	\$23,186	\$23,596	\$22,014
	2%	\$14,606	\$14,688	\$15,355	\$15,403	\$12,876	\$12,866	\$13,094	\$12,005
	3%	\$8,430	\$8,344	\$8,727	\$8,687	\$7,301	\$7,221	\$7,346	\$6,622
	4%	\$4,913	\$4,788	\$5,012	\$4,951	\$4,185	\$4,098	\$4,166	\$3,694
	5%	\$2,890	\$2,775	\$2,907	\$2,850	\$2,425	\$2,351	\$2,386	\$2,084
4% Ann. Growth	0%	\$71,399	\$79,210	\$83,026	\$87,438	\$71,556	\$75,719	\$76,671	\$78,149
	1%	\$39,508	\$43,117	\$45,136	\$47,150	\$38,670	\$40,558	\$41,132	\$41,188
	2%	\$22,113	\$23,740	\$24,829	\$25,726	\$21,157	\$21,987	\$22,327	\$21,965
	3%	\$12,513	\$13,216	\$13,815	\$14,199	\$11,715	\$12,060	\$12,260	\$11,849
	4%	\$7,157	\$7,437	\$7,772	\$7,925	\$6,563	\$6,692	\$6,807	\$6,466
	5%	\$4,135	\$4,229	\$4,420	\$4,471	\$3,718	\$3,755	\$3,821	\$3,567

Figure 7: Expected Net Present Value of Tax Liability from age 18

Table 5: Expected Net Present Value of Tax Liability faced by Families of HRS Cohort Members.

Real Interest Rate	Male				Female			
	Less than HS	HS Grad	Coll Attendee	Coll Grad	Less than HS	HS Grad	Coll Attendee	Coll Grad
0%	\$20,298	\$28,676	\$32,385	\$45,565	\$15,406	\$24,007	\$29,059	\$35,777
1%	\$14,971	\$20,983	\$23,485	\$32,393	\$11,458	\$17,743	\$21,235	\$25,659
2%	\$11,165	\$15,534	\$17,233	\$23,298	\$8,612	\$13,256	\$15,695	\$18,621
3%	\$8,417	\$11,633	\$12,793	\$16,953	\$6,540	\$10,009	\$11,731	\$13,672
4%	\$6,413	\$8,810	\$9,607	\$12,481	\$5,016	\$7,635	\$8,864	\$10,155
5%	\$4,937	\$6,745	\$7,296	\$9,296	\$3,884	\$5,883	\$6,770	\$7,629

Note: All figures are in real 1997 dollars, from the perspective of an 18 year-old in the HRS cohort.

Figure 8: Net Present Value and Internal Rate of Return to Medicare Part A

Table 6: Expected Net Present Dollar Flows from Medicare for Families of HRS Cohort Members, by sex and education of the cohort member.

	Real Interest Rate	Male				Female			
		Less than HS	HS Grad	Coll Attendee	Coll Grad	Less than HS	HS Grad	Coll Attendee	Coll Grad
No Growth	0%	\$38,340	\$34,245	\$32,891	\$18,024	\$59,260	\$54,643	\$52,499	\$47,178
	1%	\$18,656	\$14,853	\$13,690	\$3,421	\$31,403	\$26,884	\$25,031	\$21,049
	2%	\$8,317	\$5,087	\$4,149	-\$2,918	\$16,239	\$12,322	\$10,817	\$7,946
	3%	\$2,982	\$351	-\$377	-\$5,239	\$8,009	\$4,795	\$3,612	\$1,590
	4%	\$320	-\$1,777	-\$2,329	-\$5,681	\$3,582	\$1,015	\$99	-\$1,303
	5%	-\$923	-\$2,579	-\$2,992	-\$5,311	\$1,243	-\$781	-\$1,484	-\$2,446
4% Ann Growth	0%	\$75,587	\$77,126	\$77,101	\$66,803	\$105,514	\$109,448	\$109,991	\$110,320
	1%	\$38,868	\$38,052	\$37,680	\$29,635	\$56,577	\$56,543	\$56,112	\$55,035
	2%	\$19,389	\$17,752	\$17,287	\$11,297	\$30,069	\$28,518	\$27,773	\$26,404
	3%	\$9,103	\$7,330	\$6,883	\$2,539	\$15,677	\$13,719	\$12,946	\$11,703
	4%	\$3,736	\$2,102	\$1,719	-\$1,388	\$7,872	\$5,976	\$5,284	\$4,287
	5%	\$1,001	-\$403	-\$715	-\$2,920	\$3,665	\$2,000	\$1,421	\$670

Note: All figures are in real 1997 dollars, from the perspective of an 18 year-old in the HRS cohort.

Table 7: Internal rates of return on Medicare by sex, education group, and rates of growth in Medicare benefits.

Ben. Gwth.	Males					Females				
	HS Dropout	HS Grad	Coll Attendee	Coll Grad	Overall	HS Dropout	HS Grad	Coll Attendee	Coll Grad	Overall
0%	4.8%	3.6%	3.4%	2.3%	3.7%	4.8%	3.4%	3.0%	2.2%	3.6%
1%	5.1%	4.0%	3.8%	2.8%	4.1%	5.1%	3.8%	3.4%	2.6%	4.0%
2%	5.4%	4.4%	4.2%	3.3%	4.4%	5.4%	4.1%	3.7%	3.1%	4.4%
3%	5.8%	4.8%	4.6%	3.7%	4.8%	5.7%	4.5%	4.1%	3.5%	4.7%
4%	6.1%	5.2%	5.0%	4.2%	5.2%	6.1%	4.9%	4.5%	4.0%	5.1%
5%	6.4%	5.5%	5.4%	4.6%	5.6%	6.4%	5.3%	4.9%	4.4%	5.5%



**Figure 9: History of Medicaid Expenditures**

**Figure 1  
Medicaid Expenditures and Enrollment 1966-1999**

