

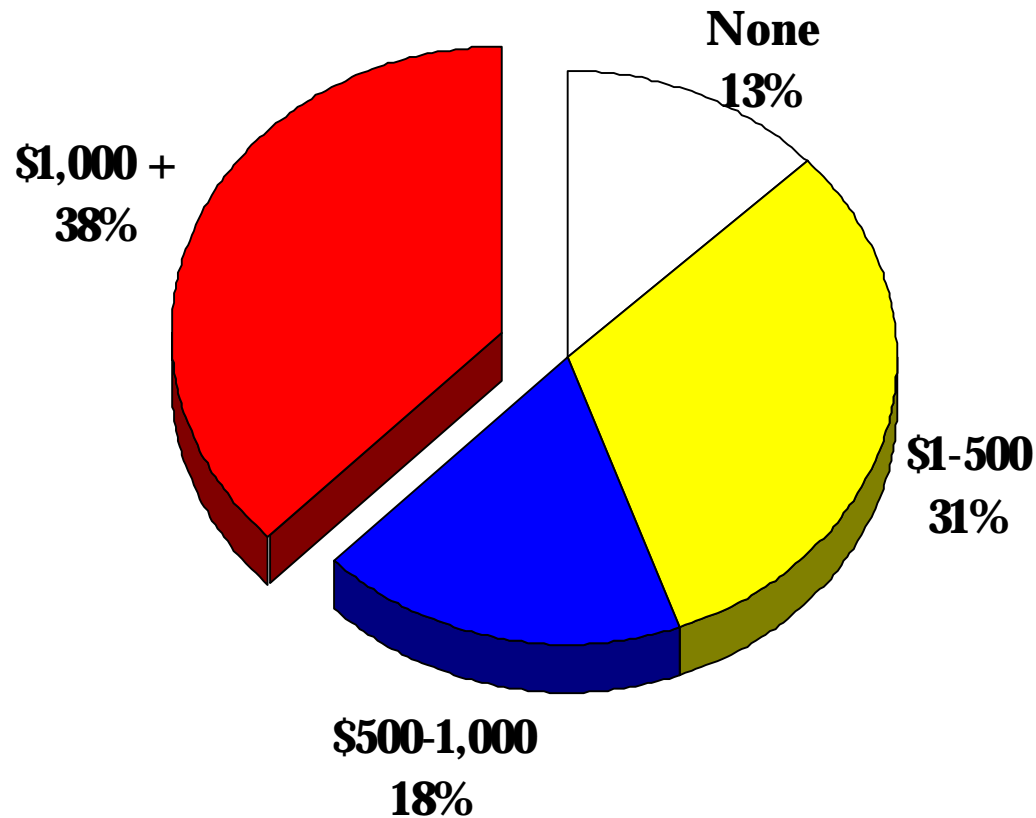
**DISTURBING TRUTHS
AND DANGEROUS
TRENDS:**

**The Facts About Medicare
Beneficiaries and Prescription
Drug Coverage**

July, 1999

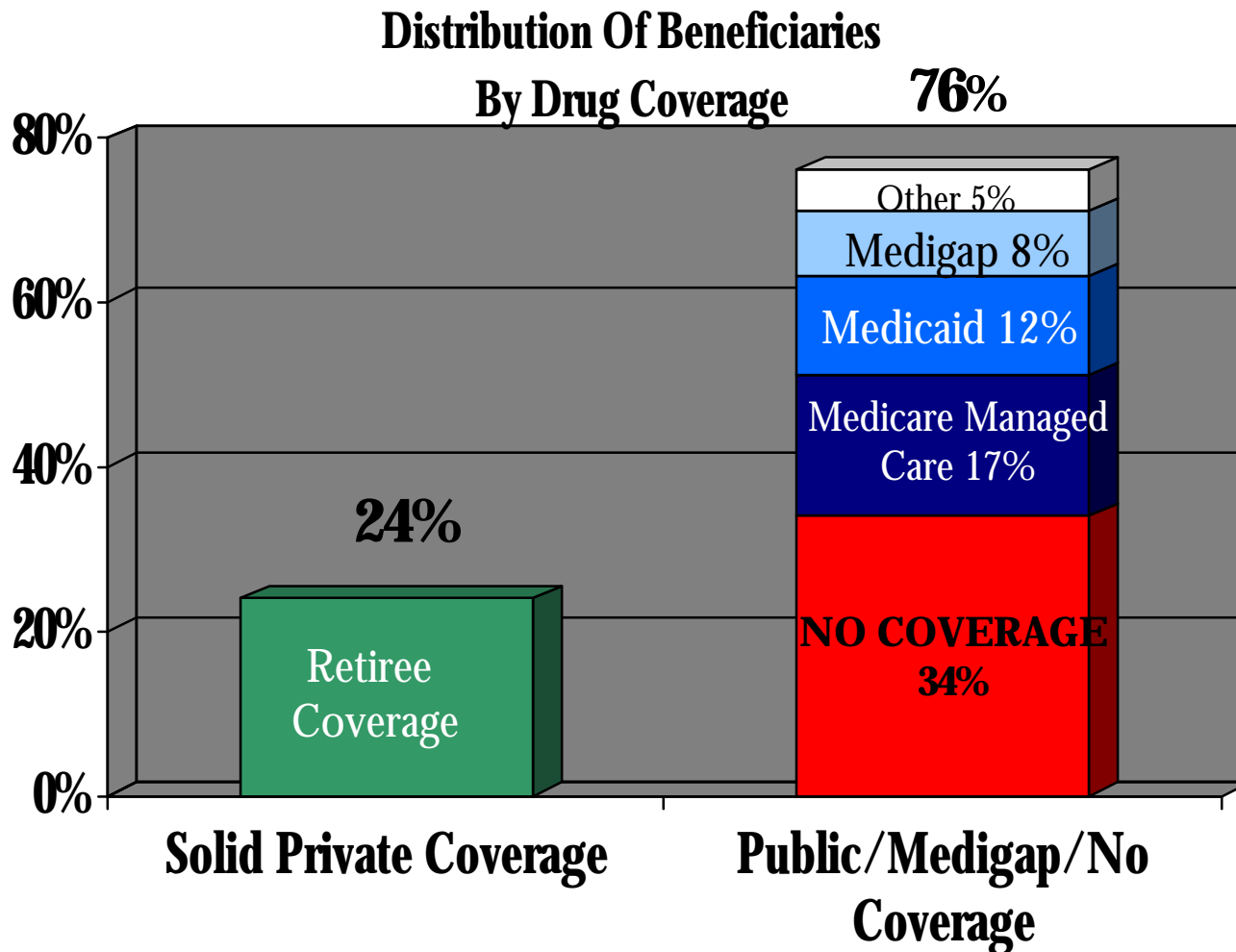
Medicare Beneficiaries Need Prescription Drugs

Beneficiaries By Total Drug Spending



SOURCE: Actuarial Research Corporation for HHS, 2000

Three Out Of Four Beneficiaries Do Not Have Solid Private Drug Coverage



SOURCE: Actuarial Research Corporation for HHS, point-in-time, 2000

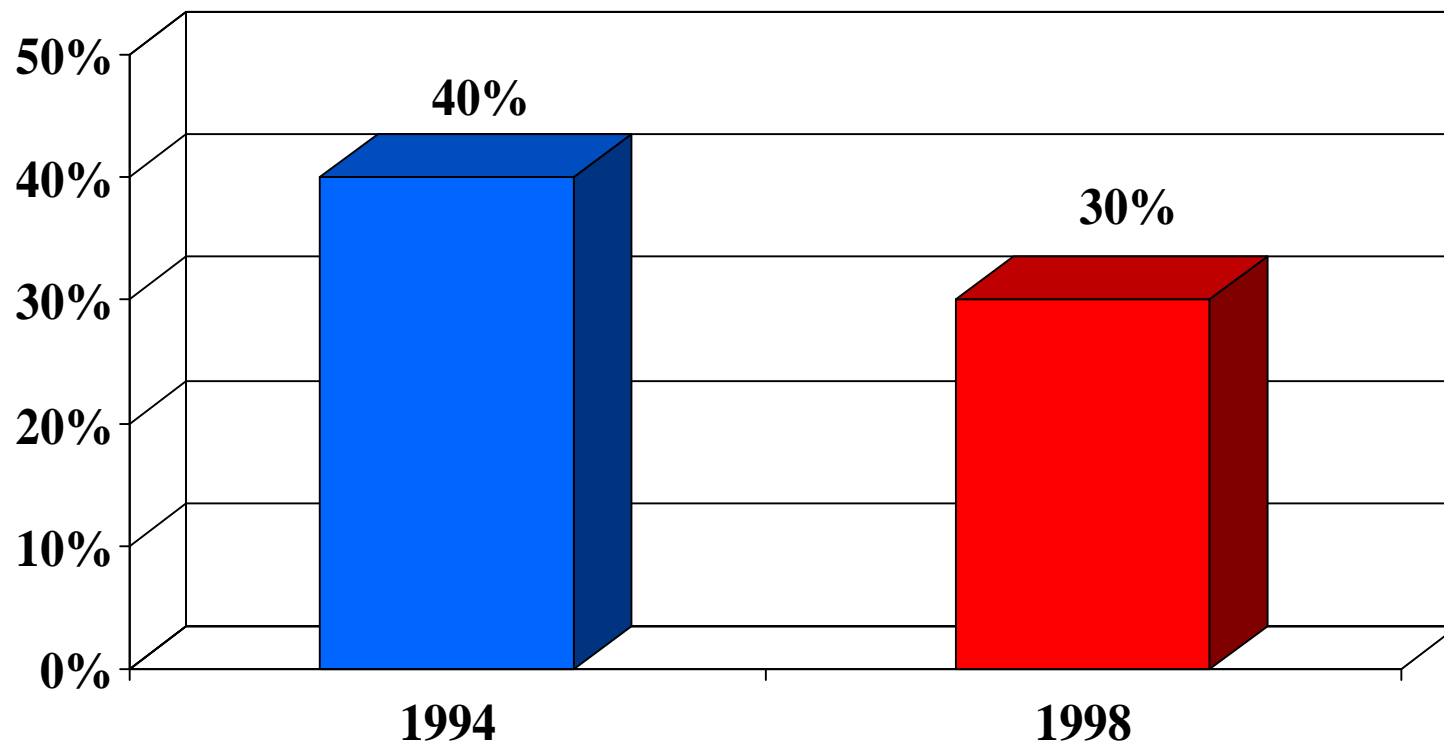
PRIVATE DRUG COVERAGE:

Unstable and Declining

Retiree Health Coverage Is Declining

25% Fewer Firms Are Offering Retiree Health Benefits

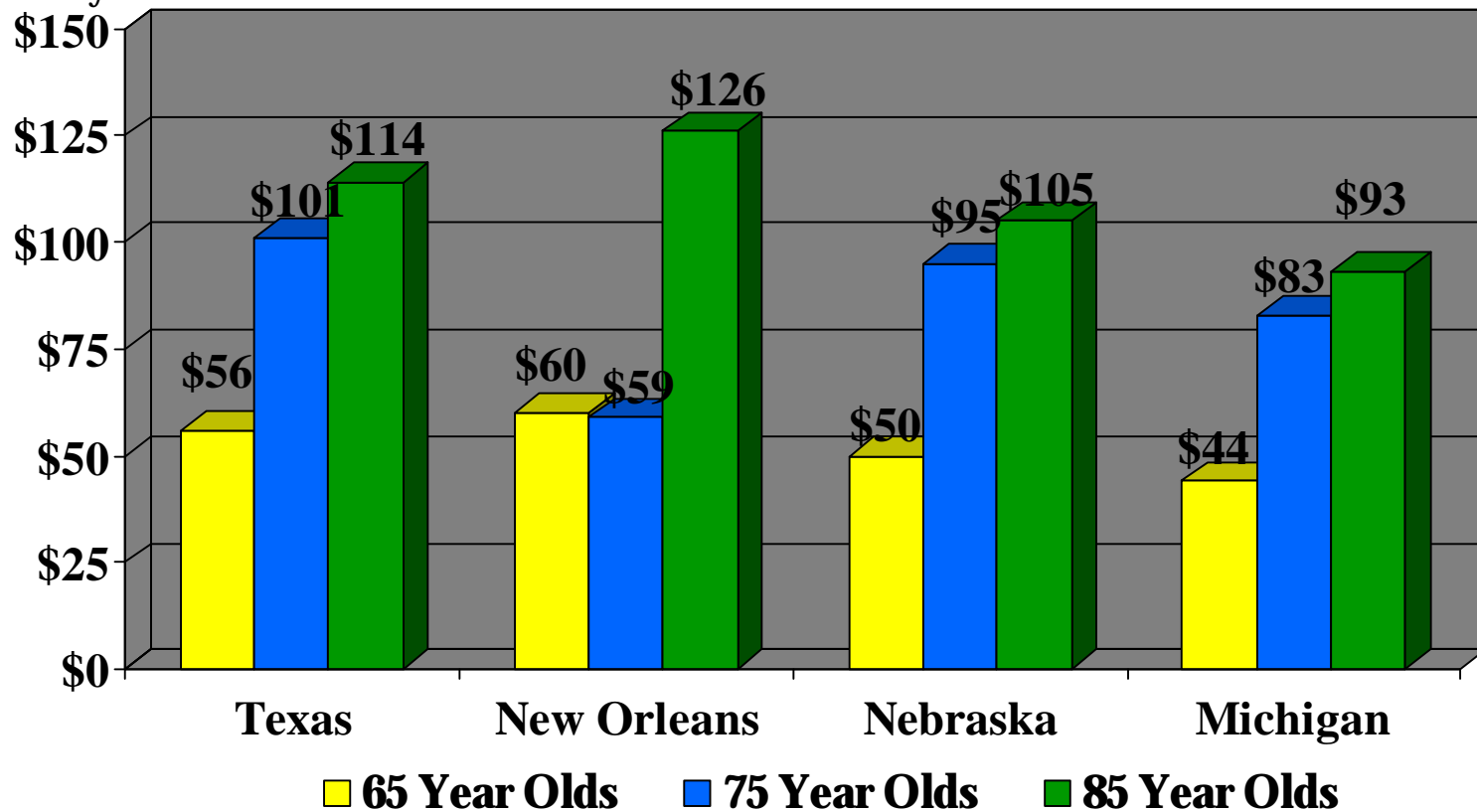
Firms Offering Retiree Health Coverage



SOURCE: Foster-Higgins, 1998

Medigap Premiums For Drugs Are High And Increase With Age, 1999

Monthly Premiums

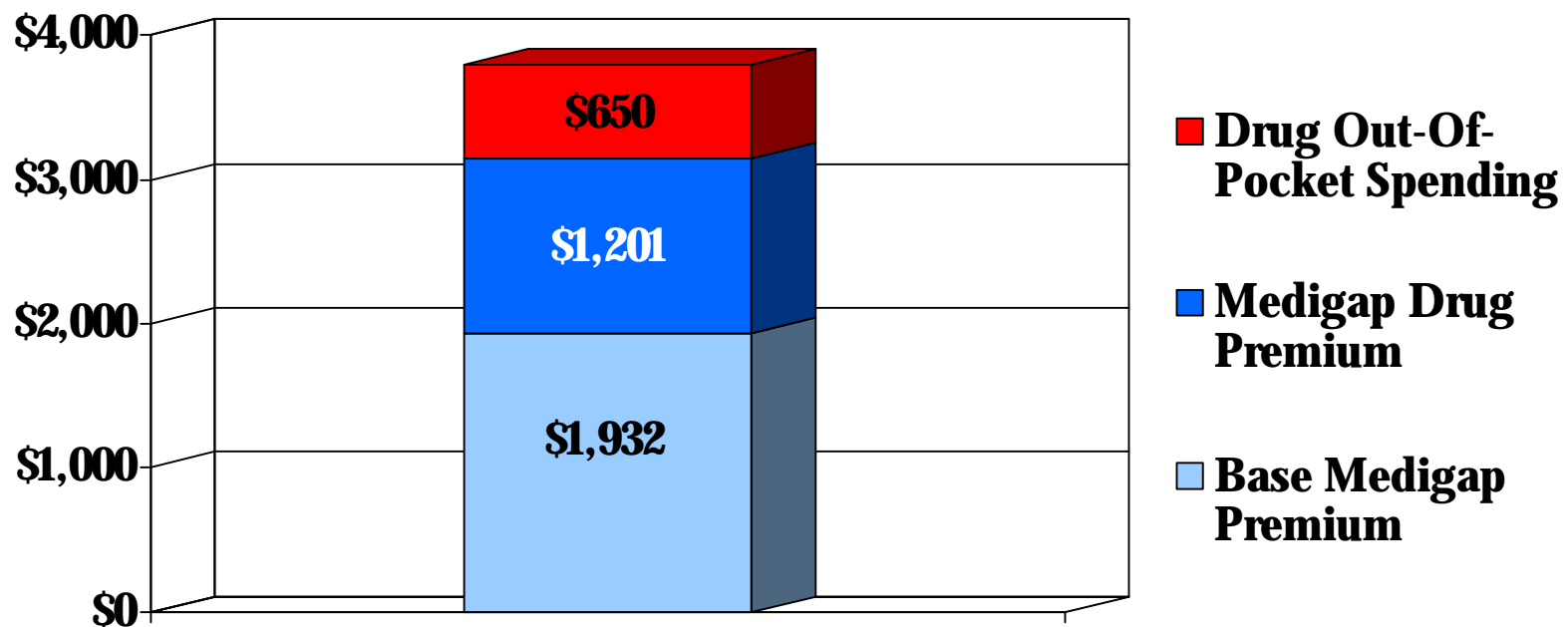


Sample Premiums for 1999. Difference between Plans I (\$1,250 benefit limit) and Plan F which is similar but has no drug coverage. These premiums will be higher in 2002, when the President's proposed drug benefit will cost \$24 per month.

Beneficiaries With Medigap Still Pay High Out-Of-Pocket Drug Costs

On Top Of The Premium For The Base Medigap, Beneficiaries Pay An Extra Premium For Drugs Plus Out-Of-Pocket Spending for Drugs

Medigap Annual Premiums And Out-Of-Pocket Spending



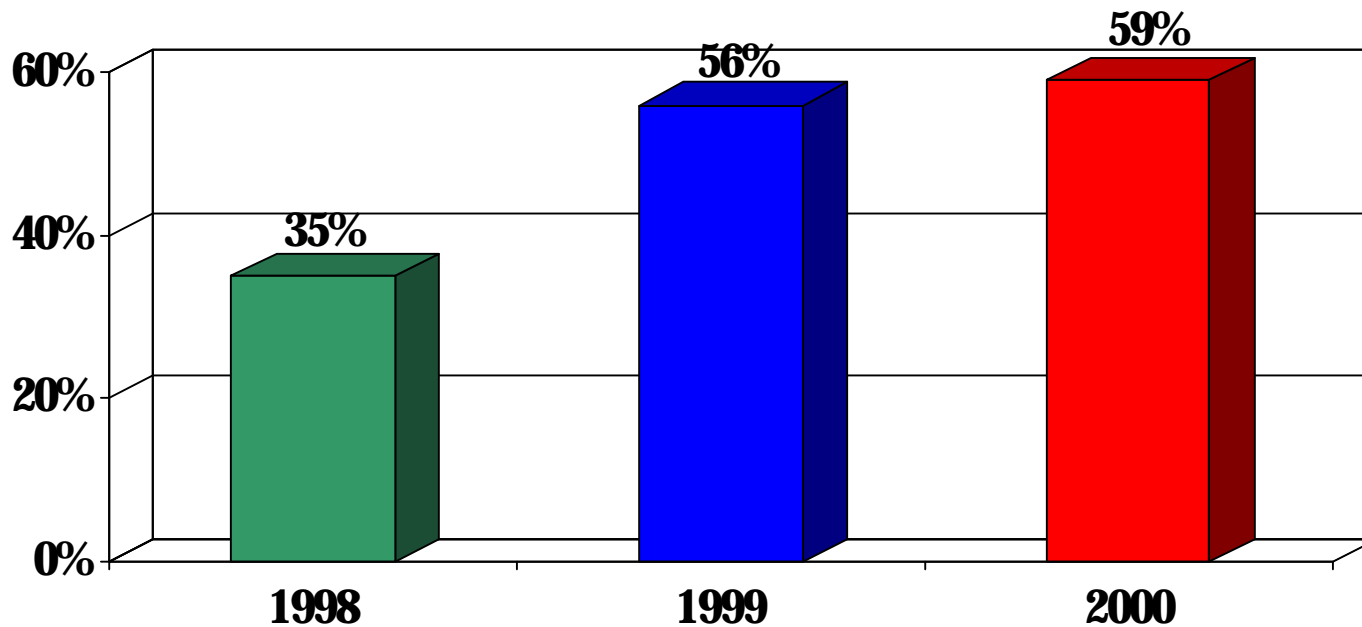
SOURCE: Actuarial Research Corporation for HHS. Premium from Texas for a 75 year old: base is \$161 per month; drug addition is \$101 per month

PUBLIC COVERAGE FOR PRESCRIPTION DRUGS

Value of Medicare Managed Care Drug Benefits Is Declining

*Nearly Three-Fifths Of Plans Will Cap Benefit Payments
Below \$1,000 In 2000*

**Proportion of All Plans With Limits of
Less Than \$1,000**

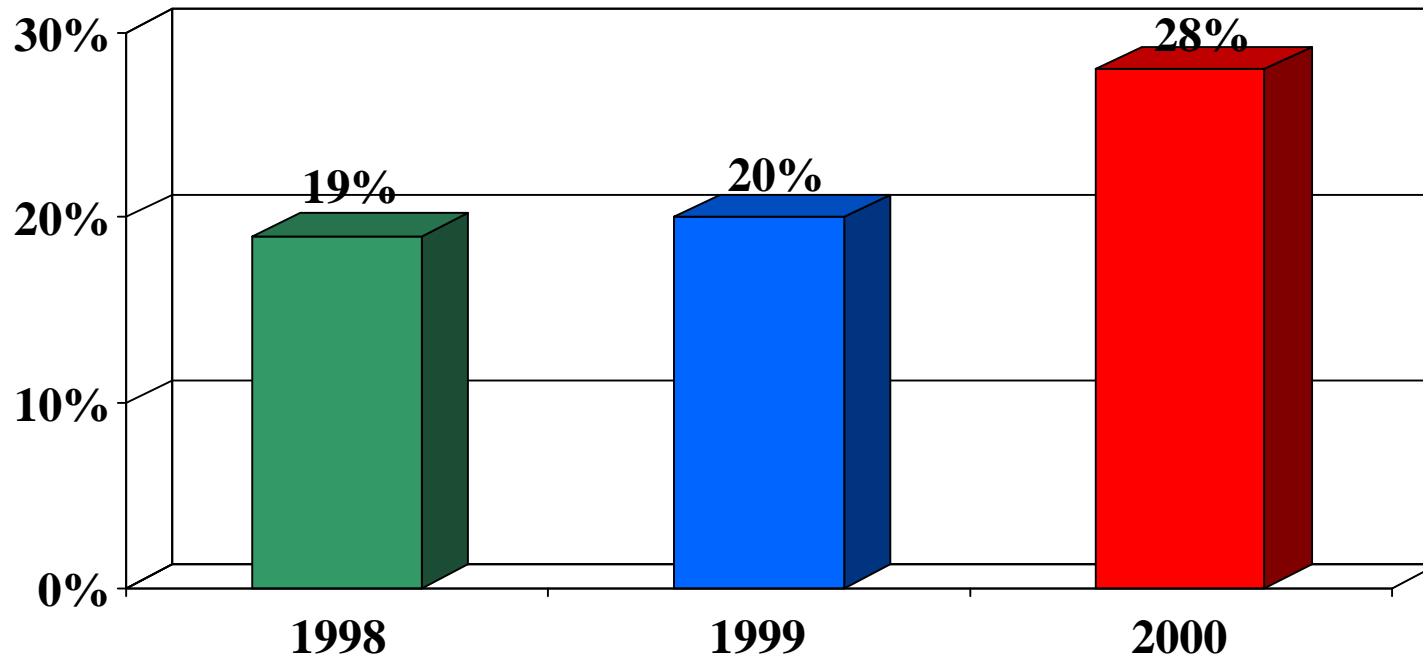


Source: HHS analysis of plan submissions for 2000; preliminary. This includes plans with unlimited generics and limited brand name drug spending

Limits on Medicare Managed Care Drug Benefit Are Getting Lower

Proportion Of Plans With A \$500 Or Lower Limit Has Increased By 50%

Proportion of Plans With Limit of \$500 or Less

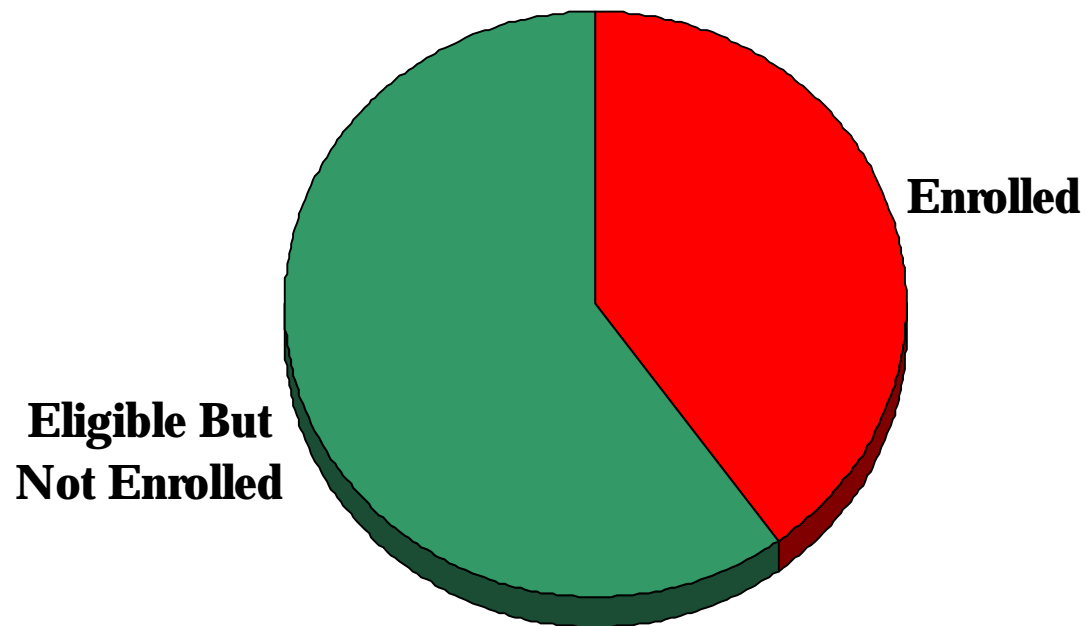


Source: HHS analysis of plan submissions for 2000; preliminary. This includes plans with unlimited generics and limited brand name drug spending

Participation In Medicaid Is Low

Only 40% Of Eligible Beneficiaries Are Enrolled in Medicaid

Eligible Medicare Beneficiaries' Enrollment in Medicaid



SOURCE: Actuarial Research Corporation for HHS. Calculated assuming that beneficiaries below 73% of poverty are eligible for full Medicaid benefits through SSI (Kaiser Commission on Medicaid & the Uninsured, May 1999)

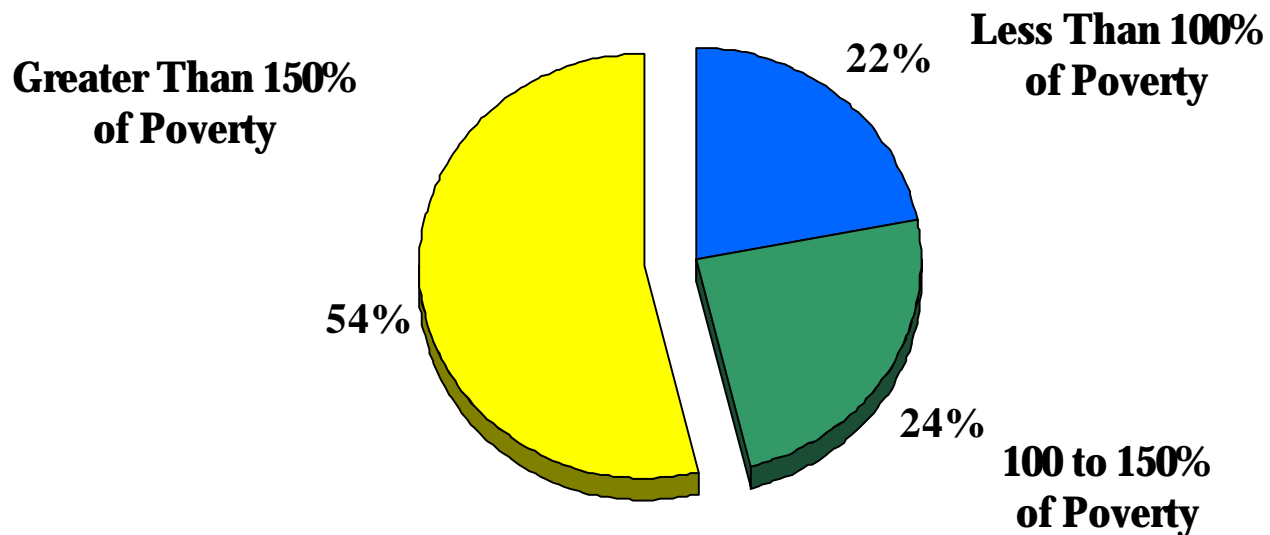
**MILLIONS OF
BENEFICIARIES HAVE NO
DRUG COVERAGE**

***At Least 13 Million Medicare
Beneficiaries Lack Prescription
Drug Coverage***

Many Uninsured In Middle Class

*Over Half of Medicare Beneficiaries Who Lack Prescription Drug Coverage
Are In The Middle Class*

Income of Beneficiaries Without Drug Coverage (As A Percent Of Poverty)

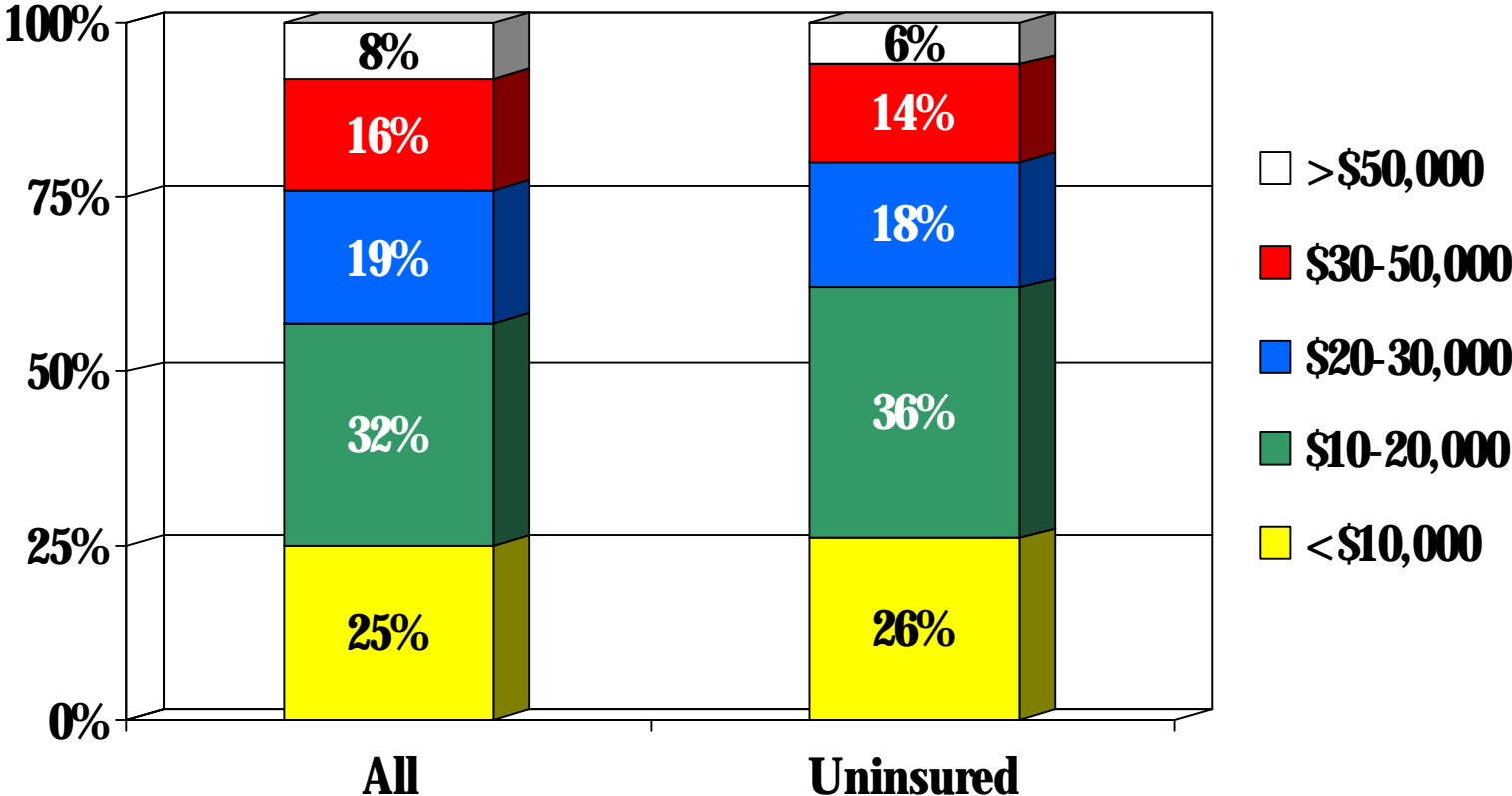


SOURCE: Actuarial Research Corporation for HHS, 2000

In 2000, poverty for a single person is about \$8,500, for a couple is about \$11,400

Lack of Insurance Affects All Medicare Beneficiaries

Income of Beneficiaries Lacking Coverage Matches That Of All Beneficiaries



SOURCE: Actuarial Research Corporation for HHS, 2000

Methodology

The Actuarial Research Corporation under contract with the Department of Health and Human Services conducted most of the analysis. The basis for the estimates is the Medicare Current Beneficiary Survey (MCBS) for 1995. These data were aged to CY 2000, converted to a point-in-time estimate, and adjusted for the increase in managed care enrollment. This enrollment increase was estimated by moving beneficiaries from retiree health coverage, Medigap and the uninsured to managed care in proportion to their enrollment in those plans.