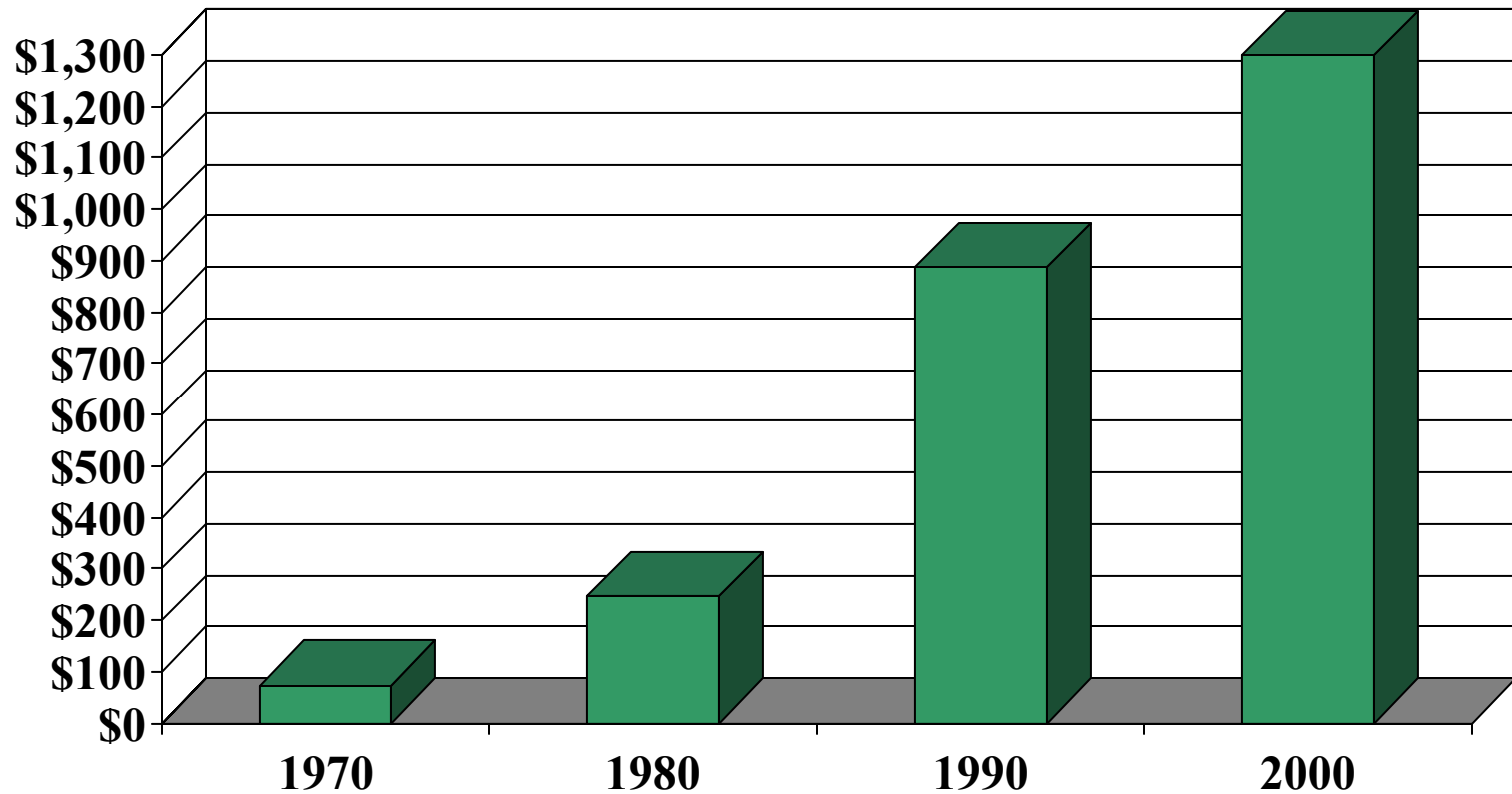


***CMS Payment Policies for
Pharmaceuticals***

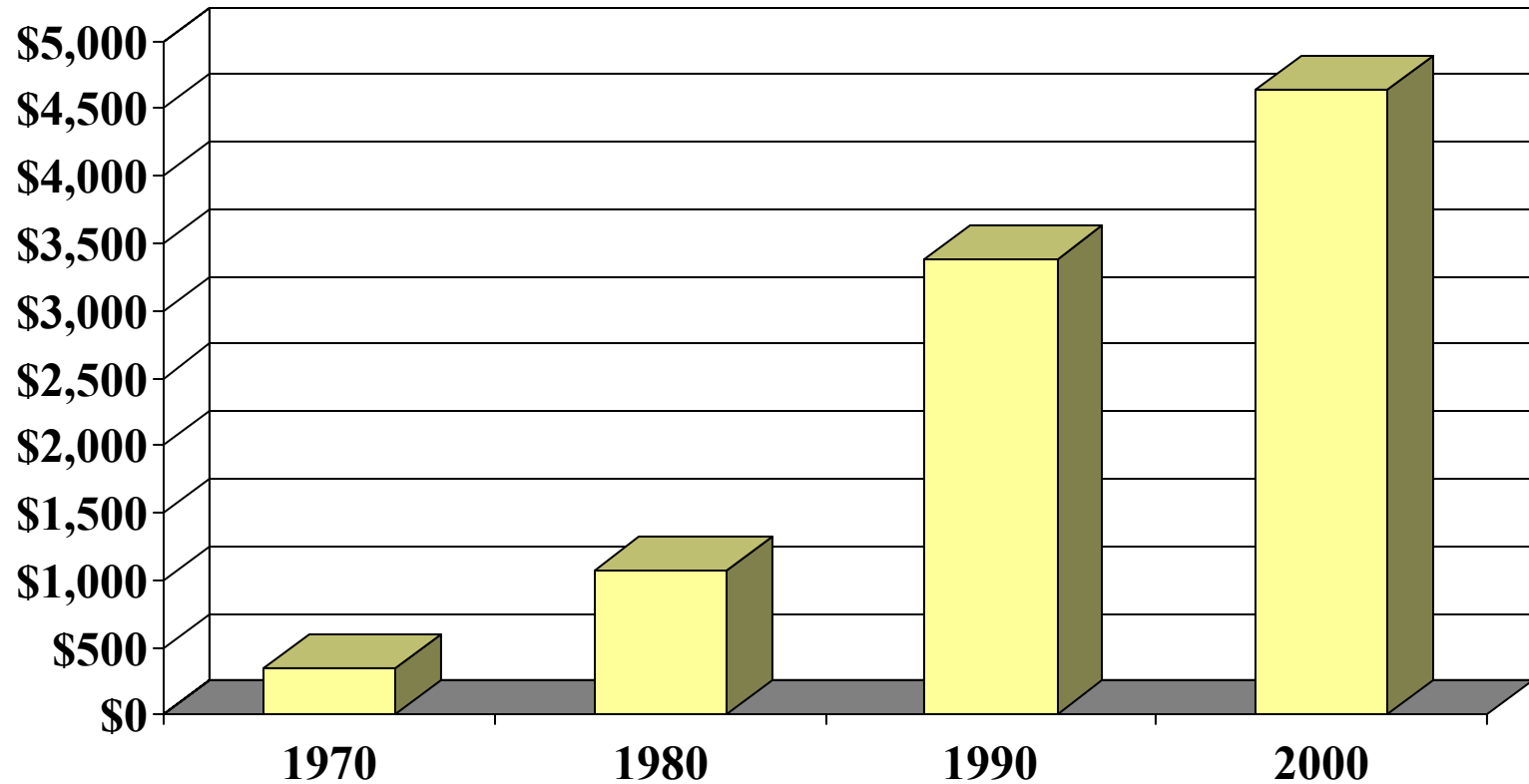
November 13, 2003

National Health Expenditures

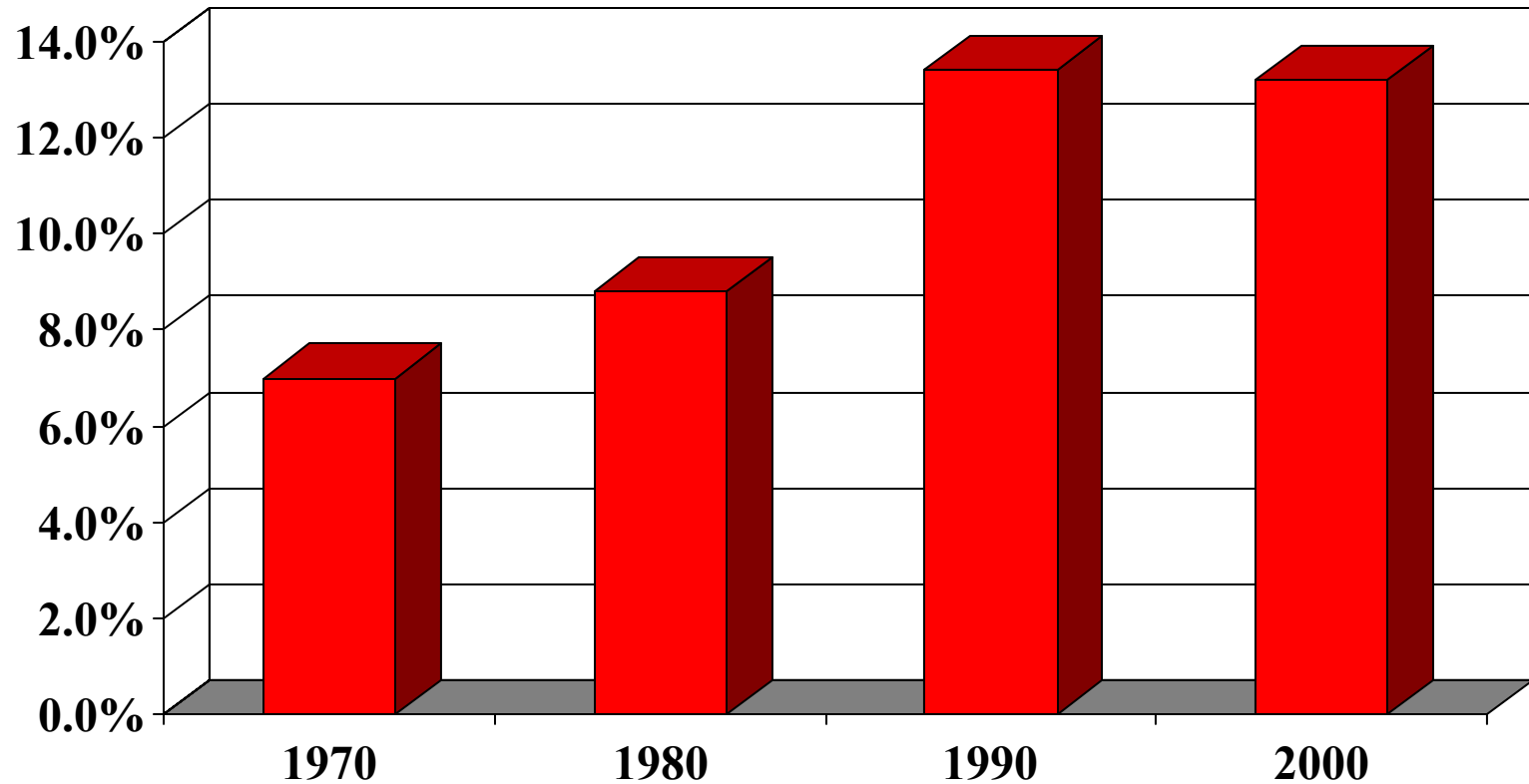
(Billions of Dollars)



National Health Expenditures (Per Capita)



National Health Expenditures (As a Percent of GDP)



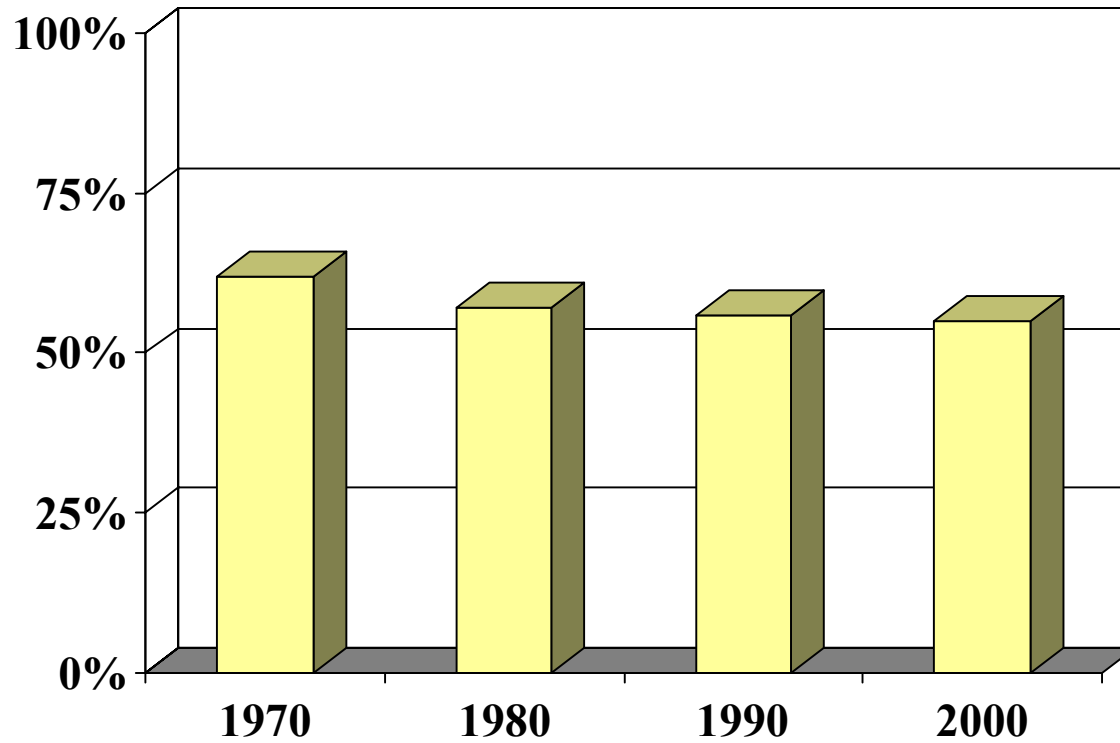
National Health Expenditures (as a Percent of GDP)

		Life Expectancy
USA	14%	78
England	8%	80
Japan	9%	81
Germany	9%	79
Sweden	10%	80

National Health Expenditures

Source of Funds

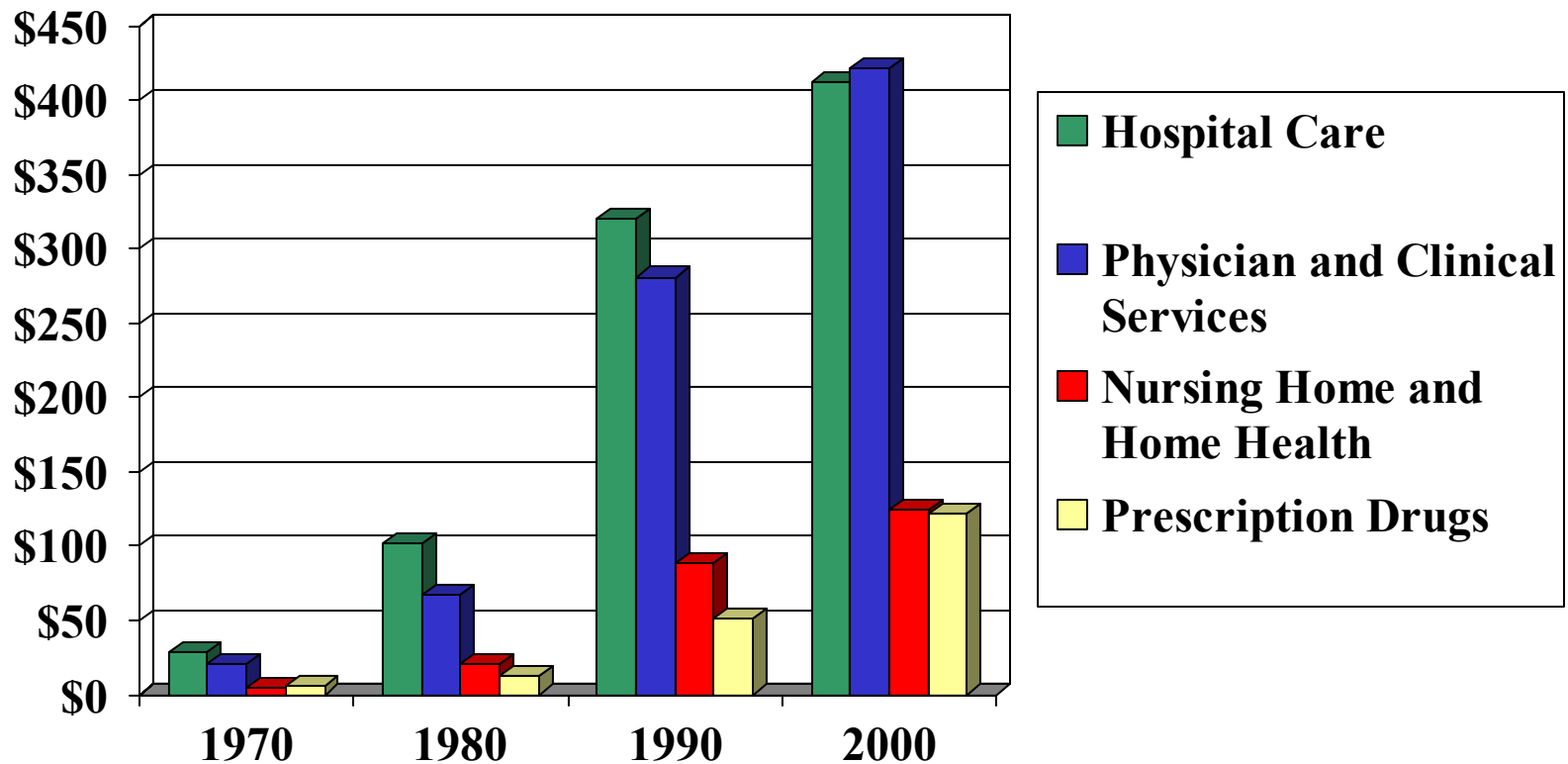
(Private Share)



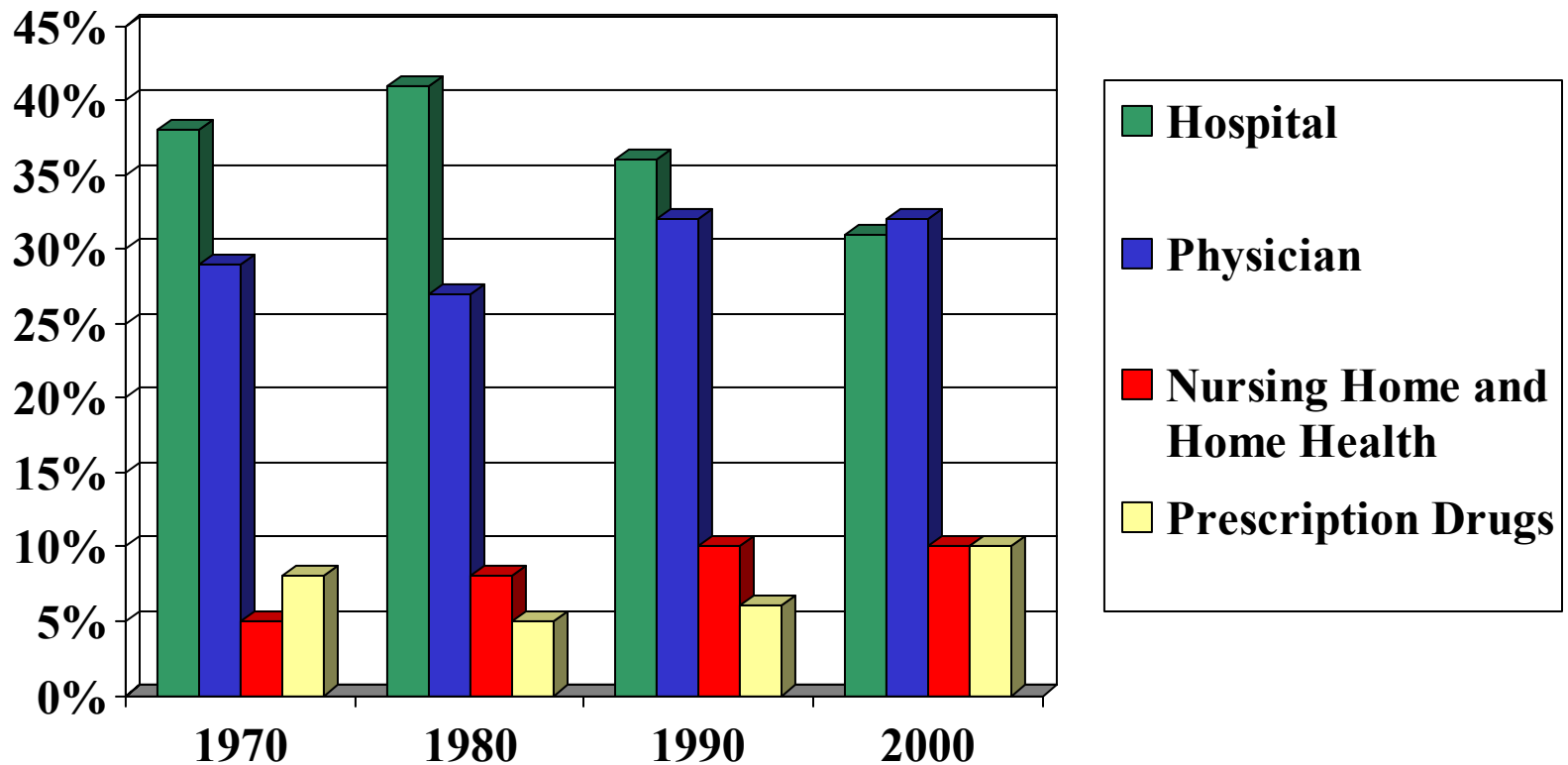
National Health Expenditures

Selected Services

(Billions of Dollars)



Selected Services as a Percent of National Health Expenditures



Projected Long-Term Growth of Medicare Spending

2.5% of GDP (current)

9.2% of GDP (2075)

2012 Begin Trust Fund Depletion

2026 Exhaustion of Trust Fund Reserve

Reasons for Growth in Spending

- 30% Demographics
- 70% Excessive Cost Growth

Profiles of Beneficiaries by Spending Group

5% of Beneficiaries = 47% of spending

10% of Beneficiaries = 66% of spending

Least expensive 40% of beneficiaries = 1% of spending

Medicare Spending

Top 5%	= \$55,000 per capita
Top 10%	= \$38,000 per capita
Bottom 40%	= < \$200 per capita
Mean spending	= \$ 5,753 per capita

The Need to be Strategic

Complex case mix among Medicare beneficiaries

- 78% have at least 1 chronic condition
- 32% have 4 or more conditions and account for 79% of the cost
- 20% have 5 or more conditions and
 - fill 49 prescriptions/year
 - have 37 physician visits/year
 - see 14 different physicians
 - utilize 7000 hospital days/1000 people