

Monthly Trend Report for Medicare, Medicaid, and SCHIP

June 30, 2006

On these pages, the Office of the Actuary presents monthly and fiscal-year-to-date data for Medicare (HI and SMI), the Federal portion of Medicaid, and the Federal portion of the State Children's Health Insurance Program (SCHIP). Highlights include

- changes in HI and SMI income, expenditures, and assets (see Table 1 below);
- changes in Federal Medicaid and Federal SCHIP expenditures (see Table 2 below); and
- actual versus projected data for each of the four programs (see Figures 1, 2, and 3 below).

The primary sources of information for these reports are the [U.S. Department of Treasury's Financial Management Service's Monthly Treasury Report](#) (table 5) for the Federal portions of Medicaid and SCHIP, and financial statements from the Bureau of Public Debt and CMS for Medicare. The reasons offered to explain monthly and fiscal-year-to-date changes are preliminary in nature and may be subject to change as more information becomes available.

NOTE: These pages display only the financial performance of Medicare, Medicaid, and SCHIP. For more information on the nature of the three programs, please refer to the [Brief Summaries of Medicare and Medicaid](#).

Key Data and Trends (change is usually measured fiscal-year-to-date compared to prior fiscal-year-to-date)

Total spending

Fiscal-Year-to-Date 2006 (October 2005-June 2006)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 10.4 percent compared to the corresponding period in fiscal year 2005. Because program expenditure levels in a particular month can vary significantly, this growth rate—and those shown below—can be unduly affected by an unusually low or high level in any month. As the fiscal year progresses, the fiscal-year-to-date increases are expected to gradually stabilize as the remaining months are added.

Medicare

June 2006

- HI income exceeded expenditures by \$7.7 billion this month. June is typically one of the highest months for HI income each year—and this June is no exception—for several reasons. The most important of these is the receipt of interest earned by the trust fund. (Most of the interest on invested assets is paid semi-annually, in June and December.) In addition, this month the trust fund received quarterly self-employment (SECA) taxes, quarterly income taxes paid on Social Security benefits, and

the annual transfer from the Railroad Retirement program (representing HI payroll taxes on earnings in the railroad industry). On the expenditure side, the bulk of the Medicare Advantage payment for July 2006 was made in June. (The Medicare Advantage payment for June was also made in June.) HI expenditures would thus have been lower—and the excess of income over expenditures higher—had the July payment been made next month rather than this month. (The month of June had a slightly higher-than-average number of claims processing days, which would also tend to raise expenditures.)

- SMI expenditures exceeded income by \$3.0 billion this month. A little over \$1.8 billion of this excess was attributable to Part B, and a little over \$1.1 billion was attributable to Part D. For Part B, it should be noted that on the income side, the semi-annual interest payment was received this month (most of the interest on invested assets is paid semi-annually, in June and December), while on the expenditures side, the bulk of the Medicare Advantage payment for July 2006 was made in June (with the payment for June also made in June). The extra Medicare Advantage payment exceeds the interest payment, and is the main contributor to the excess of expenditures over income. (The month of June had a slightly higher-than-average number of claims processing days, which would also tend to raise expenditures.) For Part D, the bulk of Part D benefit payments for July 2006, both to Medicare Advantage plans for their prescription drug benefit and to free-standing prescription drug plans, were also sped up to June, as described for Parts A and B. Most, but not all, of the income to finance the extra Part D payments was sped up as well, but the fact that some sources of the income (such as the payments from States) were not sped up appears to be the main reason for the excess of expenditures over income for Part D. (Unlike Parts A and B, the semi-annual interest payment made in June is not a major factor when analyzing the excess of expenditures over income for Part D. This is because the Part D account holds only a small amount of invested assets.)
- The SMI Part D Medicare Prescription Drug Account spent about \$8.2 billion this month under the broad, voluntary prescription drug program that began in January. That is, about 32 percent of SMI expenditures, and about 18 percent of total Medicare expenditures, were attributable to expenditures made by this account this month. However, as discussed above, it should be noted that the bulk of Part D payments for July were paid in June. Adjusting for a single, rather than a double, payment (including adjusting likewise for double Medicare Advantage payments made by Parts A and B) brings these two percentages down to roughly 23 percent and 12 percent, respectively.
- The SMI trust fund received and spent about \$3 million this month for benefits under the Transitional Assistance Account. Activity in this account is dwindling, as intended and expected, as the broad, voluntary prescription drug program has begun.

Fiscal-Year-to-Date 2006 (October 2005-June 2006)

- Medicare expenditures were 17.5 percent higher than in the corresponding period in fiscal year 2005.

Medicaid

Fiscal-Year-to-Date 2006 (October 2005-June 2006)

- Federal expenditures for Medicaid were 2.0 percent lower than in the corresponding period in fiscal year 2005.

SCHIP

Fiscal-Year-to-Date 2006 (October 2005-June 2006)

- Federal expenditures for SCHIP were 8.6 percent higher than in the corresponding period in fiscal year 2005.

Consumer Price Index (all items, for urban consumers; CPI-U)

June 2006

- The CPI-U increased 0.2 percent during the month of June.

Fiscal-Year-to-Date 2006 (October 2005-June 2006)

- The fiscal-year-to-date change in the CPI-U is an increase of 2.1 percent.

Table 1. Medicare Trust Fund Activity as of June 30, 2006
[in millions]

Income, Expenditures, and Balance	Supplementary Medical Insurance						Total Medicare
	Hospital Insurance Trust Fund	Part B Account	Transitional Assistance Account	Medicare Prescription Drug Account (Part D)	Supplementary Medical Insurance Trust Fund (Total SMI)		
This Month:							
Income	\$26,909	\$15,278	\$3	\$7,018	\$22,300		\$49,209
Expenditures	19,184	17,112	3	8,154	25,269		44,454
Difference	7,725	(1,833)	0	(1,136)	(2,969)		4,756
Current Fiscal-Year-to-Date:							
Income	164,795	133,247	228	23,130	156,605		321,400
% Change	7.7	13.7	(75.8)	--	32.6		18.5
Expenditures	142,756	122,972	228	23,109	146,309		289,065
% Change	5.1	12.5	(75.8)	--	32.7		17.5
Difference	22,039	10,275	0	21	10,296		32,335
Prior Fiscal-Year-to-Date:							
Income	153,024	117,200	941	--	118,142		271,165
Expenditures	135,813	109,296	941	--	110,237		246,049
End-of-Month:							
Balance	299,761	27,159	0	21	27,181		326,942

Notes: Totals do not necessarily equal the sums of rounded components.

Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures as of June 30, 2006
[in millions]

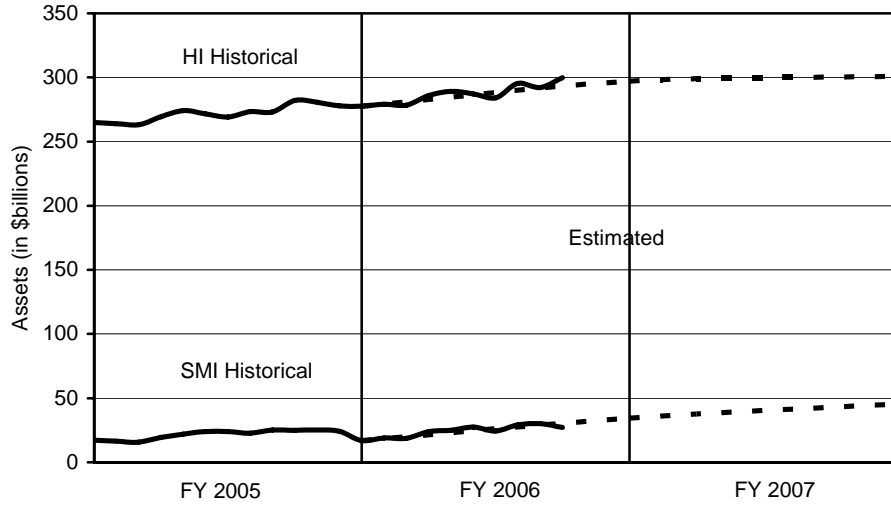
Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$44,454	\$16,903	\$550	\$61,907
Fiscal-year-to-date	289,065	135,375	4,060	428,500
Prior fiscal-year-to-date	246,049	138,182	3,740	387,971
% Change	17.5	(2.0)	8.6	10.4

Notes: State governments also support the Medicaid and SCHIP programs.

Totals do not necessarily equal the sums of rounded components.

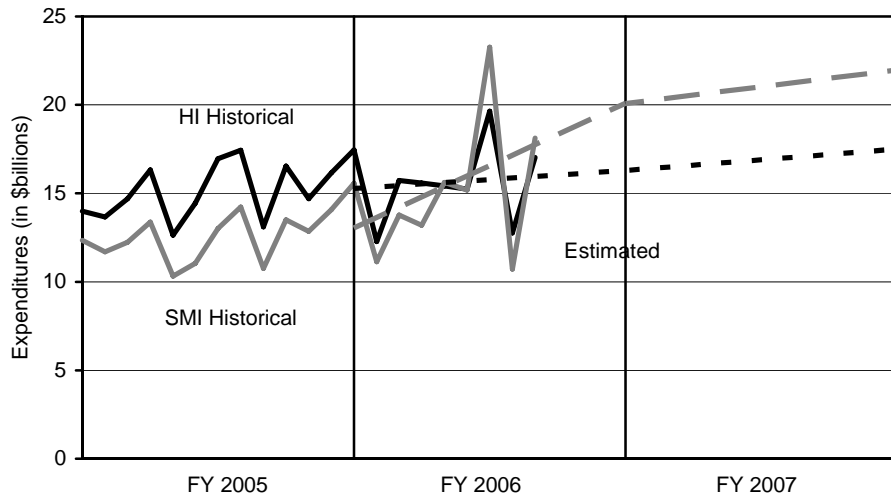
Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

Figure 1. Medicare Trust Fund Assets at End of Month: Historical and Estimated



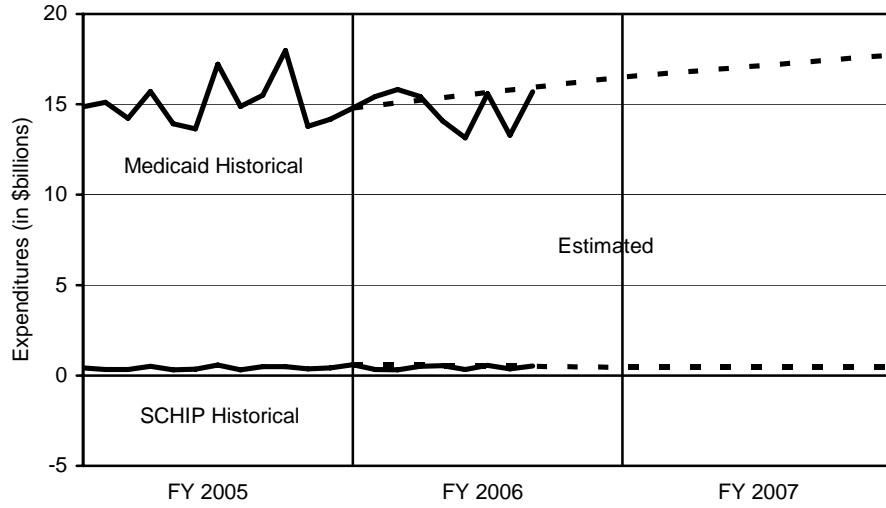
Note: Estimates are from the 2006 Trustees Report (intermediate assumptions).

Figure 2. Medicare Expenditures: Historical and Estimated



Note: Estimates are from the 2006 Trustees Report (intermediate assumptions). The historical figures reflect monthly fluctuations, but the estimated figures are based on annual amounts and thus do not.

Figure 3. Federal Medicaid and SCHIP Expenditures: Historical and Estimated



Note: Estimates are from the Mid-Session Review of the President's Fiscal Year 2007 Budget.