

Monthly Trend Report for Medicare, Medicaid, and SCHIP

September 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-September 2006)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 8.2 percent compared to the corresponding period in fiscal year 2005.

Medicare

September 2006

- HI income exceeded expenditures by \$5.8 billion this month. The receipt this month of both quarterly self-employment (SECA) taxes and quarterly income taxes paid on Social Security benefits were two large contributing factors to this excess. (On the expenditures side, the month of September had a slightly lower-than-average number of claims processing days, which would also tend to lower expenditures and increase the excess of income over expenditures.)
- SMI income exceeded expenditures by \$2.6 billion this month. Almost all of this excess was attributable to the Part B account; the difference

between income and expenditures for Part D was negligible. (Some of the excess for Part B could be due to the lower-than-average number of claims processing days, as discussed above for HI.)

- The SMI Part D Medicare Prescription Drug Account spent about \$4.4 billion this month under the broad, voluntary prescription drug program that began in January. That is, about 27 percent of SMI expenditures, and about 15 percent of total Medicare expenditures, were attributable to expenditures made by this account this month.
- The SMI trust fund received and spent about \$390 thousand 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-September 2006)

- Medicare expenditures for fiscal year 2006 were 12.9 percent higher than in fiscal year 2005. Most of this increase is attributable to the broad, voluntary prescription drug program which began full operation on January 1, 2006. Excluding this program, the growth rate was only 2.9 percent. Excluding both this program and Transitional Assistance Account activity, to examine only expenditures for Medicare Parts A and B, the growth rate was 3.2 percent.

Next, there were 11 Medicare Advantage payments during the fiscal year, compared to 13 during fiscal year 2005. Adjusting for an equal number of incurred Medicare Advantage payments for Medicare Parts A and B (with Part D already accounted for—and removed from the rest of the analysis—in the paragraph immediately above), the estimated growth rate is 5.9 percent.

Preliminary analysis of the estimated 5.9 percent growth rate for Medicare Parts A and B (after the adjustment for an equal number of Medicare Advantage payments, as described in the paragraph immediately above) indicates that routine factors contributing to the increase include enrollment growth (of about 1.6 percent), price growth (of about 3.1 percent, with fee-for-service Medicare being about 2.4 percent and Medicare Advantage about 6.6 percent), and growth in the volume and intensity of services (of about 1.1 percent). (The volume and intensity category includes all contributing factors besides enrollment and price, such as cash flow changes from year to year, shifts in enrollment from fee-for-service to managed care, and any other small miscellaneous factors.)

- Medicare income exceeded expenditures by \$41.8 billion, with HI income exceeding expenditures by \$25.4 billion, SMI Part B Account income exceeding expenditures by \$15.7 billion, and SMI Part D Account income exceeding expenditures by \$0.7 billion. (The amounts for HI and SMI Part D were slightly higher, and the amounts for SMI Part B slightly lower, than those anticipated in the *2006 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, which was submitted to Congress on May 1, 2006.)

- The SMI trust fund received and spent almost \$229 million in fiscal year 2006 for benefits under the Transitional Assistance Account. Activity in the account is dwindling, as intended and expected, as the broad, voluntary program has begun.

Medicaid

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

- Federal expenditures for Medicaid were 0.6 percent lower than in the corresponding period in fiscal year 2005.

SCHIP

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

- Federal expenditures for SCHIP were 6.3 percent higher than in the corresponding period in fiscal year 2005.

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

September 2006

- The CPI-U decreased 0.5 percent during the month of September.

Fiscal-Year-to-Date 2006 (October 2005-September 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 September 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	\$18,035	\$14,714	Less than \$0.5	\$4,224 ¹	\$18,938 ¹	\$36,973 ¹
Expenditures	12,246	12,085	Less than \$0.5	4,246 ¹	16,330 ¹	28,577 ¹
Difference	5,789	2,629	0	(22)	2,607	8,396
Current Fiscal-Year-to-Date:						
Income	210,309	177,355	229	32,564 ²	210,147 ²	420,456 ²
% Change	6.8	17.2	(79.7)	--	37.8 ²	20.3 ²
Expenditures	184,901	161,647	229	31,877 ²	193,752 ²	378,654 ²
% Change	0.4	6.6	(79.7)	--	26.9 ²	12.4 ²
Difference	25,408	15,707	0	687	16,394	41,802
Prior Fiscal-Year-to-Date:						
Income	196,921	151,380	1,125	--	152,505	349,426
Expenditures	184,142	151,610	1,125	--	152,735	336,876
End-of-Month:						
Balance	303,130	32,592	0	687	33,279	336,409

¹Not including Part D premiums paid directly to plans, which are not displayed on the financial statements and are available only on an estimated basis. The estimated amount of these directly-paid Part D premiums should be added to both Part D income and expenditures for a complete picture of Part D operations. Based on the 2007 Trustees Report, the estimated amount for fiscal year 2006 is \$1,779 million, and a rough estimate of this month's share would be 1/9 of \$1,779 million, or \$198 million. Adding this amount to the amounts shown above yields estimates of \$4,422 million for Part D income; \$19,136 million for SMI income; \$37,171 million for total Medicare income; \$4,444 million for Part D expenditures; \$16,528 million for SMI expenditures; and \$28,775 million for total Medicare expenditures.

²Not including Part D premiums paid directly to plans, which are not displayed on the financial statements and are available only on an estimated basis. The estimated amount of these directly-paid Part D premiums should be added to both Part D income and expenditures for a complete picture of Part D operations. Based on the 2007 Trustees Report, the estimated amount for fiscal year 2006 is \$1,779 million. Adding this amount to the amounts shown above yields estimates of \$34,343 million for Part D income; \$211,926 million for SMI income; \$422,235 million for total Medicare income; \$33,656 million for Part D expenditures; \$195,531 million for SMI expenditures; and \$380,433 million for total Medicare expenditures. The associated "% Change" estimates are 39.0 for SMI income, 20.8 for total Medicare income, 28.0 for SMI expenditures, and 12.9 for total Medicare expenditures.

Notes: 1. Totals do not necessarily equal the sums of rounded components.
2. 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 September 30, 2006
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$28,577 ¹	\$13,734	\$595	\$42,906 ²
Fiscal-year-to-date	378,654 ³	180,625	5,451	564,730 ⁴
Prior fiscal-year-to-date	336,876	181,720	5,129	523,725
% Change	12.4 ³	(0.6)	6.3	7.8 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$28,775 million for total Medicare expenditures for this month.

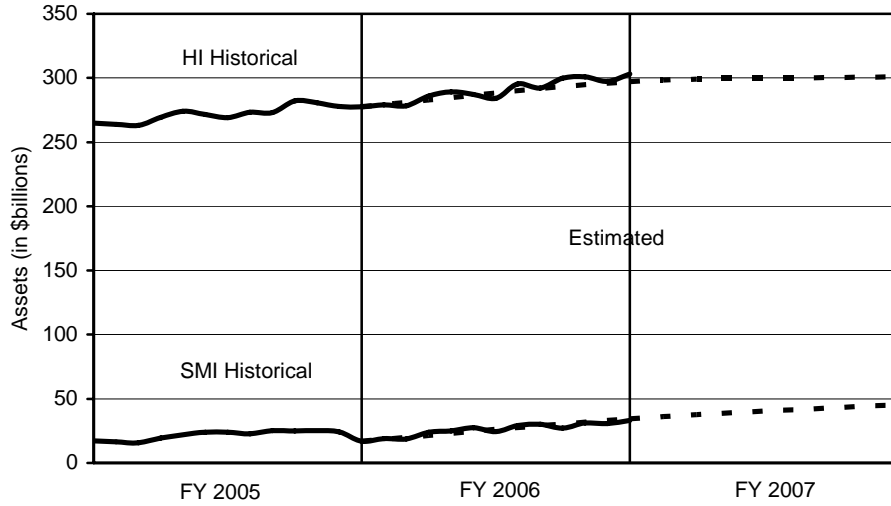
²See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$43,104 million for total expenditures for this month.

³See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$380,433 million for total Medicare expenditures for the fiscal-year-to-date, and the associated "% Change" estimate is 12.9.

⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$566,509 million for total expenditures for the fiscal-year-to-date, and the associated "% Change" estimate is 8.2.

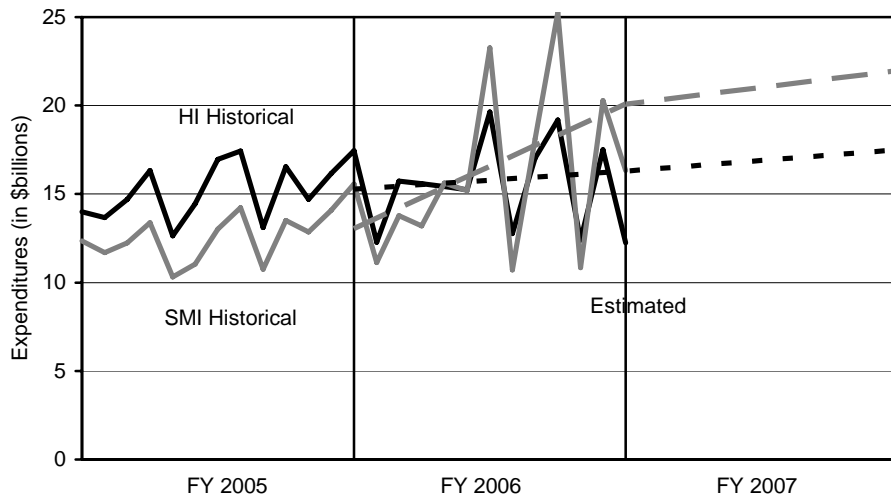
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



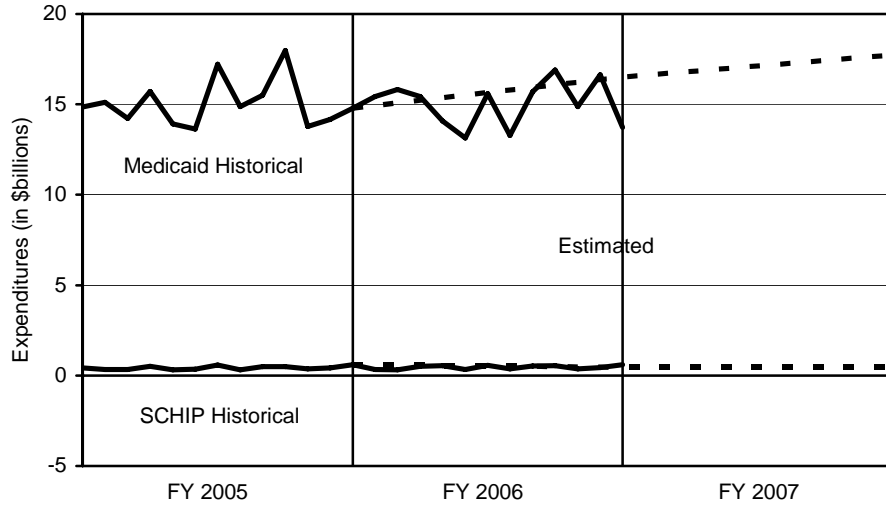
Note: Estimates are from the 2006 Trustees Report (intermediate assumptions).

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.