

Monthly Trend Report for Medicare, Medicaid, and SCHIP

December 31, 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 2007 (October 2006-December 2006)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 20.5 percent compared to the corresponding period in fiscal year 2006. 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

December 2006

- HI income exceeded expenditures by \$7.3 billion this month. The large excess of income over expenditures is primarily due to the trust fund interest earnings received this month. (Most of the interest on the invested assets of the trust fund is paid semiannually, in June and December.)

- SMI income exceeded expenditures by \$1.7 billion this month. About \$1.6 billion of this excess was attributable to Part B, and about \$0.1 billion was attributable to Part D. About half of the Part B excess of income over expenditures is attributable to the receipt of the semiannual interest payment this month, as described above for HI. (Unlike Parts A and B, the semiannual interest payment is not a major factor when analyzing Part D, because the Part D account holds only a small amount of invested assets.)
- The SMI Part D Medicare Prescription Drug Account spent about \$4.6 billion this month under the broad, voluntary prescription drug program that began in January. That is, about 25 percent of SMI expenditures, and about 13.5 percent of total Medicare expenditures, were attributable to expenditures made by this account this month.
- The SMI trust fund received and spent about \$144 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 2007 (October 2006-December 2006)

- Medicare expenditures were 33.6 percent higher than in the corresponding period in fiscal year 2006.

One large part of this increase is attributable to expenditures made by the SMI Part D Medicare Prescription Drug Account during the current fiscal-year-to-date. This account was not in operation during the prior fiscal-year-to-date. Removing this account's expenditures yields an adjusted increase of 17.5 percent.

Next, there were three Medicare Advantage payments during the current fiscal year through December, compared to two during the same period in the prior fiscal year. Adjusted for an equal number of incurred Medicare Advantage payments for Medicare Parts A and B (with Part D already accounted for in the paragraph immediately above), it is estimated that Medicare expenditures for the current fiscal-year-to-date would have been 11.7 percent higher than in the corresponding period in fiscal year 2006.

Medicaid

Fiscal-Year-to-Date 2007 (October 2006-December 2006)

- Federal expenditures for Medicaid were 2.5 percent lower than in the corresponding period in fiscal year 2006.

SCHIP

Fiscal-Year-to-Date 2007 (October 2006-December 2006)

- Federal expenditures for SCHIP were 30.5 percent higher than in the corresponding period in fiscal year 2006.

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

December 2006

- The CPI-U decreased 0.1 percent during the month of December.

Fiscal-Year-to-Date 2007 (October 2006-November 2006)

- The fiscal-year-to-date change in the CPI-U is a decrease of 0.5 percent.

Table 1. Medicare Trust Fund Activity as of December 31, 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	\$22,991	\$15,631	\$0	\$4,711 ¹	\$20,341 ¹	\$43,332 ¹
Expenditures	15,722	14,018	0	4,647 ¹	18,666 ¹	34,387 ¹
Difference	7,269	1,613	0	63	1,676	8,945
Current Fiscal-Year-to-Date:						
Income	52,725	45,105	(1)	13,241 ²	58,346 ²	111,071 ²
% Change	2.3	(0.1)	(100.4)	--	28.9 ²	14.8 ²
Expenditures	50,503	45,372	(1)	13,134 ²	58,506 ²	109,009 ²
% Change	16.2	19.3	(100.4)	--	53.4 ²	33.6 ²
Difference	2,222	(267)	0	107	(160)	2,062
Prior Fiscal-Year-to-Date:						
Income	51,519	45,142	124	--	45,266	96,785
Expenditures	43,472	38,018	124	--	38,143	81,614
End-of-Month:						
Balance	305,352	32,325	0	794	33,119	338,471

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 estimates prepared under 2008 Trustees Report assumptions, the estimated amount for the first quarter of fiscal year 2007 is \$498 million, and a rough estimate of this month's share would be 1/3 of \$498 million, or \$166 million. Adding this amount to the amounts shown above yields estimates of \$4,877 million for Part D income; \$20,507 million for SMI income; \$43,498 million for total Medicare income; \$4,813 million for Part D expenditures; \$18,832 million for SMI expenditures; and \$34,553 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 estimates prepared under 2008 Trustees Report assumptions, the estimated amount for the first quarter of fiscal year 2007 is \$498 million. Adding this amount to the amounts shown above yields estimates of \$13,739 million for Part D income; \$58,844 million for SMI income; \$111,569 million for total Medicare income; \$13,632 million for Part D expenditures; \$59,004 million for SMI expenditures; and \$109,507 million for total Medicare expenditures. The associated "% Change" estimates are 30.0 for SMI income, 15.3 for total Medicare income, 54.7 for SMI expenditures, and 34.2 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.
3. Transitional Assistance Account income and expenditures were each (\$144,291.37) this month and were each (\$519,556.85) for the current fiscal-year-to-date.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures
as of December 31, 2006
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$34,387 ¹	\$14,671	\$670	\$49,728 ²
Fiscal-year-to-date	109,009 ³	45,535	1,513	156,057 ⁴
Prior fiscal-year-to-date	81,614	46,686	1,159	129,459
% Change	33.6 ³	(2.5)	30.5	20.5 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$34,553 million for total Medicare expenditures for this month.

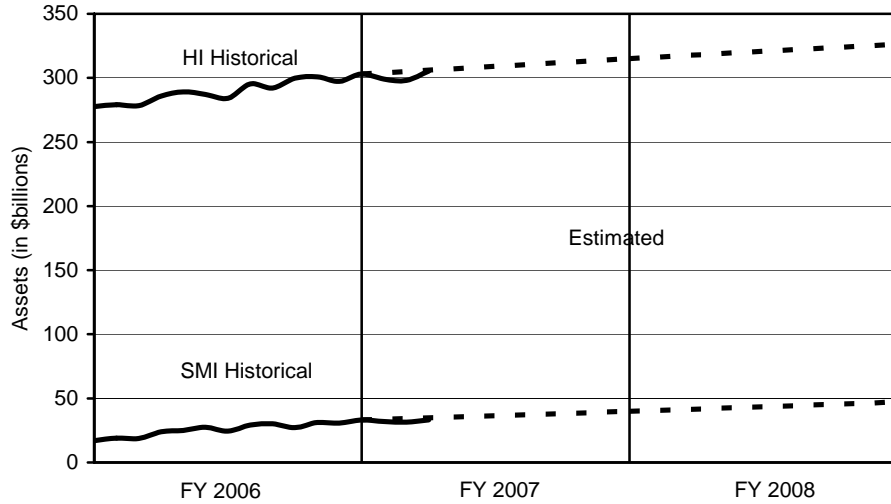
²See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$49,894 million for total expenditures for this month.

³See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$109,507 million for total Medicare expenditures for the fiscal-year-to-date, and the associated "% Change" estimate is 34.2.

⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$156,555 million for total expenditures for the fiscal-year-to-date, and the associated "% Change" estimate is 20.9.

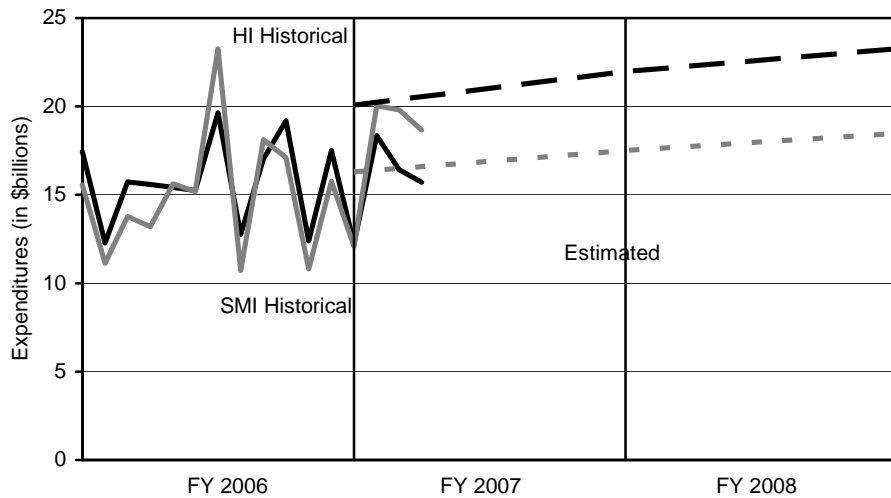
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



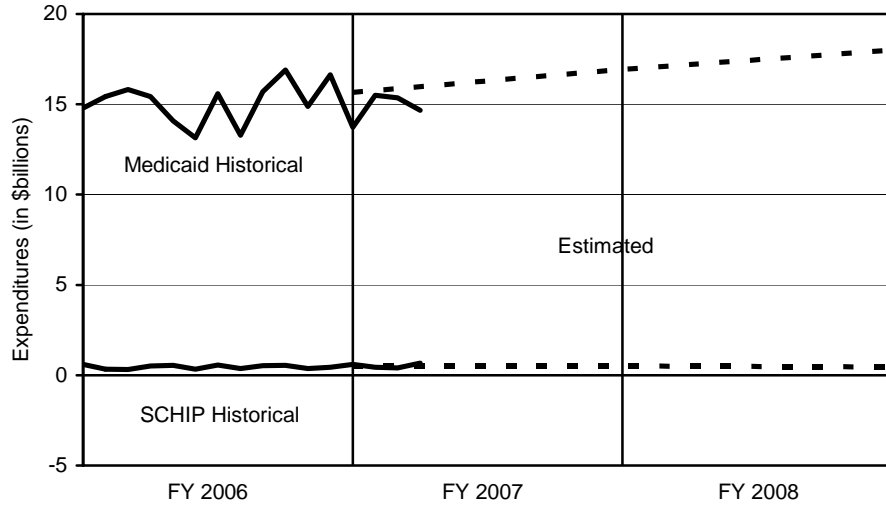
Note: Estimates are from the 2006 Trustees Report (intermediate assumptions).

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.