

# Monthly Trend Report for Medicare, Medicaid, and SCHIP

March 31, 2007

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-March 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 15.4 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

March 2007

- HI expenditures exceeded income by \$2.7 billion this month. Each month, the primary source of HI income is Federal Income Contribution Act (FICA) taxes, but this is particularly true for months such as this March, in which secondary sources of income were relatively modest, with no large amounts scheduled for receipt. Three small annual transfers to the HI

trust fund were due and made; in the absence of these transfers, expenditures would have exceeded income by about \$3.3 billion. On the expenditure side, the bulk of the Medicare Advantage payment for April 2007 was made in March. (The Medicare Advantage payment for March was also made in March.) HI expenditures—and the excess of expenditures over income—would have been lower by about \$3.2 billion if the bulk of the April payment had been made next month rather than this month. The month of March had a slightly higher-than-average number of claims processing days, which would also tend to raise expenditures.

- SMI expenditures exceeded income by \$1.8 billion this month. Almost all of this excess—\$1.9 billion—was attributable to the Part B account; the difference between income and expenditures for Part D was small, at (\$0.1) billion. Within the Part B account, on the expenditure side, the bulk of the Medicare Advantage payment for April 2007 was made in March, as described above for HI. (The bulk of Part D payments for April 2007, both to Medicare Advantage plans for their prescription drug benefit and to freestanding prescription drug plans, were also sped up to March, but this did not contribute significantly to the SMI excess of expenditures over income, because most of the income needed to finance the Part D benefits was sped up as well.) Part B expenditures would have been lower by about \$3.1 billion if the bulk of the April payment had been made next month rather than this month. The month of March had a slightly higher-than-average number of claims processing days, which would also tend to raise expenditures.
- The SMI Part D Medicare Prescription Drug Account spent about \$7.8 billion this month under the broad, voluntary prescription drug program that began in January 2006. That is, about 31 percent of SMI expenditures, and about 17 percent of total Medicare expenditures, were attributable to expenditures made by this account this month. Removing the payments for April that were made in March to Medicare Advantage plans (for Parts A, B, and D) and to freestanding prescription drug plans (for Part D) brings these percentages down to about 23 percent and about 12 percent, respectively.
- The SMI trust fund received and spent about \$370 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-March 2007)

- Medicare expenditures were 20.3 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. This account was in operation during all six months of the current fiscal-year-to-date, but for only three months of the prior fiscal-year-to-date. Removing this account's expenditures yields an adjusted increase of 11.8 percent.

Next, there were seven Medicare Advantage payments during the current fiscal year through March, compared to six 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 8.4 percent higher than in the corresponding period in fiscal year 2006.

## **Medicaid**

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

- Federal expenditures for Medicaid were 5.2 percent higher than in the corresponding period in fiscal year 2006.

## **SCHIP**

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

- Federal expenditures for SCHIP were 12.9 percent higher than in the corresponding period in fiscal year 2006.

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

March 2007

- The CPI-U increased 0.9 percent during the month of March.

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

- The fiscal-year-to-date change in the CPI-U is an increase of 1.2 percent.

**Table 1. Medicare Trust Fund Activity as of March 31, 2007**  
**[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)	
<b>This Month:</b>						
Income	\$17,774	\$15,685	(\$0)	\$7,932 <sup>1</sup>	\$23,616 <sup>1</sup>	\$41,390 <sup>1</sup>
Expenditures	20,477	17,654	(0)	7,789 <sup>1</sup>	25,442 <sup>1</sup>	45,920 <sup>1</sup>
Difference	(2,703)	(1,969)	0	143	(1,827)	(4,530)
<b>Current Fiscal-Year-to-Date:</b>						
Income	104,264	91,710	(1)	28,857 <sup>2</sup>	120,566 <sup>2</sup>	224,830 <sup>2</sup>
% Change	4.2	2.9	(100.4)	151.0 <sup>2</sup>	19.6 <sup>2</sup>	11.9 <sup>2</sup>
Expenditures	104,108	90,999	(1)	28,679 <sup>2</sup>	119,678 <sup>2</sup>	223,786 <sup>2</sup>
% Change	11.0	13.0	(100.4)	149.5 <sup>2</sup>	29.8 <sup>2</sup>	20.3 <sup>2</sup>
Difference	156	711	0	178	888	1,045
<b>Prior Fiscal-Year-to-Date:</b>						
Income	100,072	89,109	204	11,495 <sup>3</sup>	100,807 <sup>3</sup>	200,879 <sup>3</sup>
Expenditures	93,764	80,511	204	11,495 <sup>3</sup>	92,210 <sup>3</sup>	185,974 <sup>3</sup>
<b>End-of-Month:</b>						
Balance	303,287	33,302	0	865	34,167	337,454

<sup>1</sup>Not 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 this month is \$183 million. Adding this amount to the amounts shown above yields estimates of \$8,115 million for Part D income; \$23,799 million for SMI income; \$41,573 million for total Medicare income; \$7,972 million for Part D expenditures; \$25,625 million for SMI expenditures; and \$46,103 million for total Medicare expenditures.

<sup>2</sup>Not 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 current fiscal-year-to-date is \$1,048 million. Adding this amount to the amounts shown above yields estimates of \$29,905 million for Part D income; \$121,614 million for SMI income; \$225,878 million for total Medicare income; \$29,727 million for Part D expenditures; \$120,726 million for SMI expenditures; and \$224,834 million for total Medicare expenditures. The associated "% Change" estimates are 147.1 for Part D income, 19.9 for SMI income, 12.1 for total Medicare income, 145.7 for Part D expenditures, 30.1 for SMI expenditures, and 20.5 for total Medicare expenditures.

<sup>3</sup>Not 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 prior fiscal-year-to-date is \$605 million. Adding this amount to the amounts shown above yields estimates of \$12,100 million for Part D income; \$101,412 million for SMI income; \$201,484 million for total Medicare income; \$12,100 million for Part D expenditures; \$92,815 million for SMI expenditures; and \$186,579 million 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 (\$370,453.93) this month and were each (\$838,043.56) for the current fiscal-year-to-date.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures  
as of March 31, 2007  
[in millions]**

<b>Expenditures</b>	<b>Total Medicare Expenditures</b>	<b>Federal Medicaid Expenditures</b>	<b>Federal Expenditures for State Children's Health Insurance Program</b>	<b>Total Expenditures</b>
This month	\$45,920 <sup>1</sup>	\$17,102	\$626	\$63,648 <sup>2</sup>
Fiscal-year-to-date	223,786 <sup>3</sup>	94,181	2,956	320,923 <sup>4</sup>
Prior fiscal-year-to-date	185,974 <sup>5</sup>	89,500	2,619	278,093 <sup>6</sup>
% Change	20.3 <sup>3</sup>	5.2	12.9	15.4 <sup>4</sup>

<sup>1</sup>See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$46,103 million for total Medicare expenditures for this month.

<sup>2</sup>See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$63,831 million for total expenditures for this month.

<sup>3</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$224,834 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 20.5.

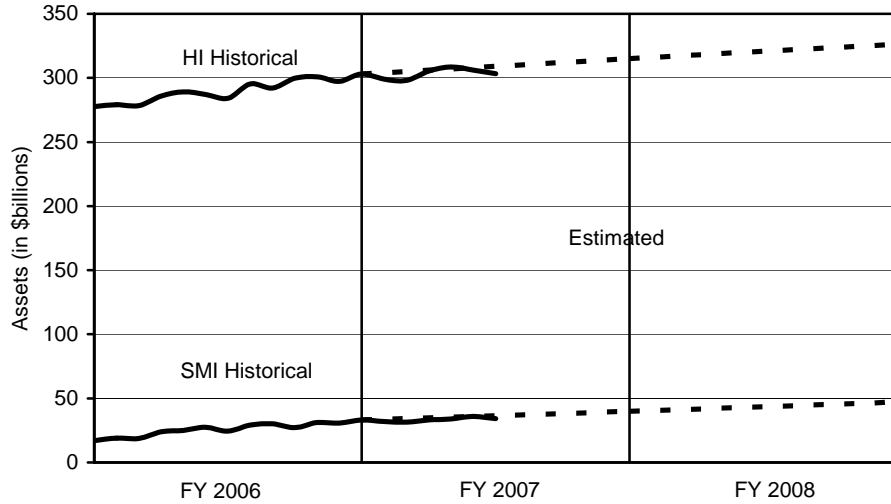
<sup>4</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$321,971 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 15.5.

<sup>5</sup>See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$186,579 million for total Medicare expenditures for the prior fiscal-year-to-date.

<sup>6</sup>See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$278,698 million for total expenditures for the prior fiscal-year-to-date.

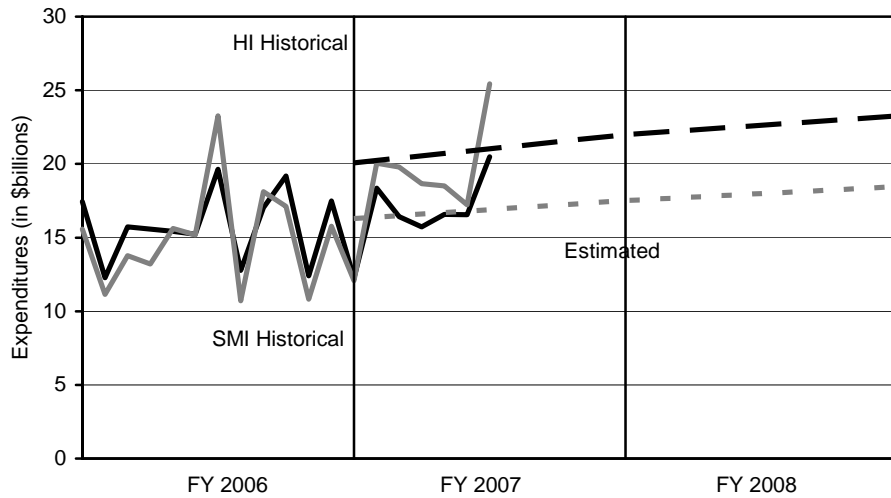
Notes: 1. State governments also support the Medicaid and SCHIP programs.  
2. Totals do not necessarily equal the sums of rounded components.  
3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



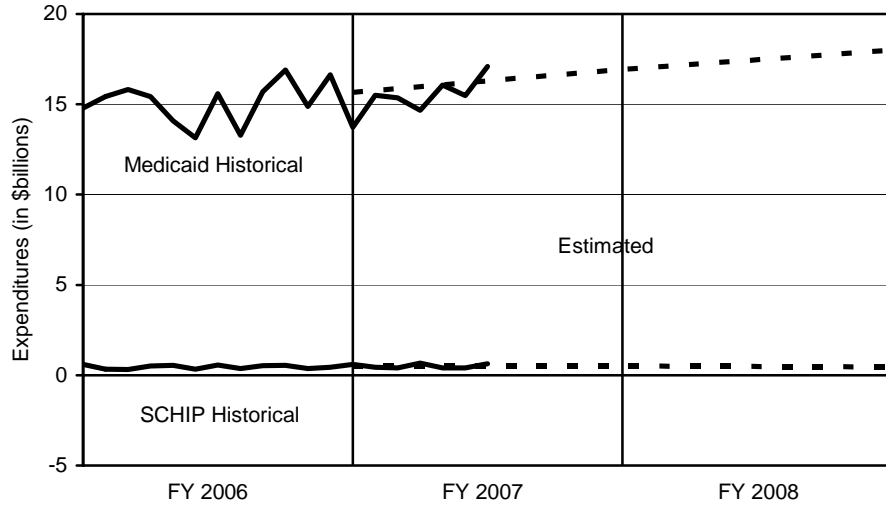
**Note: Estimates are from the 2006 Trustees Report (intermediate assumptions).**

**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.**