

Monthly Trend Report for Medicare, Medicaid, and SCHIP

June 30, 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-June 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 12.4 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

June 2007

- HI income exceeded expenditures by \$6.7 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 factor 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 expenditures side, the bulk of the Medicare Advantage payment for July 2007 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.

- SMI expenditures exceeded income by \$2.8 billion this month. About \$2.1 billion was attributable to the Part B account and about \$0.7 billion was attributable to the Part D account.

For Part B, it should be noted that on the income side, the semi-annual interest payment was made 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 2007 was made in June (with the payment for June also made in June). The extra Medicare Advantage payment exceeded the interest payment, and was the main contributor to the excess of expenditures over income.

For Part D, the bulk of payments for July, both to Medicare Advantage plans for their prescription drug benefit and to freestanding prescription drug plans, were sped up to June, as described for Parts A and B. However, for Part D, most of the largest source of income (from Federal contributions) was sped up as well. The excess of expenditures over income for Part D is mainly attributable to the fact that most of the smaller income sources were not sped up, so expenditures outpaced income by roughly the amount of these smaller income sources. (It should be noted that for Part D, unlike Parts A and B, the semi-annual interest payment made in June is not a major factor in the analysis of the excess of expenditures over income. Because the Part D account holds only a small amount of invested assets on which to earn interest, the semi-annual interest payment was relatively small.)

- 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 2006. That is, about 31 percent of SMI expenditures, and about 18 percent of total Medicare expenditures, were attributable to expenditures made by this account this month. Removing the payments for July that were made in June 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.

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

- Medicare expenditures were 15.4 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 nine months of the current fiscal-year-to-date, but for

only six months of the prior fiscal-year-to-date. Removing this account's expenditures yields an adjusted increase of 10.0 percent.

Next, there were ten Medicare Advantage payments during the current fiscal year through June, compared to nine 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 7.3 percent higher than in the corresponding period in fiscal year 2006.

Medicaid

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

- Federal expenditures for Medicaid were 6.0 percent higher than in the corresponding period in fiscal year 2006.

SCHIP

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

- Federal expenditures for SCHIP were 10.2 percent higher than in the corresponding period in fiscal year 2006.

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

June 2007

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

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

- The fiscal-year-to-date change in the CPI-U is an increase of 2.7 percent.

Table 1. Medicare Trust Fund Activity as of June 30, 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)	
This Month:						
Income	\$26,866	\$16,272	\$0	\$7,470 ¹	\$23,742 ¹	\$50,609 ¹
Expenditures	20,183	18,358	0	8,180 ¹	26,538 ¹	46,722 ¹
Difference	6,683	(2,086)	0	(710)	(2,796)	3,887
Current Fiscal-Year-to-Date:						
Income	171,389	138,657	(1)	40,602 ²	179,258 ²	350,647 ²
% Change	4.0	4.1	(100.6)	75.5 ²	14.5 ²	9.1 ²
Expenditures	155,854	136,630	(1)	41,203 ²	177,832 ²	333,686 ²
% Change	9.2	11.1	(100.6)	78.3 ²	21.5 ²	15.4 ²
Difference	15,535	2,027	0	(601)	1,426	16,961
Prior Fiscal-Year-to-Date:						
Income	164,795	133,247	228	23,130 ³	156,605 ³	321,400 ³
Expenditures	142,756	122,972	228	23,109 ³	146,309 ³	289,065 ³
End-of-Month:						
Balance	318,665	34,619	0	86	34,705	353,370

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 this month is \$183 million. Adding this amount to the amounts shown above yields estimates of \$7,653 million for Part D income; \$23,925 million for SMI income; \$50,792 million for total Medicare income; \$8,363 million for Part D expenditures; \$26,721 million for SMI expenditures; and \$46,905 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 current fiscal-year-to-date is \$1,597 million. Adding this amount to the amounts shown above yields estimates of \$42,199 million for Part D income; \$180,855 million for SMI income; \$352,244 million for total Medicare income; \$42,800 million for Part D expenditures; \$179,429 million for SMI expenditures; and \$335,283 million for total Medicare expenditures. The associated "% Change" estimates are 73.4 for Part D income, 14.6 for SMI income, 9.2 for total Medicare income, 76.0 for Part D expenditures, 21.6 for SMI expenditures, and 15.5 for total Medicare expenditures.

³Not 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 \$1,209 million. Adding this amount to the amounts shown above yields estimates of \$24,339 million for Part D income; \$157,814 million for SMI income; \$322,609 million for total Medicare income; \$24,318 million for Part D expenditures; \$147,518 million for SMI expenditures; and \$290,274 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 are each \$0.00 for this month and are each (\$1,442,521.86) for the current fiscal-year-to-date.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures
as of June 30, 2007
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$46,722 ¹	\$15,425	\$661	\$62,808 ²
Fiscal-year-to-date	333,686 ³	143,532	4,474	481,692 ⁴
Prior fiscal-year-to-date	289,065 ⁵	135,375	4,060	428,500 ⁶
% Change	15.4 ³	6.0	10.2	12.4 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$46,905 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 \$62,991 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 \$335,283 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 15.5.

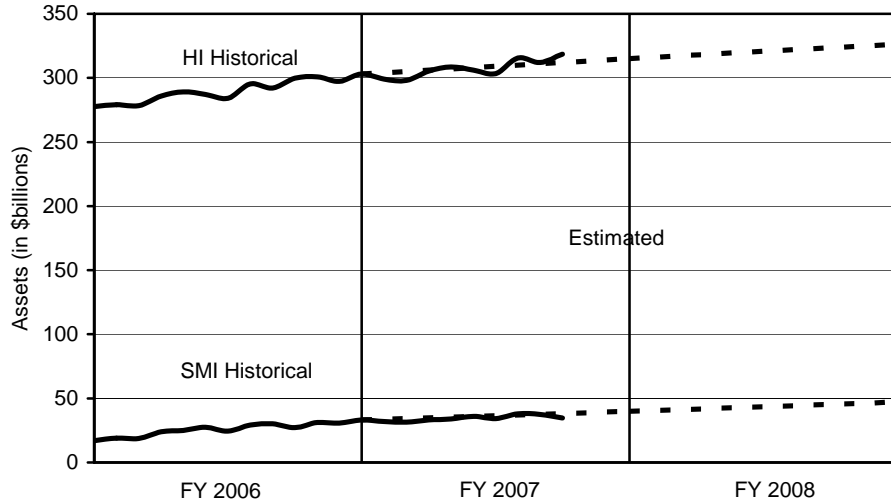
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$483,289 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 12.5.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$290,274 million for total Medicare expenditures for the prior fiscal-year-to-date.

⁶See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$429,709 million for total expenditures for the prior fiscal-year-to-date.

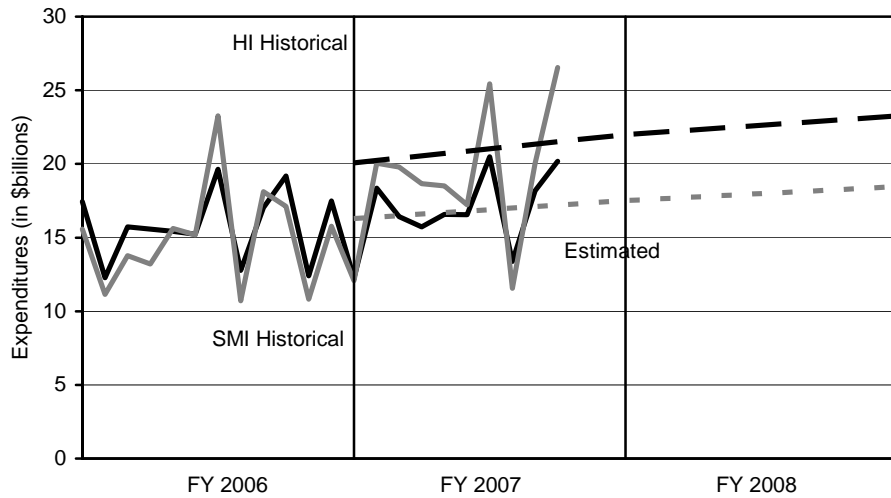
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



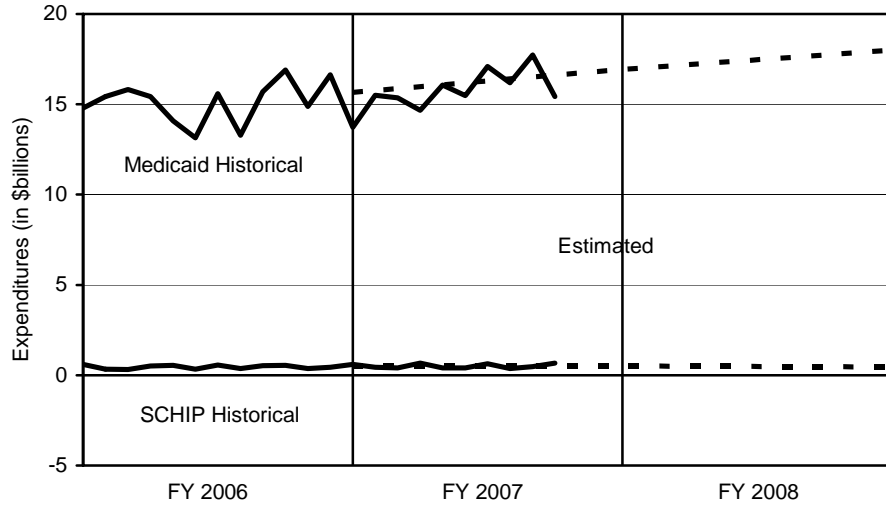
Note: Estimates are from the 2007 Trustees Report (intermediate assumptions).

Figure 2. Medicare Expenditures: Historical and Estimated



Note: Estimates are from the 2007 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 2008 Budget.