

Monthly Trend Report for Medicare, Medicaid, and SCHIP

July 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-July 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 12.1 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

July 2007

- HI income exceeded expenditures by \$0.8 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 July, in which secondary sources of income were relatively modest, with no large amounts scheduled for receipt. On the expenditures side, the bulk of the

Medicare Advantage payment for July was made in June. HI expenditures would thus have been higher—and the excess of income over expenditures lower (in fact, expenditures would have exceeded income)—had the July payment been made this month rather than last month.

- SMI income exceeded expenditures by \$4.7 billion this month. About \$4.0 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 expenditures side, the bulk of the Medicare Advantage payment for July was made in June. This was the main contributor to the excess of income over expenditures.

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 income over expenditures for Part D is mainly attributable to the fact that most of the smaller income sources were not sped up, so income outpaced expenditures by roughly the amount of these smaller income sources.

- The SMI Part D Medicare Prescription Drug Account spent only a small amount—about \$0.3 billion—this month under the broad, voluntary prescription drug program that began in January 2006. This is because the bulk of Part D payments for July were made in June, as discussed above.

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

- Medicare expenditures were 15.1 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 ten months of the current fiscal-year-to-date, but for only seven months of the prior fiscal-year-to-date. Removing this account's expenditures yields an adjusted increase of 9.9 percent.

Next, there were ten Medicare Advantage payments during the current fiscal year through July, 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 8.4 percent higher than in the corresponding period in fiscal year 2006.

Medicaid

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

- Federal expenditures for SCHIP were 9.6 percent higher than in the corresponding period in fiscal year 2006.

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

July 2007

- The CPI-U neither increased nor decreased during the month of July.

Fiscal-Year-to-Date 2007 (October 2006-July 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 July 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) | |
| This Month: | | | | | | |
| Income | \$14,501 | \$15,729 | \$0 | \$991 ¹ | \$16,720 ¹ | \$31,221 ¹ |
| Expenditures | 13,661 | 11,745 | 0 | 294 ¹ | 12,039 ¹ | 25,699 ¹ |
| Difference | 840 | 3,985 | 0 | 697 | 4,682 | 5,521 |
| Current Fiscal-Year-to-Date: | | | | | | |
| Income | 185,889 | 154,387 | (1) | 41,593 ² | 195,978 ² | 381,868 ² |
| % Change | 4.2 | 4.7 | (100.6) | 74.3 ² | 14.2 ² | 9.1 ² |
| Expenditures | 169,515 | 148,375 | (1) | 41,497 ² | 189,871 ² | 359,385 ² |
| % Change | 9.3 | 10.9 | (100.6) | 79.3 ² | 20.8 ² | 15.1 ² |
| Difference | 16,375 | 6,012 | 0 | 96 | 6,108 | 22,482 |
| Prior Fiscal-Year-to-Date: | | | | | | |
| Income | 178,342 | 147,458 | 228 | 23,870 ³ | 171,556 ³ | 349,898 ³ |
| Expenditures | 155,158 | 133,788 | 228 | 23,138 ³ | 157,154 ³ | 312,312 ³ |
| End-of-Month: | | | | | | |
| Balance | 319,505 | 38,604 | 0 | 783 | 39,386 | 358,891 |

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 \$1,174 million for Part D income; \$16,903 million for SMI income; \$31,404 million for total Medicare income; \$477 million for Part D expenditures; \$12,222 million for SMI expenditures; and \$25,882 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 \$1,781 million. Adding this amount to the amounts shown above yields estimates of \$43,374 million for Part D income; \$197,759 million for SMI income; \$383,649 million for total Medicare income; \$43,278 million for Part D expenditures; \$191,652 million for SMI expenditures; and \$361,166 million for total Medicare expenditures. The associated "% Change" estimates are 71.6 for Part D income, 14.3 for SMI income, 9.2 for total Medicare income, 76.3 for Part D expenditures, 20.9 for SMI expenditures, and 15.1 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 \$1,411 million. Adding this amount to the amounts shown above yields estimates of \$25,281 million for Part D income; \$172,967 million for SMI income; \$351,309 million for total Medicare income; \$24,549 million for Part D expenditures; \$158,565 million for SMI expenditures; and \$313,723 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 July 31, 2007
[in millions]**

| Expenditures | Total Medicare Expenditures | Federal Medicaid Expenditures | Federal Expenditures for State Children's Health Insurance Program | Total Expenditures |
|---------------------------|------------------------------------|--------------------------------------|---|---------------------------|
| This month | \$25,699 ¹ | \$15,808 | \$375 | \$41,882 ² |
| Fiscal-year-to-date | 359,385 ³ | 159,340 | 4,849 | 523,574 ⁴ |
| Prior fiscal-year-to-date | 312,312 ⁵ | 150,262 | 4,424 | 466,998 ⁶ |
| % Change | 15.1 ³ | 6.0 | 9.6 | 12.1 ⁴ |

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$25,282 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 \$42,065 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 \$361,166 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 15.1.

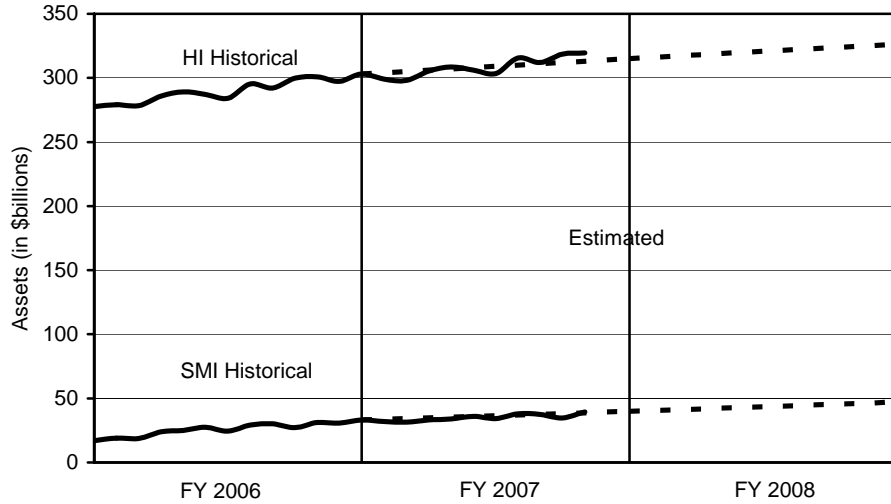
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$525,355 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 12.2.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$313,723 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 \$468,409 million for total expenditures for the prior fiscal-year-to-date.

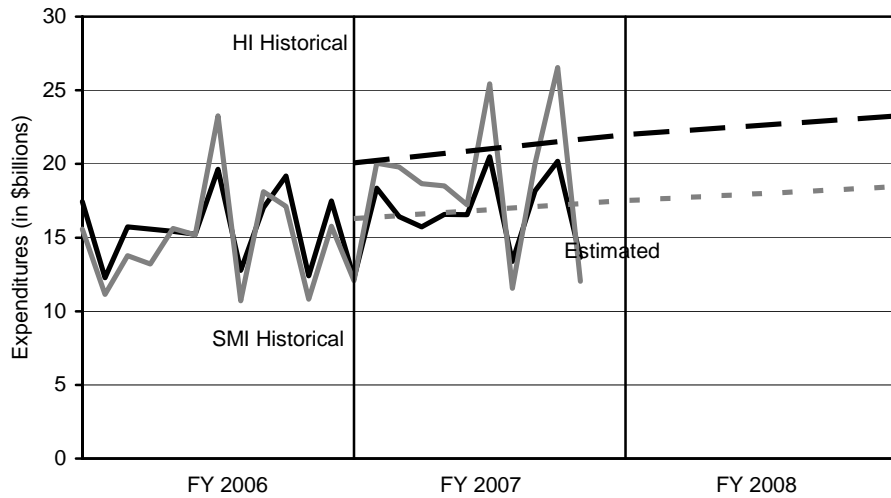
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



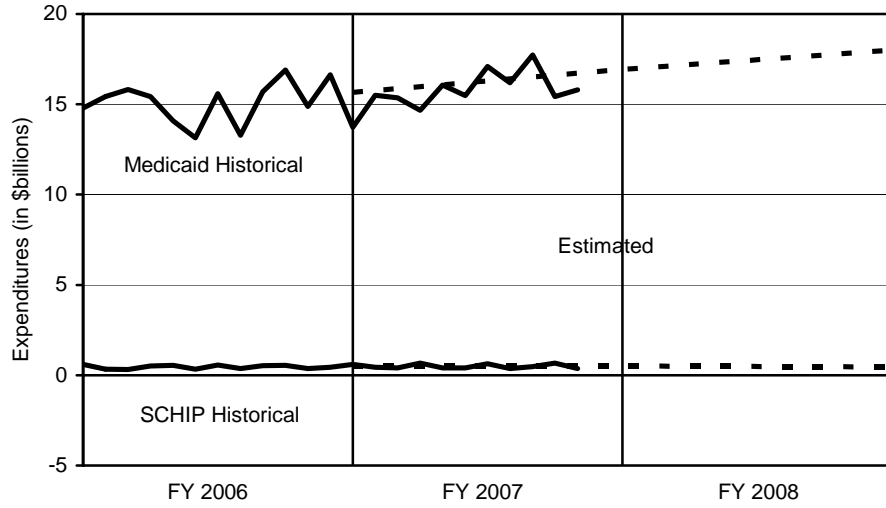
Note: Estimates are from the 2007 Trustees Report (intermediate assumptions).

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.