

# Monthly Trend Report for Medicare, Medicaid, and SCHIP

August 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-August 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 13.1 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

August 2007

- HI expenditures exceeded income by \$6.6 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 August, 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 September was made in August. (When the first day of the month is a Saturday, Sunday, or legal holiday, as is the case for September 1, the payment date is typically sped up to the prior month.) (The Medicare Advantage payment for August was also made in August.) HI expenditures would thus have been lower—and the excess of expenditures over income lower—by about \$3.4 billion, had payment for September been made next month rather than this month. (Also on the expenditures side, the month of August had a higher-than-average number of claims processing days, which would tend to raise expenditures and increase the excess of expenditures over income.)

- SMI income exceeded expenditures by \$7.0 billion this month. About \$7.8 billion was attributable to the Part B account and about (\$0.7) billion was attributable to the Part D account.

Part B was affected this month by Section 708 of the Social Security Act, which speeds up the delivery of Social Security benefit checks when the regularly designated delivery date falls on a Saturday, Sunday, or legal public holiday (which, in this case, was Labor Day). Consequently, for many beneficiaries, the Part B premiums withheld from their benefit checks, and the associated Federal general revenue contributions, were added to the Part B account during the end of August rather than the beginning of September. This modification increased income by about \$12 billion to \$13 billion. On the expenditures side, the bulk of the Medicare Advantage payment for September was made in August, as described above for HI. Part B expenditures in August were thus increased—and the excess of income over expenditures decreased—by about \$3.3 billion. (Also on the expenditures side, the month of August had a higher-than-average number of claims processing days, which would also tend to raise expenditures and decrease the excess of income over expenditures.)

Part D was similarly affected this month by Section 708. Most of the Part D premiums and associated Federal general revenue contributions were added to the Part D account during the end of August rather than the beginning of September. On the expenditures side, the bulk of payments for September, both to Medicare Advantage plans for their prescription drug benefit and to freestanding prescription drug plans, were sped up to August, as described for Medicare Advantage for Parts A and B. (For Part D, however, when this situation occurs, Federal contributions are sped up as well, so even if Section 708 had not been triggered, Federal contributions for September would have sped up to August anyway.) The \$0.7 billion excess of expenditures over income for Part D is mainly attributable to the fact that one of the smaller income sources (payments from States) was not sped up, so expenditures outpaced income by roughly the amount of this smaller income source.

- 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 29 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 September that were made in August to Medicare Advantage plans (to Parts A, B, and D) and to freestanding prescription

drug plans (for Part D) brings these percentages down to about 22 percent and about 12 percent, respectively.

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

- Medicare expenditures were 16.8 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 11 months of the current fiscal-year-to-date, but for only 8 months of the prior fiscal-year-to-date. Removing this account's expenditures yields an adjusted increase of 11.4 percent.

Next, there were 12 Medicare Advantage payments during the current fiscal year through August, compared to 10 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 7.9 percent higher than in the corresponding period in fiscal year 2006.

## **Medicaid**

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

- Federal expenditures for Medicaid were 5.5 percent higher than in the corresponding period in fiscal year 2006.

## **SCHIP**

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

- Federal expenditures for SCHIP were 9.2 percent higher than in the corresponding period in fiscal year 2006.

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

August 2007

- The CPI-U decreased 0.2 percent during the month of August.

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

- The fiscal-year-to-date change in the CPI-U is an increase of 2.5 percent.

**Table 1. Medicare Trust Fund Activity as of August 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	\$14,750	\$27,709	\$0	\$7,519 <sup>1</sup>	\$35,228 <sup>1</sup>	\$49,978 <sup>1</sup>
Expenditures	21,358	19,941	0	8,239 <sup>1</sup>	28,179 <sup>1</sup>	49,537 <sup>1</sup>
Difference	(6,608)	7,768	0	(720)	7,048	440
<b>Current Fiscal-Year-to-Date:</b>						
Income	200,639	182,095	(1)	49,112 <sup>2</sup>	231,206 <sup>2</sup>	431,845 <sup>2</sup>
% Change	4.4	12.0	(100.6)	73.3 <sup>2</sup>	20.9 <sup>2</sup>	12.6 <sup>2</sup>
Expenditures	190,872	168,315	(1)	49,736 <sup>2</sup>	218,050 <sup>2</sup>	408,922 <sup>2</sup>
% Change	10.6	12.5	(100.6)	80.0 <sup>2</sup>	22.9 <sup>2</sup>	16.8 <sup>2</sup>
Difference	9,767	13,780	0	(624)	13,156	22,923
<b>Prior Fiscal-Year-to-Date:</b>						
Income	192,274	162,640	229	28,340 <sup>3</sup>	191,209 <sup>3</sup>	383,482 <sup>3</sup>
Expenditures	172,655	149,562	229	27,631 <sup>3</sup>	177,422 <sup>3</sup>	350,077 <sup>3</sup>
<b>End-of-Month:</b>						
Balance	312,897	46,372	0	63	46,435	359,332

<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 \$7,702 million for Part D income; \$35,411 million for SMI income; \$50,161 million for total Medicare income; \$8,422 million for Part D expenditures; \$28,362 million for SMI expenditures; and \$49,720 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 \$1,964 million. Adding this amount to the amounts shown above yields estimates of \$51,076 million for Part D income; \$233,170 million for SMI income; \$433,809 million for total Medicare income; \$51,700 million for Part D expenditures; \$220,014 million for SMI expenditures; and \$410,886 million for total Medicare expenditures. The associated "% Change" estimates are 70.5 for Part D income, 20.9 for SMI income, 12.7 for total Medicare income, 76.8 for Part D expenditures, 22.9 for SMI expenditures, and 16.8 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 \$1,612 million. Adding this amount to the amounts shown above yields estimates of \$29,952 million for Part D income; \$192,821 million for SMI income; \$385,094 million for total Medicare income; \$29,243 million for Part D expenditures; \$179,034 million for SMI expenditures; and \$351,689 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 August 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	\$49,537 <sup>1</sup>	\$16,783	\$453	\$66,773 <sup>2</sup>
Fiscal-year-to-date	408,922 <sup>3</sup>	176,123	5,302	590,347 <sup>4</sup>
Prior fiscal-year-to-date	350,077 <sup>5</sup>	166,891	4,856	521,824 <sup>6</sup>
% Change	16.8 <sup>3</sup>	5.5	9.2	13.1 <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 \$49,720 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 \$66,956 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 \$410,886 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 16.8.

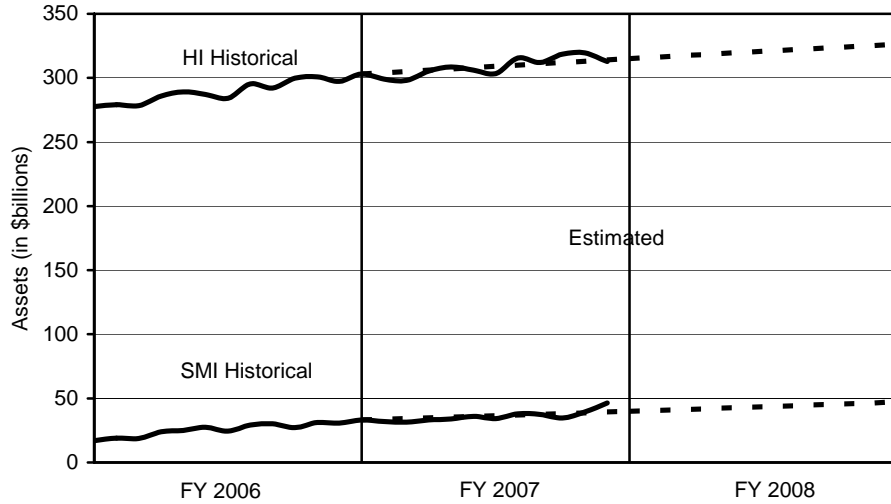
<sup>4</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$592,311 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 13.2.

<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 \$351,689 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 \$523,436 million for total expenditures for the prior fiscal-year-to-date.

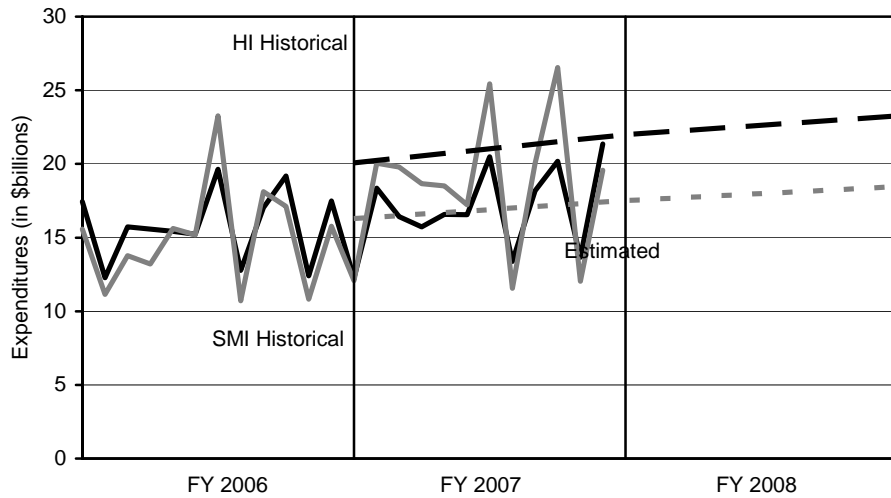
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
  2. Totals do not necessarily equal the sums of rounded components.
  3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



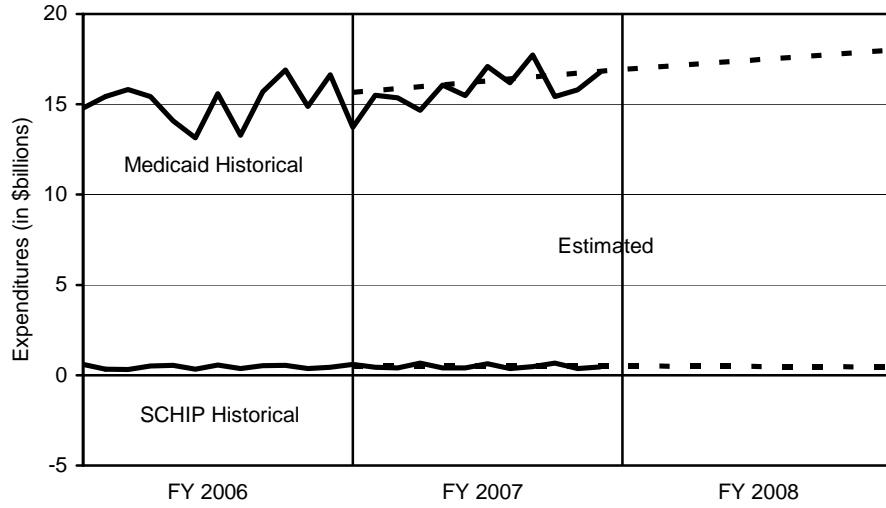
**Note: Estimates are from the 2007 Trustees Report (intermediate assumptions).**

**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.**