

Monthly Trend Report for Medicare, Medicaid, and SCHIP

September 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-September 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 11.4 percent compared to the corresponding period in fiscal year 2006.

Medicare

September 2007

- HI income exceeded expenditures by \$6.6 billion this month. The receipt this month of both quarterly self-employment (SECA) taxes and quarterly income taxes paid on Social Security benefits were two large contributing factors to this excess, accounting for about \$3.8 billion. On the expenditures side, the bulk of the Medicare Advantage payment for September was made in August. (Medicare Advantage payments are scheduled for the first day of the month, but when that date falls on a weekend or legal public holiday, the payment is typically—though not always—moved to the last workday of the prior month. The first day of September fell on a Saturday, so the payment was moved to August. The

Medicare Advantage payment for August was also made in August.) HI expenditures would thus have been higher—and the excess of income over expenditures lower—by about \$3.4 billion, had the payment for September been made this month rather than last month. (Also on the expenditures side, the month of September had a lower-than-average number of claims processing days, which would tend to decrease expenditures and increase the excess of income over expenditures.)

- SMI expenditures exceeded income by \$7.3 billion this month. About \$7.8 billion of this excess was attributable to the Part B account and about (\$0.5) 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 decreased income for September 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 for September were thus decreased—and the excess of expenditures over income decreased—by about \$3.3 billion. (Also on the expenditures side, the month of September had a lower-than-average number of claims processing days, which would tend to lower both expenditures and the excess of expenditures over income.)

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 \$0.5 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 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 September were made in August, as discussed above.

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

Medicare expenditures during fiscal year 2007 were 14.2 percent higher than during fiscal year 2006. This unusually large growth rate reflects

several special factors.

First, the Part D Medicare Prescription Drug Program was in full operation for all 12 months of fiscal year 2007 but significantly less than 9 months in fiscal year 2006. (The program started on January 1, 2006, which indicates 9 months of operation—from January 1 to September 30—but it must be noted that there was an extended open enrollment period from January 1 to May 15, during which enrollment gradually grew.) Removing this account's expenditures yields an increase of 10.3 percent.

Next, a provision of the Deficit Reduction Act (DRA) of 2005 required all Part A and Part B payments that would have been paid during the last 9 days of fiscal year 2006 to be paid on October 1, 2006 (the first day of fiscal year 2007) instead. This provision resulted in an artificially low expenditure level for fiscal year 2006 and an inflated level for fiscal year 2007. Removing this impact, together with the Part D impact above, yields an increase of 6.5 percent.

Finally, there were 12 Medicare Advantage payments during fiscal year 2007, but only 11 during fiscal year 2006. Had there been 12 payments in fiscal year 2006, and adjusting for the Part D impact and "DRA hold" discussed above, the increase for Parts A and B would have been approximately 5.0 percent.

Preliminary analysis indicates that this 5.0-percent growth in Medicare Parts A and B reflects enrollment growth of about 2.0 percent, price growth of about 2.0 percent, and growth in the volume and intensity of service of about 0.9 percent. (The volume and intensity category includes all contributing factors besides enrollment and price; that is, small miscellaneous factors—for example, shifts in enrollment between fee-for-service and managed care—are included in this category.)

Medicaid

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

- Federal expenditures for SCHIP were 10.1 percent higher than in the corresponding period in fiscal year 2006.

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

September 2007

- The CPI-U increased 0.3 percent during the month of September.

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

- The fiscal-year-to-date change in the CPI-U is an increase of 2.8 percent.

Table 1. Medicare Trust Fund Activity as of September 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	\$18,567	\$3,518	\$11	\$859 ¹	\$4,389 ¹	\$22,956 ¹
Expenditures	11,954	11,336	11	330 ¹	11,677 ¹	23,631 ¹
Difference	6,613	(7,817)	0	529	(7,288)	(675)
Current Fiscal-Year-to-Date:						
Income	219,207	185,614	10	49,971 ²	235,595 ²	454,802 ²
% Change	4.2	4.7	(95.7)	53.5 ²	12.1 ²	8.2 ²
Expenditures	202,827	179,651	10	50,066 ²	229,727 ²	432,554 ²
% Change	9.7	11.1	(95.7)	57.1 ²	18.6 ²	14.2 ²
Difference	16,380	5,962	0	(95)	5,867	22,248
Prior Fiscal-Year-to-Date:						
Income	210,309	177,355	229	32,564 ³	210,147 ³	420,456 ³
Expenditures	184,901	161,647	229	31,877 ³	193,752 ³	378,654 ³
End-of-Month:						
Balance	319,510	38,554	0	592	39,146	358,657

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 \$1,042 million for Part D income; \$4,572 million for SMI income; \$23,139 million for total Medicare income; \$513 million for Part D expenditures; \$11,860 million for SMI expenditures; and \$23,814 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 \$2,147 million. Adding this amount to the amounts shown above yields estimates of \$52,118 million for Part D income; \$237,742 million for SMI income; \$456,949 million for total Medicare income; \$52,213 million for Part D expenditures; \$231,874 million for SMI expenditures; and \$434,701 million for total Medicare expenditures. The associated "% Change" estimates are 51.6 for Part D income, 12.2 for SMI income, 8.2 for total Medicare income, 55.0 for Part D expenditures, 18.6 for SMI expenditures, and 14.3 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 \$1,814 million. Adding this amount to the amounts shown above yields estimates of \$34,378 million for Part D income; \$211,961 million for SMI income; \$422,270 million for total Medicare income; \$33,691 million for Part D expenditures; \$195,566 million for SMI expenditures; and \$380,468 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 \$11,257,368.78 for this month and are each \$9,814,846.92 for the current fiscal-year-to-date.

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

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$23,631 ¹	\$14,501	\$698	\$38,830 ²
Fiscal-year-to-date	432,554 ³	190,624	6,000	629,178 ⁴
Prior fiscal-year-to-date	378,654 ⁵	180,625	5,451	564,730 ⁶
% Change	14.2 ³	5.5	10.1	11.4 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$23,814 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 \$39,013 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 \$434,701 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 14.3.

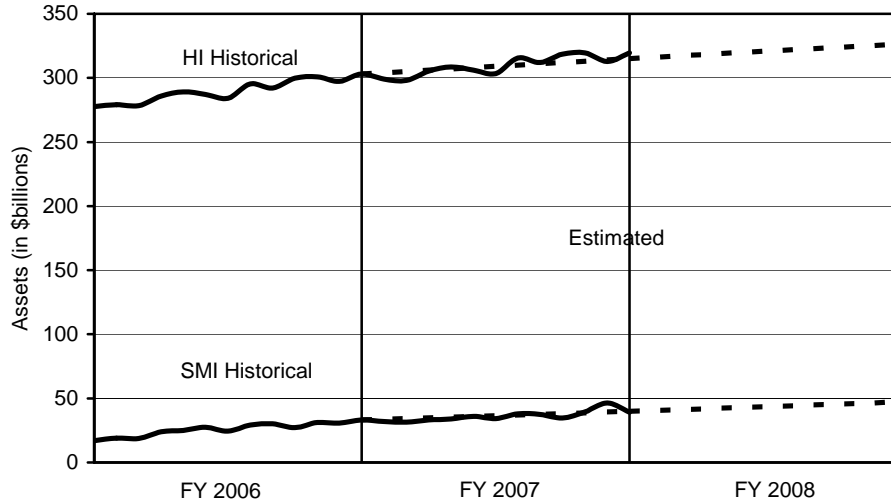
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$631,325 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 11.4.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$380,468 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 \$566,544 million for total expenditures for the prior fiscal-year-to-date.

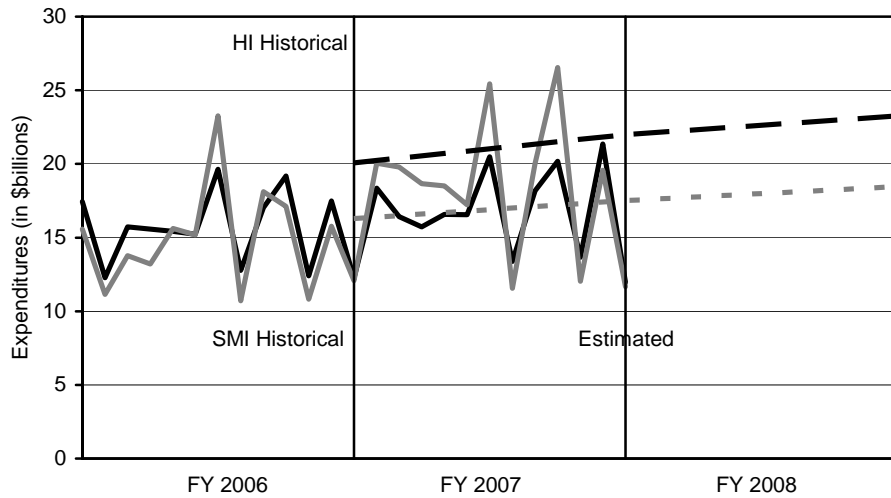
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



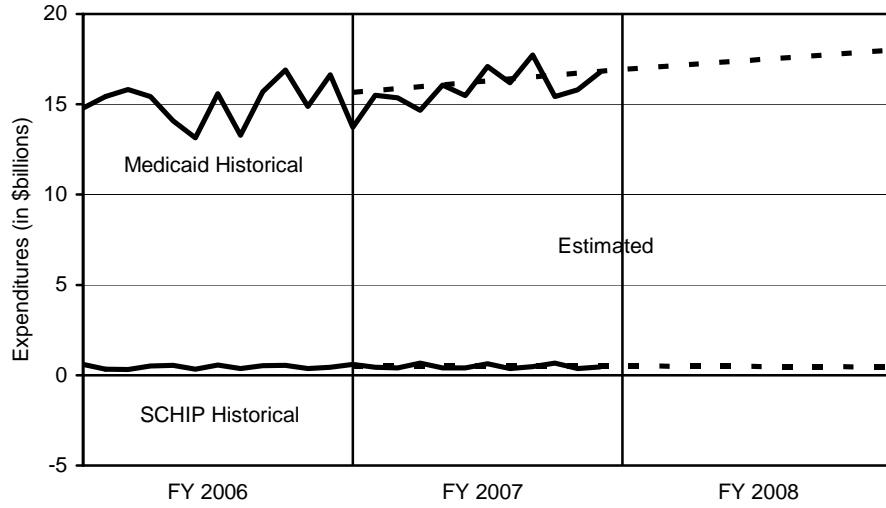
Note: Estimates are from the 2007 Trustees Report (intermediate assumptions).

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.