

# Monthly Trend Report for Medicare, Medicaid, and SCHIP

November 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. (Because premiums paid directly to Part D plans by enrollees are not displayed on the financial statements and are not available other than on an estimated basis, they are not included in this information except where otherwise indicated.)

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 2008 (October 2007-November 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 9.4 percent compared to the corresponding period in fiscal year 2007. 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

November 2007

- HI expenditures exceeded income by \$2.7 billion this month. The income situation for this month is much the same as that described for last month, with no large amounts scheduled for receipt besides FICA taxes. On the expenditures side, the bulk of the Medicare Advantage payment for December was made in November. (When the first day of the month is a Saturday, Sunday, or legal holiday, as is the case for December 1, the payment date is typically sped up to the prior month.) The Medicare Advantage payment for November was also paid in November, so November was a “two-payment month” for Medicare Advantage.

The effect of the double payment, however, is not as large as would usually be the case, because November and December Medicare Advantage payments were lower than usual. The reason these payments were lower than usual is somewhat complicated. A reconciliation of Part D costs for fiscal year 2006 showed that payments to Part D plans that year were too high. Therefore, it was decided that retroactive adjustments would be made by reducing payments to Part D plans during fiscal year 2008. However, the first reductions necessary were so large that they were spread out and taken, in November and December, not only from Part D payments but also from Medicare Advantage payments made by HI (Part A) and Part B. (Subsequently, in January, adjustment will be made in the form of an interfund transfer from Parts A and B to Part D, so that on the whole, at the end of January, only Part D payments will be reduced for the first retroactive adjustments necessitated by the reconciliation.)

- SMI expenditures exceeded income by \$2.9 billion this month, with about \$2.2 billion attributable to the Part B account and about \$0.7 billion attributable to the Part D account. For Parts B and D, the situation on the expenditure side is the same as that described above for HI. However, for Part D, unlike Parts A and B, when a double-payment month occurs, most of the financing is sped up as well. Thus, the excess of expenditures over income for Part D in this situation is usually small, and attributable mainly to the smaller secondary sources of income that are not sped up.
- The SMI Part D Medicare Prescription Drug Account spent about \$6.1 billion this month under the broad, voluntary prescription drug program that began in January 2006. That is, about 25 percent of SMI expenditures, and about 14 percent of total Medicare expenditures, were attributable to expenditures made by this account this month. These percentages are artificially elevated because this month was a double-payment month—albeit a lower double-payment month than usual, due to the Part D reconciliation—for Part D, as described above. (It was also a double-payment month for Medicare Advantage payments made by HI and Part B, but the extra payment has a bigger effect, relatively speaking, on Part D than it does on HI and Part B, hence raising the percentages attributable to Part D to levels above what would be seen in a more typical, single-payment month.)

Fiscal-Year-to-Date 2008 (October 2007-November 2007)

- Medicare expenditures were 8.4 percent higher than in the corresponding period in fiscal year 2007. This increase includes two factors that deserve mention. First, a provision of the Deficit Reduction Act (DRA) of 2005 required that all Part A and Part B payments that would have been paid from September 22, 2006 through September 30, 2006 (the last 9 days of fiscal year 2006) be paid instead on October 2, 2006 (the first business day of fiscal year 2007). This provision resulted in an artificially high expenditure level for the prior fiscal-year-to-date (2007) and, therefore, an artificially low increase for the current fiscal-year-to-date (2008). Removing the effect of this provision yields an increase of about 18.6 percent. Next, there were three months' worth of Medicare Advantage and Part D payments during the current fiscal-year-to-date, compared to two during the prior fiscal-year-to-date. However, the payments made this month for November and December were reduced due to the Part D reconciliation, as explained above. Adjusted for an equal number of incurred Medicare Advantage and Part D payments—thereby removing both the effect of the different number of payments and the effect of the Part D reconciliation—and having already removed the effect of the DRA provision, it is estimated that Medicare expenditures for the current fiscal-year-to-date would have been 9.3 percent higher than in the corresponding period in fiscal year 2007.
- It should be noted that during the prior fiscal year, certain Part A payments for hospice care were inadvertently paid from the Part B account of the SMI trust fund. This misallocation occurred as a new accounting system was implemented. Because of the misallocation, Part A expenditures for the prior fiscal-year-to-date (2007) were slightly lower than they should have been, and thus the increase for Part A expenditures for the current fiscal-year-to-date (2008) is slightly overstated. Similarly, but in the opposite direction, Part B expenditures for the prior fiscal-year-to-date (2007) were slightly higher than they should have been, and thus the increase for Part B expenditures for the current fiscal-year-to-date (2008) is slightly understated. On a combined basis, the increase for Medicare is unaffected by this misallocation.

## **Medicaid**

Fiscal-Year-to-Date 2008 (October 2007-November 2007)

- Federal expenditures for Medicaid were 11.6 percent higher than in the corresponding period in fiscal year 2007.

## **SCHIP**

Fiscal-Year-to-Date 2008 (October 2007-November 2007)

- Federal expenditures for SCHIP were 22.9 percent higher than in the corresponding period in fiscal year 2007.

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

November 2007

- The CPI-U increased 0.6 percent during the month of November.

Fiscal-Year-to-Date 2008 (October 2007-November 2007)

- The fiscal-year-to-date change in the CPI-U is an increase of 0.8 percent.

**Table 1. Medicare Trust Fund Activity as of November 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)	
<b>This Month:</b>						
Income	\$16,381	\$15,842	\$0	\$5,363 <sup>1</sup>	\$21,205 <sup>1</sup>	\$37,586 <sup>1</sup>
Expenditures	19,079	18,054	0	6,066 <sup>1</sup>	24,120 <sup>1</sup>	43,199 <sup>1</sup>
Difference	(2,698)	(2,212)	0	(703)	(2,915)	(5,613)
<b>Current Fiscal-Year-to-Date:</b>						
Income	31,755	31,526	0	9,604 <sup>2</sup>	41,130 <sup>2</sup>	72,886 <sup>2</sup>
% Change	6.8	7.0	(100.0)	12.6 <sup>2</sup>	8.2 <sup>2</sup>	7.6 <sup>2</sup>
Expenditures	37,319	33,437	0	10,099 <sup>2</sup>	43,536 <sup>2</sup>	80,855 <sup>2</sup>
% Change	7.3	6.6	(100.0)	19.0 <sup>2</sup>	9.3 <sup>2</sup>	8.4 <sup>2</sup>
Difference	(5,564)	(1,911)	0	(495)	(2,406)	(7,970)
<b>Prior Fiscal-Year-to-Date:</b>						
Income	29,734	29,474	0	8,531 <sup>3</sup>	38,004 <sup>3</sup>	67,738 <sup>3</sup>
Expenditures	34,782	31,354	0	8,487 <sup>3</sup>	39,840 <sup>3</sup>	74,622 <sup>3</sup>
<b>End-of-Month:</b>						
Balance	313,947	36,643	0	97	36,740	350,687

<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 2009 Trustees Report assumptions, the estimated amount for this month is \$199 million. Adding this amount to the amounts shown above yields estimates of \$5,562 million for Part D income; \$21,404 million for SMI income; \$37,785 million for total Medicare income; \$6,265 million for Part D expenditures; \$24,319 million for SMI expenditures; and \$43,398 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 2009 Trustees Report assumptions, the estimated amount for the current fiscal-year-to-date is \$397 million. Adding this amount to the amounts shown above yields estimates of \$10,001 million for Part D income; \$41,527 million for SMI income; \$73,283 million for total Medicare income; \$10,496 million for Part D expenditures; \$43,933 million for SMI expenditures; and \$81,252 million for total Medicare expenditures. The associated "% Change" estimates are 12.9 for Part D income, 8.3 for SMI income, 7.7 for total Medicare income, 19.0 for Part D expenditures, 9.4 for SMI expenditures, and 8.4 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 2009 Trustees Report assumptions, the estimated amount for the prior fiscal-year-to-date is \$330 million. Adding this amount to the amounts shown above yields estimates of \$8,861 million for Part D income; \$38,334 million for SMI income; \$68,068 million for total Medicare income; \$8,817 million for Part D expenditures; \$40,170 million for SMI expenditures; and \$74,952 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 \$0 for this month, \$0 for the current fiscal-year-to-date, and (\$375,265.48) for the prior fiscal-year-to-date.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures  
as of November 30, 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	\$43,199 <sup>1</sup>	\$17,047	\$521	\$60,767 <sup>2</sup>
Fiscal-year-to-date	80,855 <sup>3</sup>	34,434	1,036	116,325 <sup>4</sup>
Prior fiscal-year-to-date	74,622 <sup>5</sup>	30,864	843	106,329 <sup>6</sup>
% Change	8.4 <sup>3</sup>	11.6	22.9	9.4 <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 \$43,398 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 \$60,966 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 \$81,252 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 8.4.

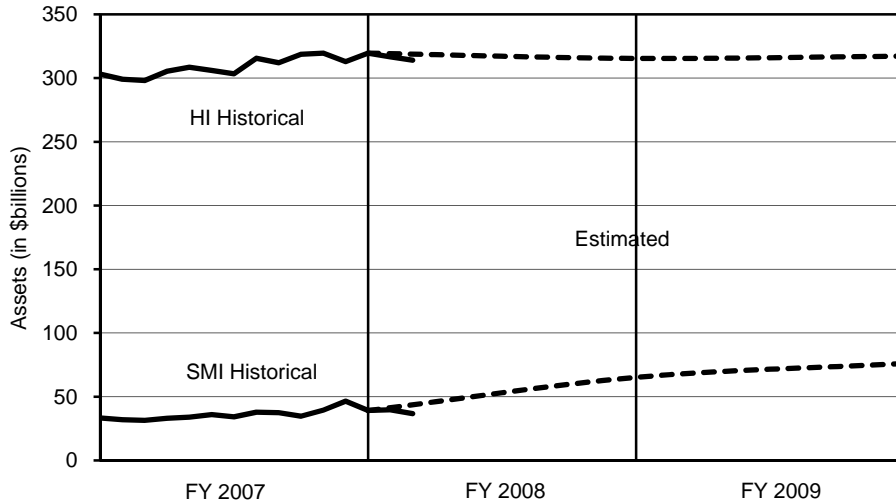
<sup>4</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$116,722 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 9.4.

<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 \$74,952 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 \$106,659 million for total expenditures for the prior fiscal-year-to-date.

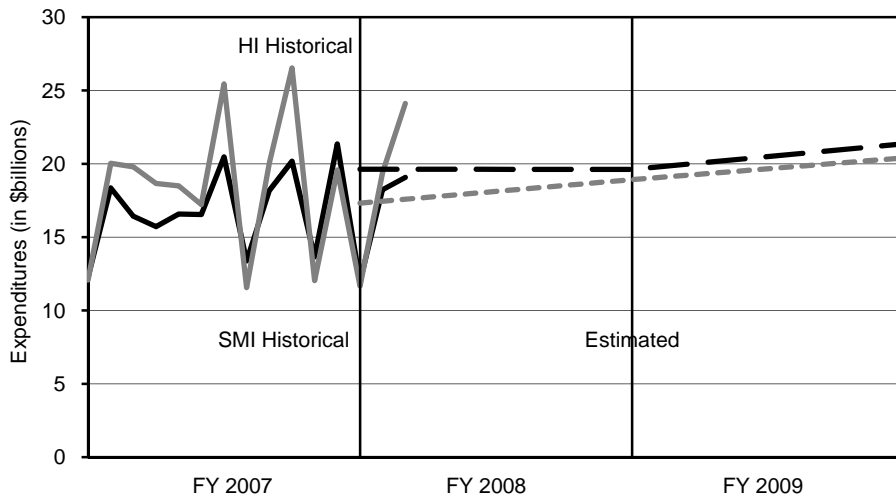
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
  2. Totals do not necessarily equal the sums of rounded components.
  3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



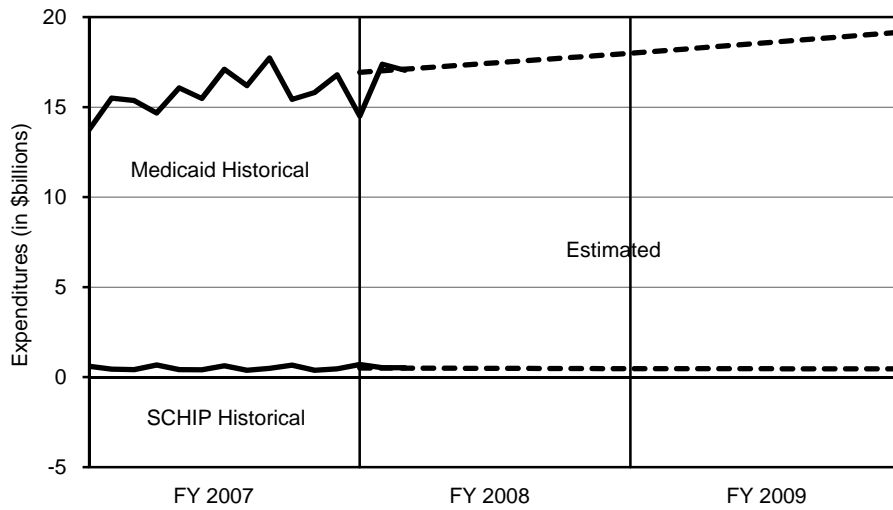
**Note: Estimates are from the 2007 Trustees Report (intermediate assumptions).**

**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. Because premiums paid directly to Part D plans by enrollees are not available other than on an estimated basis, they are not included in the historical figures, but because they are part of the Trustees Report projections, they are included in the estimated figures.**

**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.**