

Monthly Trend Report for Medicare, Medicaid, and SCHIP

December 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. (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-December 2007)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 1.1 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

December 2007

- HI income exceeded expenditures by \$12.1 billion this month. The large excess of income over expenditures was primarily due to the receipt of interest earnings this month. (Most of the interest on the invested assets of the trust fund is paid semiannually, in June and December.) Another factor contributing to the large excess was on the expenditures side, where 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 was the case for December 1, the payment is often sped up to the prior month. Interestingly, the first day of January 2008 was a legal holiday, but the payment for January was not sped up to December, so December was a “no-payment” month for the bulk of Medicare Advantage.) Therefore, HI expenditures would have been higher—and the excess of income over expenditures lower—had the payment for December been made this month rather than last month. (Also on the expenditures side, the month of December 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 income exceeded expenditures by \$6.1 billion this month. About \$5.4 billion of this excess was attributable to the Part B account and about \$0.7 billion was attributable to the Part D account.

For Part B, the main contributing factor to the large excess was on the expenditures side, where the bulk of the Medicare Advantage payment for December was made in November, as described above for HI. The receipt of interest earnings this month, as described for HI, also contributed to the excess. (The lower-than-average number of claims processing days could also have been a factor, as described for HI.)

For Part D, on the expenditures side, the bulk of payments for December were sped up to November, as described for Medicare Advantage for HI and Part B. However, for Part D, most of the largest source of income (from Federal contributions) was sped up as well. Thus, the excess of income over expenditures for Part D is small, and attributable mainly to the smaller secondary sources of income. (It should be noted that for Part D, unlike Parts A and B, the semi-annual interest payment is not a major factor in the analysis of the excess of income over expenditures. Because the Part D account holds only a small amount of invested assets on which to earn interest, the semi-annual interest payment is relatively small.)

- 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 was because the bulk of Part D payments for December were made in November, as described above.

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

- Medicare expenditures were 3.0 percent lower than in the corresponding period in fiscal year 2007. This decrease 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 3.1 percent. Next, while both the current and prior fiscal-years-to-date contain three months' worth of Medicare Advantage and Part D payments, the payments made last month, for November and December, were affected by the Part D reconciliation, which reduces payments in fiscal year 2008 to retroactively adjust for overpayments in fiscal year 2006, as explained in detail in the November report. (In Table 1 below, the effect of the Part D reconciliation is most noticeable in the large decrease in fiscal-year-to-date Part D expenditures.) Adjusting Medicare Advantage and Part D payments to incurred, rather than cash, levels—thereby removing 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 6.9 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-December 2007)

- Federal expenditures for Medicaid were 10.7 percent higher than in the corresponding period in fiscal year 2007.

SCHIP

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

- Federal expenditures for SCHIP were 5.2 percent higher than in the corresponding period in fiscal year 2007.

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

December 2007

- The CPI-U decreased 0.1 percent during the month of December.

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

- The fiscal-year-to-date change in the CPI-U is an increase of 0.7 percent.

Table 1. Medicare Trust Fund Activity as of December 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	\$25,480	\$16,624	\$0	\$1,000 ¹	\$17,624 ¹	\$43,104 ¹
Expenditures	13,416	11,205	0	296 ¹	11,501 ¹	24,917 ¹
Difference	12,064	5,419	0	704	6,123	18,188
Current Fiscal-Year-to-Date:						
Income	57,235	48,150	0	10,604 ²	58,755 ²	115,990 ²
% Change	8.6	6.8	(100.0)	(19.9) ²	0.7 ²	4.4 ²
Expenditures	50,734	44,642	0	10,395 ²	55,037 ²	105,772 ²
% Change	0.5	(1.6)	(100.0)	(20.9) ²	(5.9) ²	(3.0) ²
Difference	6,501	3,508	0	209	3,717	10,218
Prior Fiscal-Year-to-Date:						
Income	52,725	45,105	(1)	13,241 ³	58,346 ³	111,071 ³
Expenditures	50,503	45,372	(1)	13,134 ³	58,506 ³	109,009 ³
End-of-Month:						
Balance	326,011	42,062	0	801	42,863	368,875

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 2009 Trustees Report assumptions, the estimated amount for this month is \$199 million. Adding this amount to the amounts shown above yields estimates of \$1,199 million for Part D income; \$17,823 million for SMI income; \$43,303 million for total Medicare income; \$495 million for Part D expenditures; \$11,700 million for SMI expenditures; and \$25,116 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 2009 Trustees Report assumptions, the estimated amount for the current fiscal-year-to-date is \$596 million. Adding this amount to the amounts shown above yields estimates of \$11,200 million for Part D income; \$59,351 million for SMI income; \$116,586 million for total Medicare income; \$10,991 million for Part D expenditures; \$55,633 million for SMI expenditures; and \$106,368 million for total Medicare expenditures. The associated "% Change" estimates are (18.5) for Part D income, 0.9 for SMI income, 4.5 for total Medicare income, (19.4) for Part D expenditures, (5.7) for SMI expenditures, and (2.9) 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 2009 Trustees Report assumptions, the estimated amount for the prior fiscal-year-to-date is \$495 million. Adding this amount to the amounts shown above yields estimates of \$13,736 million for Part D income; \$58,841 million for SMI income; \$111,566 million for total Medicare income; \$13,629 million for Part D expenditures; \$59,001 million for SMI expenditures; and \$109,504 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 (\$519,556.85) for the prior fiscal-year-to-date.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures
as of December 31, 2007
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$24,917 ¹	\$15,987	\$555	\$41,459 ²
Fiscal-year-to-date	105,772 ³	50,420	1,591	157,783 ⁴
Prior fiscal-year-to-date	109,009 ⁵	45,535	1,513	156,057 ⁶
% Change	(3.0) ³	10.7	5.2	1.1 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$25,116 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 \$41,658 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 \$106,368 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is (2.9).

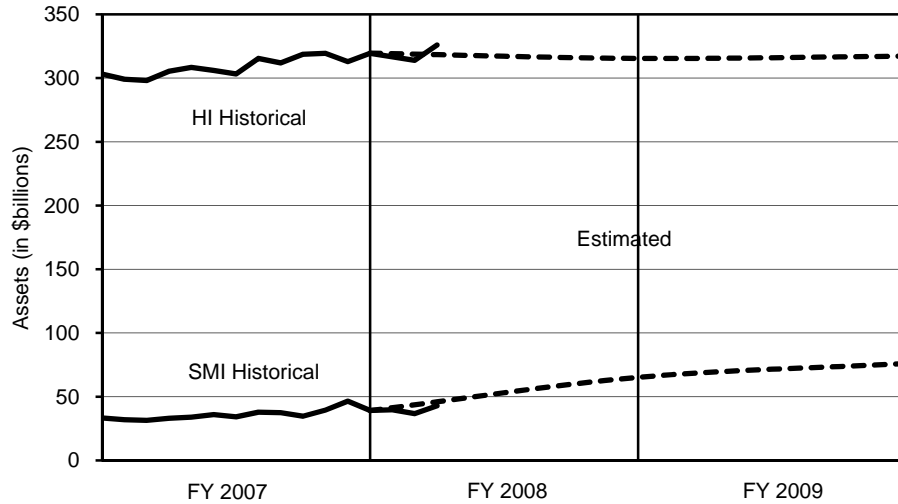
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$158,379 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 1.2.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$109,504 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 \$156,552 million for total expenditures for the prior fiscal-year-to-date.

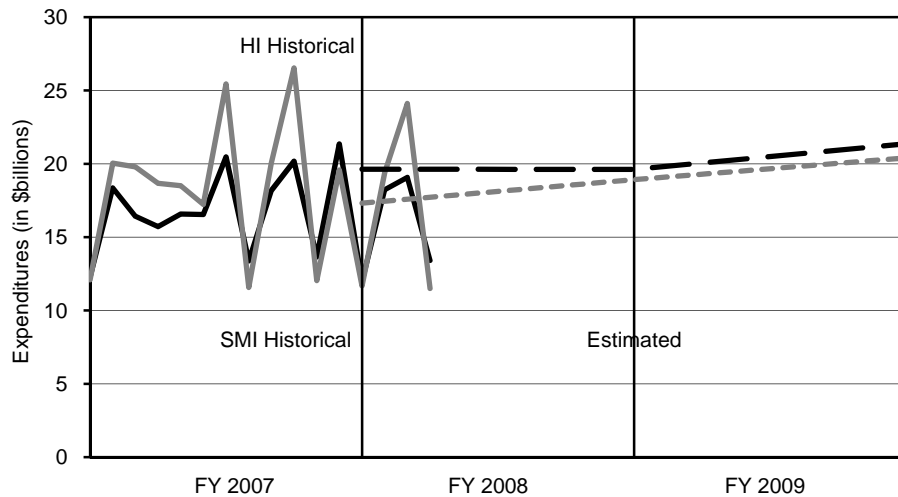
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



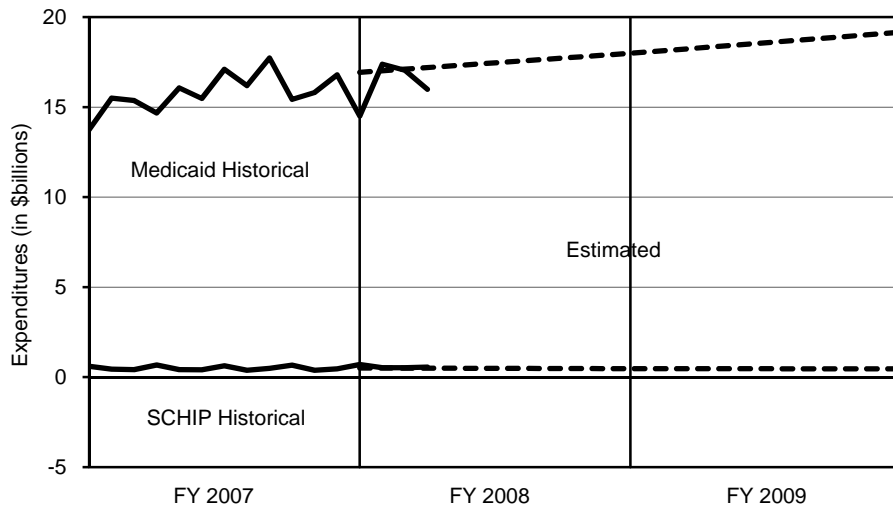
Note: Estimates are from the 2007 Trustees Report (intermediate assumptions).

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.