

Monthly Trend Report for Medicare, Medicaid, and SCHIP

January 31, 2008

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-January 2008)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 1.6 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

January 2008

- HI income exceeded expenditures by \$2.1 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.

On the expenditures side, the first day of January was a legal holiday, but this did not trigger a movement of the bulk of the January Medicare Advantage payments to December, as would sometimes be the case when the first day of the month is a legal holiday. Instead, the payments were made on January 2. Thus, January was a “one-payment” month for the bulk of Medicare Advantage, and the number of payments does not factor into an analysis of the excess, as is the case when there is no payment or two payments within one month.

However, on the expenditures side, benefits were higher for both HI and Part B, for a somewhat complicated reason. 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, this month, adjustment was made in the form of an interfund transfer from Parts A and B to Part D, so that effectively, on the whole, at the end of January, only Part D payments were reduced for the retroactive adjustments made in November and December. Therefore, HI and Part B expenditures were increased this month—and the excess of income over expenditures lowered—by this interfund transfer.

- SMI income and expenditures were fairly close this month, with income exceeding expenditures by \$0.7 billion. Of this amount, \$0.8 billion was attributable to the Part B account, and the offset of \$0.1 billion was attributable to the Part D account, where expenditures exceeded income by that small amount.

For Part B, expenditures were increased this month—and the excess of income over expenditures lowered—by the interfund transfer from Parts A and B to Part D, which was done as part of the Part D reconciliation, as discussed above for HI.

Part D expenditures were reduced this month, in large part due to the interfund transfer from Parts A and B to Part D, which was done as part of the Part D reconciliation, as discussed above for HI and Part B, and in smaller part due to the continued holdback of payments from the Part D account to Part D plans, in order to retroactively repay the Part D account for overpayments made to the plans during FY 2006.

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

- Medicare expenditures were 1.5 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 four months' worth of Medicare Advantage and Part D payments, the payments made for November 2007-January 2008, during this fiscal year, 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 5.9 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-January 2008)

- Federal expenditures for Medicaid were 8.4 percent higher than in the corresponding period in fiscal year 2007.

SCHIP

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

- Federal expenditures for SCHIP were 12.8 percent higher than in the corresponding period in fiscal year 2007.

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

January 2008

- The CPI-U increased 0.5 percent during the month of January.

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

- The fiscal-year-to-date change in the CPI-U is an increase of 1.2 percent.

Table 1. Medicare Trust Fund Activity as of January 31, 2008
[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	\$21,370	\$16,221	\$0	\$1,385 ¹	\$17,606 ¹	\$38,976 ¹
Expenditures	19,263	15,432	0	1,444 ¹	16,876 ¹	36,139 ¹
Difference	2,107	789	0	(59)	730	2,837
Current Fiscal-Year-to-Date:						
Income	78,605	64,372	0	11,990 ²	76,361 ²	154,966 ²
% Change	8.6	6.0	(100.0)	(29.3) ²	(1.7) ²	3.3 ²
Expenditures	69,997	60,074	0	11,839 ²	71,914 ²	141,911 ²
% Change	4.3	0.0	(100.0)	(30.2) ²	(6.6) ²	(1.5) ²
Difference	8,608	4,297	0	150	4,447	13,055
Prior Fiscal-Year-to-Date:						
Income	72,390	60,715	(0)	16,948 ³	77,662 ³	150,052 ³
Expenditures	67,083	60,057	(0)	16,950 ³	77,006 ³	144,089 ³
End-of-Month:						
Balance	328,118	42,851	0	742	43,594	371,712

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 \$260 million. Adding this amount to the amounts shown above yields estimates of \$1,645 million for Part D income; \$17,866 million for SMI income; \$39,236 million for total Medicare income; \$1,704 million for Part D expenditures; \$17,136 million for SMI expenditures; and \$36,399 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 \$856 million. Adding this amount to the amounts shown above yields estimates of \$12,846 million for Part D income; \$77,217 million for SMI income; \$155,822 million for total Medicare income; \$12,695 million for Part D expenditures; \$72,770 million for SMI expenditures; and \$142,767 million for total Medicare expenditures. The associated "% Change" estimates are (27.2) for Part D income, (1.5) for SMI income, 3.4 for total Medicare income, (28.0) for Part D expenditures, (6.3) for SMI expenditures, and (1.4) 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 \$693 million. Adding this amount to the amounts shown above yields estimates of \$17,641 million for Part D income; \$78,355 million for SMI income; \$150,745 million for total Medicare income; \$17,643 million for Part D expenditures; \$77,699 million for SMI expenditures; and \$144,782 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 (\$463,315.66) for the prior fiscal-year-to-date.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures
as of January 31, 2008
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$36,139 ¹	\$16,379	\$581	\$53,099 ²
Fiscal-year-to-date	141,911 ³	66,800	2,171	210,882 ⁴
Prior fiscal-year-to-date	144,089 ⁵	61,604	1,924	207,617 ⁶
% Change	(1.5) ³	8.4	12.8	1.6 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$36,399 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 \$53,359 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 \$142,767 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is (1.5).

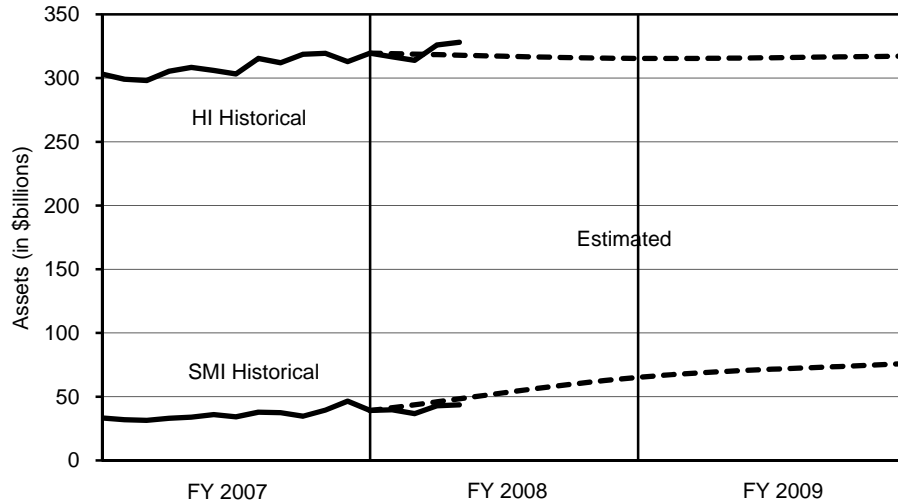
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$211,738 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 1.6.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$144,782 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 \$208,310 million for total expenditures for the prior fiscal-year-to-date.

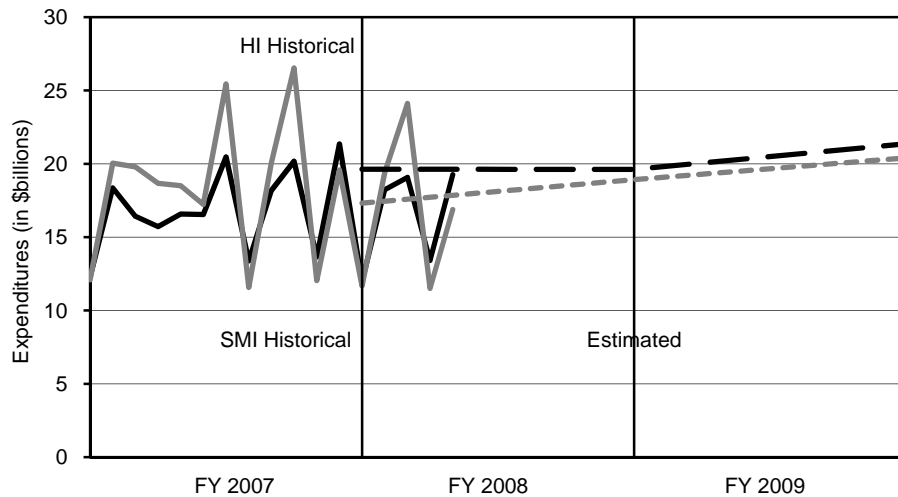
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



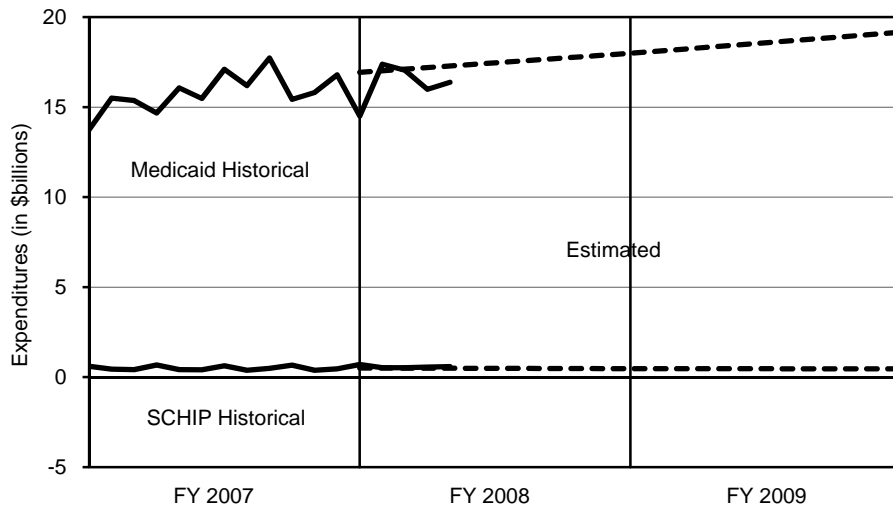
Note: Estimates are from the 2008 Trustees Report (intermediate assumptions).

Figure 2. Medicare Expenditures: Historical and Estimated



Note: Estimates are from the 2008 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.