

Monthly Trend Report for Medicare, Medicaid, and SCHIP

May 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 these reports 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-May 2008)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 6.6 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

May 2008

- HI expenditures exceeded income by \$7.9 billion this month. Each month, the primary source of HI income is Federal Income Contribution (FICA) taxes, but this is particularly true for months such as this May, in which secondary sources of income were relatively modest, with no large amounts scheduled for receipt (other than FICA taxes). On the expenditures side, the bulk of the Medicare Advantage payment for June was made in May. (When the first day of the month is a Saturday, Sunday, or legal holiday, as was the case for June 1, the payment date is often sped up to the prior month.) The Medicare Advantage payment for May was also paid in May, so June was a “two-payment month” for Medicare Advantage. The extra Medicare Advantage payment and the lack of significant secondary income are the notable factors contributing to the excess of expenditures over income.

SMI expenditures exceeded income by \$3.9 billion this month, of which \$3.2 billion was attributable to the Part B account and \$0.7 billion was attributable to the Part D account. For both Parts B and D, the situation on the expenditures side was the same as that described for HI, and the extra Medicare Advantage and Part D payments, respectively, were the notable factors contributing to the excesses of expenditures over income. For Part D, the size of the excess is mitigated, however, because when a month’s payment is sped up, much of the financing is sped up as well.

The Part D account spent \$7.8 billion this month, accounting for about 28 percent of SMI expenditures and about 15 percent of total Medicare expenditures. These percentages are artificially elevated because this month was a two-payment month for Part D, as described above. (It was also a two-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 single-payment month.) Part D expenditures were reduced ever so slightly this month by the continued holdback of payments to Part D plans, in order to retroactively repay the Part D account for overpayments made to the plans during FY 2006, as part of the Part D reconciliation, which is described in more detail in the November 2007 report. This month is the last to be affected by this reconciliation.

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

- Medicare expenditures were 6.8 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 9.3

percent. Next, there were nine months' worth of Medicare Advantage and Part D payments during the current fiscal-year-to-date, compared to eight during the prior fiscal-year-to-date. However, the payments made for the current fiscal-year-to-date were reduced due to 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 2007 report. (In Table 1 below, the combined effect of the difference in the number of payments and the Part D reconciliation is most pronounced in the decrease in fiscal-year-to-date Part D expenditures.) 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 6.6 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-May 2008)

- Federal expenditures for Medicaid were 5.9 percent higher than in the corresponding period in fiscal year 2007.

SCHIP

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

- Federal expenditures for SCHIP were 16.3 percent higher than in the corresponding period in fiscal year 2007.

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

May 2008

- The CPI-U increased 0.8 percent during the month of May.

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

- The fiscal-year-to-date change in the CPI-U is an increase of 3.9 percent.

Table 1. Medicare Trust Fund Activity as of May 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	\$15,188	\$16,641	\$0	\$7,111 ¹	\$23,752 ¹	\$38,940 ¹
Expenditures	23,130	19,821	0	7,835 ¹	27,656 ¹	50,786 ¹
Difference	(7,942)	(3,181)	0	(724)	(3,904)	(11,846)
Current Fiscal-Year-to-Date:						
Income	153,432	129,881	0	30,657 ²	160,538 ²	313,970 ²
% Change	6.2	6.1	(100.0)	(7.5) ²	3.2 ²	4.6 ²
Expenditures	150,012	125,375	0	31,222 ²	156,596 ²	306,608 ²
% Change	10.6	6.0	(100.0)	(5.5) ²	3.5 ²	6.8 ²
Difference	3,420	4,507	0	(565)	3,942	7,362
Prior Fiscal-Year-to-Date:						
Income	144,523	122,385	(1)	33,132 ³	155,516 ³	300,038 ³
Expenditures	135,670	118,272	(1)	33,023 ³	151,294 ³	286,964 ³
End-of-Month:						
Balance	322,931	43,061	0	27	43,088	366,019

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 \$7,371 million for Part D income; \$24,012 million for SMI income; \$39,200 million for total Medicare income; \$8,095 million for Part D expenditures; \$27,916 million for SMI expenditures; and \$51,046 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 \$1,897 million. Adding this amount to the amounts shown above yields estimates of \$32,554 million for Part D income; \$162,435 million for SMI income; \$315,867 million for total Medicare income; \$33,119 million for Part D expenditures; \$158,493 million for SMI expenditures; and \$308,505 million for total Medicare expenditures. The associated "% Change" estimates are (6.0) for Part D income, 3.5 for SMI income, 4.8 for total Medicare income, (4.0) for Part D expenditures, 3.7 for SMI expenditures, and 7.0 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 \$1,484 million. Adding this amount to the amounts shown above yields estimates of \$34,616 million for Part D income; \$157,000 million for SMI income; \$301,522 million for total Medicare income; \$34,507 million for Part D expenditures; \$152,778 million for SMI expenditures; and \$288,448 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 (\$1,442,521.86) for the prior fiscal-year-to-date.

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

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$50,786 ¹	\$18,312	\$577	\$69,675 ²
Fiscal-year-to-date	306,608 ³	135,606	4,434	446,648 ⁴
Prior fiscal-year-to-date	286,964 ⁵	128,107	3,813	418,884 ⁶
% Change	6.8 ³	5.9	16.3	6.6 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$51,046 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 \$69,935 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 \$308,505 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 7.0.

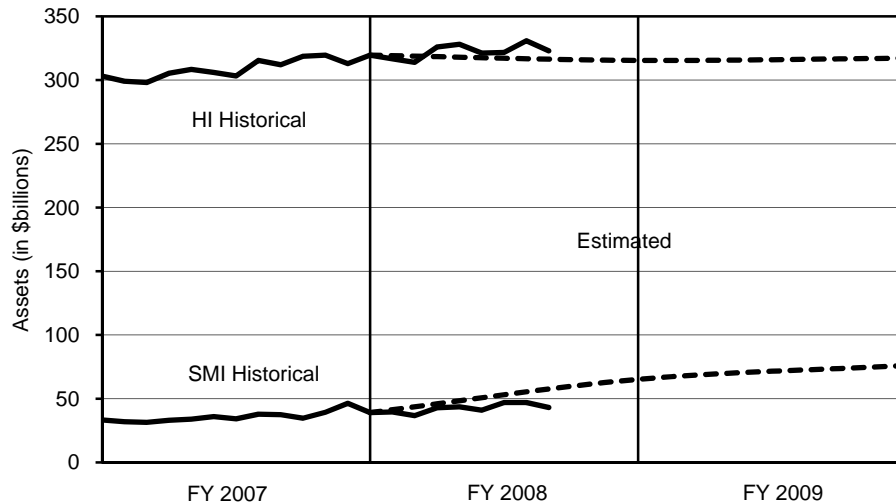
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$448,545 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 6.7.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$288,448 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 \$420,368 million for total expenditures for the prior fiscal-year-to-date.

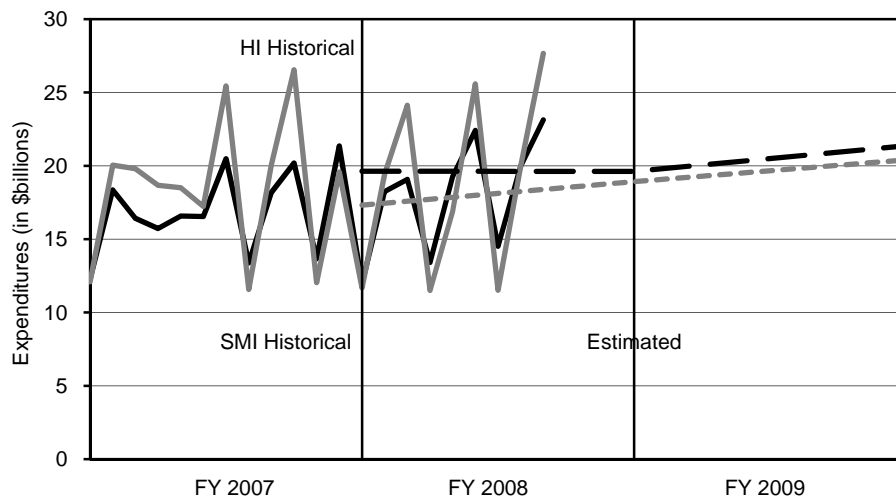
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



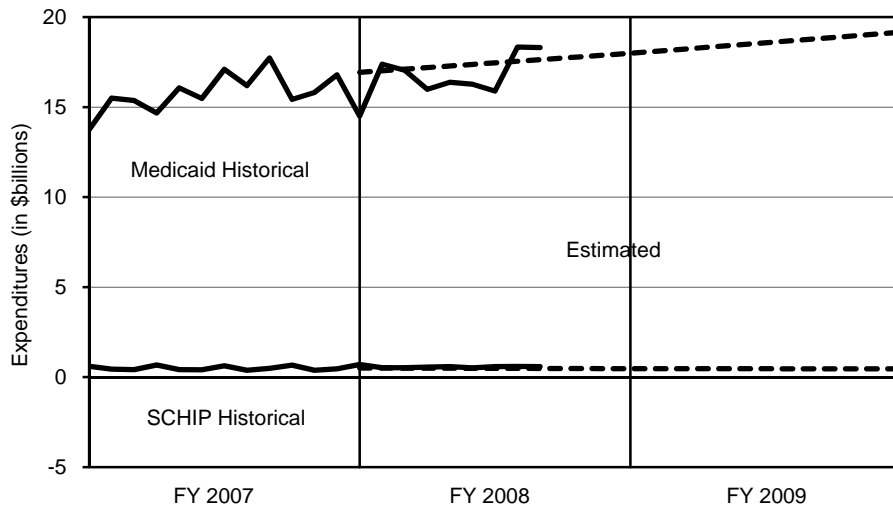
Note: Estimates are from the 2008 Trustees Report (intermediate assumptions).

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.