

Monthly Trend Report for Medicare, Medicaid, and SCHIP

July 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-July 2008)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 4.7 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

July 2008

- HI expenditures exceeded income by \$14.8 billion this month. The most notable factor contributing to this excess was a transfer from HI to the general fund of the Treasury, to adjust for an accounting misallocation that occurred from May 2005-September 2007, in which certain payments for hospice care that should have been paid from the HI trust fund were inadvertently paid from the Part B account of the SMI trust fund instead. The transfer was \$9.3 billion, consisting of \$8.5 billion principal and \$0.9 billion interest. (The principal amount and an appropriate interest amount were also transferred from the general fund of the Treasury to the Part B account.) Other than this transfer, this month was a typical July on the income side; that is; the primary source of income was Federal Income Contribution (FICA) taxes, and secondary sources of income were relatively modest, with no large amounts scheduled for receipt (other than FICA taxes).

SMI income exceeded expenditures by \$8.8 billion this month, almost all of which was attributable to the Part B account. The most notable factor contributing to this excess was a transfer from the general fund of the Treasury to the Part B account, to adjust for an accounting misallocation that occurred from May 2005-September 2007, in which certain payments for hospice care that should have been paid from the HI trust fund were inadvertently paid from the Part B account of the SMI trust fund instead. The transfer was \$9.3 billion, consisting of \$8.5 billion principal and \$0.8 billion interest. (The principal amount and an appropriate interest amount were also transferred from the HI trust fund to the general fund of the Treasury.)

- The Part D account spent \$4.4 billion this month, accounting for about 21 percent of SMI expenditures (after removing the transfer for the misallocation of hospice costs) and about 11 percent of total Medicare expenditures.

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

- Medicare expenditures were 3.9 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 5.8 percent. Next, while both the current and prior fiscal-years-to-date contain ten months' worth of Medicare Advantage and Part D payments, the payments made for November 2007-April 2008, during the current 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 2007 report. (In

Table 1 below, the effect of the Part D reconciliation is most pronounced in the 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—and, in fact, for a longer period, from May 2005-September 2007—certain payments for hospice care that should have been paid from the Part A trust fund 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. This month, a transfer was made to correct the misallocation, and it has the effect of overstating the increase in Part A expenditures, and understating the increase in Part B expenditures, for the current fiscal-year-to-date, both to a greater degree than the misallocation's effects. On a combined basis (Parts A and B together, with or without Part D), the increase for Medicare is unaffected by the misallocation and the corrective transfer.

Medicaid

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

- Federal expenditures for Medicaid were 6.1 percent higher than in the corresponding period in fiscal year 2007.

SCHIP

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

- Federal expenditures for SCHIP were 17.8 percent higher than in the corresponding period in fiscal year 2007.

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

July 2008

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

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

- The fiscal-year-to-date change in the CPI-U is an increase of 5.5 percent.

Table 1. Medicare Trust Fund Activity as of July 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	\$14,134	\$17,242	\$0	\$4,435 ¹	\$21,677 ¹	\$35,812 ¹
Expenditures	28,897	8,499	0	4,397 ¹	12,896 ¹	41,793 ¹
Difference	(14,762)	8,743	0	38	8,781	(5,981)
Current Fiscal-Year-to-Date:						
Income	195,991	164,536	0	36,113 ²	200,649 ²	396,639 ²
% Change	5.4	6.6	(100.0)	(13.2) ²	2.4 ²	3.9 ²
Expenditures	192,620	144,784	0	35,916 ²	180,701 ²	373,321 ²
% Change	13.6	(2.4)	(100.0)	(13.4) ²	(4.8) ²	3.9 ²
Difference	3,371	19,752	0	196	19,948	23,319
Prior Fiscal-Year-to-Date:						
Income	185,889	154,387	(1)	41,593 ³	195,978 ³	381,868 ³
Expenditures	169,515	148,375	(1)	41,497 ³	189,871 ³	359,385 ³
End-of-Month:						
Balance	322,881	58,306	0	788	59,094	381,976

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 \$4,695 million for Part D income; \$21,937 million for SMI income; \$36,072 million for total Medicare income; \$4,657 million for Part D expenditures; \$13,156 million for SMI expenditures; and \$42,053 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 \$2,418 million. Adding this amount to the amounts shown above yields estimates of \$38,531 million for Part D income; \$203,067 million for SMI income; \$399,057 million for total Medicare income; \$38,334 million for Part D expenditures; \$183,119 million for SMI expenditures; and \$375,739 million for total Medicare expenditures. The associated "% Change" estimates are (11.4) for Part D income, 2.6 for SMI income, 4.0 for total Medicare income, (11.6) for Part D expenditures, (4.5) for SMI expenditures, and 4.0 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 \$1,879 million. Adding this amount to the amounts shown above yields estimates of \$43,472 million for Part D income; \$197,857 million for SMI income; \$383,747 million for total Medicare income; \$43,376 million for Part D expenditures; \$191,750 million for SMI expenditures; and \$361,264 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 July 31, 2008
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$41,793 ¹	\$17,660	\$483	\$59,936 ²
Fiscal-year-to-date	373,321 ³	169,139	5,714	548,174 ⁴
Prior fiscal-year-to-date	359,385 ⁵	159,340	4,849	523,574 ⁶
% Change	3.9 ³	6.1	17.8	4.7 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$42,053 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 \$60,196 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 \$375,739 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 4.0.

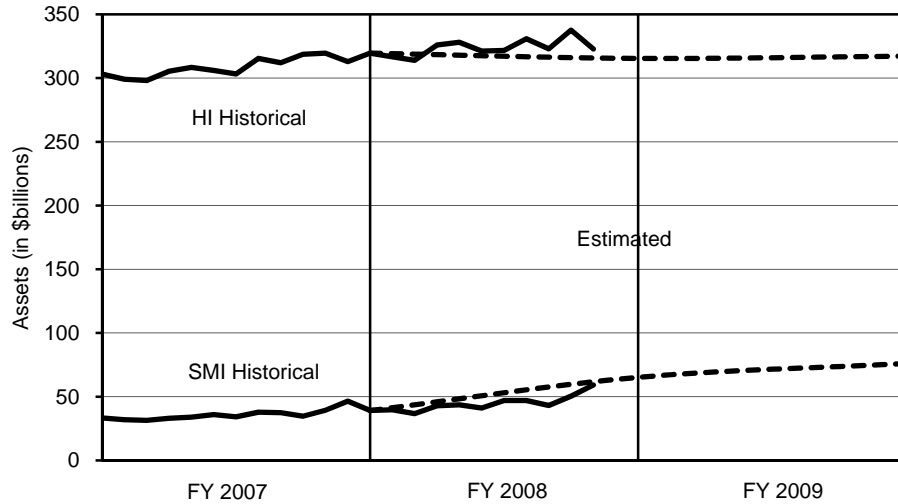
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$550,592 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 4.8.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$361,264 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 \$525,453 million for total expenditures for the prior fiscal-year-to-date.

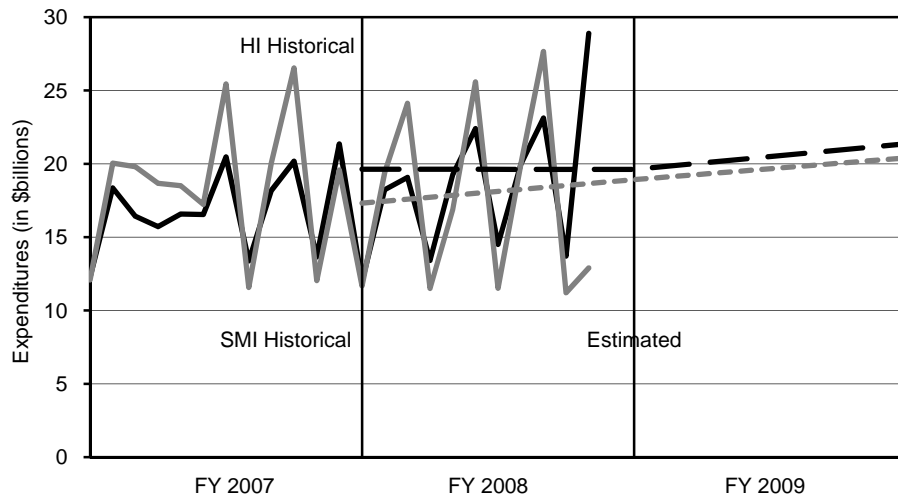
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



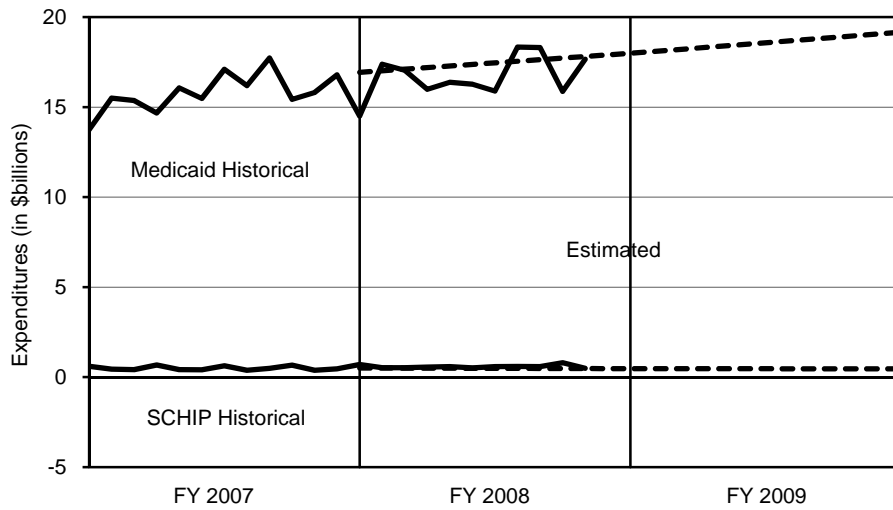
Note: Estimates are from the 2008 Trustees Report (intermediate assumptions).

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.