

Monthly Trend Report for Medicare, Medicaid, and SCHIP

February 28, 2009

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 2009 (October 2008-February 2009)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 9.5 percent compared to the corresponding period in fiscal year 2008. 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

February 2009

- HI expenditures exceeded income by \$4.5 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 February, in which secondary sources of income were relatively modest, with no large amounts (other than FICA taxes) scheduled for receipt. On the expenditures side, the bulk of the Medicare Advantage payment for March was made in February, which would usually mean that February was a “two-payment month” for Medicare Advantage (with payments made in February for both February and March). However, the February payment was made in January, so March was a “single-payment month” for Medicare Advantage. (When the first day of the month is a Saturday, Sunday, or legal holiday, as was the case for February 1 and March 1, the payment date is often sped up to the prior month.) Thus, the timing of the Medicare Advantage payments does not figure notably into the analysis of the excess of expenditures over income for February. Also on the expenditures side, the month of February had a lower-than-average number of claims processing days, which would tend to decrease expenditures and decrease the excess of expenditures over income, meaning that the excess of expenditures over income would have been even larger had February had an average number of claims processing days. For a number of months, extending back into fiscal year 2008, we have seen that, after adjustment for notable factors, expenditures have consistently exceeded income for the HI trust fund. While the notable factors do matter, and those on the income side (in months with notable income besides FICA taxes) mitigate this trend somewhat over the course of a year, this downward trend for the HI trust fund seems to now be evident on a monthly basis. *The 2009 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Insurance Trust Funds* showed fiscal year 2008 as the start of continued and larger annual decreases in the trust fund, with a projected depletion of the fund in fiscal year 2017, unless corrective action is taken.

SMI income exceeded expenditures \$1.7 billion this month, almost all of which was attributable to the Part B account. For Part B, the situation on the expenditures side was the same as that described for HI, but the lower-than-average number of claims processing days would tend to decrease expenditures and increase the excess of income over expenditures. In fact, had February had an average number of claims processing days, income and expenditures would have been almost equal.

- The Part D account spent \$4.5 billion this month, accounting for about 23 percent of SMI expenditures and about 12 percent of total Medicare expenditures.

Fiscal-Year-to-Date 2009 (October 2008-February 2009)

- Medicare expenditures were 10.2 percent higher than in the corresponding period in fiscal year 2008. This increase was slightly inflated because, while there were six months’ worth of Medicare Advantage and Part D payments during both the current and prior fiscal-years-to-date, a Part D reconciliation necessitated reducing Part D payments in fiscal year 2008

(the prior fiscal-year-to-date), in order to retroactively adjust for overpayments made in fiscal year 2006. (In Table 1 below, the effect of the Part D reconciliation is most pronounced in the large increase 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—it is estimated that Medicare expenditures for the current fiscal-year-to-date would have been 7.4 percent higher than in the corresponding period in fiscal year 2008.

Medicaid

Fiscal-Year-to-Date 2009 (October 2008-February 2009)

- Federal expenditures for Medicaid were 8.1 percent higher than in the corresponding period in fiscal year 2008.

SCHIP

Fiscal-Year-to-Date 2009 (October 2008-February 2009)

- Federal expenditures for SCHIP were 1.6 percent higher than in the corresponding period in fiscal year 2008.

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

February 2009

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

Fiscal-Year-to-Date 2009 (October 2008-February 2009)

- The fiscal-year-to-date change in the CPI-U is a decrease of 3.0 percent.

Table 1. Medicare Trust Fund Activity as of February 28, 2009
[in millions]

Income, Expenditures, and Balance	Supplementary Medical Insurance				Total Medicare
	Hospital Insurance Trust Fund (Part A)	Part B Account	Medicare Prescription Drug Account (Part D)	Supplementary Medical Insurance Trust Fund (Total SMI)	
This Month:					
Income	\$14,658	\$16,850	\$4,541 ¹	\$21,391 ¹	\$36,049 ¹
Expenditures	19,200	15,166	4,497 ¹	19,663 ¹	38,863 ¹
Difference	(4,542)	1,684	44	1,729	(2,813)
Current Fiscal-Year-to-Date:					
Income	93,444	85,159	24,569 ²	109,728 ²	203,172 ²
% Change	(0.7)	5.6	30.9 ²	10.4 ²	5.0 ²
Expenditures	98,527	85,411	25,291 ²	110,701 ²	209,228 ²
% Change	6.6	9.2	31.3 ²	13.5 ²	10.2 ²
Difference	(5,083)	(252)	(722)	(973)	(6,056)
Prior Fiscal-Year-to-Date:					
Income	94,069	80,629	18,765 ³	99,393 ³	193,463 ³
Expenditures	92,407	78,239	19,259 ³	97,498 ³	189,905 ³
End-of-Month:					
Balance	313,917	58,071	104	58,176	372,093

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 \$316 million. Adding this amount to the amounts shown above yields estimates of \$4,857 million for Part D income; \$21,707 million for SMI income; \$36,365 million for total Medicare income; \$4,813 million for Part D expenditures; \$19,979 million for SMI expenditures; and \$39,179 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 \$1,416 million. Adding this amount to the amounts shown above yields estimates of \$25,985 million for Part D income; \$111,144 million for SMI income; \$204,588 million for total Medicare income; \$26,707 million for Part D expenditures; \$112,117 million for SMI expenditures; and \$210,644 million for total Medicare expenditures. The associated "% Change" estimates are 30.7 for Part D income, 10.6 for SMI income, 5.1 for total Medicare income, 31.1 for Part D expenditures, 13.7 for SMI expenditures, and 10.3 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 \$1,116 million. Adding this amount to the amounts shown above yields estimates of \$19,881 million for Part D income; \$100,509 million for SMI income; \$194,579 million for total Medicare income; \$20,375 million for Part D expenditures; \$98,614 million for SMI expenditures; and \$191,021 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.

**Table 2. Federal Medicare, Medicaid, and SCHIP Expenditures
as of February 28, 2009
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for State Children's Health Insurance Program	Total Expenditures
This month	\$38,863 ¹	\$18,709	\$516	\$58,088 ²
Fiscal-year-to-date	209,228 ³	89,800	2,722	301,750 ⁴
Prior fiscal-year-to-date	189,905 ⁵	83,073	2,679	275,657 ⁶
% Change	10.2 ³	8.1	1.6	9.5 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$39,179 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 \$58,404 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 \$210,644 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 10.3.

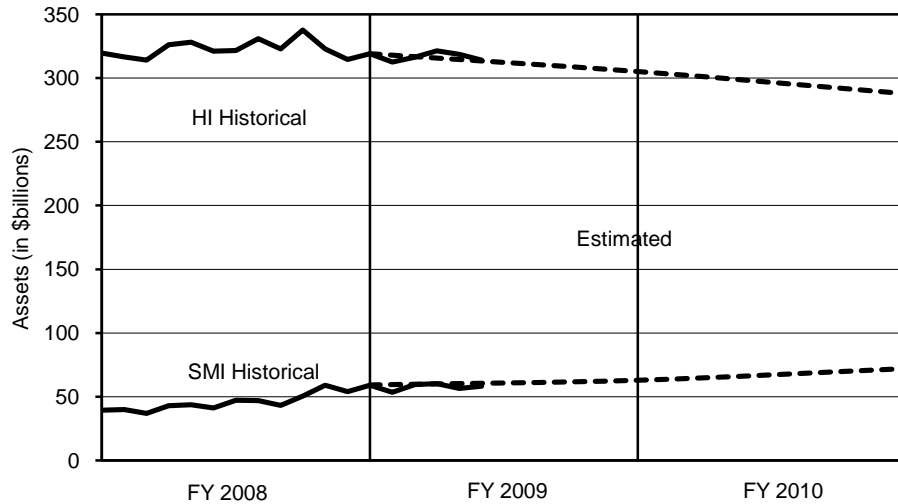
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$303,166 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 9.5.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$191,021 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 \$276,773 million for total expenditures for the prior fiscal-year-to-date.

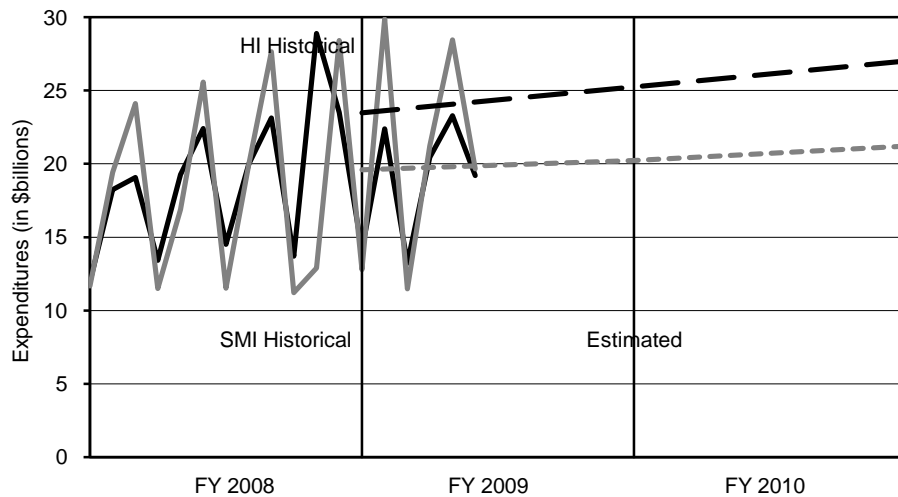
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



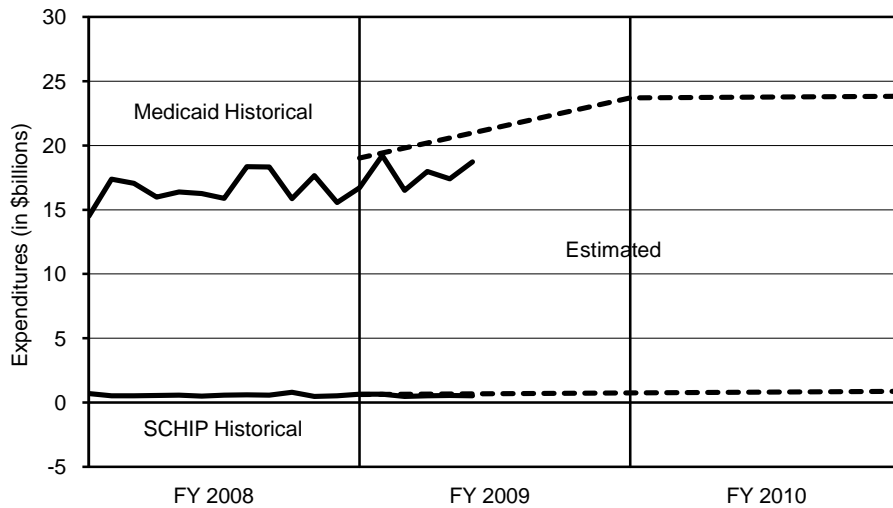
Note: Estimates are from the 2009 Trustees Report (intermediate assumptions).

Figure 2. Medicare Expenditures: Historical and Estimated



Note: Estimates are from the 2009 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 President's Fiscal Year 2010 Budget. For FY 2009 (and beyond, through December 31, 2010), the American Recovery and Reinvestment Act of 2009 mandated temporary increases in Federal Medicaid matching rates. This law was not enacted until February 2009; however, it was made retroactive to the beginning of FY 2009. The historical figures reflect the fact that the retroactive amounts for October 2008 to February 2009 were not expended until after enactment. The estimated figures, however, are based on annual amounts and thus reflect a "smooth" projection during the FY; i.e., for the estimated figures, the retroactive expenditures for October 2008 to February 2009, respectively, are included in October 2008 to February 2009, respectively.