

# Monthly Trend Report for Medicare, Medicaid, and SCHIP

March 31, 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-March 2009)

- Total Federal spending for HI, SMI, Medicaid, and SCHIP increased by 12.4 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

March 2009

- HI income exceeded expenditures by \$0.7 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 March, in which secondary sources of income were relatively modest, with no large amounts (other than FICA taxes) scheduled for receipt. Three small annual transfers to the HI trust fund were due and made; in the absence of these transfers, expenditures exceed income by \$0.2 billion. On the expenditures side, the bulk of the Medicare Advantage payments for March were made in February. (When the first day of the month is a Saturday, Sunday, or legal holiday, as was the case for March 1, the payment date is often sped up to the prior month.) Therefore, HI expenditures would have been higher—and the excess of expenditures over income higher—had the payments for March been made this month rather than last month. 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 condition 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 by \$5.2 billion this month, of which \$4.4 billion was attributable to the Part B account and \$0.8 billion was attributable to the Part D account.

For Part B, the main notable factor contributing to the large excess was on the expenditures side, where the bulk of the Medicare Advantage payments for March were made in February, as described above for HI.

For Part D, on the expenditures side, the bulk of payments for March were sped up to February, as described for Medicare Advantage for HI and Part B. However, for Part D, most of the largest source of income (Federal contributions) was sped up as well. Thus, the excess of income over expenditures for Part D is small, and attributable mainly to smaller secondary sources of income.

- The Part D account spent only a small amount—about \$0.3 billion—this month, but this was because the bulk of Part D payments for March were made in February, as discussed above.

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

- Medicare expenditures were 10.3 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 8.4 percent higher than in the corresponding period in fiscal year 2008.

## **Medicaid**

March 2009

- The unusually high level of Federal expenditures for Medicaid in March, relative to each month from October to February this fiscal year (as seen in Figure 3, below), is due to a temporary increase in Federal Medicaid matching rates. This increase was mandated by a law enacted in February; it is retroactive to the start of this fiscal year, and it runs through December 2010.

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

- Federal expenditures for Medicaid were 17.0 percent higher than in the corresponding period in fiscal year 2008. The temporary increase in Federal Medicaid matching rates, noted above, is contributing to this higher-than-average increase for the fiscal-year-to-date.

## **SCHIP**

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

- Federal expenditures for SCHIP were 8.7 percent higher than in the corresponding period in fiscal year 2008.

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

March 2009

- The CPI-U increased 0.2 percent during the month of March.

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

- The fiscal-year-to-date change in the CPI-U is a decrease of 2.8 percent.

**Table 1. Medicare Trust Fund Activity as of March 31, 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)	
<b>This Month:</b>					
Income	\$16,839	\$16,962	\$1,078 <sup>1</sup>	\$18,040 <sup>1</sup>	\$34,880 <sup>1</sup>
Expenditures	16,164	12,554	276 <sup>1</sup>	12,830 <sup>1</sup>	28,994 <sup>1</sup>
Difference	676	4,408	802	5,210	5,886
<b>Current Fiscal-Year-to-Date:</b>					
Income	110,284	102,121	25,647 <sup>2</sup>	127,768 <sup>2</sup>	238,052 <sup>2</sup>
% Change	(0.7)	5.2	29.3 <sup>2</sup>	9.3 <sup>2</sup>	4.4 <sup>2</sup>
Expenditures	114,691	97,965	25,566 <sup>2</sup>	123,531 <sup>2</sup>	238,222 <sup>2</sup>
% Change	7.3	9.6	30.4 <sup>2</sup>	13.3 <sup>2</sup>	10.3 <sup>2</sup>
Difference	(4,407)	4,156	81	4,237	(170)
<b>Prior Fiscal-Year-to-Date:</b>					
Income	111,048	97,041	19,839 <sup>3</sup>	116,880 <sup>3</sup>	227,928 <sup>3</sup>
Expenditures	106,918	89,401	19,608 <sup>3</sup>	109,009 <sup>3</sup>	215,927 <sup>3</sup>
<b>End-of-Month:</b>					
Balance	314,593	62,479	906	63,386	377,978

<sup>1</sup>Not 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 \$1,394 million for Part D income; \$18,356 million for SMI income; \$35,196 million for total Medicare income; \$592 million for Part D expenditures; \$13,146 million for SMI expenditures; and \$29,310 million for total Medicare expenditures.

<sup>2</sup>Not 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 \$1,732 million. Adding this amount to the amounts shown above yields estimates of \$27,379 million for Part D income; \$129,500 million for SMI income; \$239,784 million for total Medicare income; \$27,298 million for Part D expenditures; \$125,263 million for SMI expenditures; and \$239,954 million for total Medicare expenditures. The associated "% Change" estimates are 29.0 for Part D income, 9.5 for SMI income, 4.6 for total Medicare income, 30.1 for Part D expenditures, 13.5 for SMI expenditures, and 10.4 for total Medicare expenditures.

<sup>3</sup>Not 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 \$1,377 million. Adding this amount to the amounts shown above yields estimates of \$21,216 million for Part D income; \$118,257 million for SMI income; \$229,305 million for total Medicare income; \$20,985 million for Part D expenditures; \$110,386 million for SMI expenditures; and \$217,304 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 March 31, 2009  
[in millions]**

<b>Expenditures</b>	<b>Total Medicare Expenditures</b>	<b>Federal Medicaid Expenditures</b>	<b>Federal Expenditures for State Children's Health Insurance Program</b>	<b>Total Expenditures</b>
This month	\$28,994 <sup>1</sup>	\$26,028	\$828	\$55,850 <sup>2</sup>
Fiscal-year-to-date	238,222 <sup>3</sup>	115,828	3,549	357,599 <sup>4</sup>
Prior fiscal-year-to-date	215,927 <sup>5</sup>	98,958	3,265	318,150 <sup>6</sup>
% Change	10.3 <sup>3</sup>	17.0	8.7	12.4 <sup>4</sup>

<sup>1</sup>See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$29,310 million for total Medicare expenditures for this month.

<sup>2</sup>See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$56,166 million for total expenditures for this month.

<sup>3</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$239,954 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 10.4.

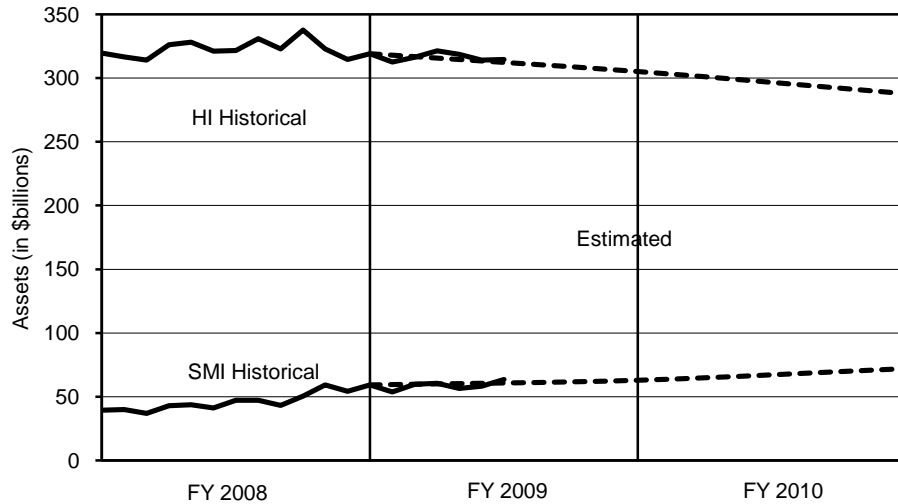
<sup>4</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$359,331 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 12.5.

<sup>5</sup>See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$217,304 million for total Medicare expenditures for the prior fiscal-year-to-date.

<sup>6</sup>See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$319,527 million for total expenditures for the prior fiscal-year-to-date.

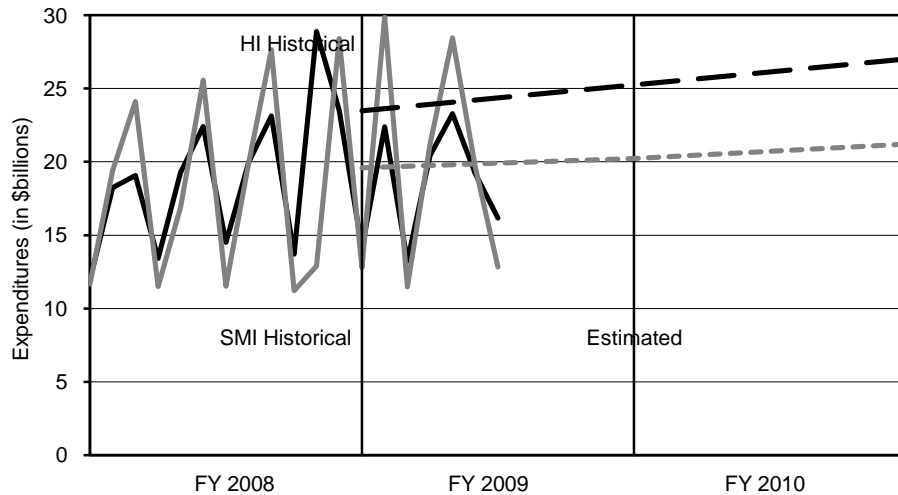
- Notes:
1. State governments also support the Medicaid and SCHIP programs.
  2. Totals do not necessarily equal the sums of rounded components.
  3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



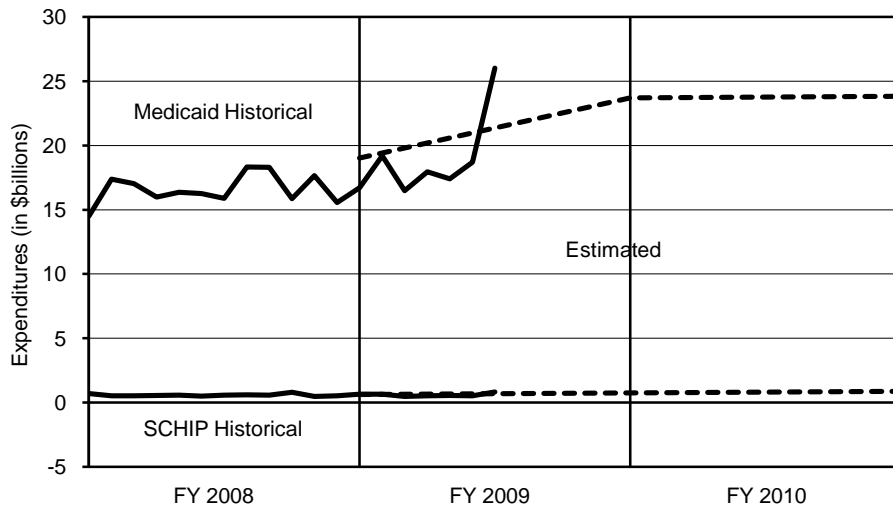
**Note: Estimates are from the 2009 Trustees Report (intermediate assumptions).**

**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.