

Monthly Trend Report for Medicare, Medicaid, and CHIP

June 30, 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 Children's Health Insurance Program (CHIP; formerly the State Children's Health Insurance Program, or SCHIP). Highlights include

- changes in HI and SMI income, expenditures, and assets (see Table 1 below);
- changes in Federal Medicaid and Federal CHIP 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 CHIP, 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 CHIP. 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-June 2009)

- Total Federal spending for HI, SMI, Medicaid, and CHIP increased by 13.7 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

June 2009

- HI income exceeded expenditures by \$7.9 billion this month. June is typically one of the highest months for HI income each year—and this June is no exception—for several reasons. The most important factor is the receipt of interest earned by the trust fund. (Most of the interest on invested assets is paid semi-annually, in June and December.) In addition, this month the trust fund received quarterly self-employment (SECA) taxes; quarterly income taxes paid on Social Security benefits; the annual transfer from the Railroad Retirement program (representing HI payroll taxes on earnings in the railroad industry); and a quinquennial adjustment transfer (that is, a transfer made every five years) from the general fund of the Treasury (to adjust the amount transferred in 1983 for costs arising from wage credits granted for military service prior to 1957, in light of more recent data). Without these notable factors, HI expenditures would have exceeded income by \$5.7 billion this 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 is now 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 \$1.5 billion this month, of which \$1.4 billion was attributable to the Part B account and \$0.1 billion was attributable to the Part D account. For Part B, the excess of income over expenditures was almost all attributable to the receipt of earnings this month, as described above for HI. For Part D, unlike Parts A and B, the semi-annual interest payment is not a major factor in the analysis of the excess of income over expenditures; because the Part D account holds only a small amount of invested assets on which to earn interest, the semi-annual interest payment is relatively small.

- The Part D account spent \$4.6 billion this month, accounting for about 21 percent of SMI expenditures and about 11 percent of total Medicare expenditures.

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

- Medicare expenditures were 9.6 percent higher than in the corresponding period in fiscal year 2008. This increase was slightly inflated because, while there were nine 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 8.3 percent higher than in the corresponding period in fiscal year 2008.

Medicaid

June 2009

- The unusually high level of Federal expenditures for Medicaid in each month from March to June, 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 2009; it is retroactive to the start of this fiscal year, and it runs through December 2010.

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

- Federal expenditures for Medicaid were 23.1 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.

CHIP (formerly SCHIP)

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

- Federal expenditures for CHIP (formerly SCHIP) were 6.6 percent higher than in the corresponding period in fiscal year 2008.

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

June 2009

- The CPI-U increased 0.9 percent during the month of June.

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

- The fiscal-year-to-date change in the CPI-U is a decrease of 1.4 percent.

Table 1. Medicare Trust Fund Activity as of June 30, 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	\$28,151	\$18,372	\$4,668 ¹	\$23,040 ¹	\$51,190 ¹
Expenditures	20,298	16,927	4,586 ¹	21,513 ¹	41,811 ¹
Difference	7,853	1,445	82	1,527	9,379
Current Fiscal-Year-to-Date:					
Income	180,894	154,329	39,439 ²	193,768 ²	374,662 ²
% Change	(0.5)	4.8	24.5 ²	8.3 ²	3.8 ²
Expenditures	175,326	148,638	39,323 ²	187,961 ²	363,287 ²
% Change	7.1	9.1	24.8 ²	12.0 ²	9.6 ²
Difference	5,568	5,692	116	5,807	11,375
Prior Fiscal-Year-to-Date:					
Income	181,856	147,294	31,677 ³	178,971 ³	360,827 ³
Expenditures	163,723	136,285	31,519 ³	167,805 ³	331,528 ³
End-of-Month:					
Balance	324,568	64,015	941	64,956	389,524

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 \$4,984 million for Part D income; \$23,356 million for SMI income; \$51,506 million for total Medicare income; \$4,902 million for Part D expenditures; \$21,829 million for SMI expenditures; and \$42,127 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 \$2,681 million. Adding this amount to the amounts shown above yields estimates of \$42,120 million for Part D income; \$196,449 million for SMI income; \$377,343 million for total Medicare income; \$42,004 million for Part D expenditures; \$190,642 million for SMI expenditures; and \$365,968 million for total Medicare expenditures. The associated "% Change" estimates are 24.5 for Part D income, 8.5 for SMI income, 4.0 for total Medicare income, 24.7 for Part D expenditures, 12.2 for SMI expenditures, and 9.7 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 \$2,157 million. Adding this amount to the amounts shown above yields estimates of \$33,834 million for Part D income; \$181,128 million for SMI income; \$362,984 million for total Medicare income; \$33,676 million for Part D expenditures; \$169,962 million for SMI expenditures; and \$333,685 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 CHIP Expenditures
as of June 30, 2009
[in millions]**

Expenditures	Total Medicare Expenditures	Federal Medicaid Expenditures	Federal Expenditures for Children's Health Insurance Program	Total Expenditures
This month	\$41,811 ¹	\$22,129	\$766	\$64,706 ²
Fiscal-year-to-date	363,287 ³	186,438	5,578	555,303 ⁴
Prior fiscal-year-to-date	331,528 ⁵	151,479	5,231	488,238 ⁶
% Change	9.6 ³	23.1	6.6	13.7 ⁴

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$42,127 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 \$65,022 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 \$365,968 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 9.7.

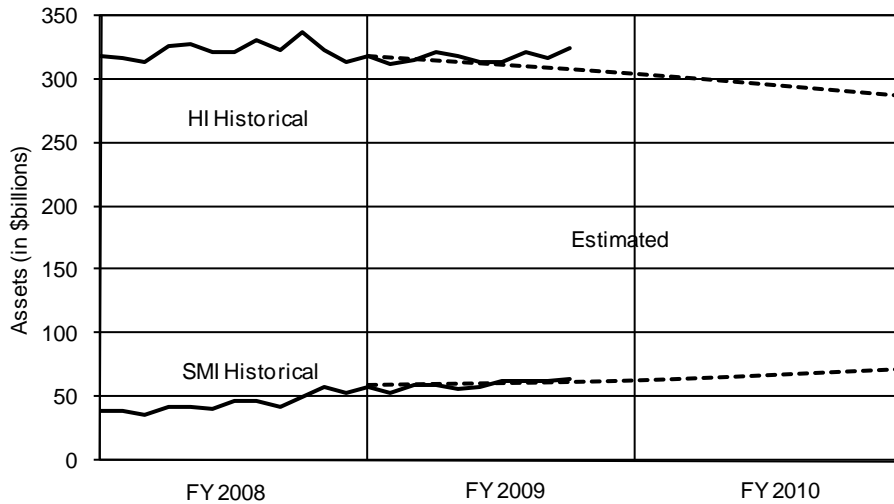
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$557,984 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 13.8.

⁵See footnote 3 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$333,685 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 \$490,395 million for total expenditures for the prior fiscal-year-to-date.

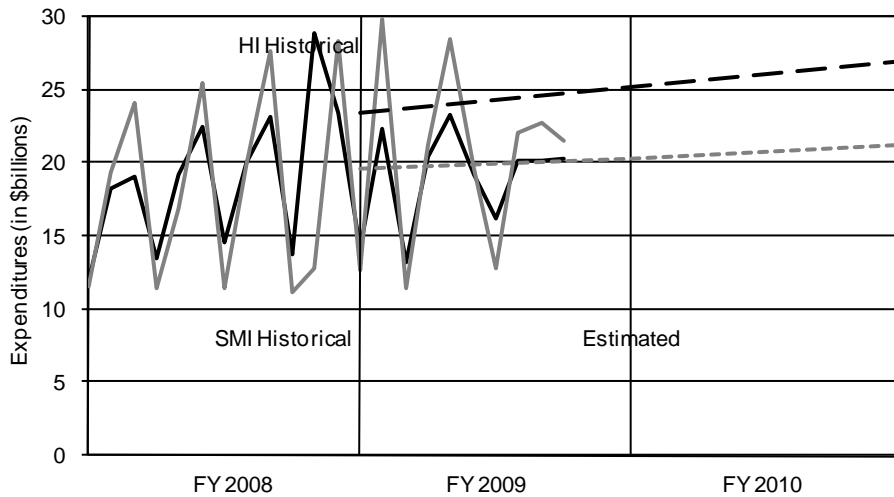
- Notes:
1. State governments also support the Medicaid and CHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



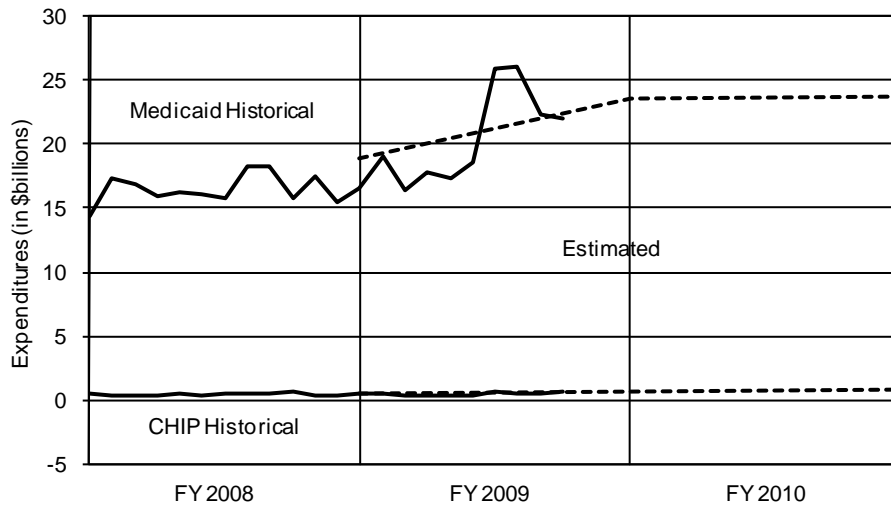
Note: Estimates are from the 2009 Trustees Report (intermediate assumptions).

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 CHIP 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.