

Monthly Trend Report for Medicare, Medicaid, and CHIP

July 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 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-July 2009)

- Total Federal spending for HI, SMI, Medicaid, and CHIP increased by 17.0 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

July 2009

- HI expenditures exceeded income by \$13.5 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 July, 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 August was made in July. (When the first day of the month is a Saturday, Sunday, or legal holiday, as was the case for August 1, the payment date is often sped up to the prior month.) The Medicare Advantage payment for July was also paid in July, so July was a “two-payment month” for Medicare Advantage. The extra Medicare Advantage payment and the lack of significant secondary sources of income are notable factors contributing to the size of the excess of expenditures over income. However, removing the extra Medicare Advantage payment still yields an excess of about \$7.5 billion. 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 expenditures exceeded income by \$8.6 billion this month, of which \$7.7 billion was attributable to the Part B account and \$0.9 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 \$9.2 billion this month, accounting for about 27 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.)

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

- Medicare expenditures were 14.0 percent higher than in the corresponding period in fiscal year 2008. This increase is larger than what it otherwise would have been primarily due to the fact that there was 11 months’ worth of Medicare Advantage and Part D payments during the current fiscal-year-to-date, compared to 10 during the prior fiscal-year-to-date. Also adding to the larger increase is the fact that a Part D reconciliation

necessitated reducing Part D payments in fiscal year 2008 (the prior fiscal-year-to-date), to retroactively adjust for overpayments made in fiscal year 2006. (In Table 1 below, the effect of both the different number of payments and the Part D reconciliation is most pronounced in the large increase 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—it is estimated that Medicare expenditures for the current fiscal-year-to-date would have been 8.6 percent higher than in the corresponding period in fiscal year 2008.

- In July 2008 (during fiscal year 2008, the prior fiscal year), a transfer was made to correct misallocations made for hospice care payments during fiscal year 2007. This corrective transfer raised the level of Part A expenditures and lowered the level of Part B expenditures for fiscal-year-2008-to-date (the prior fiscal-year-to-date), thereby understating the increase in Part A expenditures and overstating the increase in Part B expenditures for fiscal-year-2009-to-date (the current fiscal-year-to-date). (These increases are shown in Table 1, below.) On a combined basis (Parts A and B together, with or without Part D), the increase for Medicare expenditures is unaffected by the corrective transfer. For more information on the corrective transfer and the misallocation that prompted it, see the Monthly Trend Report for July 31, 2008.

Medicaid

July 2009

- The unusually high level of Federal expenditures for Medicaid in each month from March to July, 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-July 2009)

- Federal expenditures for Medicaid were 23.9 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-July 2009)

- Federal expenditures for CHIP (formerly SCHIP) were 9.8 percent higher than in the corresponding period in fiscal year 2008.

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

July 2009

- The CPI-U decreased 0.2 percent during the month of July.

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

- The fiscal-year-to-date change in the CPI-U is a decrease of 1.6 percent.

Table 1. Medicare Trust Fund Activity as of July 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) | |
| This Month: | | | | | |
| Income | \$14,590 | \$17,161 | \$8,348 ¹ | \$25,509 ¹ | \$40,099 ¹ |
| Expenditures | 28,097 | 24,819 | 9,242 ¹ | 34,061 ¹ | 62,158 ¹ |
| Difference | (13,507) | (7,658) | (895) | (8,552) | (22,059) |
| Current Fiscal-Year-to-Date: | | | | | |
| Income | 195,484 | 171,490 | 47,787 ² | 219,277 ² | 414,761 ² |
| % Change | (0.3) | 4.2 | 32.3 ² | 9.3 ² | 4.6 ² |
| Expenditures | 203,423 | 173,456 | 48,566 ² | 222,022 ² | 425,445 ² |
| % Change | 5.6 | 19.8 | 35.2 ² | 22.9 ² | 14.0 ² |
| Difference | (7,939) | (1,966) | (779) | (2,745) | (10,684) |
| Prior Fiscal-Year-to-Date: | | | | | |
| Income | 195,991 | 164,536 | 36,113 ³ | 200,649 ³ | 396,639 ³ |
| Expenditures | 192,620 | 144,784 | 35,916 ³ | 180,701 ³ | 373,321 ³ |
| End-of-Month: | | | | | |
| Balance | 311,061 | 56,357 | 47 | 56,404 | 367,465 |

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 \$8,664 million for Part D income; \$25,825 million for SMI income; \$40,415 million for total Medicare income; \$9,558 million for Part D expenditures; \$34,377 million for SMI expenditures; and \$62,474 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 \$2,997 million. Adding this amount to the amounts shown above yields estimates of \$50,784 million for Part D income; \$222,274 million for SMI income; \$417,758 million for total Medicare income; \$51,563 million for Part D expenditures; \$225,019 million for SMI expenditures; and \$428,442 million for total Medicare expenditures. The associated "% Change" estimates are 31.8 for Part D income, 9.5 for SMI income, 4.7 for total Medicare income, 34.5 for Part D expenditures, 22.9 for SMI expenditures, and 14.0 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 \$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.

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 July 31, 2009
[in millions]**

| Expenditures | Total Medicare Expenditures | Federal Medicaid Expenditures | Federal Expenditures for Children's Health Insurance Program | Total Expenditures |
|---------------------------|------------------------------------|--------------------------------------|---|---------------------------|
| This month | \$62,158 ¹ | \$23,094 | \$698 | \$85,950 ² |
| Fiscal-year-to-date | 425,445 ³ | 209,532 | 6,276 | 641,253 ⁴ |
| Prior fiscal-year-to-date | 373,321 ⁵ | 169,139 | 5,714 | 548,174 ⁶ |
| % Change | 14.0 ³ | 23.9 | 9.8 | 17.0 ⁴ |

¹See footnote 1 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$62,474 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 \$86,266 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 \$428,442 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 14.0.

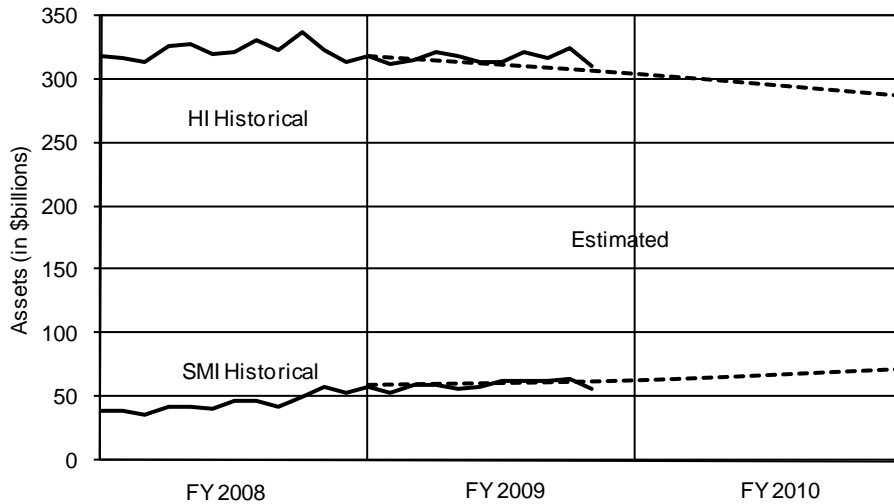
⁴See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$644,250 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 17.0.

⁵See footnote 3 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 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 \$550,592 million for total expenditures for the prior fiscal-year-to-date.

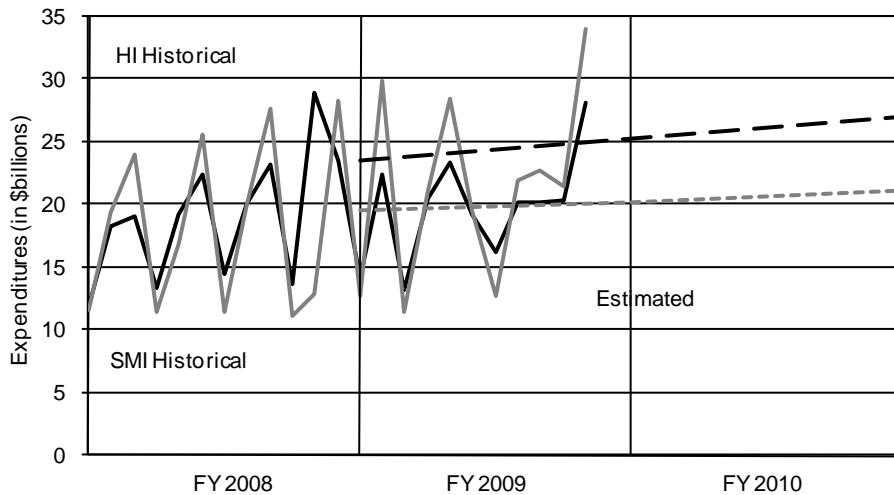
- Notes:
1. State governments also support the Medicaid and CHIP programs.
 2. Totals do not necessarily equal the sums of rounded components.
 3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



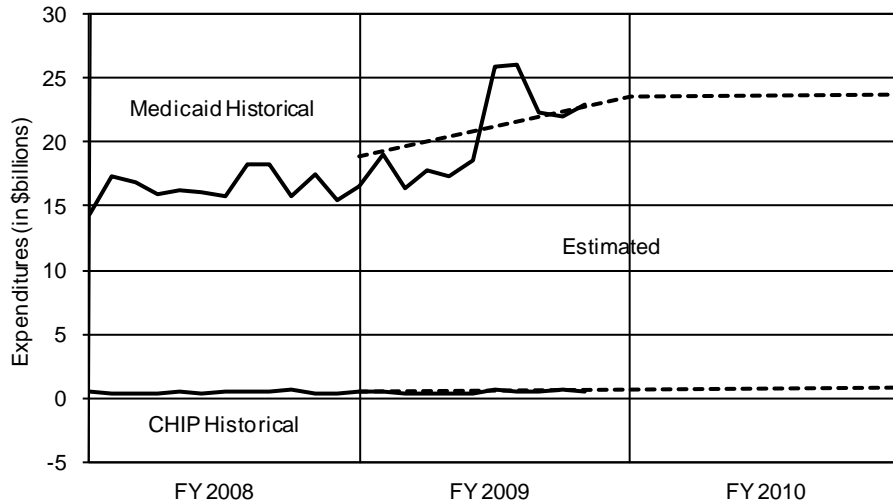
Note: Estimates are from the 2009 Trustees Report (intermediate assumptions).

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.