

# Monthly Trend Report for Medicare, Medicaid, and CHIP

August 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-August 2009)

- Total Federal spending for HI, SMI, Medicaid, and CHIP increased by 11.9 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

August 2009

- HI expenditures exceeded income by \$0.4 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 August, 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 payments for August were 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.) Therefore, HI expenditures would have been higher—and the excess of expenditures over income higher—had the payments for August been made this month rather than last month. In fact, adding the Medicare Advantage payment for August that was paid in July yields an excess of about \$6.4 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 income exceeded expenditures by \$5.5 billion this month, of which \$4.8 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 August were made in July, as described above for HI.

For Part D, on the expenditures side, the bulk of payments for August were sped up to July, 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 this month, but this was because the bulk of Part D payments for August were made in July, as discussed above.

#### Fiscal-Year-to-Date 2009 (October 2008-August 2009)

- Medicare expenditures were 6.5 percent higher than in the corresponding period in fiscal year 2008. There was 11 months' worth of Medicare Advantage and Part D payments during the current fiscal-year-to-date, compared to 12 during the prior fiscal-year-to-date. Adjusting for an equal number of payments would raise the increase. Working in the opposite direction is the fact that there was a Part D reconciliation which reduced Part D payments in fiscal year 2008 to retroactively adjust for overpayments made in fiscal year 2006. Removing this reduction would

lower the increase. 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 8.4 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 August 31, 2008.

## **Medicaid**

August 2009

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

- Federal expenditures for Medicaid were 24.5 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-August 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)**

August 2009

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

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

- The fiscal-year-to-date change in the CPI-U is a decrease of 1.3 percent.

**Table 1. Medicare Trust Fund Activity as of August 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	\$14,449	\$17,128	\$803 <sup>1</sup>	\$17,931 <sup>1</sup>	\$32,380 <sup>1</sup>
Expenditures	14,887	12,376	14 <sup>1</sup>	12,390 <sup>1</sup>	27,277 <sup>1</sup>
Difference	(438)	4,752	789	5,541	5,103
<b>Current Fiscal-Year-to-Date:</b>					
Income	209,933	188,619	48,590 <sup>2</sup>	237,208 <sup>2</sup>	447,141 <sup>2</sup>
% Change	(0.6)	4.2	12.7 <sup>2</sup>	5.9 <sup>2</sup>	2.8 <sup>2</sup>
Expenditures	218,310	185,832	48,579 <sup>2</sup>	234,412 <sup>2</sup>	452,721 <sup>2</sup>
% Change	1.0	12.3	11.3 <sup>2</sup>	12.1 <sup>2</sup>	6.5 <sup>2</sup>
Difference	(8,377)	2,786	10	2,796	(5,581)
<b>Prior Fiscal-Year-to-Date:</b>					
Income	211,113	180,943	43,114 <sup>3</sup>	224,057 <sup>3</sup>	435,171 <sup>3</sup>
Expenditures	216,113	165,480	43,645 <sup>3</sup>	209,125 <sup>3</sup>	425,238 <sup>3</sup>
<b>End-of-Month:</b>					
Balance	310,623	61,109	836	61,945	372,568

<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 \$1,119 million for Part D income; \$18,247 million for SMI income; \$32,696 million for total Medicare income; \$330 million for Part D expenditures; \$12,706 million for SMI expenditures; and \$27,593 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 \$3,314 million. Adding this amount to the amounts shown above yields estimates of \$51,904 million for Part D income; \$240,522 million for SMI income; \$450,455 million for total Medicare income; \$51,893 million for Part D expenditures; \$237,726 million for SMI expenditures; and \$456,035 million for total Medicare expenditures. The associated "% Change" estimates are 13.3 for Part D income, 6.1 for SMI income, 2.9 for total Medicare income, 12.0 for Part D expenditures, 12.2 for SMI expenditures, and 6.6 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 \$2,678 million. Adding this amount to the amounts shown above yields estimates of \$45,792 million for Part D income; \$226,735 million for SMI income; \$437,849 million for total Medicare income; \$46,323 million for Part D expenditures; \$211,803 million for SMI expenditures; and \$427,916 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 August 31, 2009  
[in millions]**

<b>Expenditures</b>	<b>Total Medicare Expenditures</b>	<b>Federal Medicaid Expenditures</b>	<b>Federal Expenditures for Children's Health Insurance Program</b>	<b>Total Expenditures</b>
This month	\$27,277 <sup>1</sup>	\$20,348	\$583	\$48,208 <sup>2</sup>
Fiscal-year-to-date	452,721 <sup>3</sup>	229,881	6,859	689,461 <sup>4</sup>
Prior fiscal-year-to-date	425,238 <sup>5</sup>	184,710	6,244	616,192 <sup>6</sup>
% Change	6.5 <sup>3</sup>	24.5	9.8	11.9 <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 \$27,593 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 \$48,524 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 \$456,035 million for total Medicare expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 6.6.

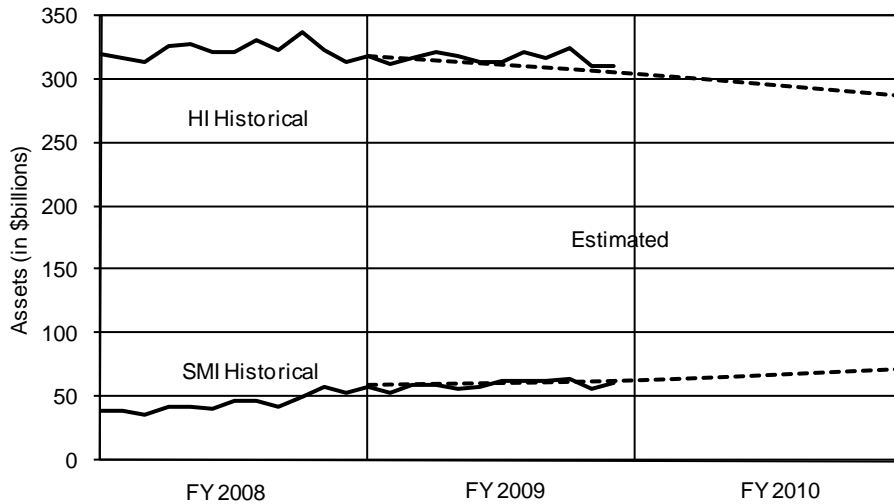
<sup>4</sup>See footnote 2 of Table 1. Adding the estimated amount for Part D premiums paid directly to plans yields an estimate of \$692,775 million for total expenditures for the current fiscal-year-to-date, and the associated "% Change" estimate is 11.9.

<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 \$427,916 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 \$618,870 million for total expenditures for the prior fiscal-year-to-date.

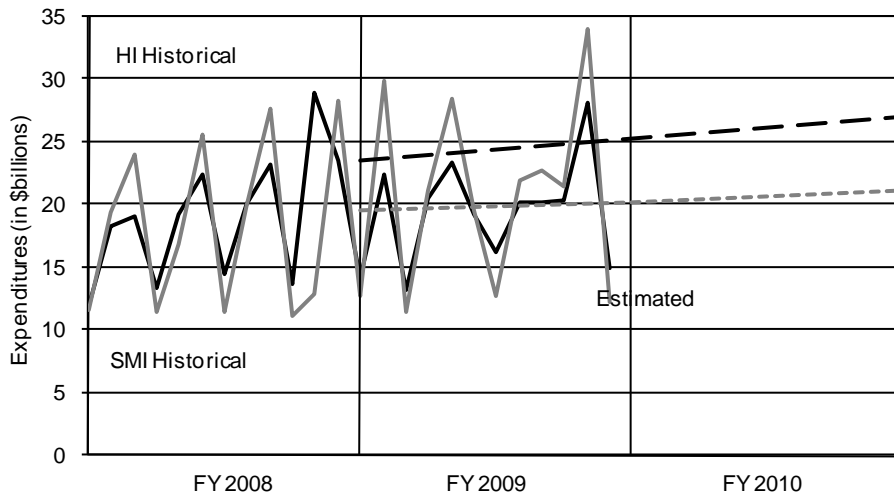
- Notes:
1. State governments also support the Medicaid and CHIP programs.
  2. Totals do not necessarily equal the sums of rounded components.
  3. Changes shown ("% Change") reflect current fiscal-year-to-date amounts as compared to amounts in the corresponding period in the prior fiscal year.

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



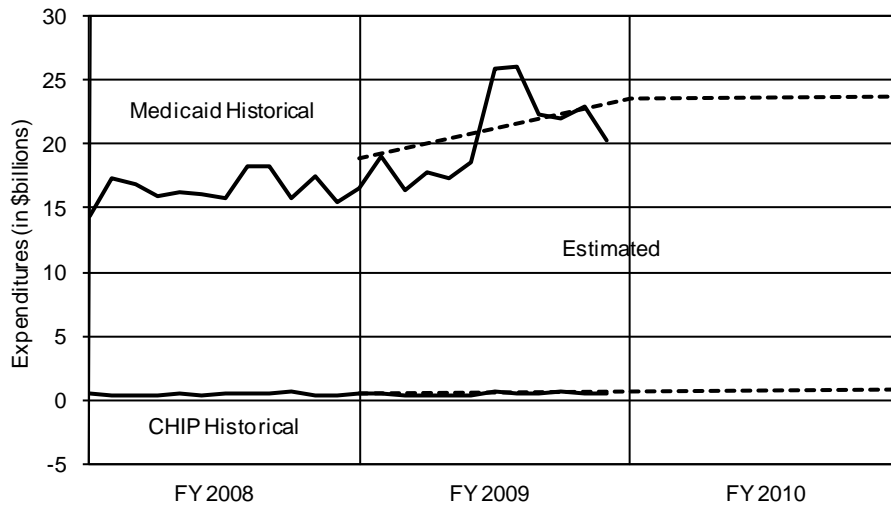
**Note: Estimates are from the 2009 Trustees Report (intermediate assumptions).**

**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.