

CBO's May 2013 Medicare Baseline  
By fiscal year

Actual  
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

**MEDICARE TOTALS (in billions of dollars)**

Mandatory Outlays (a)	551	586	597	615	671	695	722	794	849	911	1,018	1,064
Discretionary Outlays	6	6	6	7	7	8	8	8	9	10	10	11
<b>Gross Outlays</b>	<b>557</b>	<b>592</b>	<b>603</b>	<b>622</b>	<b>678</b>	<b>703</b>	<b>730</b>	<b>803</b>	<b>858</b>	<b>920</b>	<b>1,028</b>	<b>1,075</b>
Total Offsetting Receipts (b)	-85	-90	-92	-94	-100	-108	-117	-125	-133	-143	-156	-170
<b>Net Outlays (Total Outlays - Receipts)</b>	<b>472</b>	<b>502</b>	<b>512</b>	<b>528</b>	<b>579</b>	<b>595</b>	<b>613</b>	<b>677</b>	<b>726</b>	<b>777</b>	<b>872</b>	<b>905</b>
Net Mandatory Outlays (Mandatory Outlays - Receipts)	466	496	505	521	572	587	605	669	717	768	861	894

**COMPONENTS OF MANDATORY OUTLAYS (in billions of dollars)**

Benefits												
Part A	261	278	288	297	318	327	341	367	387	411	446	462
Part B	232	247	246	247	268	279	291	319	342	368	408	431
Part D	55	63	70	77	93	96	98	116	129	142	167	169
Budget Control Act Sequestration (effect of sequestration on spending for Medicare benefits) (c)	0	-4	-9	-9	-9	-10	-10	-11	-11	-12	-5	0
<b>Total Benefits</b>	<b>549</b>	<b>583</b>	<b>595</b>	<b>613</b>	<b>669</b>	<b>693</b>	<b>720</b>	<b>792</b>	<b>847</b>	<b>908</b>	<b>1,016</b>	<b>1,062</b>
Mandatory Administration (d)	2	3	2	2	2	2	2	2	2	2	2	2
<b>Total Mandatory Outlays</b>	<b>551</b>	<b>586</b>	<b>597</b>	<b>615</b>	<b>671</b>	<b>695</b>	<b>722</b>	<b>794</b>	<b>849</b>	<b>911</b>	<b>1,018</b>	<b>1,064</b>

**COMPONENTS OF BENEFITS PAYMENTS (in billions of dollars)**

Hospital Inpatient Care	140	145	146	152	159	166	177	185	194	205	216	228
Skilled Nursing Facilities	29	29	30	33	36	39	41	44	47	50	53	57
Physician Fee Schedule	68	67	60	58	61	64	68	72	76	81	88	95
Hospital Outpatient Services	34	36	39	42	47	51	56	60	66	72	79	86
Group Plans (includes Medicare Advantage)	123	145	154	150	168	164	161	189	202	216	253	250
Home Health Agencies	19	19	20	21	21	22	24	25	27	28	30	32
Part D Benefits (prescription drugs) (e)	55	63	70	77	93	96	98	116	129	142	167	169
Other Services (f)	68	70	71	75	79	84	90	95	101	107	114	122
Not Allocated to Specific Services:												
Independent Payment Advisory Board (IPAB) (g)	0	0	0	0	0	0	0	0	0	0	0	0
Budget Control Act Sequestration (effect of sequestration on spending for Medicare benefits) (c)	0	-4	-9	-9	-9	-10	-10	-11	-11	-12	-5	0
<b>Subtotal, Medicare Benefits, Net of Recoveries</b>	<b>536</b>	<b>571</b>	<b>582</b>	<b>600</b>	<b>655</b>	<b>678</b>	<b>704</b>	<b>775</b>	<b>829</b>	<b>889</b>	<b>995</b>	<b>1,040</b>
Amounts Paid to Providers and Recovered (h)	13	13	13	13	14	15	16	17	18	19	21	22
<b>Total, Mandatory Medicare Benefit Outlays</b>	<b>549</b>	<b>583</b>	<b>595</b>	<b>613</b>	<b>669</b>	<b>693</b>	<b>720</b>	<b>792</b>	<b>847</b>	<b>908</b>	<b>1,016</b>	<b>1,062</b>

**Memorandum:**

Number of Capitation Payments (i)	11	12	12	12	13	12	11	12	12	12	13	12
Medicare Benefits, net of recoveries, adjusted to remove effect of timing shifts (h,i)	551	571	582	600	634	676	726	775	829	889	963	1,037

**ANNUAL GROWTH RATES (in percent)**

Total Mandatory Outlays	-1.5	6.4	1.8	3.0	9.2	3.5	3.9	10.0	6.9	7.2	11.8	4.5
Total Offsetting Receipts	6.8	6.3	1.3	2.3	6.1	8.5	8.1	7.5	5.7	7.8	9.4	8.5
Net Mandatory Outlays (Mandatory Outlays - Receipts)	-2.9	6.4	1.9	3.2	9.7	2.7	3.1	10.5	7.2	7.1	12.2	3.8

Benefits adjusted for recoveries and timing shifts (h,i)

Part A benefits	3.8	3.6	2.5	3.2	4.6	5.2	6.8	5.2	5.5	6.1	7.0	6.5
Part B benefits	4.9	3.4	-1.1	0.5	5.6	6.7	7.1	7.0	7.2	7.5	9.0	8.9
Part D benefits	-1.2	4.2	11.1	10.9	10.6	10.8	10.9	10.7	10.5	10.2	9.9	8.5
<b>Total Medicare Benefits</b>	<b>3.7</b>	<b>3.6</b>	<b>1.9</b>	<b>3.0</b>	<b>5.8</b>	<b>6.5</b>	<b>7.5</b>	<b>6.7</b>	<b>7.0</b>	<b>7.3</b>	<b>8.3</b>	<b>7.8</b>

Average benefit spending per beneficiary, adjusted for recoveries and timing shifts (h,i)

Part A benefits	0.2	0.4	-0.4	0.3	1.7	2.3	3.8	2.3	2.6	3.1	4.1	3.7
Part B benefits	1.3	0.3	-3.9	-2.2	2.7	3.7	4.1	4.0	4.2	4.5	6.0	5.9
Part D benefits	-5.3	0.8	7.9	7.9	7.7	7.9	7.9	7.7	7.5	7.2	7.0	5.7

**PAYMENT UPDATES AND CHANGES IN PRICE INDEXES (in percent)**

Part A (fiscal year)												
Prospective Payment System (PPS) Market Basket Increase	3.0	2.6	2.3	3.2	3.3	3.4	3.4	3.4	3.3	3.3	3.3	3.2
PPS Update Factor	1.9	1.8	1.4	2.5	2.5	1.9	1.7	1.5	2.1	2.2	2.1	2.0
Part B (calendar year)												
Physician Medicare Economic Index (MEI)	0.6	0.8	0.7	2.0	2.8	2.8	2.8	2.6	2.1	2.1	2.2	2.0
Consumer Price Index for Urban Consumers (CPI-U)	2.1	1.6	1.9	2.1	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3
10-year moving average of multi-factor productivity (j)	1.0	0.7	0.6	0.5	0.6	0.7	0.9	1.2	1.2	1.1	1.2	1.2

Continued

**ENROLLMENT (average monthly enrollment during fiscal year, in millions)**

Part A	50	52	53	55	57	58	60	62	63	65	67	69
Part B	47	48	49	51	52	54	55	57	59	60	62	64
Part D (k)	37	38	39	40	42	43	44	45	46	47	49	50
Memorandum: Part D Low-Income Subsidy	11	11	12	12	13	13	14	14	15	15	16	16
Part A Fee-for-Service Enrollment	37	37	38	39	40	41	42	43	45	46	47	48
Group Plan Enrollment (l)	13	14	15	16	16	17	17	18	19	19	20	21

**STATUS OF HOSPITAL INSURANCE (HI or PART A) TRUST FUND (in billions of dollars)**

HI Trust Fund Income												
Receipts (mostly payroll taxes)	238	242	256	272	292	313	333	351	369	389	409	430
Interest	11	11	10	9	8	7	7	7	6	6	5	3
Total Income	249	253	265	281	301	321	340	357	376	394	414	433
HI Trust Fund Outlays	265	280	287	297	318	327	341	367	387	410	450	468
HI Trust Fund Surplus or Deficit (m)	-16	-27	-22	-16	-17	-7	-2	-10	-12	-16	-36	-35
<b>HI Trust Fund Balance (end of year)</b>	<b>229</b>	<b>202</b>	<b>180</b>	<b>165</b>	<b>147</b>	<b>140</b>	<b>139</b>	<b>129</b>	<b>118</b>	<b>102</b>	<b>66</b>	<b>31</b>

**OFFSETTING RECEIPTS (in billions of dollars)**

Part A Premiums	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-4	-5
Part B Premiums (n)	-58	-63	-64	-65	-69	-75	-81	-88	-92	-99	-109	-118
Effect of Sequestration on Part B Premiums	0	0	1	1	1	1	1	1	1	1	1	0
Part D Premiums (o)	-3	-3	-3	-3	-4	-4	-5	-5	-6	-7	-7	-8
Part D Payments by States	-8	-9	-9	-9	-10	-11	-12	-13	-14	-15	-16	-18
Amounts Paid to Providers and Recovered (h)	-13	-13	-13	-13	-14	-15	-16	-17	-18	-19	-21	-22
<b>Subtotal, Offsetting Receipts</b>	<b>-85</b>	<b>-90</b>	<b>-92</b>	<b>-94</b>	<b>-100</b>	<b>-108</b>	<b>-117</b>	<b>-125</b>	<b>-133</b>	<b>-143</b>	<b>-156</b>	<b>-170</b>

Components may not sum to totals because of rounding.

**NOTES:**

- (a) Mandatory outlays include the effects of sequestration under the Budget Control Act of 2011 on spending for Medicare benefits.
- (b) Offsetting receipts include premiums, amounts paid to providers and later recovered, and phased-down state contribution (clawback) payments from the states to Part D. They also reflect the effect on premium receipts of sequestration of spending for Medicare benefits.
- (c) Reflects the effect of sequestration on spending for Medicare benefits subject to a limit of a 2 percent reduction in payment rates under the Budget Control Act, which will apply to payments for services furnished through March 2022.
- (d) Mandatory outlays for administration support quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities funded in authorization acts. Mandatory outlays also include payment of Part B premiums for qualifying individuals through December 2013.
- (e) Includes payments to prescription drug plans, the retiree drug subsidy, and the low-income subsidy.
- (f) Includes ambulance services; ambulatory surgical centers; community mental health centers; durable medical equipment; federally qualified health centers; hospice services; hospital outpatient services that are not paid for using the outpatient prospective payment system; independent, physician in-office, and hospital outpatient department laboratory services; outpatient dialysis; outpatient therapy services; Part B prescription drugs; and rural health clinic services.
- (g) For 2015 and subsequent years, the IPAB is obligated to make changes to the Medicare program that will reduce spending if the rate of growth in spending per beneficiary is projected to exceed a target rate of growth linked to the consumer price index and per capita changes in nominal gross domestic product. CBO's projections of the rates of growth in spending per beneficiary in the May 2013 baseline are below the target rates of growth for each fiscal year throughout 2023 (the end of the current baseline projection period).
- (h) Amounts that are paid to providers and later recovered are included in the total for mandatory Medicare spending, but the amounts are not broken out by type of provider. CBO counts the initial payment of such amounts as outlays for benefits and the subsequent recovery as offsetting receipts to conform to the reporting in the *Monthly Treasury Statement*. In the past, the Medicare Trustees have reported benefits net of recoveries, so they have not treated the recoveries as offsetting receipts.
- (i) Capitation payments to group health plans and prescription drug plans for the month of October are accelerated into the preceding fiscal year when October 1 falls on a weekend. The adjustment for timing shifts reflects 12 capitation payments per year.
- (j) The Affordable Care Act requires that certain indexes used to update payment rates be adjusted by the 10-year moving average of multi-factor productivity. This includes indexes for: inpatient acute hospitals, skilled nursing facilities, long-term care hospitals, inpatient rehabilitation hospitals, home health agencies, psychiatric hospitals, hospice care, dialysis, outpatient hospitals, ambulance services, ambulatory surgical center services, laboratory services, certain durable medical equipment, prosthetic devices, and orthotics. The adjustment for multi-factor productivity is included in the PPS Update Factor and the MEI shown above.
- (k) Includes individuals enrolled in stand-alone prescription drug plans, Medicare Advantage plans with prescription drug coverage, and the retiree drug subsidy.
- (l) Includes Medicare Advantage, cost contracts, and demonstration contracts covering Medicare Parts A and B. Does not include Health Care Prepayment Plans, which cover Part B services only.
- (m) Surpluses and deficits reflect income minus outlays for each year. Deficits are denoted by negative numbers.
- (n) Part B premium receipts include the Part B income-related premium but do not include effects of sequestration, which are shown in a separate line.
- (o) Part D premium receipts include the Part D income-related premium but do not include premiums that enrollees pay directly to their plans or premiums covered by the low-income subsidy.