



Medicare

Medicare is the federal health insurance program for people who are 65 or older, for younger people with certain disabilities, and for people of any age with end-stage renal disease. The program has three principal components: Part A (Hospital Insurance), Part B (Medical Insurance, which covers doctors' services, outpatient care, and other medical services), and Part D (which covers outpatient prescription drugs). Part A benefits are paid from the Hospital Insurance Trust Fund (funded largely through payroll taxes); Part B and Part D benefits are paid from the Supplementary Medical Insurance Trust Fund (about 25 percent funded by premiums paid by enrollees and about 75 percent funded from general revenues).

Medicare

By Fiscal Year, Billions of Dollars

| | Actual, 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2024- 2028 | 2024- 2033 |
|---------------------------------------------------------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|
| BUDGET INFORMATION | | | | | | | | | | | | | | |
| Medicare Totals | | | | | | | | | | | | | | |
| Mandatory Outlays ^a | 975 | 1,008 | 1,012 | 1,128 | 1,201 | 1,290 | 1,460 | 1,402 | 1,587 | 1,702 | 1,828 | 2,088 | 6,091 | 14,698 |
| Discretionary Outlays | <u>8</u> | <u>9</u> | <u>9</u> | <u>9</u> | <u>10</u> | <u>10</u> | <u>10</u> | <u>11</u> | <u>11</u> | <u>12</u> | <u>12</u> | <u>13</u> | <u>48</u> | <u>107</u> |
| Gross Outlays | 983 | 1,017 | 1,021 | 1,137 | 1,211 | 1,300 | 1,470 | 1,413 | 1,598 | 1,714 | 1,840 | 2,100 | 6,139 | 14,804 |
| Total Offsetting Receipts ^b | <u>-231</u> | <u>-182</u> | <u>-185</u> | <u>-211</u> | <u>-218</u> | <u>-238</u> | <u>-258</u> | <u>-280</u> | <u>-303</u> | <u>-328</u> | <u>-357</u> | <u>-391</u> | <u>-1,110</u> | <u>-2,769</u> |
| Net Outlays (Gross outlays minus receipts) | 752 | 834 | 836 | 926 | 992 | 1,062 | 1,212 | 1,134 | 1,295 | 1,385 | 1,483 | 1,710 | 5,028 | 12,035 |
| Net Mandatory Outlays | 744 | 826 | 828 | 917 | 983 | 1,052 | 1,202 | 1,123 | 1,284 | 1,373 | 1,471 | 1,697 | 4,982 | 11,930 |
| Components of Mandatory Outlays | | | | | | | | | | | | | | |
| Benefits | | | | | | | | | | | | | | |
| Part A | 389 | 401 | 399 | 437 | 464 | 493 | 547 | 530 | 587 | 622 | 659 | 739 | 2,340 | 5,477 |
| Part B | 466 | 488 | 490 | 545 | 585 | 637 | 729 | 707 | 810 | 878 | 953 | 1,096 | 2,986 | 7,430 |
| Part D | <u>118</u> | <u>116</u> | <u>120</u> | <u>143</u> | <u>149</u> | <u>157</u> | <u>181</u> | <u>162</u> | <u>186</u> | <u>199</u> | <u>214</u> | <u>250</u> | <u>750</u> | <u>1,761</u> |
| Total Benefits | 973 | 1,006 | 1,009 | 1,125 | 1,198 | 1,288 | 1,457 | 1,399 | 1,584 | 1,699 | 1,825 | 2,085 | 6,077 | 14,669 |
| Mandatory Administration ^c | <u>2</u> | <u>2</u> | <u>3</u> | <u>3</u> | <u>2</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>14</u> | <u>29</u> |
| Total Mandatory Outlays | 975 | 1,008 | 1,012 | 1,128 | 1,201 | 1,290 | 1,460 | 1,402 | 1,587 | 1,702 | 1,828 | 2,088 | 6,091 | 14,698 |
| Components of Benefits | | | | | | | | | | | | | | |
| Hospital Inpatient Services | 143 | 144 | 149 | 152 | 157 | 163 | 169 | 176 | 183 | 190 | 198 | 209 | 790 | 1,746 |
| Skilled Nursing Facilities | 28 | 27 | 26 | 27 | 27 | 27 | 28 | 29 | 30 | 31 | 31 | 33 | 135 | 289 |
| Physician Fee Schedule | 74 | 72 | 71 | 70 | 70 | 71 | 73 | 75 | 77 | 79 | 82 | 86 | 355 | 754 |
| Hospital Outpatient Services | 60 | 62 | 64 | 69 | 74 | 81 | 88 | 96 | 105 | 115 | 127 | 141 | 376 | 960 |
| Home Health Agencies | 16 | 16 | 15 | 15 | 15 | 15 | 16 | 16 | 17 | 18 | 18 | 19 | 76 | 164 |
| Group Plans (Includes Medicare Advantage) ^d | 422 | 454 | 447 | 528 | 578 | 636 | 758 | 694 | 823 | 893 | 968 | 1,142 | 2,947 | 7,467 |
| Part D ^e | 118 | 116 | 120 | 143 | 149 | 157 | 181 | 162 | 186 | 199 | 214 | 250 | 750 | 1,761 |
| Low-income subsidy (Non-add) | 42 | 41 | 40 | 26 | 22 | 22 | 25 | 23 | 27 | 29 | 31 | 36 | 135 | 281 |
| Other Services ^f | <u>112</u> | <u>115</u> | <u>117</u> | <u>121</u> | <u>128</u> | <u>138</u> | <u>144</u> | <u>151</u> | <u>163</u> | <u>174</u> | <u>187</u> | <u>205</u> | <u>648</u> | <u>1,528</u> |
| Total Benefits | 973 | 1,006 | 1,009 | 1,125 | 1,198 | 1,288 | 1,457 | 1,399 | 1,584 | 1,699 | 1,825 | 2,085 | 6,077 | 14,669 |
| Components of Offsetting Receipts | | | | | | | | | | | | | | |
| Part A Premiums | -4 | -5 | -5 | -5 | -5 | -5 | -6 | -6 | -6 | -7 | -7 | -8 | -26 | -60 |
| Part B Premiums and Inflation Rebate Collections ^g | -130 | -137 | -143 | -151 | -164 | -180 | -196 | -213 | -232 | -252 | -274 | -301 | -834 | -2,106 |
| Part D Premiums and Inflation Rebate Collections ^h | -6 | -6 | -6 | -22 | -14 | -15 | -16 | -18 | -19 | -21 | -23 | -25 | -73 | -179 |
| Part D Payments by States | -13 | -15 | -18 | -20 | -20 | -21 | -23 | -24 | -25 | -27 | -29 | -31 | -102 | -238 |
| Payments Recovered from Providers ^{i,j} | <u>-77</u> | <u>-20</u> | <u>-13</u> | <u>-14</u> | <u>-15</u> | <u>-16</u> | <u>-18</u> | <u>-19</u> | <u>-21</u> | <u>-23</u> | <u>-25</u> | <u>-27</u> | <u>-76</u> | <u>-191</u> |
| Total | -231 | -182 | -185 | -211 | -218 | -238 | -258 | -280 | -303 | -328 | -357 | -391 | -1,110 | -2,769 |

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By Fiscal Year, Billions of Dollars

| | Actual, 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2024- 2028 | 2024- 2033 |
|-------------------------------------------------------------------------|-----------------|----------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|---------------|---------------|
| Memorandum: | | | | | | | | | | | | | | |
| Capitation Payments (Number per year) ^k | 13 | 12 | 11 | 12 | 12 | 12 | 13 | 11 | 12 | 12 | 12 | 13 | n.a. | n.a. |
| Payment Updates and Changes in Price Indexes (Percent) | | | | | | | | | | | | | | |
| PPS Market Basket Increase | 2.7 | 4.1 | 4.0 | 3.6 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | n.a. | n.a. |
| PPS Update Factor | 2.5 | 4.3 | 3.5 | 3.1 | 2.8 | 2.7 | 2.7 | 2.7 | 2.5 | 2.7 | 2.6 | 2.4 | n.a. | n.a. |
| 10-Year Moving Average of Multifactor Productivity ^l | 0.7 | 0.3 | 0.5 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.9 | 0.7 | 0.7 | 0.9 | n.a. | n.a. |
| Average Monthly Enrollment in a Fiscal Year (Millions of people) | | | | | | | | | | | | | | |
| Part A | 64 | 65 | 67 | 68 | 70 | 71 | 73 | 74 | 75 | 77 | 78 | 79 | n.a. | n.a. |
| Part B | 59 | 60 | 61 | 63 | 64 | 66 | 67 | 69 | 70 | 71 | 72 | 73 | n.a. | n.a. |
| Part D ^m | 51 | 52 | 53 | 54 | 56 | 57 | 58 | 60 | 61 | 62 | 62 | 63 | n.a. | n.a. |
| Memorandum: | | | | | | | | | | | | | | |
| Part D Low-Income Subsidy | 13 | 13 | 13 | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 16 | 16 | n.a. | n.a. |
| Group Plan Enrollment ⁿ | 29 | 31 | 33 | 35 | 37 | 38 | 40 | 41 | 42 | 43 | 44 | 45 | n.a. | n.a. |
| Hospital Insurance Trust Fund | | | | | | | | | | | | | | |
| Beginning-of-Year Balance | 136 | 178 | 191 | 222 | 237 | 251 | 263 | 242 | 261 | 247 | 224 | 187 | n.a. | n.a. |
| Noninterest Income (Mostly payroll taxes) | 433 | 412 | 428 | 450 | 475 | 501 | 524 | 547 | 571 | 597 | 622 | 649 | 2,378 | 5,364 |
| Interest | <u>3</u> | <u>7</u> | <u>8</u> | <u>9</u> | <u>9</u> | <u>10</u> | <u>9</u> | <u>9</u> | <u>9</u> | <u>9</u> | <u>8</u> | <u>5</u> | 45 | 85 |
| Total Income | 436 | 419 | 435 | 459 | 485 | 511 | 533 | 556 | 581 | 605 | 630 | 654 | 2,423 | 5,449 |
| Outlays | 394 | 406 | 405 | 444 | 470 | 499 | 554 | 537 | 595 | 629 | 667 | 747 | 2,372 | 5,547 |
| Surplus or Deficit (-) | 42 | 13 | 30 | 15 | 14 | 12 | -21 | 19 | -14 | -24 | -37 | -93 | 50 | -99 |
| End-of-Year Balance | 178 | 191 | 222 | 237 | 251 | 263 | 242 | 261 | 247 | 224 | 187 | 93 | n.a. | n.a. |

Components may not sum to totals because of rounding; CMS = Centers for Medicare & Medicaid Services; MA = Medicare Advantage; PPS = Prospective Payment System; n.a. = not applicable.

See next page for notes.

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- a. Mandatory outlays include the effects of sequestration on spending for Medicare benefits under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.
- b. Offsetting receipts include premiums, rebates paid to the federal government by drug manufacturers whose products have prices that exceed an inflation-adjusted benchmark price, payments from states to Medicare Part D on behalf of enrollees who are eligible both for Medicare and for Medicaid, and amounts paid to providers and later recovered.
- c. Mandatory outlays include those for quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities funded in authorization acts.
- d. On February 1, 2023, CMS announced changes for calendar year 2024 that would result in slower growth in payments to MA plans than projected in CBO's February 2023 baseline. On March 31, 2023, CMS announced that some of those changes would phase in over three years, along with other changes. Because of when its baseline was finalized, CBO's updated projections reflect the changes announced on February 1, 2023, but not those announced on March 31, 2023.
- e. Consists of payments to prescription drug plans and employer group waiver plans and for 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 PPS, independent and physician in-office laboratory services, outpatient dialysis, outpatient therapy services, certain Part B prescription drugs, rural health clinic services, and the payment of Part B premiums for qualifying individuals.
- g. Part B premium receipts include income-related premiums.
- h. Part D premium receipts include income-related premiums but not premiums that enrollees pay directly to their plans or premiums covered by the low-income subsidy. Under current law, the Secretary of the Department of Health and Human Services has the authority to delay until December 31, 2025, the invoicing of rebate amounts for Part D drug inflation rebates. As a result, CBO projects larger collections of those rebates in 2025.
- i. Recoveries are amounts that are paid to providers and later recovered; they are included in the total for mandatory Medicare spending. CBO counts the initial payment of such amounts as outlays for benefits and subsequent recoveries as offsetting receipts to conform to reporting in Monthly Treasury Statements. In the past, Medicare's trustees have reported benefits net of recoveries; those reports have not treated the recoveries as offsetting receipts.
- j. The Accelerated and Advance Payment Program paid providers in advance of future claims. Those payments increased outlays in 2020. Recoupment of those payments is reflected as a recovery in 2021, 2022, and 2023.
- k. Capitation payments to group health plans and prescription drug plans for the month of October are shifted into the preceding fiscal year when October 1 falls on a weekend.
- l. The inflation-based updates to payment rates for certain services and providers are adjusted by the 10-year moving average of multifactor productivity, including 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, and certain durable medical equipment. The adjustment for multifactor productivity is included in the PPS update factor shown above, as well as other legislated changes to the payment update.
- m. Includes people enrolled in stand-alone prescription drug plans, MA plans with prescription drug coverage, employer group waiver plans, and the retiree drug subsidy.
- n. Includes MA plans, cost contracts, and demonstration contracts covering Medicare Parts A and B. Does not include Health Care Prepayment Plans, which cover Part B services only.