



Medicare

Medicare is the federal health insurance program for people who are 65 or older, for younger people with certain disabilities, and for certain people 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, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023- 2027	2023- 2032
BUDGET INFORMATION														
Medicare Totals														
Mandatory Outlays ^a	868	983	1,019	1,034	1,165	1,262	1,360	1,541	1,480	1,672	1,782	1,929	5,840	14,244
Discretionary Outlays	<u>8</u>	<u>7</u>	<u>8</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>46</u>	<u>102</u>
Gross Outlays	875	991	1,027	1,043	1,174	1,272	1,370	1,552	1,490	1,683	1,794	1,941	5,886	14,346
Total Offsetting Receipts ^b	<u>-180</u>	<u>-216</u>	<u>-170</u>	<u>-181</u>	<u>-198</u>	<u>-216</u>	<u>-234</u>	<u>-253</u>	<u>-272</u>	<u>-293</u>	<u>-317</u>	<u>-345</u>	<u>-999</u>	<u>-2,479</u>
Net Outlays (Gross outlays minus receipts)	695	775	857	862	976	1,056	1,137	1,299	1,219	1,390	1,477	1,597	4,888	11,870
Net Mandatory Outlays	688	768	848	853	967	1,047	1,127	1,289	1,208	1,379	1,465	1,585	4,842	11,768
Components of Mandatory Outlays														
Benefits														
Part A	354	388	404	410	454	481	508	562	541	596	624	670	2,257	5,250
Part B	413	475	494	503	570	616	669	765	743	847	916	999	2,852	7,122
Part D ^c	<u>98</u>	<u>119</u>	<u>119</u>	<u>118</u>	<u>138</u>	<u>163</u>	<u>181</u>	<u>212</u>	<u>192</u>	<u>225</u>	<u>239</u>	<u>258</u>	<u>719</u>	<u>1,845</u>
Total Benefits	865	981	1,016	1,031	1,162	1,260	1,358	1,539	1,477	1,669	1,779	1,927	5,827	14,218
Mandatory Administration ^d	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>12</u>	<u>26</u>
Total Mandatory Outlays	868	983	1,019	1,034	1,165	1,262	1,360	1,541	1,480	1,672	1,782	1,929	5,840	14,244
Components of Benefits														
Hospital Inpatient Services	147	145	146	150	155	159	165	170	176	183	187	200	775	1,691
Skilled Nursing Facilities	29	28	27	28	28	28	28	29	30	30	31	32	139	291
Physician Fee Schedule	66	72	73	70	69	70	71	73	75	77	80	82	353	740
Hospital Outpatient Services	60	64	66	70	75	81	88	96	104	114	124	138	380	956
Home Health Agencies	17	17	17	17	18	18	19	19	20	21	21	23	89	193
Group Plans (Includes Medicare Advantage)	340	427	460	463	557	611	668	794	723	853	921	998	2,759	7,048
Part D ^e	98	119	119	118	138	163	181	212	192	225	239	258	719	1,845
Low-income subsidy (Non-add)	34	43	42	41	48	46	47	55	51	59	62	67	224	518
Other services ^f	<u>108</u>	<u>109</u>	<u>108</u>	<u>115</u>	<u>122</u>	<u>130</u>	<u>138</u>	<u>146</u>	<u>157</u>	<u>166</u>	<u>176</u>	<u>196</u>	<u>613</u>	<u>1,454</u>
Total Benefits	865	981	1,016	1,031	1,162	1,260	1,358	1,539	1,477	1,669	1,779	1,927	5,827	14,218
Components of Offsetting Receipts														
Part A Premiums	-4	-5	-5	-5	-5	-5	-5	-6	-6	-6	-6	-7	-25	-56
Part B Premiums ^g	-114	-131	-133	-142	-156	-170	-185	-201	-216	-234	-253	-276	-786	-1,966
Part D Premiums ^h	-6	-6	-6	-6	-7	-8	-8	-9	-9	-10	-11	-12	-35	-86
Part D Payments by States	-12	-12	-15	-16	-17	-19	-20	-22	-23	-25	-26	-28	-87	-211
Payments Recovered from Providers ⁱ	<u>-45</u>	<u>-63</u>	<u>-12</u>	<u>-13</u>	<u>-13</u>	<u>-14</u>	<u>-15</u>	<u>-17</u>	<u>-18</u>	<u>-19</u>	<u>-21</u>	<u>-23</u>	<u>-67</u>	<u>-165</u>
Total	-180	-216	-170	-181	-198	-216	-234	-253	-272	-293	-317	-345	-999	-2,479

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	Actual, 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023- 2027	2023- 2032
Memorandum:														
Capitation Payments (Number per year) ^j	12	13	12	11	12	12	12	13	11	12	12	12		
Payment Updates and Changes in Price Indexes (Percent)														
PPS Market Basket Increase	2.4	2.7	4.2	3.6	3.4	3.3	3.3	3.3	3.3	3.3	3.2	3.2		
PPS Update Factor	2.9	2.5	4.2	3.1	2.9	2.8	2.7	2.7	2.7	2.5	2.5	2.5		
10-Year Moving Average of Multifactor Productivity ^k	0.0	0.7	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.8	0.8	0.7		
Average Monthly Enrollment in a Fiscal Year (Millions of people)														
Part A	63	64	65	67	68	70	71	73	74	75	76	77		
Part B	58	59	60	62	63	64	66	67	69	70	71	72		
Part D ^l	50	51	52	53	55	56	57	58	59	60	61	62		
Memorandum:														
Part D Low-Income Subsidy	13	13	13	13	14	14	14	15	15	15	15	16		
Group Plan Enrollment ^m	27	29	31	33	35	37	38	40	41	42	43	44		
Hospital Insurance Trust Fund														
Noninterest Income (Mostly payroll taxes)	359	413	409	426	443	464	488	509	531	555	579	604	2,230	5,008
Interest	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>n</u>	<u>n</u>	<u>24</u>	<u>30</u>
Total Income	362	416	413	431	448	469	493	513	533	556	579	604	2,254	5,039
Outlays	360	393	410	417	461	488	516	570	549	605	632	678	2,292	5,326
Surplus or Deficit (-)	2	22	4	14	-13	-19	-23	-57	-16	-49	-53	-74	-37	-286
End-of-Year Balance	136	159	162	176	163	145	122	65	49	n	n	n		

Components may not sum to totals because of rounding; CMS = Centers for Medicare & Medicaid Services; HI = Hospital Insurance; PPS = Prospective Payment System.

See next page for notes.

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- a. Mandatory outlays include the effects of sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, 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.
- c. The projections for Part D benefits include the estimated effects of a final rule that would eliminate safe-harbor protections for post-sale rebates paid by pharmaceutical manufacturers to health plans and pharmacy benefit managers in Medicare Part D beginning on January 1, 2026. They also include the estimated effects of a rule that would require certain pharmacy price concessions to be reflected at the point of sale in Medicare Part D. At the time of analysis, the rule had been proposed but not finalized. The proposed rule had an implementation date of January 1, 2023. In accordance with CBO's standard practice for incorporating the effects of proposed rules in its baseline projections, these projections reflect the assumption that there is a 50 percent chance that the rule would be finalized and take effect in 2023. After work on the baseline had been completed, CMS finalized the rule with an implementation date of January 1, 2024.
- d. Mandatory outlays for quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities.
- e. Includes payments to prescription drug plans and employer group waiver plans, and for the retiree drug subsidy and the low-income subsidy. The low-income subsidy line is a component of total Part D outlays.
- 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 beneficiaries in the Qualifying Individuals program.
- 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.
- 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 the *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. In 2020, Medicare paid providers in advance of future claims through the Accelerated and Advance Payments Program. Recoupments of those payments are reflected as recoveries in 2021 and 2022.
- j. 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. The adjustment for timing shifts reflects 12 capitation payments per year.
- k. The inflation-based updates to payment rates for certain services and providers are adjusted by the 10-year moving average of multifactor productivity. Those providers and services include inpatient acute hospitals, skilled nursing facilities, long-term care hospitals, inpatient rehabilitation hospitals, home health agencies, psychiatric hospitals, hospice care, physician services, dialysis, outpatient hospitals, ambulance services, ambulatory surgical center services, laboratory 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.
- l. Includes people enrolled in stand-alone prescription drug plans, Medicare Advantage plans with prescription drug coverage, employer group waiver plans, and the retiree drug subsidy.
- m. 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.
- n. The Hospital Insurance Trust Fund is projected to reach exhaustion in 2030. Accordingly, certain components of its operations for that year and subsequent years are not meaningful under current law and are not shown in this table. CMS may not make payments in excess of the available balances in a trust fund. However, in keeping with section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline incorporates the assumption that the agency would pay HI benefits in full even after the trust fund is exhausted.