

## **Medicare—CBO’s May 2019 Baseline**

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, home health services, and other medical services), and Part D (which covers outpatient prescription drugs). Nearly all Medicare beneficiaries enroll in the program soon after they become eligible, typically either at age 65 or two years after they qualify for Social Security Disability Insurance benefits. 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).

By Fiscal Year	Actual											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Medicare Totals (Billions of dollars)</b>												
Mandatory Outlays (a)	705	765	814	877	987	1,017	1,046	1,166	1,250	1,341	1,513	1,488
Discretionary Outlays	7	7	8	8	8	9	9	10	10	11	11	12
<b>Gross Outlays</b>	<b>711</b>	<b>772</b>	<b>821</b>	<b>885</b>	<b>996</b>	<b>1,026</b>	<b>1,055</b>	<b>1,176</b>	<b>1,260</b>	<b>1,352</b>	<b>1,525</b>	<b>1,500</b>
Total Offsetting Receipts (b)	-123	-134	-143	-151	-161	-173	-187	-202	-217	-235	-254	-274
<b>Net Outlays (gross outlays - receipts)</b>	<b>589</b>	<b>637</b>	<b>679</b>	<b>733</b>	<b>834</b>	<b>852</b>	<b>868</b>	<b>974</b>	<b>1,043</b>	<b>1,117</b>	<b>1,270</b>	<b>1,225</b>
Net Mandatory Outlays	582	630	671	725	826	843	859	964	1,032	1,107	1,259	1,214

<b>Components of Mandatory Outlays (Billions of dollars)</b>												
Benefits												
Part A	297	321	341	363	401	415	428	470	501	532	594	586
Part B	322	358	383	411	460	478	494	551	593	640	722	717
Part D	82	83	88	99	124	120	120	141	153	166	193	179
<b>Total Benefits</b>	<b>702</b>	<b>761</b>	<b>811</b>	<b>874</b>	<b>984</b>	<b>1,013</b>	<b>1,042</b>	<b>1,163</b>	<b>1,246</b>	<b>1,337</b>	<b>1,509</b>	<b>1,483</b>
Mandatory Administration (c)	3	4	3	3	3	3	4	4	4	4	4	5
<b>Total Mandatory Outlays</b>	<b>705</b>	<b>765</b>	<b>814</b>	<b>877</b>	<b>987</b>	<b>1,017</b>	<b>1,046</b>	<b>1,166</b>	<b>1,250</b>	<b>1,341</b>	<b>1,513</b>	<b>1,488</b>

<b>Components of Benefits Payments (Billions of dollars)</b>												
Hospital Inpatient Care	145	149	154	160	167	175	183	191	199	208	221	232
Skilled Nursing Facilities	28	29	30	31	33	35	37	39	41	44	47	51
Physician Fee Schedule	69	71	74	78	81	84	88	91	96	101	108	114
Hospital Outpatient Services	53	57	60	64	69	74	79	85	91	99	107	116
Group Plans (includes Medicare Advantage)	210	254	283	313	376	385	387	459	502	547	646	593
Home Health Agencies	18	19	20	21	22	23	24	25	26	28	30	32
Part D Prescription Drugs (d)	82	83	88	99	124	120	120	141	153	166	193	179
Memo: Low-income subsidy (non-add)	25	25	27	30	35	35	35	40	44	47	54	50
Other Services (e)	85	87	90	94	98	102	108	113	119	126	134	142
<b>Subtotal, Medicare Benefits, Net of Recoveries</b>	<b>690</b>	<b>749</b>	<b>798</b>	<b>860</b>	<b>969</b>	<b>998</b>	<b>1,025</b>	<b>1,145</b>	<b>1,228</b>	<b>1,317</b>	<b>1,488</b>	<b>1,460</b>
Amounts Paid to Providers and Recovered (f)	12	12	13	14	15	16	17	18	19	20	22	23
<b>Total, Mandatory Medicare Benefit Outlays</b>	<b>702</b>	<b>761</b>	<b>811</b>	<b>874</b>	<b>984</b>	<b>1,013</b>	<b>1,042</b>	<b>1,163</b>	<b>1,246</b>	<b>1,337</b>	<b>1,509</b>	<b>1,483</b>

<b>Memorandum:</b>												
Number of Capitation Payments (g)	11	12	12	12	13	12	11	12	12	12	13	11
Medicare Benefits, Net of Recoveries, Adjusted to Remove Effect of Timing Shifts (f,g)	714	749	798	860	932	994	1,067	1,145	1,228	1,317	1,424	1,524

Continued

By Fiscal Year	Actual												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
<b>Annual Growth Rates (Percent)</b>													
Benefits, Adjusted for Recoveries and Timing Shifts (f,g)													
Part A benefits	3.3	5.2	6.2	6.6	6.9	6.8	6.6	6.5	6.4	6.3	7.7	5.9	
Part B benefits	7.4	8.1	6.9	7.5	7.7	7.5	7.7	7.6	7.5	7.9	8.3	7.9	
Part D benefits	-5.6	-7.4	6.3	13.1	16.3	3.5	8.2	9.1	8.5	8.3	8.6	7.0	
Total Medicare benefits	4.0	4.9	6.6	7.8	8.3	6.7	7.3	7.3	7.2	7.3	8.1	7.0	
Average Benefit Spending per Beneficiary, Adjusted for Recoveries and Timing Shifts (f,g)													
Part A benefits	0.9	2.7	3.6	3.9	4.1	4.1	3.9	3.9	3.9	3.9	5.4	3.9	
Part B benefits	5.2	5.4	4.3	4.8	4.8	4.7	5.0	4.9	4.9	5.5	5.9	5.7	
Part D benefits	-8.0	-10.3	3.3	9.9	12.9	0.4	5.0	6.0	5.5	5.5	6.0	4.6	
<b>Payment Updates and Changes in Price Indexes (Percent)</b>													
Prospective Payment System (PPS)													
Market Basket Increase	2.7	2.9	3.2	3.4	3.4	3.3	3.2	3.2	3.2	3.2	3.1	3.1	
PPS Update Factor	1.8	1.9	3.2	3.4	3.4	3.2	2.7	2.6	2.5	2.5	2.4	2.4	
Consumer Price Index for Urban Consumers (Calendar year)													
	1.6	2.9	1.4	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.3	2.3	
10-Year Moving Average of Multifactor Productivity (h)													
	0.6	0.8	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	
<b>Enrollment (Average monthly enrollment during fiscal year, millions of people)</b>													
Part A	59	61	62	64	65	67	69	71	72	74	76	77	
Part B	54	55	57	58	60	62	63	65	66	68	69	71	
Part D (i)	45	47	48	50	51	53	54	56	58	59	61	62	
Memorandum:													
Part D low-income subsidy	14	14	14	14	15	15	15	16	16	16	16	17	
Part A fee-for-service enrollment	38	38	38	39	39	39	39	40	40	41	41	41	
Group plan enrollment (j)	21	22	24	25	27	28	29	31	32	33	35	36	
<b>Status of Hospital Insurance (HI or Part A) Trust Fund (Billions of dollars)</b>													
Hi Trust Fund Income													
Receipts (mostly payroll taxes)	302	318	334	350	365	381	399	417	438	462	483	505	
Interest	7	7	7	7	6	5	4	2	0	(k)	(k)	(k)	
Total Income	309	325	342	357	372	387	403	419	439	460	478	496	
Hi Trust Fund Outlays													
HI Trust Fund Surplus or Deficit (l)	303	326	345	368	406	421	434	476	507	538	600	594	
	6	-1	-4	-11	-34	-34	-31	-57	-68	-79	-123	-98	
<b>HI Trust Fund Balance (end-of-year)</b>	<b>203</b>	<b>203</b>	<b>199</b>	<b>188</b>	<b>154</b>	<b>119</b>	<b>88</b>	<b>31</b>	<b>(k)</b>	<b>(k)</b>	<b>(k)</b>	<b>(k)</b>	

Continued

By Fiscal Year	Actual											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Offsetting Receipts (Billions of dollars)</b>												
Part A Premiums	-4	-4	-4	-4	-4	-4	-5	-5	-5	-5	-5	-6
Part B Premiums (m)	-90	-101	-107	-113	-121	-130	-141	-153	-165	-178	-194	-210
Part D Premiums (n)	-5	-6	-6	-7	-8	-9	-9	-10	-11	-12	-13	-15
Part D Payments by States	-12	-12	-12	-13	-14	-15	-16	-17	-18	-19	-20	-21
Amounts Paid to Providers and Recovered (f)	-12	-12	-13	-14	-15	-16	-17	-18	-19	-20	-22	-23
<b>Subtotal, Offsetting Receipts</b>	<b>-123</b>	<b>-134</b>	<b>-143</b>	<b>-151</b>	<b>-161</b>	<b>-173</b>	<b>-187</b>	<b>-202</b>	<b>-217</b>	<b>-235</b>	<b>-254</b>	<b>-274</b>

Components may not sum to totals because of rounding.

- 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. Mandatory outlays for quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities funded in authorization acts.
- d. Includes payments to prescription drug plans and employer group waiver plans, and for the retiree drug subsidy and the low-income subsidy.
- e. 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 and physician in-office laboratory services, outpatient dialysis, outpatient therapy services, Part B prescription drugs, rural health clinic services, and the payment of Part B premiums for Qualifying Individuals.
- f. Recoveries are amounts that are paid to providers and later recovered and are included in the total for mandatory Medicare spending. 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.
- g. 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.
- h. 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, 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.
- i. Includes individuals enrolled in stand-alone prescription drug plans, Medicare Advantage plans with prescription drug coverage, employer group waiver plans, and the retiree drug subsidy.
- j. 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.
- k. The Hospital Insurance Trust Fund is projected to become exhausted in 2026. Accordingly, certain components of trust fund operations for the year of exhaustion and subsequent years are not meaningful under current law and are not shown in this table. The Centers for Medicare & Medicaid Services (CMS) may not make payments in excess of the available balances in a trust fund. However, following rules in the Deficit Control Act of 1985 (section 257(b)), CBO's baseline incorporates the assumption that CMS would pay HI benefits in full even after the balance of the trust fund is exhausted. CBO projects that outlays will exceed receipts by \$67 billion in 2026, \$77 billion in 2027, \$121 billion in 2028, and \$96 billion in 2029.
- l. Surpluses and deficits reflect income minus outlays for each year. Deficits are indicated by negative numbers.
- m. Part B premium receipts include the income-related premium but not the premium surcharge that is transferred to the general fund of the Treasury.
- n. Part D premium receipts include the income-related premium but not premiums that enrollees pay directly to their plans or premiums covered by the low-income subsidy.