

Congressional Budget Office's
March 2015 Medicare Baseline

March 9, 2015

By fiscal year	Actual 2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Medicare Totals (Billions of dollars)												
Mandatory Outlays (a)	600	626	671	681	698	775	829	888	995	1,026	1,053	1,183
Discretionary Outlays	6	6	7	7	8	8	9	9	10	10	11	11
Gross Outlays	606	632	678	689	706	783	837	898	1,004	1,036	1,064	1,194
Total Offsetting Receipts (b)	-93	-99	-110	-119	-124	-133	-140	-150	-162	-174	-187	-202
Net Outlays (Total Outlays - Receipts)	513	534	567	570	581	650	697	747	842	862	877	992
Net Mandatory Outlays (Mandatory Outlays - Receipts)	506	527	560	562	574	642	688	738	833	852	866	981
Components of Mandatory Outlays (Billions of dollars)												
Benefits												
Part A	271	276	291	297	306	333	354	376	413	426	437	483
Part B	262	270	289	295	303	336	361	388	435	451	465	524
Part D	65	77	88	87	87	102	111	122	144	147	147	174
Total Benefits	597	623	669	679	696	771	826	886	992	1,024	1,050	1,180
Mandatory Administration (c)	3	3	2	2	2	3	2	2	2	2	3	3
Total Mandatory Outlays	600	626	671	681	698	775	829	888	995	1,026	1,053	1,183
Components of Benefits Payments (Billions of dollars)												
Hospital Inpatient Care	138	136	136	137	143	148	154	161	168	176	185	197
Skilled Nursing Facilities	29	29	31	32	34	36	38	40	43	45	48	52
Physician Fee Schedule	70	63	58	61	63	66	68	71	75	79	84	90
Hospital Outpatient Services	41	44	47	50	53	56	60	65	70	75	82	90
Group Plans (includes Medicare Advantage)	156	172	204	204	203	245	270	296	353	354	348	411
Home Health Agencies	18	17	17	18	18	19	20	21	22	24	25	27
Part D Benefits (prescription drugs) (d)	65	77	88	87	87	102	111	122	144	147	147	174
Other Services (e)	68	68	70	73	77	80	85	89	94	99	105	113
Not Allocated to Specific Services:												
Independent Payment Advisory Board (IPAB) (f)	0	0	0	0	0	0	0	0	0	0	0	-1
Subtotal, Medicare Benefits, Net of Recoveries	583	608	652	662	678	753	807	865	970	1,000	1,024	1,152
Amounts Paid to Providers and Recovered (g)	14	15	16	17	18	19	20	21	22	24	26	28
Total, Mandatory Medicare Benefit Outlays	597	623	669	679	696	771	826	886	992	1,024	1,050	1,180
Memorandum:												
Number of Capitation Payments (h)	12	12	13	12	11	12	12	12	13	12	11	12
Medicare Benefits, net of recoveries, adjusted to remove effect of timing shifts (g,h)	583	608	629	660	704	753	807	865	929	996	1,068	1,152
Annual Growth Rates (Percent)												
Total Mandatory Outlays	2.5	4.3	7.2	1.6	2.4	11.0	6.9	7.2	11.9	3.1	2.7	12.3
Total Offsetting Receipts	0.0	5.5	12.0	7.9	4.5	6.7	5.8	7.0	7.7	7.4	7.7	7.8
Net Mandatory Outlays (Mandatory Outlays - Receipts)	2.9	4.1	6.3	0.4	2.0	11.9	7.2	7.3	12.8	2.3	1.6	13.3
Benefits adjusted for recoveries and timing shifts (g,h)												
Part A Benefits	0.0	1.7	2.7	4.5	6.4	5.8	6.2	6.3	6.4	6.1	6.1	7.0
Part B Benefits	5.6	3.1	3.4	5.2	6.4	7.3	7.4	7.6	7.7	7.6	7.6	8.2
Part D Benefits	5.0	19.0	6.5	5.1	8.4	9.5	9.0	9.3	9.6	9.1	9.0	9.2
Total Medicare Benefits	2.9	4.2	3.5	4.9	6.7	7.0	7.1	7.3	7.4	7.2	7.2	7.9
Average benefit spending per beneficiary, adjusted for recoveries and timing shifts (g,h)												
Part A Benefits	-2.9	-1.1	-0.1	1.5	3.3	2.8	3.2	3.3	3.4	3.3	3.3	4.2
Part B Benefits	2.7	0.4	0.6	2.3	3.4	4.3	4.4	4.6	4.7	4.7	4.8	5.4
Part D Benefits	1.1	14.9	4.1	2.5	5.7	6.1	5.4	5.8	6.1	5.7	5.8	6.1
Payment Updates and Changes in Price Indexes (Percent)												
Part A (fiscal year)												
Prospective Payment System (PPS) Market Basket Increase	2.5	2.9	2.8	3.2	3.3	3.3	3.4	3.3	3.3	3.3	3.2	3.1
PPS Update Factor (i)	1.7	2.2	2.0	1.8	1.7	1.5	2.4	2.4	2.3	2.4	2.2	2.0
Part B (calendar year)												
Physician Medicare Economic Index (MEI) (i)	0.8	0.8	2.1	2.7	3.0	3.0	2.9	2.7	2.7	2.7	2.6	2.6
Consumer Price Index for Urban Consumers (CPI-U)	1.7	1.1	2.2	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4
10-year Moving Average of Multi-Factor Productivity (i)	0.5	0.5	0.6	0.7	0.8	1.0	1.0	0.9	1.0	0.9	1.0	1.1

Continued

By fiscal year

Actual
2014

2015

2016

2017

2018

2019

2020

2021

2022

2023

2024

2025

Enrollment (Average monthly enrollment during fiscal year, millions of people)

Part A	54	55	57	59	60	62	64	66	68	70	72	74
Part B	50	51	52	54	55	57	59	60	62	64	66	67
Part D (j)	40	42	43	44	45	46	48	49	51	53	54	56
Memorandum: Part D Low-Income Subsidy	11	12	12	12	13	13	14	14	15	15	16	16
Part A Fee-for-Service Enrollment	38	38	38	39	39	39	40	40	41	42	43	44
Group Plan Enrollment (k)	16	17	19	20	21	23	24	25	27	28	29	30

Status of Hospital Insurance (HI or Part A) Trust Fund (Billions of dollars)

HI Trust Fund Income												
Receipts (Mostly payroll taxes)	262	273	288	303	317	332	348	366	384	403	423	444
Interest	9	9	9	10	10	10	10	10	10	9	8	7
Total Income	271	283	297	313	327	342	359	376	394	412	431	451
HI Trust Fund Outlays												
HI Trust Fund Surplus or Deficit (l)	-4	2	1	11	15	2	-1	-7	-26	-21	-14	-40
HI Trust Fund Balance (End-of-year)	202	204	205	216	231	233	232	225	199	178	164	124

Offsetting Receipts (Billions of dollars)

Part A Premiums	-3	-3	-3	-3	-4	-4	-4	-4	-4	-4	-4	-5
Part B Premiums (m)	-64	-67	-77	-85	-88	-94	-99	-107	-115	-124	-134	-144
Part D Premiums (n)	-4	-4	-4	-5	-5	-5	-6	-6	-7	-8	-8	-9
Part D Payments by States	-9	-9	-9	-10	-10	-11	-12	-12	-13	-14	-15	-16
Amounts Paid to Providers and Recovered (g)	-14	-15	-16	-17	-18	-19	-20	-21	-22	-24	-26	-28
Subtotal, Offsetting Receipts	-93	-99	-110	-119	-124	-133	-140	-150	-162	-174	-187	-202

NOTES: Components may not add up to totals because of rounding.

- Mandatory outlays include the effects of sequestration under the Budget Control Act of 2011, as amended, on spending for Medicare benefits.
- Offsetting receipts include premiums, amounts paid to providers and later recovered, and phased-down state contribution (clawback) payments from the states to Part D.
- Mandatory outlays for 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 March 2015.
- Includes payments to prescription drug plans, employer group waiver plans, the retiree drug subsidy, and the low-income subsidy.
- 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, and rural health clinic services.
- For 2015 and subsequent years, the IPAB mechanism requires the Secretary of Health and Human Services 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 March 2015 baseline are below the target rates of growth for each fiscal year through 2024. For 2025, however, CBO's projection of the rate of growth in Medicare spending is projected to exceed the target rate of growth. As a result, CBO projects that the IPAB mechanism will reduce spending in 2025 by \$1 billion.
- 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.
- 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.
- The inflation-based updates to payment rates for certain services and providers are adjusted by the 10-year moving average of multi-factor 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, 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.
- 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.
- 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.
- Surpluses and deficits reflect income minus outlays for each year. Deficits are indicated by negative numbers.
- Part B premium receipts include the Part B income-related premium.
- 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.