Congressional Budget Office's
March 2016 Medicare Baseline

By fiscal year

Actual

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<tbody>
<tr>
<td>Mandatory Outlays (a)</td>
<td>634</td>
<td>695</td>
<td>709</td>
<td>717</td>
<td>791</td>
<td>849</td>
<td>911</td>
<td>1,018</td>
<td>1,052</td>
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<td>1,197</td>
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<td>Discretionary Outlays</td>
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<td>9</td>
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<tr>
<td>Gross Outlays</td>
<td>640</td>
<td>701</td>
<td>715</td>
<td>724</td>
<td>799</td>
<td>857</td>
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<td>1,027</td>
<td>1,061</td>
<td>1,088</td>
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<tr>
<td>Total Offsetting Receipts (b)</td>
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<td>-104</td>
<td>-115</td>
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<td>-141</td>
<td>-152</td>
<td>-165</td>
<td>-175</td>
<td>-184</td>
<td>-200</td>
<td>-217</td>
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<tr>
<td>Net Outlays (gross outlays - receipts)</td>
<td>546</td>
<td>598</td>
<td>601</td>
<td>601</td>
<td>668</td>
<td>717</td>
<td>768</td>
<td>862</td>
<td>887</td>
<td>904</td>
<td>1,008</td>
<td>1,085</td>
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Net Mandatory Outlays (mandatory outlays - receipts)

|          | 540  | 591  | 594  | 594  | 660  | 709  | 759  | 853   | 877   | 894   | 997   | 1,074 |

**Medicare Totals (Billions of dollars)**

<table>
<thead>
<tr>
<th>Components of Mandatory Outlays (Billions of dollars)</th>
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<tbody>
<tr>
<td>Hospital inpatient care</td>
</tr>
<tr>
<td>Skilled nursing facilities</td>
</tr>
<tr>
<td>Physician fee schedule</td>
</tr>
<tr>
<td>Hospital outpatient services</td>
</tr>
<tr>
<td>Group plans (includes Medicare Advantage)</td>
</tr>
<tr>
<td>Home health agencies</td>
</tr>
<tr>
<td>Part D prescription drugs (d)</td>
</tr>
<tr>
<td>Other services (e)</td>
</tr>
<tr>
<td>Independent Payment Advisory Board (f)</td>
</tr>
<tr>
<td>Subtotal, Medicare Benefits, net of recoveries</td>
</tr>
<tr>
<td>Amounts paid to providers and recovered (g)</td>
</tr>
<tr>
<td>Total, Mandatory Medicare Benefit Outlays</td>
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</table>

<table>
<thead>
<tr>
<th>Memorandum:</th>
</tr>
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<tbody>
<tr>
<td>Number of capitation payments (h)</td>
</tr>
<tr>
<td>Medicare benefits, net of recoveries, adjusted to remove effect of timing shifts (g,h)</td>
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**Components of Benefits Payments (Billions of dollars)**

<table>
<thead>
<tr>
<th></th>
<th>143</th>
<th>144</th>
<th>146</th>
<th>149</th>
<th>154</th>
<th>161</th>
<th>168</th>
<th>176</th>
<th>184</th>
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<td>Skilled nursing facilities</td>
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<td>Physician fee schedule</td>
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<td>Group plans (includes Medicare Advantage)</td>
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<td>Subtotal, Medicare Benefits, net of recoveries</td>
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<td>Amounts paid to providers and recovered (g)</td>
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<td>Total, Mandatory Medicare Benefit Outlays</td>
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Annual Growth Rates (Percent)

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<td>Total offsetting receipts</td>
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<td>Net mandatory outlays (mandatory outlays - receipts)</td>
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Benefits adjusted for recoveries and timing shifts (g,h)

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

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<td>Part B benefits</td>
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<td>Part D benefits</td>
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**Payment Updates and Changes in Price Indexes (Percent)**

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<td>Prospective payment system (PPS) market basket increase</td>
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<td>Consumer price index for urban consumers (calendar year)</td>
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<td>10-year moving average of multi-factor productivity (i)</td>
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Continued
### Enrollment (Average monthly enrollment during fiscal year, millions of people)

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<td>60</td>
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<td>63</td>
<td>65</td>
<td>67</td>
<td>69</td>
<td>71</td>
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<td>74</td>
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<td>Part B</td>
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<td>54</td>
<td>55</td>
<td>57</td>
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<td>62</td>
<td>63</td>
<td>65</td>
<td>67</td>
<td>68</td>
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<tr>
<td>Part D (j)</td>
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<td>43</td>
<td>44</td>
<td>45</td>
<td>47</td>
<td>48</td>
<td>50</td>
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<td>53</td>
<td>55</td>
<td>57</td>
<td>58</td>
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#### Memorandum:
- Part D low-income subsidy
  - 12 12 13 13 13 14 14 15 15 15 16 16
- Part A fee-for-service enrollment
  - 38 39 39 39 40 40 41 41 42 43 43 44
- Group plan enrollment (k)
  - 17 18 19 21 22 23 25 26 27 28 29 30

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

#### HI Trust Fund Income

<table>
<thead>
<tr>
<th>Receipts (mostly payroll taxes)</th>
<th>269</th>
<th>287</th>
<th>301</th>
<th>315</th>
<th>329</th>
<th>343</th>
<th>359</th>
<th>376</th>
<th>393</th>
<th>412</th>
<th>432</th>
<th>453</th>
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</thead>
<tbody>
<tr>
<td>Interest</td>
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<td>7</td>
<td>6</td>
<td>5</td>
<td>3</td>
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<tr>
<td>Total Income</td>
<td>277</td>
<td>295</td>
<td>309</td>
<td>323</td>
<td>337</td>
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<td>367</td>
<td>383</td>
<td>400</td>
<td>417</td>
<td>435</td>
<td>453</td>
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#### HI Trust Fund Outlays

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<tr>
<th>HI trust fund surplus or deficit (I)</th>
<th>-6</th>
<th>-5</th>
<th>2</th>
<th>11</th>
<th>0</th>
<th>-6</th>
<th>-13</th>
<th>-33</th>
<th>-30</th>
<th>-24</th>
<th>-45</th>
<th>(m)</th>
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<tbody>
<tr>
<td>HI Trust Fund Balance (end-of-year)</td>
<td>196</td>
<td>191</td>
<td>193</td>
<td>204</td>
<td>204</td>
<td>198</td>
<td>185</td>
<td>152</td>
<td>122</td>
<td>97</td>
<td>52</td>
<td>(m)</td>
</tr>
</tbody>
</table>

### Offsetting Receipts (Billions of dollars)

| Part A premiums                  | -3  | -3  | -4  | -4  | -4  | -4  | -4  | -5  | -5  |     |     |     |
| Part D premiums (o)              | -4  | -4  | -5  | -6  | -6  | -7  | -8  | -9  | -10 | -11 | -12 |     |
| Part D payments by states        | -9  | -9  | -10 | -10 | -11 | -12 | -13 | -14 | -15 | -16 | -17 | -18 |
| Amounts paid to providers and recovered (g) | -11 | -15 | -14 | -14 | -15 | -16 | -17 | -18 | -20 | -21 | -22 | -24 |
| **Subtotal, Offsetting Receipts**| -94 | -104| -115| -123| -131| -141| -152| -165| -175| -184| -200| -217|

**NOTES:** Components may not add up 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. 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 2016 baseline are below the target rates of growth for each fiscal year through 2018. However, for 2019, 2024, and 2026, 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 the 2019-2026 period by $8 billion.

g. 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.

h. 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 4 capitation payments per year.

i. 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 shown above.

j. 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.

k. 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.

l. Surpluses and deficits reflect income minus outlays for each year. Deficits are indicated by negative numbers.

m. 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 present 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 $50 billion in 2026.

n. Part B premium receipts include the Part B income-related premium, but do not include the premium surcharge that is transferred to the general fund of the Treasury.

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.