

Medicare – Congressional Budget Office's June 2017 Baseline

June 29, 2017

By fiscal year	Actual											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Medicare Totals (Billions of dollars)</b>												
Mandatory Outlays (a)	692	701	711	783	842	904	1,011	1,045	1,078	1,194	1,295	1,390
Discretionary Outlays	6	7	8	8	9	9	10	10	11	11	12	12
<b>Gross Outlays</b>	<b>699</b>	<b>708</b>	<b>718</b>	<b>792</b>	<b>850</b>	<b>914</b>	<b>1,020</b>	<b>1,055</b>	<b>1,088</b>	<b>1,205</b>	<b>1,306</b>	<b>1,402</b>
Total Offsetting Receipts (b)	-104	-111	-126	-136	-143	-151	-164	-173	-183	-199	-216	-231
<b>Net Outlays (gross outlays - receipts)</b>	<b>595</b>	<b>597</b>	<b>592</b>	<b>656</b>	<b>707</b>	<b>763</b>	<b>857</b>	<b>882</b>	<b>905</b>	<b>1,007</b>	<b>1,090</b>	<b>1,171</b>
Net Mandatory Outlays	588	590	584	648	698	754	847	872	895	995	1,079	1,159
<b>Components of Mandatory Outlays (Billions of dollars)</b>												
Benefits												
Part A	293	297	302	327	350	373	411	425	439	479	516	547
Part B	301	307	314	347	376	406	453	471	488	540	588	635
Part D	95	95	92	106	114	123	145	147	148	173	189	205
<b>Total Benefits</b>	<b>689</b>	<b>699</b>	<b>708</b>	<b>780</b>	<b>839</b>	<b>902</b>	<b>1,009</b>	<b>1,043</b>	<b>1,075</b>	<b>1,192</b>	<b>1,293</b>	<b>1,387</b>
Mandatory administration (c)	3	2	2	3	2	2	2	2	3	2	2	2
<b>Total Mandatory Outlays</b>	<b>692</b>	<b>701</b>	<b>711</b>	<b>783</b>	<b>842</b>	<b>904</b>	<b>1,011</b>	<b>1,045</b>	<b>1,078</b>	<b>1,194</b>	<b>1,295</b>	<b>1,390</b>
<b>Components of Benefits Payments (Billions of dollars)</b>												
Hospital inpatient care	141	142	145	150	157	165	173	182	192	200	214	226
Skilled nursing facilities	29	30	31	33	35	37	39	41	44	47	51	55
Physician fee schedule	70	70	72	76	80	85	89	94	99	104	112	120
Hospital outpatient services	46	48	50	53	57	62	67	72	78	84	93	101
Group plans (includes Medicare Advantage)	200	207	207	248	274	302	360	364	361	424	461	501
Home health agencies	19	19	19	20	21	22	23	24	26	27	30	32
Part D prescription drugs (d)	95	95	92	106	114	123	145	147	148	173	189	205
Memo: Low-income subsidy (non-add)	29	30	29	32	34	37	44	44	45	52	56	61
Other services (e)	75	75	79	83	87	92	97	103	109	114	123	131
Independent Payment Advisory Board (f)	0	0	0	-1	0	0	0	-4	-1	-4	-2	-7
<b>Subtotal, Medicare Benefits, net of recoveries</b>	<b>675</b>	<b>686</b>	<b>695</b>	<b>766</b>	<b>824</b>	<b>887</b>	<b>992</b>	<b>1,025</b>	<b>1,055</b>	<b>1,171</b>	<b>1,270</b>	<b>1,363</b>
Amounts paid to providers and recovered (g)	14	13	13	14	15	16	17	18	19	21	22	24
<b>Total, Mandatory Medicare Benefit Outlays</b>	<b>689</b>	<b>699</b>	<b>708</b>	<b>780</b>	<b>839</b>	<b>902</b>	<b>1,009</b>	<b>1,043</b>	<b>1,075</b>	<b>1,192</b>	<b>1,293</b>	<b>1,387</b>
<b>Memorandum:</b>												
Number of capitation payments (h)	13	12	11	12	12	12	13	12	11	12	12	12
Medicare benefits, net of recoveries, adjusted to remove effect of timing shifts (g,h)	653	683	719	766	823	885	952	1,020	1,096	1,170	1,268	1,361

Continued

By fiscal year	Actual											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Annual Growth Rates (Percent)</b>												
Total mandatory outlays	9.2	1.2	1.4	10.3	7.4	7.5	11.8	3.4	3.1	10.8	8.4	7.3
Total offsetting receipts	10.5	6.8	13.4	7.6	5.6	5.4	8.4	5.9	5.6	8.7	8.8	6.6
Net mandatory outlays	9.0	0.2	-0.9	10.8	7.8	7.9	12.4	2.9	2.6	11.2	8.3	7.4
Benefits adjusted for recoveries and timing shifts (g,h)												
Part A benefits	1.9	3.6	4.9	5.5	6.8	6.8	6.8	6.3	6.8	5.8	7.7	6.1
Part B benefits	5.2	4.8	6.1	7.2	8.3	7.9	7.7	7.4	7.7	6.9	8.9	8.0
Part D benefits	17.6	6.8	4.0	7.2	7.4	8.6	8.8	9.0	8.9	8.8	9.0	8.6
Total Medicare benefits	5.3	4.6	5.3	6.5	7.6	7.5	7.5	7.1	7.5	6.7	8.4	7.3
Average benefit spending per beneficiary, adjusted for recoveries and timing shifts (g,h)												
Part A benefits	-0.3	0.9	2.2	2.7	3.9	3.8	3.9	3.5	4.1	3.1	5.1	3.7
Part B benefits	2.8	2.0	3.4	4.3	5.4	4.9	4.7	4.5	4.9	4.1	6.3	5.5
Part D benefits	13.6	3.6	1.1	4.3	4.3	5.2	5.4	5.5	5.6	5.6	5.9	5.7
<b>Payment Updates and Changes in Price Indexes (Percent)</b>												
Prospective payment system (PPS) market basket increase	2.4	2.7	3.0	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.0	3.0
PPS update factor	0.9	0.2	2.2	2.3	3.3	3.1	3.1	3.0	2.5	2.5	2.2	2.2
Consumer price index for urban consumers (calendar year)	0.1	1.0	1.4	2.4	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	0.3	0.5	0.8	0.5	0.6	0.6	0.7	0.6	0.7	0.8	0.8
<b>Enrollment (Average monthly enrollment during fiscal year, millions of people)</b>												
Part A	57	58	60	61	63	65	67	68	70	72	74	75
Part B	52	54	55	57	58	60	61	63	65	66	68	70
Part D (j)	43	44	46	47	48	50	51	53	55	56	58	60
Memorandum:												
Part D low-income subsidy	12	13	13	13	13	14	14	15	15	15	16	16
Part A fee-for-service enrollment	39	39	39	39	40	40	41	42	42	43	44	45
Group plan enrollment (k)	18	19	21	22	23	24	26	27	28	29	30	31
<b>Status of Hospital Insurance (HI or Part A) Trust Fund (Billions of dollars)</b>												
HI Trust Fund Income												
Receipts (mostly payroll taxes)	287	301	311	325	339	353	368	385	403	421	441	462
Interest	8	8	8	8	8	8	7	5	4	(m)	(m)	(m)
Total Income	295	309	320	334	347	361	375	390	406	(m)	(m)	(m)
HI Trust Fund Outlays												
HI trust fund surplus or deficit (l)	299	302	308	334	356	380	418	432	447	486	523	555
<b>HI Trust Fund Balance (end-of-year)</b>	<b>-4</b>	<b>7</b>	<b>12</b>	<b>0</b>	<b>-9</b>	<b>-19</b>	<b>-42</b>	<b>-41</b>	<b>-41</b>	<b>(m)</b>	<b>(m)</b>	<b>(m)</b>

Continued

By fiscal year	Actual											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Offsetting Receipts (Billions of dollars)</b>												
Part A premiums	-3	-3	-3	-4	-4	-4	-4	-4	-4	-5	-5	-5
Part B premiums (n)	-72	-79	-93	-101	-106	-111	-121	-127	-134	-146	-159	-170
Part D premiums (o)	-5	-4	-5	-6	-7	-7	-8	-9	-10	-11	-12	-13
Part D payments by states	-10	-11	-11	-12	-12	-13	-14	-15	-16	-17	-18	-19
Amounts paid to providers and recovered (g)	-14	-13	-13	-14	-15	-16	-17	-18	-19	-21	-22	-24
<b>Subtotal, Offsetting Receipts</b>	<b>-104</b>	<b>-111</b>	<b>-126</b>	<b>-136</b>	<b>-143</b>	<b>-151</b>	<b>-164</b>	<b>-173</b>	<b>-183</b>	<b>-199</b>	<b>-216</b>	<b>-231</b>

**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 Independent Payment Advisory Board (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. In 2019, 2023, 2025, and 2027, 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 2019-2027 period by \$20 billion.
- g. 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.
- 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 12 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, and certain durable medical equipment. 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 2025. 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 \$63 billion in 2025, \$83 billion in 2026, and \$98 billion in 2027.
- n. Part B premium receipts include the 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 income-related premium but do not include premiums that enrollees pay directly to their plans or premiums covered by the low-income subsidy.