

Medicare—CBO’s April 2018 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).

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April 9, 2018

By fiscal year	Actual											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Medicare Totals (Billions of dollars)												
Mandatory Outlays (a)	702	707	776	830	893	996	1,032	1,062	1,181	1,267	1,358	1,521
Discretionary Outlays	6	7	8	8	8	9	9	10	10	11	11	12
Gross Outlays	708	714	783	838	902	1,005	1,041	1,071	1,191	1,278	1,369	1,532
Total Offsetting Receipts (b)	-111	-124	-135	-145	-155	-168	-180	-194	-208	-225	-242	-261
Net Outlays (gross outlays - receipts)	597	590	648	693	747	837	861	878	983	1,053	1,127	1,272
Net Mandatory Outlays	591	583	641	685	738	829	852	868	973	1,042	1,116	1,260

Components of Mandatory Outlays (Billions of dollars)												
Benefits												
Part A	296	300	325	347	371	408	423	436	478	509	540	598
Part B	309	317	348	375	404	451	469	485	540	581	627	701
Part D	95	88	99	106	116	135	137	138	161	174	189	219
Total Benefits	700	705	772	827	891	994	1,030	1,059	1,179	1,265	1,355	1,518
Mandatory administration (c)	2	2	3	2	2	2	2	3	2	2	2	2
Total Mandatory Outlays	702	707	776	830	893	996	1,032	1,062	1,181	1,267	1,358	1,521

Components of Benefits Payments (Billions of dollars)												
Hospital inpatient care	143	146	150	157	165	173	182	191	201	211	221	236
Skilled nursing facilities	28	29	30	32	34	36	38	41	44	47	50	54
Physician fee schedule	69	68	71	75	79	83	87	92	97	102	109	117
Hospital outpatient services	49	52	54	58	63	68	74	80	87	94	102	111
Group plans (includes Medicare Advantage)	206	210	250	277	305	363	367	364	427	465	503	584
Home health agencies	18	18	19	20	21	22	23	25	26	28	30	32
Part D prescription drugs (d)	95	88	99	106	116	135	137	138	161	174	189	219
Memo: Low-income subsidy (non-add)	29	28	31	33	36	42	42	42	49	53	57	65
Other services (e)	79	83	86	90	95	100	105	111	117	124	131	140
Subtotal, Medicare Benefits, net of recoveries	688	693	760	814	877	979	1,013	1,041	1,160	1,244	1,333	1,494
Amounts paid to providers and recovered (f)	12	12	13	13	14	15	16	18	19	20	22	24
Total, Mandatory Medicare Benefit Outlays	700	705	772	827	891	994	1,030	1,059	1,179	1,265	1,355	1,518

Memorandum:												
Number of capitation payments (g)	12	11	12	12	12	13	12	11	12	12	12	13
Medicare benefits, net of recoveries, adjusted to remove effect of timing shifts (f,g)	686	715	759	813	876	940	1,009	1,081	1,158	1,243	1,332	1,432

Continued

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By fiscal year	Actual											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Annual Growth Rates (Percent)												
Total mandatory outlays	1.4	0.7	9.7	7.0	7.7	11.6	3.6	2.9	11.2	7.3	7.2	12.0
Total offsetting receipts	6.5	11.7	8.8	7.3	7.1	8.3	7.5	7.4	7.6	8.2	7.3	7.9
Net mandatory outlays	0.5	-1.4	9.9	6.9	7.8	12.2	2.8	1.9	12.1	7.1	7.1	12.9
Benefits adjusted for recoveries and timing shifts (f,g)												
Part A benefits	3.9	4.4	5.7	6.7	6.8	6.8	6.6	6.3	6.4	6.5	6.0	7.2
Part B benefits	5.8	5.5	6.8	7.7	7.9	7.6	7.5	7.5	7.4	7.7	7.8	7.7
Part D benefits	6.3	0.3	4.9	6.5	9.8	7.7	9.0	8.8	8.4	8.4	8.4	8.2
Total Medicare benefits	5.1	4.3	6.1	7.1	7.7	7.3	7.4	7.2	7.1	7.3	7.2	7.5
Average benefit spending per beneficiary, adjusted for recoveries and timing shifts (f,g)												
Part A benefits	1.3	1.6	2.9	3.8	3.9	3.9	3.9	3.6	3.7	4.0	3.7	5.0
Part B benefits	2.9	3.0	4.0	4.8	4.9	4.6	4.7	4.7	4.7	5.1	5.3	5.4
Part D benefits	3.1	-2.6	2.1	3.3	6.3	4.3	5.6	5.6	5.2	5.3	5.5	5.6
Payment Updates and Changes in Price Indexes (Percent)												
Prospective payment system (PPS) market basket increase	2.7	2.7	3.0	3.2	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.0
PPS update factor	0.2	1.8	2.0	3.1	3.2	3.1	3.0	2.5	2.4	2.3	2.3	2.2
Consumer price index for urban consumers (calendar year)	1.0	1.6	1.8	2.3	2.4	2.5	2.5	2.4	2.4	2.4	2.4	2.4
10-year moving average of multi-factor productivity (h)	0.3	0.6	0.7	0.6	0.6	0.6	0.7	0.6	0.7	0.8	0.8	0.8
Enrollment (Average monthly enrollment during fiscal year, millions of people)												
Part A	58	60	61	63	65	67	68	70	72	74	75	77
Part B	54	55	56	58	60	61	63	65	66	68	70	71
Part D (i)	44	46	47	48	50	51	53	55	56	58	60	61
Memorandum:												
Part D low-income subsidy	13	13	14	14	14	15	15	15	16	16	16	17
Part A fee-for-service enrollment	39	39	39	40	40	41	41	42	43	44	44	45
Group plan enrollment (j)	19	21	22	23	25	26	27	28	29	30	31	32
Status of Hospital Insurance (HI or Part A) Trust Fund (Billions of dollars)												
HI Trust Fund Income												
Receipts (mostly payroll taxes)	297	302	319	337	354	370	386	404	423	445	469	491
Interest	7	8	7	7	7	6	5	3	2	(k)	(k)	(k)
Total Income	304	310	326	344	361	376	391	407	424	(k)	(k)	(k)
HI Trust Fund Outlays	299	305	331	352	376	414	429	442	484	515	547	605
HI trust fund surplus or deficit (l)	5	5	-5	-8	-15	-38	-38	-35	-60	(k)	(k)	(k)
HI Trust Fund Balance (end-of-year)	198	202	197	189	174	136	98	63	3	(k)	(k)	(k)

Continued

By fiscal year	Actual											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Offsetting Receipts (Billions of dollars)												
Part A premiums	-3	-4	-4	-4	-4	-4	-4	-4	-5	-5	-5	-5
Part B premiums (m)	-80	-91	-101	-108	-116	-126	-135	-145	-157	-170	-182	-197
Part D premiums (n)	-5	-5	-6	-7	-8	-9	-9	-10	-11	-12	-14	-15
Part D payments by states	-11	-11	-12	-12	-13	-14	-15	-16	-17	-18	-19	-20
Amounts paid to providers and recovered (f)	-12	-12	-13	-13	-14	-15	-16	-18	-19	-20	-22	-24
Subtotal, Offsetting Receipts	-111	-124	-135	-145	-155	-168	-180	-194	-208	-225	-242	-261

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

Table incorporates the effects of the Consolidated Appropriations Act of 2018 (P.L. 115-141), as signed by the President on March 23, 2018.

- 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 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.
- 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 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 \$71 billion in 2026, \$81 billion in 2027, and \$120 billion in 2028.
- 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 do not include the premium surcharge that is transferred to the general fund of the Treasury.
- n. 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.