

Medicare—CBO’s Baseline as of March 6, 2020

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).

These budget projections reflect legislation, administrative actions, and regulatory changes through March 6, 2020. They are based on the economic forecast that CBO completed on January 7, 2020, and do not account for changes to the nation’s economic outlook and fiscal situation arising from the recent and rapidly evolving public health emergency related to the novel coronavirus.

By Fiscal Year	Actual											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Medicare Totals (Billions of dollars)												
Mandatory Outlays (a)	775	828	886	993	1,027	1,055	1,182	1,269	1,363	1,531	1,504	1,715
Discretionary Outlays	7	8	8	8	9	9	9	10	10	11	11	12
Gross Outlays	782	836	894	1,001	1,036	1,064	1,192	1,279	1,373	1,542	1,515	1,726
Total Offsetting Receipts (b)	-131	-140	-154	-167	-180	-194	-209	-225	-244	-263	-285	-308
Net Outlays (Gross outlays - receipts)	651	696	740	834	856	870	982	1,054	1,130	1,279	1,230	1,418
Net Mandatory Outlays	644	688	732	826	847	861	973	1,044	1,119	1,268	1,219	1,406

Components of Mandatory Outlays (Billions of dollars)												
Benefits												
Part A	324	342	365	405	419	430	475	505	536	591	581	654
Part B	364	394	422	474	494	510	574	620	671	759	754	865
Part D	85	90	96	111	112	112	131	142	153	178	166	192
Total Benefits	773	826	884	990	1,025	1,052	1,180	1,267	1,361	1,529	1,501	1,712
Mandatory Administration (c)	3	2	2	2	2	3	2	2	2	3	3	3
Total Mandatory Outlays	775	828	886	993	1,027	1,055	1,182	1,269	1,363	1,531	1,504	1,715

Components of Benefits Payments (Billions of dollars)												
Hospital Inpatient Care	147	148	153	159	165	172	179	186	194	202	210	223
Skilled Nursing Facilities	28	28	28	29	30	31	32	33	34	35	37	39
Physician Fee Schedule	73	75	75	77	79	81	83	86	89	92	96	101
Hospital Outpatient Services	56	58	60	64	69	75	82	89	97	106	116	128
Group Plans (Includes Medicare Advantage)	264	304	343	417	430	434	517	566	618	730	680	820
Home Health Agencies	18	18	19	20	21	22	23	24	25	26	28	30
Part D Prescription Drugs (d)	85	90	96	111	112	112	131	142	153	178	166	192
Memo: Low-income subsidy (Non-add)	27	29	32	37	37	37	43	46	49	57	53	61
Other Services (e)	89	93	96	101	105	111	117	123	130	137	146	156
Subtotal, Medicare Benefits, Net of Recoveries	760	814	871	977	1,011	1,037	1,163	1,249	1,341	1,508	1,478	1,687
Amounts Paid to Providers and Recovered (f)	12	12	13	14	14	15	17	18	19	21	23	25
Total, Mandatory Medicare Benefit Outlays	773	826	884	990	1,025	1,052	1,180	1,267	1,361	1,529	1,501	1,712

Memorandum:												
Number of Capitation Payments (g)	12	12	12	13	12	11	12	12	12	13	11	12
Medicare Benefits, Net of Recoveries, Adjusted to Remove Effect of Timing Shifts (f,g)	760	814	871	936	1,006	1,082	1,163	1,249	1,341	1,438	1,548	1,687

Continued

By Fiscal Year	Actual											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual Growth Rates (Percent)												
Total Mandatory Outlays	10.0	6.8	7.0	12.0	3.5	2.7	12.0	7.4	7.4	12.3	-1.8	14.0
Total Offsetting Receipts	7.2	6.4	10.3	8.3	7.7	8.0	7.8	7.6	8.1	8.0	8.4	8.0
Net Mandatory Outlays	10.6	6.9	6.3	12.8	2.6	1.6	13.0	7.3	7.2	13.3	-3.9	15.4
Benefits, Adjusted for Recoveries and Timing Shifts (f,g)												
Part A benefits	6.4	5.7	6.8	7.0	6.9	6.6	6.5	6.3	6.2	6.0	6.3	8.3
Part B benefits	9.9	8.3	7.3	7.9	7.9	8.1	8.1	8.1	8.2	8.0	8.7	9.8
Part D benefits	-5.0	6.2	6.9	7.2	8.2	8.4	8.4	8.3	8.1	7.9	7.8	7.6
Total Medicare benefits	6.5	7.0	7.1	7.5	7.5	7.5	7.5	7.4	7.4	7.2	7.7	9.0
Average Benefit Spending per Beneficiary, Adjusted for Recoveries and Timing Shifts (f,g)												
Part A benefits	3.7	3.1	4.1	4.2	4.2	4.0	3.9	3.8	3.8	3.8	4.2	6.5
Part B benefits	7.3	5.6	4.6	5.1	5.1	5.3	5.4	5.5	5.7	5.7	6.5	7.8
Part D benefits	-7.9	3.0	4.1	4.5	5.3	5.4	5.4	5.4	5.4	5.4	5.5	5.5
Payment Updates and Changes in Price Indexes (Percent)												
Prospective Payment System												
Market Basket Increase	2.9	3.0	3.4	3.5	3.5	3.4	3.3	3.3	3.2	3.2	3.2	3.2
PPS Update Factor	1.9	3.1	3.4	3.5	3.4	2.8	2.8	2.5	2.5	2.5	2.5	2.4
Consumer Price Index for All Urban Consumers (Calendar year)												
	1.8	2.4	2.5	2.6	2.5	2.4	2.3	2.3	2.2	2.2	2.2	2.2
10-Year Moving Average of Multifactor Productivity (h)												
	0.8	0.4	0.4	0.4	0.6	0.6	0.6	0.7	0.8	0.7	0.7	0.8
Enrollment (Average monthly enrollment during fiscal year, millions of people)												
Part A	61	62	64	66	67	69	71	72	74	76	77	78
Part B	56	57	58	60	62	63	65	66	68	70	71	72
Part D (i)	47	48	50	51	52	54	55	57	58	60	61	62
Memorandum:												
Part D low-income subsidy	13	13	13	14	14	14	15	15	15	15	16	16
Part A fee-for-service enrollment	38	38	38	38	38	38	38	38	38	39	39	39
Group plan enrollment (j)	22	24	26	28	30	31	33	34	36	37	38	40
Status of Hospital Insurance (HI or Part A) Trust Fund (Billions of dollars)												
HI Trust Fund Income												
Receipts (Mostly payroll taxes)	319	338	354	370	386	402	418	438	460	480	501	522
Interest	7	7	7	6	5	4	2	0	(k)	(k)	(k)	(k)
Total Income	326	345	361	376	391	406	421	438	458	475	491	508
HI Trust Fund Outlays	330	348	371	411	426	437	482	512	543	599	590	663
HI Trust Fund Surplus or Deficit (l)	-4	-4	-10	-35	-35	-32	-61	-74	-86	-124	-99	-155
HI Trust Fund Balance (End-of-year)	199	195	185	150	115	84	22	(k)	(k)	(k)	(k)	(k)

Continued

By Fiscal Year	Actual											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Offsetting Receipts (Billions of dollars)												
Part A Premiums	-4	-4	-4	-4	-5	-5	-5	-5	-5	-6	-6	-6
Part B Premiums (m)	-98	-105	-118	-128	-138	-150	-162	-174	-189	-205	-222	-241
Part D Premiums (n)	-6	-6	-7	-7	-8	-9	-10	-10	-11	-13	-14	-15
Part D Payments by States	-12	-13	-13	-14	-15	-15	-16	-17	-19	-20	-21	-22
Amounts Paid to Providers and Recovered (f)	-12	-12	-13	-14	-14	-15	-17	-18	-19	-21	-23	-25
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These budget projections reflect legislation, administrative actions, and regulatory changes through March 6, 2020. They are based on the economic forecast that CBO completed on January 7, 2020, and do not account for changes to the nation's economic outlook and fiscal situation arising from the recent and rapidly evolving public health emergency related to the novel coronavirus.

Components may not sum to totals because of rounding. CMS = the Centers for Medicare & Medicaid Services; HI = Hospital Insurance; PPS = Prospective Payment System.

- 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, certain 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 shifted 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, as well as other legislated changes to the payment update.
- 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 HI 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. 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 \$74 billion in 2026, \$83 billion in 2027, \$119 billion in 2028, \$89 billion in 2029, and \$141 billion in 2030.
- 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.