



## **Medicare**

Medicare is the federal health insurance program for people who are 65 or older, for younger people with certain disabilities, and for certain people 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, and other medical services), and Part D (which covers outpatient prescription drugs). 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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	Actual, 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022- 2026	2022- 2031
<b>BUDGET INFORMATION</b>														
Billions of dollars, by fiscal year														
<b>Medicare Totals</b>														
Mandatory Outlays <sup>a</sup>	912	831	904	1,013	1,041	1,171	1,258	1,353	1,529	1,481	1,664	1,768	5,388	13,183
Discretionary Outlays	<u>7</u>	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>42</u>	<u>94</u>
Gross Outlays	919	839	912	1,021	1,050	1,180	1,267	1,362	1,538	1,492	1,675	1,779	5,430	13,276
Total Offsetting Receipts <sup>b</sup>	<u>-143</u>	<u>-149</u>	<u>-163</u>	<u>-174</u>	<u>-184</u>	<u>-199</u>	<u>-215</u>	<u>-233</u>	<u>-253</u>	<u>-271</u>	<u>-293</u>	<u>-314</u>	<u>-934</u>	<u>-2,299</u>
Net Outlays (Gross outlays minus receipts)	776	690	749	847	866	981	1,053	1,129	1,285	1,220	1,382	1,465	4,496	10,977
Net Mandatory Outlays	769	683	742	839	857	972	1,043	1,120	1,276	1,210	1,371	1,453	4,454	10,883
<b>Components of Mandatory Outlays</b>														
Benefits														
Part A	405	334	347	402	412	456	485	515	571	555	611	641	2,102	4,995
Part B	416	400	445	487	503	567	614	665	757	741	838	900	2,616	6,518
Part D <sup>c</sup>	<u>89</u>	<u>96</u>	<u>111</u>	<u>121</u>	<u>124</u>	<u>145</u>	<u>157</u>	<u>170</u>	<u>199</u>	<u>182</u>	<u>212</u>	<u>224</u>	<u>658</u>	<u>1,645</u>
Total Benefits	910	829	902	1,011	1,039	1,169	1,256	1,351	1,526	1,478	1,661	1,765	5,376	13,158
Mandatory Administration <sup>d</sup>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>12</u>	<u>25</u>
Total Mandatory Outlays	912	831	904	1,013	1,041	1,171	1,258	1,353	1,529	1,481	1,664	1,768	5,388	13,183
<b>Components of Offsetting Receipts</b>														
Part A Premiums	-4	-4	-4	-4	-4	-5	-5	-5	-6	-6	-6	-6	-23	-51
Part B Premiums <sup>e</sup>	-106	-113	-127	-135	-142	-154	-166	-182	-198	-212	-230	-246	-724	-1,791
Part D Premiums <sup>f</sup>	-6	-6	-6	-7	-7	-8	-9	-9	-10	-11	-12	-13	-37	-92
Part D Payments by States	-12	-12	-11	-13	-14	-16	-17	-18	-19	-21	-22	-24	-71	-175
Payments Recovered from Providers <sup>g</sup>	<u>-15</u>	<u>-14</u>	<u>-14</u>	<u>-15</u>	<u>-16</u>	<u>-17</u>	<u>-18</u>	<u>-19</u>	<u>-20</u>	<u>-22</u>	<u>-23</u>	<u>-25</u>	<u>-79</u>	<u>-189</u>
Total	-143	-149	-163	-174	-184	-199	-215	-233	-253	-271	-293	-314	-934	-2,299
<b>Memorandum:</b>														
Capitation Payments (Number per year) <sup>h</sup>	12	12	13	12	11	12	12	12	13	11	12	12		
Benefits, Adjusted for Recoveries, AAP, and Timing Shifts <sup>g,h,i</sup>	791	851	915	991	1,071	1,153	1,239	1,333	1,432	1,534	1,639	1,741	5,370	13,049

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	Actual, 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022- 2026	2022- 2031
<b>Annual Growth Rate (Percent)</b>														
Benefits, Adjusted for Recoveries, AAP, and Timing Shifts <sup>g,h,i</sup>														
Part A	3.8	5.6	6.0	6.6	6.7	6.7	6.3	6.2	6.1	5.9	5.4	4.8		
Part B	3.8	9.6	8.9	7.8	8.2	8.1	8.2	8.4	8.3	8.1	7.8	7.3		
Part D	5.4	7.1	7.0	16.8	12.0	8.7	8.4	8.1	7.8	7.3	7.7	5.6		
Total Benefits	4.0	7.7	7.5	8.3	8.1	7.6	7.5	7.5	7.4	7.1	6.9	6.2		
Average Spending per Beneficiary, Adjusted for Recoveries, AAP, and Timing Shifts <sup>g,h,i</sup>														
Part A	1.6	3.3	3.6	4.0	4.0	4.0	3.8	3.9	3.9	3.9	3.7	3.4		
Part B	1.3	7.1	6.4	5.1	5.4	5.4	5.6	5.9	6.0	5.9	5.9	5.7		
Part D	5.0	4.0	4.6	13.8	8.8	5.7	5.5	5.4	5.3	5.0	5.7	3.9		
<b>Payment Updates and Changes in Price Indexes (Percent)</b>														
PPS Market Basket Increase	3.0	2.4	2.9	3.2	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.2		
PPS Update Factor	3.1	2.9	3.0	3.3	2.9	2.9	2.7	2.7	2.7	2.6	2.4	2.4		
Consumer Price Index for														
All Urban Consumers (Calendar year)	1.6	0.6	3.6	2.3	2.3	2.4	2.4	2.4	2.5	2.4	2.4	2.4		
10-Year Moving Average of Multifactor Productivity <sup>j</sup>	0.4	0.0	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.8	0.8		
<b>Average Monthly Enrollment in a Fiscal Year (Millions of people)</b>														
Part A	62	63	65	67	68	70	72	73	75	76	78	79		
Part B	57	58	60	61	63	64	66	68	69	70	72	73		
Part D <sup>k</sup>	47	48	50	51	52	54	55	57	58	59	60	61		
<b>Memorandum:</b>														
Part D Low-Income Subsidy	13	13	14	14	14	15	15	15	15	16	16	16		
Group Plan Enrollment <sup>l</sup>	24	26	28	31	33	35	37	38	40	41	43	44		
<b>Hospital Insurance Trust Fund</b>														
Income (Mostly payroll taxes)	340	347	359	389	405	422	443	466	487	507	528	550	2,018	4,555
Interest	<u>5</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>m</u>	<u>m</u>	<u>m</u>	<u>m</u>	<u>13</u>	<u>13</u>
Total Income	345	349	362	392	408	425	444	466	487	507	528	550	2,031	4,568
Outlays	410	339	352	408	419	462	491	522	578	563	618	649	2,133	5,063
Surplus or Deficit (-)	-65	10	10	-16	-11	-38	-47	-56	-91	-56	-90	-99	-102	-494
End-of-Year Balance	134	145	154	138	127	89	42	m	m	m	m	m		

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

See next page for notes.

## Medicare

- 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. The projections for Part D benefits include the estimated effects of a final rule that would eliminate safe harbor protections for rebates paid by pharmaceutical manufacturers to health plans and pharmacy benefit managers in Medicare Part D beginning on January 1, 2023.
- d. Mandatory outlays for quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities funded in authorization acts.
- e. Part B premium receipts include income-related premiums but not the premium surcharge that is transferred to the general fund of the Treasury.
- f. Part D premium receipts include income-related premiums but not premiums that enrollees pay directly to their plans or premiums covered by the low-income subsidy.
- g. Recoveries are amounts that are paid to providers and later recovered; they are included in the total for mandatory Medicare spending. CBO counts the initial payment of such amounts as outlays for benefits and subsequent recoveries as offsetting receipts to conform to reporting in *Monthly Treasury Statements*. In the past, Medicare's trustees have reported benefits net of recoveries; 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 shifted 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 Accelerated and Advance Payment Program paid providers in advance of future claims. Those payments increased outlays in 2020. CBO expects the recoupment of those payments to decrease outlays in 2021 and 2022.
- j. 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.
- k. 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.
- l. 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.
- m. The Hospital Insurance Trust Fund is projected to reach exhaustion in 2027. Accordingly, certain components of its operations for that year and subsequent years are not meaningful under current law and are not shown in this table. The Centers for Medicare & Medicaid Services may not make payments in excess of the available balances in a trust fund. However, in keeping with section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, CBO's baseline incorporates the assumption that the agency would pay Hospital Insurance benefits in full even after the trust fund is exhausted.