



Medicare

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, 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).

Medicare													2025-	2025-
	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2029	2034
BUDGET INFORMATION														
Billions of dollars, by fiscal year														
Medicare Totals														
Mandatory Outlays ^a	1,015	1,044	1,145	1,219	1,306	1,473	1,414	1,600	1,718	1,842	2,113	2,159	6,557	15,989
Discretionary Outlays	8	9	9	9	10	10	11	11	11	12	12	13	49	108
Gross Outlays	1,024	1,052	1,154	1,228	1,316	1,483	1,425	1,611	1,729	1,854	2,126	2,171	6,606	16,097
Total Offsetting Receipts ^b	-177	-185	-210	-221	-239	-258	-278	-302	-327	-354	-386	-414	-1,206	-2,989
Net Outlays (Gross outlays minus receipts)	847	867	944	1,007	1,077	1,225	1,147	1,309	1,402	1,499	1,740	1,757	5,400	13,107
Net Mandatory Outlays	839	858	935	998	1,067	1,215	1,136	1,298	1,390	1,488	1,728	1,745	5,351	13,000
Components of Mandatory Outlays														
Benefits														
Part A	403	408	444	470	498	551	533	589	622	657	733	743	2,496	5,840
Part B	494	518	562	603	655	746	721	828	899	975	1,132	1,169	3,287	8,290
Part D	116	115	137	143	151	174	157	181	194	208	246	245	762	1,836
Total Benefits	1,013	1,041	1,142	1,216	1,304	1,471	1,411	1,598	1,715	1,839	2,111	2,156	6,544	15,963
Mandatory Administration ^c	3	3	3	2	2	2	3	3	3	3	3	3	12	27
Total Mandatory Outlays	1,015	1,044	1,145	1,219	1,306	1,473	1,414	1,600	1,718	1,842	2,113	2,159	6,557	15,989
Components of Benefits														
Hospital Inpatient Services	145	149	152	158	164	170	176	183	190	197	208	217	820	1,815
Skilled Nursing Facilities	29	30	30	31	31	32	33	33	34	35	37	38	157	334
Physician Fee Schedule	71	71	69	69	70	71	73	75	78	80	84	87	352	756
Hospital Outpatient Services	65	68	73	79	86	92	100	109	119	131	145	161	430	1,095
Home Health Agencies	16	16	15	16	16	17	17	19	20	20	22	23	81	185
Group Plans (Includes Medicare Advantage)	455	462	540	591	647	769	703	835	907	983	1,170	1,171	3,250	8,316
Part D ^d	116	115	137	143	151	174	157	181	194	208	246	245	762	1,836
Other Services ^e	116	130	126	129	139	146	152	163	173	185	199	214	692	1,626
Total Benefits	1,013	1,041	1,142	1,216	1,304	1,471	1,411	1,598	1,715	1,839	2,111	2,156	6,544	15,963
Components of Offsetting Receipts														
Part A Premiums	-5	-5	-5	-5	-6	-6	-6	-7	-7	-8	-8	-9	-28	-67
Part B Premiums and Inflation Rebate Collections ^f	-131	-142	-154	-167	-182	-197	-212	-232	-252	-275	-301	-324	-912	-2,296
Part D Premiums and Inflation Rebate Collections ^g	-6	-6	-16	-11	-12	-14	-15	-17	-19	-20	-22	-23	-68	-169
Part D Payments by States	-15	-18	-20	-22	-23	-25	-27	-29	-31	-33	-35	-38	-117	-283
Payments Recovered from Providers ^{h,i}	-20	-15	-15	-16	-16	-17	-17	-18	-18	-19	-20	-20	-81	-176
Total	-177	-185	-210	-221	-239	-258	-278	-302	-327	-354	-386	-414	-1,206	-2,989

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	Actual, 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025- 2029	2025- 2034
Memorandum:														
Capitation Payments (Number per year) ^j	12	11	12	12	12	13	11	12	12	12	13	12	n.a.	n.a.
Payment Updates and Changes in Price Indexes (Percent)														
IPPS Market Basket Increase	4.1	3.3	3.8	3.5	3.3	3.2	3.1	3.1	3.1	3.1	3.2	3.2	n.a.	n.a.
IPPS Update Factor	4.3	3.1	3.2	2.7	2.6	2.5	2.4	2.4	2.6	2.4	2.3	2.4	n.a.	n.a.
10-Year Moving Average of Multifactor Productivity ^k	0.3	0.2	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.8	0.7	n.a.	n.a.
Average Monthly Enrollment in a Fiscal Year (Millions of people)														
Part A	65	67	68	70	72	73	75	76	77	78	79	80	n.a.	n.a.
Part B	60	61	63	64	66	67	69	70	71	72	73	74	n.a.	n.a.
Part D ^l	52	54	55	57	58	59	60	61	62	63	64	65	n.a.	n.a.
Memorandum:														
Part D Low-Income Subsidy Enrollment	14	14	15	15	15	16	16	16	17	17	17	17	n.a.	n.a.
Group Plan Enrollment ^m	31	34	36	37	39	41	42	43	44	45	46	47	n.a.	n.a.
Hospital Insurance Trust Fund														
Beginning-of-Year Balance	178	192	225	248	268	286	273	301	299	288	268	197	n.a.	n.a.
Noninterest Income (Mostly payroll taxes)	419	439	463	487	513	535	558	583	608	634	660	688	2,556	5,729
Interest	<u>5</u>	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>	<u>12</u>	<u>11</u>	<u>9</u>	<u>7</u>	<u>51</u>	<u>101</u>
Total Income	424	448	472	497	523	545	569	594	619	645	670	695	2,606	5,829
Outlays	411	414	450	476	505	558	541	597	630	665	741	751	2,530	5,914
Surplus or Deficit (-)	14	33	22	20	18	-13	28	-3	-11	-20	-71	-56	75	-86
End-of-Year Balance	192	225	248	268	286	273	301	299	288	268	197	140	n.a.	n.a.

Components may not sum to totals because of rounding; IPPS = Inpatient Prospective Payment System; MA = Medicare Advantage; PPS = Prospective Payment System; n.a. = not applicable.

See next page for notes.

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- a. "Mandatory Outlays" include the effects of sequestration on spending for Medicare benefits under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.
- b. Offsetting receipts include premiums, rebates paid to the federal government by drug manufacturers whose products have prices that exceed an inflation-adjusted benchmark price, payments from states to Medicare Part D on behalf of enrollees who are eligible both for Medicare and for Medicaid, and amounts paid to providers and later recovered.
- c. Outlays include those for quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities funded in authorization acts.
- d. Consists of 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 PPS, 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. Part B premium receipts include income-related premiums.
- g. 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.
- h. 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; those reports have not treated the recoveries as offsetting receipts.
- i. The Accelerated and Advance Payment Program paid providers in advance of future claims. Those payments increased outlays in 2020. Recoupment of those payments is reflected as a recovery in 2021, 2022, and 2023.
- j. 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.
- k. 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, dialysis, outpatient hospitals, ambulance services, ambulatory surgical center 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.
- l. Includes people enrolled in stand-alone prescription drug plans, MA plans with prescription drug coverage, employer group waiver plans, and the retiree drug subsidy.
- m. Includes MA plans, cost contracts, and demonstration contracts covering Medicare Parts A and B. Does not include Health Care Prepayment Plans, which cover Part B services only.