

March 2012 Medicare Baseline

By fiscal year

Actual

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

MEDICARE TOTALS (in billions of dollars)

Mandatory Outlays (a) (b)	559.6	569.4	599.3	623.5	651.5	707.0	731.0	760.8	830.6	887.5	948.4	1,047.0
Discretionary Outlays	5.7	6.3	6.6	7.0	7.4	7.9	8.3	8.8	9.4	9.9	10.5	11.2
Total Outlays	565.3	575.7	605.9	630.5	659.0	714.8	739.3	769.6	840.0	897.4	959.0	1,058.1
Total Offsetting Receipts (c)	-79.7	-83.8	-95.7	-96.4	-100.1	-107.3	-115.2	-124.0	-133.3	-140.3	-150.6	-163.2
Net Outlays (Total Outlays - Receipts)	485.6	491.9	510.2	534.1	558.9	607.6	624.1	645.6	706.7	757.1	808.4	894.9
Net Mandatory Outlays (Mandatory Outlays - Receipts) (d)	479.9	485.6	503.6	527.1	551.4	599.7	615.7	636.8	697.3	747.2	797.8	883.8

COMPONENTS OF MANDATORY OUTLAYS (in billions of dollars)

Benefits												
Part A (e)	260.2	264.0	282.4	297.9	305.5	324.1	332.2	344.7	366.8	386.3	407.1	436.0
Part B (e)	230.7	242.6	247.8	254.1	266.9	288.2	301.5	317.1	344.2	368.9	395.3	430.9
Part D	65.8	60.1	71.1	78.2	86.0	102.4	105.6	107.9	129.5	143.0	157.5	184.3
Budget Control Act Sequestration (Medicare benefits subject to the 2 percent limit) (f)	0	0	-4.6	-8.6	-9.1	-9.9	-10.5	-11.3	-12.1	-12.9	-13.7	-6.6
Total Benefits	556.8	566.7	596.8	621.5	649.3	704.8	728.8	758.4	828.4	885.3	946.2	1,044.6
Mandatory Administration (g)	2.9	2.7	2.5	2.0	2.2	2.2	2.2	2.3	2.2	2.2	2.3	2.4
Total Mandatory Outlays	559.6	569.4	599.3	623.5	651.5	707.0	731.0	760.8	830.6	887.5	948.4	1,047.0

Annual Growth Rates

Total Outlays	7.6%	1.8%	5.2%	4.1%	4.5%	8.5%	3.4%	4.1%	9.2%	6.8%	6.9%	10.3%
Total Offsetting Receipts	7.7%	5.2%	14.2%	0.7%	3.8%	7.2%	7.4%	7.6%	7.5%	5.3%	7.3%	8.3%
Net Outlays (Total Outlays - Receipts)	7.6%	1.3%	3.7%	4.7%	4.6%	8.7%	2.7%	3.4%	9.5%	7.1%	6.8%	10.7%

Memorandum

Number of Capitation Payments (h)	13	11	12	12	12	13	12	11	12	12	12	13
Mandatory Benefits, net of recoveries, adjusted for timing shifts, billions of dollars (h) (i)	531.4	571.0	585.7	610.0	637.0	673.5	713.6	761.3	811.7	867.4	927.1	999.2
Annual growth rate (in percent)	4.3%	7.4%	2.6%	4.1%	4.4%	5.7%	6.0%	6.7%	6.6%	6.9%	6.9%	7.8%

Notes:

- (a) Average annual rate of growth of mandatory outlays from 2012 through 2022 is 6.3 percent.
- (b) Mandatory outlays include the effects of sequestration on spending for Medicare benefits.
- (c) Offsetting receipts include premiums, amounts paid to providers and later recovered, and phased-down state contribution (clawback) payments from the states to Part D. They also reflect the effect of sequestration on spending for Medicare benefits.
- (d) Average annual rate of growth of net mandatory outlays from 2012 through 2022 is 6.2 percent.
- (e) CBO actual 2011 Part A and Part B outlays were adjusted for a September 2011 trust fund allocation error of about \$2 billion. Outlays shown reflect higher spending in Part A and lower spending in Part B than provided in the Monthly Treasury Statement.
- (f) The Budget Control Act of 2011 (P.L. 112-25) limits spending cuts in most Medicare benefits to 2 percent.
- (g) Mandatory outlays for administration support quality improvement organizations, certain activities against fraud and abuse, and certain administrative activities funded in authorization acts. Mandatory outlays also include payment of Part B premiums for qualifying individuals through December 2012.
- (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.
- (i) Amounts that are paid to providers and later recovered are included in the total for mandatory Medicare spending, but the amounts are not broken out by type of provider. 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.

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March 2012 Medicare Baseline

By fiscal year

Actual

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
COMPONENTS OF BENEFITS PAYMENTS (in billions of dollars)												
Hospital Inpatient Care (a)	135.3	141.8	148.2	157.4	164.1	176.0	187.5	201.0	211.2	222.8	234.9	248.3
Skilled Nursing Facilities	31.4	30.6	31.9	34.2	37.3	40.9	44.7	48.6	52.2	55.8	59.6	64.0
Physician Fee Schedule	67.3	75.8	67.7	66.1	70.6	77.1	84.1	91.3	98.2	105.7	113.8	122.8
Hospital Outpatient Services (a)	30.3	33.8	36.4	40.0	44.6	50.2	56.4	62.7	68.9	75.6	83.1	91.4
Group Plans (includes Medicare Advantage)	131.9	122.1	140.0	143.0	137.1	140.9	124.4	111.2	123.9	128.8	134.1	152.4
Home Health Agencies	19.0	19.6	20.5	21.6	22.9	24.2	25.7	27.7	29.8	31.9	34.1	36.6
Part D Benefits (prescription drugs) (b)	65.8	60.1	71.1	78.2	86.0	102.4	105.6	107.9	129.5	143.0	157.5	184.3
Other Services (a) (c)	65.5	72.1	74.6	78.1	83.3	89.5	96.5	103.6	110.0	116.3	123.1	130.6
Not Allocated to Specific Services	0	0	-4.6	-8.6	-8.9	-9.8	-10.5	-11.3	-12.1	-12.4	-13.3	-6.1
Subtotal, Medicare Benefits, Net of Recoveries	546.5	555.9	585.7	610.0	637.0	691.4	714.3	742.7	811.7	867.4	927.1	1,024.2
Amounts Paid to Providers and Recovered (d)	10.2	10.8	11.1	11.6	12.3	13.4	14.5	15.7	16.8	17.9	19.1	20.4
Total, Mandatory Medicare Benefit Outlays	556.8	566.7	596.8	621.5	649.3	704.8	728.8	758.4	828.4	885.3	946.2	1,044.6

Memorandum

Not Allocated to Specific Services

Independent Payment Advisory Board (IPAB) (e)	0	0	0	0	0	0	0	0	0	0	0	0
Medicare Improvement Fund (MIF) (f)	0	0	0	0	0.2	0.1	0	0	0	0.5	0.5	0.5
Budget Control Act Sequestration (Medicare benefits subject to the 2 percent limit) (g)	0	0	-4.6	-8.6	-9.1	-9.9	-10.5	-11.3	-12.1	-12.9	-13.7	-6.6

ANNUAL GROWTH RATES FOR COMPONENTS OF BENEFITS PAYMENTS^(h)

Hospital Inpatient Care (a)	-0.6%	4.8%	4.4%	6.2%	4.3%	7.3%	6.5%	7.2%	5.1%	5.5%	5.5%	5.7%
Skilled Nursing Facilities	15.8%	-2.8%	4.4%	7.3%	9.0%	9.6%	9.4%	8.7%	7.3%	6.8%	7.0%	7.2%
Physician Fee Schedule	6.1%	12.5%	-10.7%	-2.4%	6.8%	9.1%	9.1%	8.6%	7.6%	7.6%	7.7%	7.9%
Hospital Outpatient Services (a)	8.1%	11.7%	7.6%	9.9%	11.5%	12.6%	12.2%	11.3%	9.8%	9.7%	9.9%	10.0%
Group Plans (includes Medicare Advantage)	14.7%	-7.5%	14.7%	2.2%	-4.1%	2.7%	-11.7%	-10.6%	11.5%	3.9%	4.1%	13.6%
Home Health Agencies	-3.6%	3.3%	4.6%	5.5%	5.8%	5.8%	6.0%	8.0%	7.5%	7.0%	7.0%	7.2%
Part D Benefits (prescription drugs) (b)	11.0%	-8.8%	18.4%	10.0%	10.0%	19.0%	3.1%	2.1%	20.0%	10.5%	10.1%	17.0%
Other Services (a) (c)	7.3%	10.2%	3.4%	4.7%	6.7%	7.4%	7.8%	7.3%	6.2%	5.8%	5.8%	6.1%
Total, Medicare Benefits Net of Recoveries (d)	7.2%	1.7%	5.4%	4.1%	4.4%	8.5%	3.3%	4.0%	9.3%	6.9%	6.9%	10.5%

Memorandum

Medicare Benefits Net of Recoveries, adjusted to remove effect of timing shifts (i)

Part A and Part B Fee-for-Service Benefits	4.0%	7.2%	0.3%	3.8%	6.5%	8.3%	8.1%	8.1%	6.6%	6.7%	6.7%	8.2%
Part A and Part B Group Plans (includes Medicare Advantage)	5.6%	9.1%	5.6%	2.2%	-4.1%	-4.8%	-4.6%	-2.7%	2.2%	3.9%	4.1%	4.4%
Part D Benefits	3.2%	5.8%	9.7%	9.9%	10.0%	10.1%	10.6%	11.1%	11.2%	10.5%	10.1%	9.1%
Total Medicare Benefits, adjusted for recoveries and timing shifts (i)	4.3%	7.4%	2.6%	4.1%	4.4%	5.7%	6.0%	6.7%	6.6%	6.9%	6.9%	7.8%

Notes:

- (a) See footnote (e) on page 1.
- (b) Includes payments to prescription drug plans, retiree drug subsidy, and low-income subsidy.
- (c) Includes hospice services; durable medical equipment; ambulance services; independent, physician in-office, and hospital outpatient department laboratory services; hospital outpatient services that are not paid for using the prospective payment system (PPS); Part B prescription drugs; rural health clinic services; federally qualified health centers; community mental health centers; and outpatient dialysis.
- (d) See footnote (i) on page 1.
- (e) For 2015 and subsequent years, the IPAB is obligated 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. CBO's projections of the rates of growth in spending per beneficiary in the March 2012 baseline are below the target rates of growth for fiscal years 2015 through 2022. As a result, CBO projects that, under current law, the IPAB mechanism will not affect Medicare spending during the 2011-2022 period.
- (f) The Medicare and Medicaid Extenders Act of 2010 (P.L. 111-309) established new levels of MIF funds for 2015 and 2016; the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) added MIF funds in 2020 and subsequent years.
- (g) See footnote (f) on page 1.
- (h) The growth rates are calculated using benefits net of amounts paid to providers and later recovered.
- (i) The adjustment for timing shifts reflects 12 capitation payments per year.

Continued

March 2012 Medicare Baseline

By fiscal year

Actual

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

2021

2022

COMPONENTS OF PART A HOSPITAL INPATIENT PAYMENTS (in billions of dollars)

Inpatient Operating and Capital-related Payments	114.0	120.1	125.3	132.8	141.7	152.5	163.1	173.7	183.0	193.3	204.3	216.2
Disproportionate Share (a)	10.5	10.8	11.4	12.5	9.7	10.1	10.1	12.2	12.4	12.9	13.2	13.8
Indirect Medical Education (a) (b)	6.2	6.3	6.7	7.0	7.5	8.1	8.7	9.2	9.7	10.3	10.8	11.5
Graduate Medical Education (b)	2.7	2.8	2.9	3.0	3.0	3.1	3.2	3.2	3.3	3.4	3.5	3.6
Other, including bad debt	1.8	1.9	1.9	2.0	2.1	2.3	2.5	2.6	2.8	2.9	3.1	3.3

PAYMENT UPDATES AND CHANGES IN PRICE INDEXES

Part A (fiscal year)

PPS Market Basket Increase	2.6%	3.0%	2.5%	3.0%	3.1%	3.2%	3.2%	3.4%	3.5%	3.4%	3.3%	3.2%
PPS Update Factor	2.4%	1.9%	1.2%	1.7%	1.9%	1.9%	1.3%	1.3%	1.3%	1.9%	2.0%	2.3%

Part B (calendar year)

Physician Medicare Economic Index (MEI)	0.4%	0.6%	0.6%	1.7%	2.5%	2.2%	2.1%	2.0%	2.1%	2.0%	2.0%	2.1%
CPI-U	1.1%	3.6%	1.2%	1.4%	1.5%	1.7%	2.0%	2.2%	2.3%	2.3%	2.3%	2.3%

10-year moving average of multi-factor productivity (c)

	1.3%	1.0%	1.2%	1.0%	1.0%	1.1%	1.2%	1.3%	1.5%	1.5%	1.3%	0.9%
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ENROLLMENT (average monthly enrollment during fiscal year, in millions)

Part A	48.4	50.1	51.7	53.3	54.9	56.4	58.0	59.6	61.3	63.0	64.7	66.4
Part B	45.0	46.4	47.9	49.3	50.7	52.2	53.7	55.3	56.8	58.4	60.1	61.7
Part D (d)	35.4	37.4	39.0	40.3	41.8	43.2	44.6	46.1	47.6	49.2	50.7	52.2
Memo: Part D Low-Income Subsidy	10.6	11.1	11.4	11.8	12.2	12.6	13.0	13.4	13.8	14.2	14.7	15.1
Part A Fee-for-Service Enrollment	36.3	37.0	38.1	39.5	41.5	43.8	46.3	48.5	50.2	51.9	53.5	55.1
Group Plan Enrollment (e)	12.1	13.1	13.7	13.8	13.3	12.6	11.8	11.2	11.1	11.2	11.2	11.3
Memo: Medicare Advantage	11.7	12.7	13.3	13.4	13.0	12.2	11.4	10.8	10.7	10.8	10.9	11.0
Share of Medicare Part A Enrollment												
Fee-for-Service	75%	74%	74%	74%	76%	78%	80%	81%	82%	82%	83%	83%
Group Plans (including Medicare Advantage) (e)	25%	26%	26%	26%	24%	22%	20%	19%	18%	18%	17%	17%
Growth in Part A Enrollment	2.9%	3.5%	3.3%	3.0%	2.9%	2.9%	2.8%	2.8%	2.8%	2.8%	2.7%	2.6%
Fee-for-Service	2.4%	1.7%	3.0%	3.9%	5.0%	5.6%	5.5%	4.8%	3.6%	3.2%	3.1%	3.0%
Group Plans (including Medicare Advantage) (e)	4.3%	8.9%	4.1%	0.6%	-3.0%	-5.7%	-6.5%	-5.2%	-0.7%	0.8%	0.8%	0.8%

Notes:

PPS = prospective payment system; CPI-U = consumer price index for urban consumers.

(a) Included in inpatient operating and capital-related payment per discharge.

(b) Includes subsidies for medical education that are paid to hospitals that treat patients enrolled in Medicare Advantage plans.

(c) The Affordable Care Act (ACA) requires that certain market basket updates be adjusted by the 10-year moving average of multi-factor productivity. This includes market baskets for: 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, laboratory services, certain durable medical equipment, and prosthetic devices, orthotics, and prosthetics. The adjustment for multi-factor productivity is included in the PPS Update Factor shown above.

(d) Includes individuals enrolled in stand-alone prescription drug plans, Medicare Advantage plans with prescription drug coverage, and the retiree drug subsidy.

(e) 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.

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March 2012 Medicare Baseline

By fiscal year

Actual

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
COMPARISON OF MEDICARE SPENDING AND DEDICATED FUNDING (in billions of dollars)(a)												
Total Medicare Outlays Included in Calculating the Funding Warning (b)	544.7	585.0	596.0	616.9	644.9	682.0	722.9	771.8	823.1	879.4	940.1	1,016.5
Dedicated Medicare Financing Sources (c)												
Part A (HI)	210.2	221.2	231.6	245.2	263.2	283.1	303.1	322.2	341.5	361.2	381.0	402.0
Part B (SMI)	49.5	51.9	62.3	61.7	63.5	68.0	72.9	78.3	84.1	87.8	94.2	102.4
Part D (SMI)	13.8	16.3	17.8	19.4	21.2	23.2	25.7	28.5	31.6	34.0	37.0	35.5
Subtotal, Dedicated Medicare Financing Sources	273.5	289.3	311.6	326.3	347.9	374.4	401.7	429.0	457.2	482.9	512.2	539.9
General Revenue Medicare Funding	271.2	295.7	284.4	290.5	297.0	307.6	321.3	342.7	365.9	396.5	427.9	476.6
General Revenue Medicare Funding (percent of total outlays)	49.8%	50.5%	47.7%	47.1%	46.1%	45.1%	44.4%	44.4%	44.5%	45.1%	45.5%	46.9%
Excess General Revenue Medicare Funding	4.8%	5.5%	2.7%	2.1%	1.1%	0.1%	0%	0%	0%	0.1%	0.5%	1.9%

STATUS OF HOSPITAL INSURANCE TRUST FUND (in billions of dollars)

HI Trust Fund Income

Receipts (mostly payroll taxes)	220.6	230.2	242.0	256.5	274.7	295.3	315.9	335.6	355.6	376.1	396.5	418.2
Interest	12.9	12.5	11.0	9.5	8.1	7.0	6.2	5.7	5.4	5.2	4.9	4.6
Total Income	233.5	242.7	253.1	266.0	282.8	302.3	322.1	341.3	361.0	381.2	401.5	422.7
HI Trust Fund Outlays	266.6	268.4	284.6	297.8	305.6	323.9	331.9	344.5	366.3	385.7	406.4	439.4
HI Trust Fund Surplus or Deficit (-) (d)	-33.2	-25.7	-31.5	-31.8	-22.8	-21.7	-9.9	-3.2	-5.4	-4.5	-5.0	-16.7
HI Trust Fund Balance (end of year)	245.7	220.0	188.5	156.7	133.8	112.2	102.3	99.1	93.7	89.2	84.2	67.6

OFFSETTING RECEIPTS (in billions of dollars)

Part A Premiums	-3.3	-3.3	-3.5	-3.6	-3.6	-3.6	-3.7	-3.8	-3.9	-4.0	-4.1	-4.3
Part B Premiums (e)	-57.0	-58.4	-69.8	-69.5	-71.4	-76.4	-81.9	-87.9	-94.4	-98.7	-106.0	-114.1
Effect of Sequestration on Part B Premiums	0	0	0.6	1.0	1.0	1.1	1.2	1.3	1.4	1.5	1.6	0.8
Part D Premiums (f)	-2.6	-2.8	-3.3	-3.7	-4.2	-4.7	-5.3	-6.0	-6.7	-7.2	-7.9	-8.6
Part D Payments by States	-6.5	-8.4	-8.7	-9.2	-9.6	-10.2	-11.0	-11.9	-12.9	-14.0	-15.2	-16.5
Amounts Paid to Providers and Recovered (g)	-10.2	-10.8	-11.1	-11.6	-12.3	-13.4	-14.5	-15.7	-16.8	-17.9	-19.1	-20.4
Subtotal, Offsetting Receipts	-79.7	-83.8	-95.7	-96.4	-100.1	-107.3	-115.2	-124.0	-133.3	-140.3	-150.6	-163.2

Offsetting Receipts Paid With Federal Funds

Federal Share of Medicaid Payments of Part A Premiums	2.1	1.9	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.8	2.9
Federal Share of Medicaid Payments of Part B Premiums	7.6	6.6	7.0	6.7	6.9	7.3	7.8	8.3	8.9	9.4	10.1	10.9
Subtotal, Offsetting Receipts Paid With Federal Funds	9.7	8.5	8.9	8.8	9.0	9.5	10.1	10.7	11.4	12.0	12.9	13.8
Net Offsetting Receipts from Nonfederal Sources	-70.0	-75.3	-86.8	-87.7	-91.1	-97.8	-105.2	-113.3	-121.9	-128.3	-137.7	-149.3

Notes:

HI = Hospital Insurance (Part A of Medicare); SMI = Supplementary Medical Insurance (Parts B and D of Medicare).

- The Excess General Revenue Medicare Funding Warning is triggered when the general revenue requirement exceeds 45 percent.
- Total Medicare Outlays used to calculate the funding warning differ from "Total Outlays" shown on page 1 because they exclude amounts paid to providers that are later recovered (see footnote (i) on page 1), adjust for differences in numbers of capitated payments each year, and include the basic premiums for Part D that are paid directly to Part D plans by beneficiaries who choose not to have those premiums withheld from their Social Security benefits.
- Dedicated sources of revenue include Medicare payroll taxes, the Medicare share of taxes on certain Social Security benefits, Part D phased-down state contribution (clawback) payments by states, and beneficiary premiums paid from nonfederal sources. However, dedicated revenues do not include offsetting receipts paid with federal funds or amounts recovered from providers.
- Surpluses and deficits reflect income minus outlays for each year. Deficits are denoted by negative numbers.
- Part B premium receipts include the Part B income-related premium but do not include effects of sequestration.
- Part D premium receipts include the Part D income-related premium but do not include premiums that enrollees pay directly to their plans or premiums covered by the low-income subsidy.
- The *Monthly Treasury Statement* classifies the recovery of amounts paid to providers as offsetting receipts. CBO has adopted that classification. (Also see footnote (i) on page 1.)