

Congressional Budget Office's  
March 2016 Medicare Baseline

March 24, 2016

By fiscal year Actual  
2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026

**Medicare Totals (Billions of dollars)**

Mandatory Outlays (a)	634	695	709	717	791	849	911	1,018	1,052	1,078	1,197	1,292
Discretionary Outlays	6	6	7	7	8	8	8	9	9	10	10	11
<b>Gross Outlays</b>	<b>640</b>	<b>701</b>	<b>715</b>	<b>724</b>	<b>799</b>	<b>857</b>	<b>920</b>	<b>1,027</b>	<b>1,061</b>	<b>1,088</b>	<b>1,208</b>	<b>1,302</b>
Total Offsetting Receipts (b)	-94	-104	-115	-123	-131	-141	-152	-165	-175	-184	-200	-217
<b>Net Outlays (gross outlays - receipts)</b>	<b>546</b>	<b>598</b>	<b>601</b>	<b>601</b>	<b>668</b>	<b>717</b>	<b>768</b>	<b>862</b>	<b>887</b>	<b>904</b>	<b>1,008</b>	<b>1,085</b>
Net Mandatory Outlays (mandatory outlays - receipts)	540	591	594	594	660	709	759	853	877	894	997	1,074

**Components of Mandatory Outlays (Billions of dollars)**

Benefits												
Part A	278	295	302	306	331	351	373	410	423	434	473	507
Part B	279	301	310	317	351	380	410	458	475	489	543	587
Part D	75	97	94	91	106	116	126	149	151	152	179	195
<b>Total Benefits</b>	<b>632</b>	<b>693</b>	<b>706</b>	<b>714</b>	<b>788</b>	<b>847</b>	<b>909</b>	<b>1,016</b>	<b>1,049</b>	<b>1,075</b>	<b>1,195</b>	<b>1,289</b>
Mandatory administration (c)	2	2	2	2	3	2	2	2	2	3	3	2
<b>Total Mandatory Outlays</b>	<b>634</b>	<b>695</b>	<b>709</b>	<b>717</b>	<b>791</b>	<b>849</b>	<b>911</b>	<b>1,018</b>	<b>1,052</b>	<b>1,078</b>	<b>1,197</b>	<b>1,292</b>

**Components of Benefits Payments (Billions of dollars)**

Hospital inpatient care	143	144	146	149	154	161	168	176	184	193	201	214
Skilled nursing facilities	30	31	33	34	35	37	39	41	44	47	49	53
Physician fee schedule	70	70	72	74	78	82	87	91	96	102	107	114
Hospital outpatient services	43	45	47	49	52	56	60	65	70	76	81	89
Group plans (includes Medicare Advantage)	170	198	204	202	244	270	297	354	356	350	413	447
Home health agencies	18	18	18	19	19	20	21	22	23	25	26	28
Part D prescription drugs (d)	75	97	94	91	106	116	126	149	151	152	179	195
Other services (e)	72	76	79	82	86	90	95	100	106	112	117	126
Independent Payment Advisory Board (f)	0	0	0	0	-2	-1	-1	-1	-1	-1	-1	-2
<b>Subtotal, Medicare Benefits, net of recoveries</b>	<b>621</b>	<b>679</b>	<b>692</b>	<b>700</b>	<b>773</b>	<b>831</b>	<b>892</b>	<b>998</b>	<b>1,030</b>	<b>1,054</b>	<b>1,173</b>	<b>1,265</b>
Amounts paid to providers and recovered (g)	11	13	14	14	15	16	17	18	20	21	22	24
<b>Total, Mandatory Medicare Benefit Outlays</b>	<b>632</b>	<b>693</b>	<b>706</b>	<b>714</b>	<b>788</b>	<b>847</b>	<b>909</b>	<b>1,016</b>	<b>1,049</b>	<b>1,075</b>	<b>1,195</b>	<b>1,289</b>

**Memorandum:**

Number of capitation payments (h)	12	13	12	11	12	12	12	13	12	11	12	12
Medicare benefits, net of recoveries, adjusted to remove effect of timing shifts (g,h)	621	658	688	726	773	831	892	957	1,026	1,099	1,173	1,265

**Annual Growth Rates (Percent)**

Total mandatory outlays	5.7	9.6	2.0	1.2	10.4	7.3	7.3	11.8	3.3	2.5	11.0	7.9
Total offsetting receipts	-0.3	10.1	10.4	7.6	6.6	7.0	8.1	8.8	5.6	5.4	8.6	8.6
Net mandatory outlays (mandatory outlays - receipts)	6.8	9.5	0.5	-0.1	11.2	7.4	7.1	12.4	2.8	1.9	11.5	7.7

**Benefits adjusted for recoveries and timing shifts (g,h)**

Part A benefits	4.1	3.0	4.4	4.6	5.2	6.3	6.3	6.3	6.3	6.0	5.7	7.1
Part B benefits	5.9	5.0	5.4	6.3	7.2	8.3	7.8	7.6	7.5	7.2	6.9	8.2
Part D benefits	16.6	20.0	2.9	5.3	8.5	8.6	9.1	9.2	9.2	9.1	9.0	9.0
Total Medicare benefits	6.4	6.0	4.6	5.5	6.5	7.5	7.3	7.3	7.3	7.0	6.7	7.9

**Average benefit spending per beneficiary, adjusted for recoveries and timing shifts (g,h)**

Part A benefits	1.3	0.8	1.6	1.7	2.2	3.4	3.3	3.4	3.5	3.3	3.0	4.6
Part B benefits	3.2	2.6	2.6	3.5	4.2	5.3	4.8	4.6	4.7	4.5	4.1	5.5
Part D benefits	13.0	16.2	0.0	2.3	5.1	5.0	5.6	5.7	5.7	5.9	5.8	5.9

**Payment Updates and Changes in Price Indexes (Percent)**

Prospective payment system (PPS) market basket increase	2.9	2.4	3.1	3.3	3.3	3.2	3.1	3.1	3.1	3.1	3.1	3.0
PPS update factor (i)	2.2	0.9	0.9	2.2	2.0	2.7	2.7	2.6	2.7	2.1	2.0	1.9
Consumer price index for urban consumers (calendar year)	1.1	0.1	0.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
10-year moving average of multi-factor productivity (i)	0.5	0.5	0.6	0.7	1.0	0.8	0.8	0.8	0.9	0.9	1.0	1.1

Continued

Actual

2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026

**Enrollment (Average monthly enrollment during fiscal year, millions of people)**

Part A	55	57	58	60	62	63	65	67	69	71	73	74
Part B	51	52	54	55	57	58	60	62	63	65	67	68
Part D (j)	41	43	44	45	47	48	50	52	53	55	57	58
Memorandum:												
Part D low-income subsidy	12	12	13	13	13	14	14	15	15	15	16	16
Part A fee-for-service enrollment	38	39	39	39	40	40	41	41	42	43	43	44
Group plan enrollment (k)	17	18	19	21	22	23	25	26	27	28	29	30

**Status of Hospital Insurance (HI or Part A) Trust Fund (Billions of dollars)**

<b>HI Trust Fund Income</b>												
Receipts (mostly payroll taxes)	269	287	301	315	329	343	359	376	393	412	432	453
Interest	9	8	8	8	8	8	8	7	6	5	3	(m)
Total Income	277	295	309	323	337	352	367	383	400	417	435	(m)
<b>HI Trust Fund Outlays</b>												
HI trust fund surplus or deficit (l)	-6	-5	2	11	0	-6	-13	-33	-30	-24	-45	(m)
<b>HI Trust Fund Balance (end-of-year)</b>	<b>196</b>	<b>191</b>	<b>193</b>	<b>204</b>	<b>204</b>	<b>198</b>	<b>185</b>	<b>152</b>	<b>122</b>	<b>97</b>	<b>52</b>	<b>(m)</b>

**Offsetting Receipts (Billions of dollars)**

Part A premiums	-3	-3	-4	-4	-4	-4	-4	-4	-4	-4	-5	-5
Part B premiums (n)	-67	-72	-83	-90	-96	-102	-111	-121	-127	-133	-145	-158
Part D premiums (o)	-4	-4	-5	-5	-6	-7	-8	-8	-9	-10	-11	-12
Part D payments by states	-9	-9	-10	-10	-11	-12	-13	-14	-15	-16	-17	-18
Amounts paid to providers and recovered (g)	-11	-15	-14	-14	-15	-16	-17	-18	-20	-21	-22	-24
<b>Subtotal, Offsetting Receipts</b>	<b>-94</b>	<b>-104</b>	<b>-115</b>	<b>-123</b>	<b>-131</b>	<b>-141</b>	<b>-152</b>	<b>-165</b>	<b>-175</b>	<b>-184</b>	<b>-200</b>	<b>-217</b>

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

- 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. The IPAB mechanism requires the Secretary of Health and Human Services 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 2016 baseline are below the target rates of growth for each fiscal year through 2018. However, for 2019, 2024, and 2026, CBO's projection of the rate of growth in Medicare spending is projected to exceed the target rate of growth. As a result, CBO projects that the IPAB mechanism will reduce spending in the 2019-2026 period by \$8 billion.
- g. 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.
- 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. The adjustment for timing shifts reflects 12 capitation payments per year.
- i. 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, certain durable medical equipment, prosthetic devices, and orthotics. The adjustment for multi-factor productivity is included in the PPS Update Factor shown above.
- j. 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.
- k. 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.
- l. Surpluses and deficits reflect income minus outlays for each year. Deficits are indicated by negative numbers.
- m. 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 \$60 billion in 2026.
- n. Part B premium receipts include the Part B income-related premium, but do not include the premium surcharge that is transferred to the general fund of the Treasury.
- o. 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.