

## Focus on Function 570 – Medicare

Function 570 (Medicare) consists solely of the Medicare health insurance program. Medicare provides comprehensive health care coverage for 60 million people who are age 65 or older, or who have a disability that prevents them from working, or have end-stage renal disease.

**Table 1: Function 570 Spending, 2019**  
(In billions of dollars)

Discretionary BA .....	7.6
Discretionary Outlays .....	7.6
Mandatory Outlays .....	<u>640.9</u>
Total Outlays .....	648.5

Discretionary resources in Function 570 fund the administration of the Medicare program through the Centers for Medicare and Medicaid Services and other agencies.

Mandatory spending in this function primarily consists of payments to health care service providers and private insurers. Hospitals, physicians, skilled nursing facilities, home health care agencies, and other providers who serve beneficiaries through the traditional Medicare fee-for-service program receive payments in exchange for services rendered. Private insurance companies offering Medicare Advantage and prescription drug plans receive capitated payments, meaning the insurance company assumes the financial risk that spending for a particular beneficiary may exceed the preset payment amount. A small share of mandatory spending goes toward activities to detect and prevent fraudulent or improper payments.

The Congressional Budget Office (CBO) spring 2018 baseline projects budget authority (BA) for Function 570 discretionary programs for 2019 will account for less than 1 percent of total non-emergency discretionary funding. Function 570 outlays for 2019 will account for 23 percent of total non-interest mandatory spending excluding undistributed offsetting receipts.

### DISCRETIONARY

**Table 2: Discretionary BA in Function 570, by Major Activity, 2019**  
(In billions of dollars)

CMS Program Management and related funding.....	4.2
Social Security Administration .....	2.5
Health Care Fraud and Abuse Control.....	0.8
Other.....	0.3
Total.....	7.6

CBO projects total 2019 discretionary resources in Function 570 at \$7.6 billion. Discretionary funding, which accounts for 1 percent of total budgetary resources in this function, covers the administration of the Medicare program. Most of the funding goes to the Centers for Medicare & Medicaid Services (CMS) or other parts of the Department of Health and Human Services (HHS) for operations such as contracts for processing Medicare claims, enrolling providers in Medicare and educating them about how it works, handling appeals of denied claims, running data operations, anti-fraud work, and other administrative activities.<sup>1</sup> The Social Security Administration (SSA), which handles applications for Social Security and Medicare, receives 32 percent of the funding.

**Health Care Fraud and Abuse Control (HCFAC):** HCFAC is a joint program of HHS and the Department of Justice that devises comprehensive efforts to combat fraud, waste, and abuse. Activities include fraud prevention, improper payment reduction, provider education, data analysis, audits, investigations, and enforcement. HCFAC receives both discretionary and mandatory funding.

## MANDATORY

**Table 3: Mandatory Outlays in Function 570, by Major Program**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Hospital Insurance Trust Fund - Part A .....	326.6	4,442.8
Supplementary Medical Insurance Trust Fund - Part B .....	348.3	4,982.4
Supplementary Medical Insurance Trust Fund - Part D .....	99.4	1,475.0
Health Care Fraud and Abuse Control .....	1.3	15.0
Other (mainly premium collections and other offsetting receipts) .....	<u>-134.7</u>	<u>-1,912.1</u>
Total .....	640.9	9,003.1

**Hospital Insurance (HI) Trust Fund – Part A:** Hospital Insurance, also known as Part A, covers services provided in inpatient hospital settings, skilled nursing facilities, home health services related to a hospital stay, and hospice care. A dedicated payroll tax levied on employers and employees is the major source of financing for HI.

**Supplementary Medical Insurance (SMI) Trust Fund – Part B:** SMI consists of Parts B and D. Part B of SMI pays for a variety of medical goods and services, including physician, outpatient hospital, dialysis, laboratory, durable medical equipment, and home health not related to a hospital stay. Beneficiary premiums finance about one-quarter of Part B federal costs; general revenues pay for the rest.

<sup>1</sup> A portion of Function 570 discretionary funding pays for CMS' costs to administer non-Medicare programs such as Medicaid. The Hospital Insurance Trust Fund receives reimbursements from the general fund for these costs so that the Medicare program is held harmless.

**SMI Trust Fund – Part D:** Part D of SMI offers beneficiaries enrolled in Medicare the opportunity to purchase prescription drug coverage through privately administered insurance plans. This can be either a standalone drug plan or a comprehensive Medicare Advantage plan that includes drug coverage. The program also provides subsidies to enrollees below certain income thresholds to pay their premiums and reduce their co-pays. General revenues finance about four-fifths of Part D federal costs; beneficiary premiums and payments from states cover the rest.

**HCFAC:** In addition to discretionary funding, HCFAC receives mandatory resources.

## TAX EXPENDITURES

There are no tax expenditures associated with this function.

## RELEVANT AGENCIES AND CONGRESSIONAL COMMITTEES

While some Function 570 funding ultimately flows to agencies other than HHS as described above, all Function 570 discretionary and mandatory budget authority and outlays are accounted for in the HHS budget.

In Congress, the Appropriations Committee’s Subcommittee on Labor, Health and Human Services, Education, and Related Agencies oversees all Function 570 discretionary funding.

**Table 4: Mandatory Outlays in Function 570, by Committee**  
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Energy and Commerce:		
SMI - Parts B and D (joint jurisdiction with Ways and Means).....	447.6	6,457.3
Premiums and offsetting collections.....	-122.1	-1,737.2
Intergovernmental transfers.....	<u>238.3</u>	<u>-3,462.4</u>
Subtotal, Energy and Commerce.....	563.8	8,182.5
Ways and Means:		
HI - Part A.....	326.6	4,442.8
Recoveries from Medicare providers.....	-12.6	-175.0
HCFAC and other.....	1.4	15.1
Intergovernmental transfers.....	<u>-238.3</u>	<u>-3,462.3</u>
Subtotal, Ways and Means.....	77.1	820.7
Total.....	640.9	9,003.1