

FUNCTION 570: MEDICARE

FUNCTION SUMMARY

Function 570 includes only the Medicare program. Medicare pays for medical services for 38.6 million retired and disabled workers and certain family members and persons with end-stage renal disease (ESRD). Medicare is administered by the Health Care Financing Administration, part of the Department of Health and Human Services.

Function 570 outlays will grow from \$199.7 billion in 1998 to \$273.7 billion in 2003, for an average annual growth rate of 6.5 percent. Medicare is the second largest entitlement program behind Social Security -- 98.5 percent of spending in this function is mandatory. Discretionary spending is almost entirely for program management activities.

The number of Medicare beneficiaries is expected to increase from 38.6 million in 1998 to 41.0 million in 2003, for an average annual growth rate of 1.2 percent. Spending per beneficiary will increase from \$5,175 in 1998 to \$6,675 in 2003, for an average annual growth rate of 5.2 percent.

Function 570 discretionary spending was not protected under the BBA. The BBA included substantial changes in the Medicare program, reducing spending by \$115.1 billion over the period 1998 to 2002 and \$385.5 billion over the period 1998 to 2007.

The BBA also created a 17-member National Bipartisan Commission on the Future of Medicare. The Commission is to make recommendations to the President and Congress by March 1, 1999, regarding long-term Medicare reform.

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SPENDING SUMMARY (\$ billions)

| | | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------|----|-------|-------|-------|-------|-------|-------|
| Chairman's Mark | BA | 199.2 | 210.3 | 221.8 | 239.4 | 251.2 | 273.4 |
| | OT | 199.7 | 210.9 | 221.1 | 242.3 | 248.8 | 273.6 |
| BBA | BA | 199.2 | 210.4 | 221.8 | 239.5 | 251.2 | 273.4 |
| | OT | 199.7 | 210.8 | 221.2 | 242.3 | 248.8 | 273.6 |
| Freeze Baseline | BA | 199.2 | 210.4 | 221.9 | 239.5 | 251.3 | 273.5 |
| | OT | 199.7 | 211.0 | 221.2 | 242.4 | 248.9 | 273.7 |
| Chairman's Mark compared to: | | | | | | | |
| BBA | BA | -- | -0.1 | -(*) | -(*) | -(*) | -(*) |
| | OT | -- | +0.1 | -0.1 | -(*) | -(*) | -0.1 |
| Freeze Baseline | BA | -- | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| | OT | -- | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |

DESCRIPTION OF CHAIRMAN'S MARK

The Chairman's Mark assumes 1999 discretionary spending of \$2.6 billion in BA and \$2.7 billion in outlays in Function 570, as requested by the President. This represents a decrease of \$0.1 billion in BA and outlays below the 1998 level. Over the period 1999 to 2003, the budget proposes to reduce discretionary spending by \$0.4 billion in BA and \$0.5 billion in outlays below a freeze.

The Chairman's Mark assumes no changes in the mandatory spending for the Medicare program. The Mark assumes the **National Bipartisan Commission on the Future of Medicare** will provide Congress with recommendations to improve the long-term solvency of the Medicare program in a report due March 1, 1999.

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