

a surplus of \$33,450 million by the end of December 2004, which amounts to 27.6 percent of the estimated total incurred expenditures for the following year.

*E. Premiums Determined by Section 1839(a)(3) of the Act and Section 4611(e)(3) of the BBA, the Monthly Premium for 2004, for Both Aged and Disabled Enrollees, is \$66.60*

TABLE 2.—PROJECTION FACTORS<sup>1</sup> 12-MONTH PERIODS ENDING DECEMBER 31 OF 2001–2004

[In percent]

Physicians' services			Durable medical equipment	Carrier lab <sup>4</sup>	Other carrier services <sup>5</sup>	Outpatient hospital	Home health agency	Hospital lab <sup>6</sup>	Other intermediary services <sup>7</sup>	Managed care
Calendar year	Fees <sup>2</sup>	Residual <sup>3</sup>								
Aged:										
2001 .....	5.2	4.2	12.8	7.0	16.1	12.2	− 11.6	3.9	18.8	4.9
2002 .....	− 4.0	6.1	14.4	8.1	17.3	5.1	10.1	16.0	13.1	11.5
2003 .....	1.4	3.4	9.7	6.1	17.0	5.0	− 1.9	5.7	− 1.3	3.2
2004 .....	− 4.4	4.7	8.1	6.2	14.1	4.0	6.4	6.2	− 4.6	2.6
Disabled:										
2001 .....	− 5.2	5.0	15.6	8.7	19.6	12.3	− 18.3	10.9	1.0	4.3
2002 .....	− 4.0	6.9	19.6	10.4	20.4	9.9	10.1	12.0	15.1	4.5
2003 .....	1.4	3.5	10.8	6.1	17.2	5.2	− 4.0	6.6	1.5	− 1.3
2004 .....	− 4.4	4.7	8.1	6.2	13.0	4.0	6.0	6.2	− 0.5	2.8

<sup>1</sup> All values for services other than managed care are per fee-for-service enrollee. Managed care values are per managed care enrollee.

<sup>2</sup> As recognized for payment under the program.

<sup>3</sup> Increase in the number of services received per enrollee and greater relative use of more expensive services.

<sup>4</sup> Includes services paid under the lab fee schedule furnished in the physician's office or an independent lab.

<sup>5</sup> Includes physician administered drugs, ambulatory surgical center facility costs, ambulance services, parenteral and enteral drug costs, supplies, etc.

<sup>6</sup> Includes services paid under the lab fee schedule furnished in the outpatient department of a hospital.

<sup>7</sup> Includes services furnished in dialysis facilities, rural health clinics, federally qualified health centers, rehabilitation and psychiatric hospitals, etc.

TABLE 3.—DERIVATION OF MONTHLY ACTUARIAL RATE FOR ENROLLEES AGE 65 AND OVER

[Financing periods ending December 31, 2001 through December 31, 2004]

	Financing periods			
	CY 2001	CY 2002	CY 2003	CY 2004
<b>Covered services (at level recognized):</b>				
Physician fee schedule .....	62.27	64.96	68.77	69.01
Durable medical equipment .....	7.32	8.57	9.49	10.29
Carrier lab <sup>1</sup> .....	2.70	2.99	3.20	3.41
Other carrier services <sup>2</sup> .....	12.55	15.07	17.80	20.36
Outpatient hospital .....	21.60	23.24	24.63	25.69
Home health .....	<sup>5</sup> 5.32	<sup>5</sup> 5.99	5.94	6.33
Hospital lab <sup>3</sup> .....	2.05	2.44	2.60	2.77
Other intermediary services <sup>4</sup> .....	7.78	9.01	8.98	8.59
Managed care .....	<sup>6</sup> 20.89	<sup>6</sup> 20.73	20.27	20.49
<b>Total services .....</b>	<b><sup>7</sup> 142.48</b>	<b><sup>7</sup> 153.01</b>	<b><sup>7</sup> 161.69</b>	<b>166.94</b>
<b>Cost-sharing:</b>				
Deductible .....	–3.80	–3.81	–3.87	–3.81
Coinsurance .....	–26.02	–27.61	–29.41	–29.94
<b>Total benefits .....</b>	<b>112.67</b>	<b>121.59</b>	<b>128.41</b>	<b>133.19</b>
Administrative expenses .....	2.18	2.36	2.40	2.45
<b>Incurred expenditures .....</b>	<b>114.85</b>	<b>123.95</b>	<b>130.81</b>	<b>135.65</b>
Value of interest .....	–3.57	–3.20	–2.35	–2.49
Adjustment for home health agency services transferred from HI .....	<sup>8</sup> –2.04	<sup>8</sup> –1.13	.....	.....
Contingency margin for projection error and to amortize the surplus or deficit .....	–8.24	–10.31	–9.76	0.04
<b>Monthly actual rate .....</b>	<b>\$101.00</b>	<b>\$109.30</b>	<b>\$118.70</b>	<b>\$133.20</b>

<sup>1</sup> Includes services paid under the lab fee schedule furnished in the physician's office or an independent lab.

<sup>2</sup> Includes physician administered drugs, ambulatory surgical center facility costs, ambulance services, parenteral and enteral drug costs, supplies, etc.

<sup>3</sup> Includes services paid under the lab fee schedule furnished in the outpatient department of a hospital.

<sup>4</sup> Includes services furnished in dialysis facilities, rural health clinics, federally qualified health centers, rehabilitation and psychiatric hospitals, etc.

<sup>5</sup> This amount includes the full cost of the fee-for-service home health services being transferred from the HI program as a result of the BBA as if the transition did not apply, as well as the cost of furnishing all home health services to those individuals enrolled in SMI only.

<sup>6</sup> This amount includes the full cost of the managed care home health services being transferred from the HI program as a result of the BBA as if the transition did not apply, as well as the cost of furnishing all other SMI services to individuals enrolled in managed care.