

<sup>7</sup> Includes transfers to Medicaid. Section 1933(c)(2) of the Act, as added by section 4732(c) of the BBA and extended by section 403 of the CAR, allocates an amount to be transferred from the SMI trust fund to the state Medicaid programs. This transfer is for the purpose of paying the SMI premiums for certain low-income beneficiaries. It is not a benefit expenditure but is used in determining the SMI actuarial rates since it is an expenditure of the trust fund.

<sup>8</sup> Section 4611 of the BBA specifies that expenditures for home health services not considered "post-institutional" will be payable under the SMI program rather than the HI program beginning in 1998. However, section 4611(e)(1) requires there be a transition from 1998 through 2002 for the aggregate amount of the expenditures transferred from the HI program to the SMI program. For 1998, the amount transferred is 1/6 of the full cost for such services, for 1999, 1/3, for 2000, 1/2, for 2001, 2/3, and for 2002, 5/6. Therefore, the adjustment for 2001 represents 1/3 of the full cost, and for 2002, 1/6. This amount adjusts the actuarial rate to reflect the correct amount attributable to home health services.

TABLE 4.—DERIVATION OF MONTHLY ACTUARIAL RATE FOR DISABLED ENROLLEES

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

	Financing periods			
	CY 2001	CY 2002	CY 2003	CY 2004
Covered services (at level recognized):				
Physician fee schedule .....	63.71	65.65	68.97	68.95
Durable medical equipment .....	11.92	14.30	15.88	17.16
Carrier lab <sup>1</sup> .....	3.07	3.53	3.78	4.01
Other carrier services <sup>2</sup> .....	13.65	16.22	18.99	21.51
Outpatient hospital .....	27.33	30.27	31.91	33.13
Home health .....	<sup>5</sup> 3.59	<sup>5</sup> 3.99	3.84	4.07
Hospital lab <sup>3</sup> .....	3.11	3.51	3.72	3.95
Other intermediary services <sup>4</sup> .....	31.79	33.64	33.84	33.79
Managed care .....	<sup>6</sup> 9.80	<sup>6</sup> 9.28	8.93	9.26
Total services .....	<sup>7</sup> 167.98	<sup>7</sup> 180.40	<sup>7</sup> 189.87	195.81
Cost-sharing:				
Deductible .....	– 3.67	– 3.68	– 3.70	– 3.71
Coinsurance .....	– 36.38	– 38.24	– 40.33	– 40.56
Total benefits .....	127.93	138.47	145.84	151.54
Administrative expenses .....	2.48	2.69	2.73	2.79
Incurred expenditures .....	130.41	141.16	148.57	154.33
Value of interest .....	– 2.26	– 2.12	– 1.40	– 1.33
Adjustment for home health agency services transferred from HI .....	<sup>8</sup> – 1.38	<sup>8</sup> – 0.76		
Contingency margin for projection error and to amortize the surplus or deficit .....	5.43	– 15.18	– 6.17	22.50
Monthly actuarial rate .....	\$132.20	\$123.10	\$141.00	\$175.50

<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.

<sup>7</sup> Includes transfers to Medicaid. Section 1933(c)(2) of the Act, as added by section 4732(c) of the BBA and extended by section 403 of the CAR, allocates an amount to be transferred from the SMI trust fund to the state Medicaid programs. This transfer is for the purpose of paying the SMI premiums for certain low-income beneficiaries. It is not a benefit expenditure but is used in determining the SMI actuarial rates since it is an expenditure of the trust fund.

<sup>8</sup> Section 4611 of the BBA specifies that expenditures for home health services not considered "post-institutional" will be payable under the SMI program rather than the HI program beginning in 1998. However, section 4611(e)(1) requires there be a transition from 1998 through 2002 for the aggregate amount of the expenditures transferred from the HI program to the SMI program. For 1998, the amount transferred is 1/6 of the full cost for such services, for 1999, 1/3, for 2000, 1/2, for 2001, 2/3, and for 2002, 5/6. Therefore, the adjustment for 2001 represents 1/3 of the full cost, and for 2002, 1/6. This amount adjusts the actuarial rate to reflect the correct amount attributable to home health services.

TABLE 5.—ACTUARIAL STATUS OF THE SMI TRUST FUND UNDER THREE SETS OF ASSUMPTIONS FOR FINANCING PERIODS THROUGH DECEMBER 31, 2004

As of December 31,	2002	2003	2004
This projection: Actuarial status (in millions):			
Assets .....	34,301	25,537	30,566
Liabilities .....	9,053	8,037	8,929
Assets less liabilities .....	25,248	17,500	21,636
Ratio (in percent) <sup>1</sup> .....	20.5	13.5	15.8
Low cost projection: Actuarial status (in millions):			
Assets .....	34,301	25,537	41,943
Liabilities .....	9,053	7,264	8,493
Assets less liabilities .....	25,248	18,273	33,450