

How is Medicare funded?

The Centers for Medicare & Medicaid Services (CMS) is the federal agency that runs the Medicare Program. CMS is a branch of the Department of Health and Human Services (HHS). CMS also monitors Medicaid programs offered by each state.

In 2017, Medicare covered over 58 million people. Total expenditures in 2017 were \$705.9 billion. This money comes from the Medicare Trust Funds.

Medicare Trust Funds

Medicare is paid for through 2 trust fund accounts held by the U.S. Treasury. These funds can only be used for Medicare.

Hospital Insurance (HI) Trust Fund

How is it funded?

Payroll taxes paid by most employees, employers, and people who are self-employed

Other sources, like these:

- Income taxes paid on Social Security benefits
- Interest earned on the trust fund investments
- Medicare Part A premiums from people who aren't eligible for premium-free Part A

What does it pay for?

Medicare Part A (Hospital Insurance) benefits, like inpatient hospital care, skilled nursing facility (snf) care, home health care, and hospice care

Medicare Program administration, like costs for paying benefits, collecting Medicare taxes, and fighting [fraud and abuse](#)

Supplementary Medical Insurance (SMI) Trust Fund

How is it funded?

Funds authorized by Congress

Premiums from people enrolled in Medicare Part B (Medical Insurance) and Medicare prescription drug coverage (Part D)

Other sources, like interest earned on the trust fund investments

What does it pay for?

Part B benefits

Part D

Medicare Program administration, like costs for paying benefits and for fighting [fraud and abuse](#)