

**REVIEWED***By Chris Tighe at 2:03 pm, Aug 07, 2018*[Home /](#) [About Us /](#) **How Medicare is funded**

## 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 2011, Medicare covered 48.7 million people. Total expenditures in 2011 were \$549.1 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 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](#)