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Medicare Trustees push Hospital Insurance Trust Fund insolvency date to 2028

On Thursday (June 2), the Biden administration released the 2022 annual Social Security and Medicare Trustees report. The latest report projects the Medicare Hospital Insurance (HI) Trust Fund, which funds Medicare Part A benefits, will be unable to pay full benefits in 2028, two years later than the last year's projection that insolvency would occur in 2026.

Secretary of the Treasury Janet Yellen said, "This latest report shows an improvement in the financial position of Social Security and Medicare, reflecting the strong economic recovery and growth in the last year." Health and Human Services Secretary Xavier Becerra said, "It is critical that we continue to protect this vital program that serves millions of seniors and individuals with disabilities. The Biden-Harris Administration will continue to strengthen Medicare and ensure it remains strong for current and future beneficiaries." Similarly, CMS Administrator Chiquita Brooks-LaSure said, "Medicare trust fund solvency is an incredibly important, longstanding issue and we are committed to working with Congress to continue building a vibrant, equitable, and sustainable Medicare program."

However, Energy and Commerce Committee Republican Leader Cathy McMorris Rodgers (R-WA) and Health Subcommittee Republican Leader Brett Guthrie (R-KY) in a statement said the Biden administration's "irresponsible" agenda "will make this urgent insolvency crisis even worse."

Click here for the full Medicare Trustees Report and here for a fact sheet of the report.

Key findings in the Medicare Trustees Report

The Medicare Trustees report provides annual projections for the HI Trust Fund, which pays for Medicare Part A benefits, including inpatient hospital stays, skilled nursing facility stays, hospice care, and some home health care; and the Supplementary Medical Insurance (SMI) Trust Fund, which pays for Medicare Part B and Part D benefits, including physician visits, outpatient services, and outpatient prescription drugs. According to the 2022 report:

- **The Medicare HI Trust Fund will become insolvent in 2028**, two years later than last year's projections. The Trustees attributed the two-year extension to larger than expected COVID-19 cases in late 2021 and early 2022, which reduced non-COVID-related spending for the beginning of 2022 below the Trustee's previous estimates. The Trustees now project non-COVID-related spending will not return to pre-pandemic levels until 2024. In addition, the Trustees' projections assume that payments made under the Medicare Accelerated and Advance Payments (AAP) Program will be "fully repaid" by September 2022.

  The Trustees said the Medicare HI Trust Fund's financial shortfall will need to be addressed with legislation and recommended Congress act "sooner rather than later to minimize the impact on beneficiaries, providers, and taxpayers." They estimated the cost to extend the solvency of the HI Trust Fund by four years (from 2028 to 2031) will be $490.7 billion.

- **The Medicare SMI Trust Fund will remain solvent beyond the next decade** as premiums and general revenue for Parts B and D are reset each year to account for expected costs.

- **Private health plan enrollment accounted for 43.2% of total Medicare enrollment in 2021** and is projected to increase to 52.9% by 2031.
- **Total Medicare expenditures were $839.3 billion in 2021**, with Medicare covering 63.8 million people.
- **As a percentage of the gross domestic product (GDP),** the Trustees estimated total Medicare expenditures will grow from 3.9% in 2021 to 6.2% by 2046 under current law.

Overall, the Trustees do not expect the COVID-19 pandemic to have large long-term impacts (beyond 2028) on Medicare financing and spending. However, the Trustee's cautioned that "there is an unusually large degree of uncertainty" regarding short-term COVID-related impacts and warned "future projections could change significantly as more information becomes available."

If you have questions, please contact Heather Meade or Heather Bell.