Issue Brief

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KEY POINTS

- The report projects the Medicare hospital insurance trust fund will remain solvent until 2030.
- Trustees found that per-enrollee Medicare spending growth has been low, averaging 1.3 percent throughout the last five years.
- 2014 Medicare expenditures were slightly lower for Part A and Part D, and higher for Part B than previously estimated.

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MISSOURI HOSPITAL ASSOCIATION

CMS Releases 2015 Annual Medicare Trustees Report: Medicare HI Will Remain Solvent Until 2030

The Centers for Medicare & Medicaid Services has issued the 2015 Annual Medicare Trustees Report. The Trustees project that the trust fund that finances the Medicare's hospital insurance program will remain solvent until 2030, unchanged from last year, but with an improved long-term outlook from last year's report. Under this year's projection, the trust fund will remain solvent 13 years longer than the Trustees projected in 2009, before the passage of the Affordable Care Act.

A copy of the report is at: http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/index.html?redirect=/ReportsTrustFunds.

In 2014, Medicare covered 53.8 million people: 44.9 million aged 65 and older, and 8.9 million disabled. About 30 percent of these beneficiaries have chosen to enroll in Part C private health plans that contract with Medicare to provide Part A and Part B health services (Medicare Advantage). Total expenditures in 2014 were $613.3 billion.

The estimated depletion date for the Hospital Insurance trust fund is 2030, the same as in last year's report. As in past years, the trustees have determined that the fund is not adequately financed throughout the next 10 years.

HI expenditures have exceeded income annually since 2008. However, the trustees project slight surpluses in 2015 through 2023, with a return to deficits thereafter until the trust fund becomes depleted in 2030. In 2014, $8.1 billion in trust fund assets were redeemed to cover the shortfall of income relative to expenditures.

The Supplementary Medical Insurance trust fund is adequately financed throughout the next 10 years and beyond because premium and general revenue income for Parts B and D are reset each year to cover expected costs and ensure a reserve for Part B contingencies. In 2016, however, a hold-harmless provision that restricts Part B premium increases for most beneficiaries is expected to cause a substantial increase in the Part B premium rate for other beneficiaries.

Part B and Part D costs have averaged annual growth of 5.3 percent and 5.1 percent, respectively, over the last five years, as compared to growth of

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3.8 percent for GDP. Under current law, the trustees project an average annual Part B growth rate of 6.7 percent throughout the next five years. For Part D, the estimated average annual increase in expenditures is 10.9 percent throughout the next five years.

The board projects that expenditures will increase in future years at a somewhat faster pace than either aggregate workers' earnings or the economy overall and that, as a percentage of GDP, they will increase from 3.5 percent in 2014 to 6 percent by 2089 (based on the trustees' intermediate set of assumptions). If the reduced price increases for physicians and other health services under Medicare are not sustained and do not take full effect in the long range, then Medicare spending would represent roughly 9.1 percent of GDP in 2089. Growth under any of these scenarios, if realized, would substantially increase the strain on the nation's workers, the economy, Medicare beneficiaries, and the Federal budget.

The trustees state that, "the financial projections in this report indicate a need for additional steps to address Medicare's remaining financial challenges. Consideration of further reforms should occur in the near future. The sooner solutions are enacted, the more flexible and gradual they can be. Moreover, the early introduction of reforms increases the time available for affected individuals and organizations — including health care providers, beneficiaries, and taxpayers — to adjust their expectations and behavior. The trustees recommend that Congress and the executive branch work closely together with a sense of urgency to address the depletion of the HI trust fund and the projected growth in HI (Part A) and SMI (Parts B and D) expenditures."

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting