Issue Brief

FEDERAL ISSUE BRIEF

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Medicare Trustees Issue 2023 Report; Part A Would Be Depleted in 2031, Three Years Later Than Projected in the 2022 Report

The Medicare Trustees have issued their 2023 Annual Report to Congress. The Social Security Act requires that the Board, among other duties, report annually to the Congress on the financial and actuarial status of the Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) trust funds.

A copy of the 267-page document is available at: https://www.cms.gov/oact/tr/2023

In 2022, Medicare covered 65.0 million people: 57.1 million aged 65 and older, and 7.9 million disabled. About 46 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.

Total expenditures in 2022 were $905.1 billion, and total income was $988.6 billion, which consisted of $980.7 billion in non-interest income and $7.9 billion in interest earnings. Assets held in special issue U.S. Treasury securities increased by $83.4 billion to $409.1 billion. The significant increase in assets was due to lower actual expenditures than estimated in last year's report.

The estimated depletion date for the Health Insurance (HI) (Part A) trust fund is 2031, 3 years later than projected in last year's report. As in past years, the Trustees have determined that the fund is not adequately financed over the next 10 years. HI income is projected to be higher than last year's estimates because both the number of covered workers and average wages are projected to be higher. HI expenditures are projected to be lower than last year's estimates through the short-range period mainly as a result of updated expectations for health care spending following the COVID-19 pandemic*.*

The Supplementary Medical Insurance trust fund (SMI) is expected to be adequately financed over the next 10 years and beyond because income from premiums and government contributions for Parts B and D—which are contributions of the Federal Government that the law authorizes to be appropriated and transferred from the general fund of the Treasury—are reset each year to cover expected costs and ensure a reserve for Part B contingencies*.* The basic monthly Part B premium for 2023 is $164.90.

Part B and Part D costs have averaged annual growth rates of 6.8 percent and 4.7 percent, respectively, over the last 5 years, as compared to growth of 5.5 percent for the Gross Domestic Product (GDP). The Trustees project that cost growth over the next 5 years will average 9.7 percent for Part B and 6.2 percent for Part D, faster than the projected average annual GDP growth rate of 4.3 percent over the period.

As required by law, the Trustees are issuing a determination of projected excess general revenue Medicare funding in this report because the difference between Medicare's total outlays and its dedicated financing sources is projected to exceed 45 percent of outlays within 7 years. Since this determination was made last year as well, this year's determination triggers a Medicare funding warning, which (i) requires the President to submit to Congress proposed legislation to respond to the warning within 15 days after the submission of the Fiscal Year 2025 Budget and (ii) requires Congress to consider the legislation on an expedited basis. This is the seventh consecutive year that a determination of excess general revenue Medicare funding has been issued, and the sixth consecutive year that a Medicare funding warning has been issued.

MEDICARE DATA FOR CALENDAR YEAR 2022

For fee-for-service Medicare, the largest category of Part A expenditures is inpatient hospital services, while the largest Part B expenditure category is physician services. Payments to private health plans for providing Part A and Part B services represented roughly 52 percent of total A and B benefit outlays in 2022.

The following table reflects 2022 Medicare data.

Medicare Data for Calendar Year 2022

		SMI		
	HI or Part A	Part B	Part D	Total
Assets at end of 2021 (billions)	$142.7	$163.3	$19.7	$325.7
Total income	$396.6	$467.6	$124.3	$988.6
Payroll taxes	352.8	—	—	352.8
Interest	4.1	3.6	0.1	7.9
Taxation of benefits	32.8	—	—	32.8
Premiums	4.8	131.3	17.6	153.7
Government contributions	1.1	329.7	92.4	423.2
Payments from States	—	—	13.7	13.7
Other	1.0	2.9	0.5	4.5
Total expenditures	$342.7	$436.7	$125.7	$905.1
Benefits	337.4	431.6	125.2	894.2
Hospital	142.6	63.0	—	205.5
Skilled nursing facility	28.3	—	—	28.3
Home health care	5.9	10.2	—	16.1
Physician fee schedule services	—	73.4	—	73.4
Private health plans (Part C)	169.3	234.0	—	403.3
Prescription drugs	—	—	125.2	125.2
Other[1]	−8.6	51.1	—	42.4
Administrative expenses	5.3	5.1	0.5	11.0

Net change in assets	$53.9	$30.9	−$1.4	$83.4
Assets at end of 2022	$196.6	$194.2	$18.3	$409.1
Enrollment (millions)				
Aged	56.7	52.2	44.8	57.1
Disabled	7.9	7.3	6.6	7.9
Total	64.7	59.5	51.4	65.0
Average benefit per enrollee[1]	$5,217	$7,255	$2,437	$14,908

1 Includes net repayments of $33.4 billion and $17.4 billion to Part A and Part B, respectively, for the Medicare Accelerated and Advance Payments Program.

Note: Totals do not necessarily equal the sums of rounded components.

Comment

The report does contain insightful information regarding current values. However, the Report seems to result in very different results than forecasted from just the prior year. Predicting what may happen in 10 years is very subjective. Predicting what will happen in 75 years appears is beyond comprehension and reality.

The Trustees do point out that Congress needs to act to keep the program solvent and the sooner it does so the better. They have been doing such for a number of year's but Congress has yet to act.

There are just so many ways to accomplish such. The major items include raising payroll taxes, raising the eligibility age for Medicare, and of course, limiting rates of increases to providers. Each has its own pros and cons.

Note

The material cited above is from the Medicare Trustees Report. There is also the Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds Report dealing with Social Security. A copy of that report is at: https://www.ssa.gov/oact/TR/2023/tr2023.pdf.