

Issue Brief

FEDERAL ISSUE BRIEF



Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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Medicare Trustees Issue 2024 Report; Part A Would Be Depleted by 2036, Five Years Later Than Projected in the 2023 Report

The Medicare Trustees have issued their 2024 Annual Report to Congress. The Social Security Act requires that the Board, among other duties, to 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 261-page document is available at: <https://www.cms.gov/oact/tr/2024>.

In 2023, Medicare covered 66.7 million people: 59.1 million aged 65 and older, and 7.6 million disabled. About 48 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 2023 were \$1,037.0 billion, and total income was \$1,024.6 billion, which consisted of \$1,014.6 billion in non-interest income and \$10.0 billion in interest earnings. Assets held in special issue U.S. Treasury securities decreased by \$12.4 billion to \$396.7 billion, consistent with the estimate in last year's report.

The estimated depletion date for the HI trust fund is 2036, 5 years later than projected in last year's report. 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 shortrange period mainly as a result of (i) a policy change to exclude medical education expenses associated with Medicare Advantage (MA) enrollees from the fee-for-service per capita costs used in the development of MA spending and (ii) spending for inpatient hospital and home health agency services that is lower than previously estimated due to a greater reliance on recent experience.

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 2024 is \$174.70.

Part B and Part D costs have averaged annual growth rates of 8.3 percent and 6.6 percent, respectively, over the last 5 years, as compared to growth of 5.8 percent for the Gross Domestic Product (GDP). The Trustees project that cost growth over the next 5 years will average 8.8 percent for Part B and 8.2 percent for Part D, faster than the projected average annual GDP growth rate of 4.3 percent over the period.

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 2023.

The following table reflects 2023 Medicare data.

Medicare Data for Calendar Year 2022

	SMI			Total
	HI or Part A	Part B	Part D	
Assets at end of 2022 (billions)	\$196.6	\$194.2	\$18.3	\$409.1
Total income	\$415.3	\$480.9	\$128.4	\$1,024.6
Payroll taxes	367.2	—	—	367.2
Interest	5.7	4.1	0.2	10.0
Taxation of benefits	35.0	—	—	35.0
Premiums	4.9	131.5	18.6	155.0
Government contributions	1.2	342.1	93.7	437.0
Payments from States	—	—	15.8	15.8
Other	1.4	3.2	0.0	4.6
Total expenditures	\$403.1	\$502.9	\$131.1	\$1,037.0
Benefits	397.5	497.4	130.5	1,025.5
Hospital	144.4	67.4	—	211.8
Skilled nursing facility	28.5	—	—	28.5
Home health care	5.9	10.1	—	16.0
Physician fee schedule services	—	70.9	—	70.9
Private health plans (Part C)	192.5	274.2	—	466.7
Prescription drugs	—	—	130.5	130.5
Other ¹	26.2	74.9	—	101.1
Administrative expenses	5.6	5.4	0.5	11.5
Net change in assets	\$12.2	-\$22.0	-\$2.6	-\$12.4
Assets at end of 2023	\$208.8	\$172.2	\$15.7	\$396.7
Enrollment (millions)				
Aged	58.7	53.8	44.8	59.1
Disabled	7.6	7.0	6.6	7.6
Total	66.3	60.8	51.4	66.7
Average benefit per enrollee ¹	\$5,992	\$8,177	\$2,541	\$16,710 ¹

1. Calculated as the sum of the Part A, Part B, and Part D amounts.

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

Total Medicare expenditures were \$1,037 billion in 2023, and the Board projects that they will increase in most future years at a somewhat faster pace than either aggregate workers' earnings or the economy overall.

As it has since 2004, the HI trust fund fails to meet the Board of Trustees' short-range test of financial adequacy. In addition, as in all past reports, the HI trust fund fails to meet the Trustees' long-range test of close actuarial balance.

HI experienced small surpluses in 2016 and 2017 after having deficits from 2008 through 2015. In 2018 and 2019 small deficits returned, and in 2020 a large deficit occurred due to the expansion of the Accelerated and Advance Payments Program during the COVID-19 public health emergency. Payments made to providers under this program are assumed to be repaid in 2021 and 2022, resulting in a surplus in those years. After this, surpluses are expected to continue through 2029 and then turn to deficits for the remainder of the 75-year projection period.

Comment

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 few options to ensure solvency, including raise payroll taxes, raise 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>.