MEDICARE TRUSTEES REPORT SHOWS HOSPITAL INSURANCE TRUST FUND WILL DEPLETE IN 7 YEARS

The Medicare Board of Trustees released their annual report for Medicare's two separate trust funds — the Hospital Insurance (HI) Trust Fund, which funds Medicare Part A, and the Supplementary Medical Insurance (SMI) Trust Fund, which funds Medicare Part B and D.

The report found that the HI Trust Fund will be able to pay full benefits until 2026, the same as last year's report. For the 75-year projection period, the HI actuarial deficit has increased to 0.91 percent of taxable payroll from 0.82 percent in last year's report. The change in the actuarial deficit is due to several factors, most notably lower assumed productivity growth, as well as effects from slower projected growth in the utilization of skilled nursing facility services, higher costs and lower income in 2018 than expected, lower real discount rates, and a shift in the valuation period.

The Trustees project that total Medicare costs (including both HI and SMI expenditures) will grow from approximately 3.7 percent of GDP in 2018 to 5.9 percent of GDP by 2038, and then increase gradually thereafter to about 6.5 percent of GDP by 2093. The faster rate of growth in Medicare spending as compared to growth in GDP is attributable to faster Medicare population growth and increases in the volume and intensity of healthcare services.

The SMI Trust Fund, which covers Medicare Part B and D, had $104 billion in assets at the end of 2018. Part B helps pay for physician, outpatient hospital, home health, and other services for the aged and disabled who voluntarily enroll. It is expected to be adequately financed in all years because premium income and general revenue income are reset annually to cover expected costs and ensure a reserve for Part B costs. However, the aging population and rising health care costs are causing SMI projected costs to grow steadily from 2.1 percent of GDP in 2018 to approximately 3.7 percent of GDP in 2038. Part D provides subsidized access to drug insurance coverage on a voluntary basis for all beneficiaries, as well as premium and cost-sharing subsidies for low-income enrollees. Findings revealed that Part D drug spending projections are lower than in last year's report because of slower price growth and a continuing trend of higher manufacturer rebates. ■