

MEDICARE TRUSTEES PROJECT TRUST FUND INSOLVENCY IN 2028, CBO SAYS 2030

Medicare trustees projected the Part A trust fund would be insolvent in 2028 — two years later than they predicted in the previous report but two years earlier than the Congressional Budget Office's recent 2030 projection — and attributed a better-than-expected economic recovery, COVID-related deaths among seniors and deferral of other health care visits during the pandemic as partially responsible for their new projection.

The trustees report, which came out less than a year after the 2021 report was released at the end of August, found that the tax income to the Medicare trust fund is higher than last year's estimate because more workers are paying into the trust fund and average wages are projected to be higher. At the same time, spending in Part A is expected to be lower in the beginning of this year due to the COVID-19 pandemic. However, the spending is expected to be larger after 2023 due to higher projected provider payment rates, the report says.

This led the trustees to push back the insolvency date from 2026, when trustees had for years projected the trust fund would run dry, to 2028.

However, the Congressional Budget Office — which had previously estimated a fiscal 2027 insolvency date — recently projected the trust fund won't go insolvent until 2030, "primarily from the agency's projections of higher payroll tax revenues."

However, the Committee for a Responsible Federal Budget in its analysis of the CBO projection notes that lower spending is also "reflective of projected 2-percent lower enrollment due to increased mortality rates from the COVID-19 pandemic."

Thursday's Medicare trustees report also noted the effect of the pandemic on program spending. "Medicare beneficiaries whose deaths were identified as related to COVID had costs that were much higher than the average Medicare beneficiary prior to the onset of the pandemic. As a result, compared to the pre-pandemic Medicare population, the surviving Medicare population had lower morbidity, on average, reducing costs by an estimated 1.5 percent in 2020 and 2.9 percent in 2021," the report says. "This morbidity effect is expected to continue over the next few years but is assumed to decrease over time before ending in 2028."

The trustees report also says that because of the large wave of COVID-19 cases in late 2021 through early 2022, non-COVID-related spending is estimated to be lower than previously expected for the beginning of this year. For the later part of 2022 and next year, the return of care that had been put off due to the COVID-19 pandemic is assumed to be more intensive — and more costly — resulting in spending that is closer to pre-pandemic expectations.

The trustees assume health care spending will return to pre-pandemic levels in 2024, though the lingering morbidity effects will continue.

The report says that since the trustees' assumptions for the report were decided on in mid-February, "uncertainty has increased regarding the path of the COVID-19 pandemic and the economy," and the degree of uncertainty surrounding the impacts of the pandemic on the trust fund and future spending could change significantly with more information.