

NCHA Financial Feature



April 26, 2019

2019 Medicare Trustee Report Released; Part A Would Be Depleted in 2026, Same as Last Year's Estimate

The Boards of Trustees of the Federal Hospital Insurance (HI) (Medicare Part A) and the Federal Supplementary Medical Insurance (SMI) (Medicare Part B) Trust Funds have issued their 2019 Annual Report. The Report is 249-pages and can be found at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>. Bottom line is that the report found that the HI Trust Fund will be able to pay full benefits until 2026, the same as last year's report.

The Trustees state that “notwithstanding recent favorable developments, current-law projections indicate that Medicare still faces a substantial financial shortfall that will need to be addressed with further legislation. Such legislation should be enacted sooner rather than later to minimize the impact on beneficiaries, providers, and taxpayers.”

The report notes that “projections of Medicare costs are highly uncertain, especially when looking out more than several decades.”

The Report states that Medicare's costs under current law will rise steadily from their current level of 3.7 percent of GDP in 2018 to 6.0 percent in 2043. Costs then continue to grow, but at a slower rate, until reaching 6.5 percent in 2093.

In 2018, Medicare covered 59.9 million people: 51.2 million aged 65 and older, and 8.8 million disabled. About 36 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.

Part A “income is projected to be lower than last year's estimates due to lower payroll taxes and lower income from the taxation of Social Security benefits.” Growth in HI expenditures has averaged 3.0 percent annually over the last 5 years, compared with non-interest income growth of 4.4 percent. Over the next 5 years, projected annual growth rates for expenditures and non-interest income are 7.0 percent and 5.7 percent, respectively.

Part B and Part D costs have averaged annual growth rates of 6.6 percent and 6.3 percent, respectively, over the last 5 years, as compared to growth of 4.1 percent for GDP. Under current law, the Trustees project that cost growth over the next 5 years will average 8.3 percent for Part B and 7.3 percent for Part D, significantly faster than the projected average annual GDP growth rate of 4.7 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 currently represent roughly 37 percent of total A and B benefit outlays.

Total expenditures in 2018 were \$740.6 billion, and total income was \$755.7 billion.

Medicare Data for Calendar Year 2018

	SMI			
	HI or Part A	Part B	Part D	Total
Assets at end of 2017 (billions)	\$202.0	\$79.9	\$7.8	\$289.6
Total income	\$306.6	\$353.7	\$95.4	\$755.7
Payroll taxes	268.3	—	—	268.3
Interest	7.1	2.5	0.1	9.7
Taxation of benefits	24.2	—	—	24.2
Premiums	3.6	93.3	15.8	112.7
General revenue	1.6	253.2	67.8	322.7
Transfers from States	—	—	11.7	11.7
Other	1.8	4.6	—	6.4
Total expenditures	\$308.2	\$337.2	\$95.2	\$740.6
Benefits	303.0	333.0	94.7	730.7
Hospital	146.3	57.3	—	203.6
Skilled nursing facility	28.0	—	—	28.0
Physician fee schedule services	—	69.0	—	69.0
Private health plans (Part C)	101.7	131.0	—	232.7
Prescription drugs	—	—	94.7	94.7
Other	20.2	64.3	—	84.4
Administrative expenses	5.2	4.2	0.5	9.9
Net change in assets	-\$1.6	\$16.5	\$0.2	\$15.1
Assets at end of 2018	\$200.4	\$96.3	\$8.0	\$304.7
Enrollment (millions)				
Aged	50.8	46.5	38.7	51.2
Disabled	8.8	8.0	7.1	8.8
Total	59.6	54.6	45.8	59.9

Totals do not necessarily equal the sums of rounded components.

Comment

Our comments from last year regarding the Report are still relevant this year. They are as follows.

While the report does contain much insightful information regarding current values, predicting what may happen in 10 years appears to be very subjective. Predicting what will happen in 75 years appears is virtually impossible.

The Trustees do point out that Congress needs to act to keep the program solvent and the sooner it does so the better.

There are just so many ways to accomplish this objective. 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.

Our Washington liaison, Larry Goldberg of Larry Goldberg Consulting, has provided NCHA with this summary and comments. Please contact either Jeff Weegar, NCHA, at 919-677-4231, jweegar@ncha.org or Ronnie Cook, NCHA, at 919-677-4225, rcook@ncha.org if you have questions.