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Medicare Trustees Project Solvency Until 2036

Five Years Later Than '23 Report

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Medicare solvency is extended to 2036. The Hospital Insurance (HI) Trust Fund will be able to pay 100% of total scheduled benefits until 2036, 5 years later than Trustees reported last year. (Today's Medicare Trustees Report is [here](#)). Medicare solvency is extended to 2036 accounting for higher payroll income, lower than projected 2023 expenses, and changes to MA expenses. IRA provisions (negotiation, Part D restructuring, inflationary rebates) is expected to lower Part B spending but increase Part D spending from 2027 to 2030 (with Part D costs coming down in 2031). IRA is expected to ultimately have a *greater* long-term impact on Part D spending, compared to Part B. Separately, Medicare Advantage (MA) enrollment should swell, with benchmark trends and other data points we highlight below.

»» Key Points

President Biden took a victory lap after Trustees report release today. "Medicare is stronger and Social Security remains strong. As long as I am President, I will keep strengthening Social Security and Medicare and protecting them from Republicans' attempts to cut benefits Americans have earned. Since I took office, my economic plan and strong recovery from the pandemic have helped extend Medicare solvency by a decade, with today's report showing a full five years of additional solvency. My plan would extend Medicare solvency permanently by asking the wealthy to pay their fair share and lowering prescription drug costs. And I am committed to extending Social Security solvency by asking the highest-income Americans to pay their fair share without cutting benefits or privatizing Social Security."

Medicare solvency is extended to 2036. The Hospital Insurance (HI) Trust Fund will be able to pay 100% of total scheduled benefits until 2036, 5 years later than reported last year. The projected long-term finances of the HI Trust Fund improved due to:

- a policy change correcting for the way medical education expenses are accounted for in Medicare Advantage rates starting in 2024,

- higher payroll tax income, and
- lower than projected 2023 expenditures
- with spending for inpatient hospital and home health agency services is lower than previously estimated.

In 2023, Medicare total expenditures were \$1,037 B (lower than projected). In 2023, 48% of beneficiaries were in MA. Payments to private health plans for providing Part A and Part B services represented roughly 52% of total A and B benefit outlays in 2023.

PRESCRIPTION DRUGS: PARTS B & D

Drug cost growth will grow faster than GDP. The Trustees project that cost growth over the next 5 years will average 8.8% for Part B and 8.2% for Part D, faster than the projected GDP rate of 4.3%.

IRA reduces Part B spending, increases Part D spend from 2027 through 2030 (before reducing Part D spend starting in 2031).

- Part B savings are primarily due to the substantial lowering of payments because of negotiated prices.
- Part D ultimately generates cost savings at the end of the 10-year period, but many of the gains from negotiated prices and lower trends are initially more than offset by increased benefits and decreased manufacturer rebates.

The Board assumes that the IRA will affect the long-range growth rates for Part B & D drug spending differently. For Part B drugs, the Trustees do not anticipate that the market pricing dynamics will be much different from those prior to the implementation of the IRA. For Part D drugs, the per capita spending will grow 0.2 percentage point slower than per capita national health expenditures (NHI) due to the inflation provisions tying price growth closer to the Consumer Price Index (CPI).

MEDICARE ADVANTAGE

Private Medicare health plan enrollment projections are higher than those in the 2023 report (see (p. 157). The share of Medicare enrollees in private health plans is projected to increase from 48.2% in 2023 to:

- 50.6% in 2024
- 52.2% in 2025
- 52.9% in 2026
- 53.6% in 2027
- 54.9% in 2029
- 57.1% in 2032.

MA benchmark growth averaged +5.5% from 2018 through 2023.

- Benchmark growth was higher than expenditure growth for beneficiaries enrolled in FFS during this period partly because of increases in quality rating bonuses, increases in rebate share, and increases in payment risk scores.
- The large increase in SNP enrollment from 2018 through 2023 is one factor that resulted in higher payment risk scores and increased benchmark growth. Another factor leading to faster payment risk score growth is coding behavior by MA plans.

Trustees predict per capita bids are expected to increase by +1.8% in 2024. For years 2025 through 2033, the per capita bid trend is expected to be equal to the average of growth in per capita FFS expenditures and benchmark growth for each specific coverage category.

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