Medicare Trustees Say Solvency Till 2028

Outlook Improves: Good News For Plans, Providers, Drugs & Devices

- **Today the Medicare Trustees issued their annual solvency report (here)**. The outlook for Medicare solvency was improved from last year's report indicating 2026 insolvency.

- **On COVID, the Trustees report that beginning in 2020, the Medicare program was dramatically affected by the COVID-19 pandemic**. However COVID treatment costs were more than offset by lower spending for those who were not sick / seeking treatment.

  - The amount of payroll taxes expected to be collected by the HI trust fund was greatly reduced due to the economic effects of the pandemic on labor markets. Spending was directly affected by the coverage of testing and treatment of the disease.
  - In addition, several regulatory policies and legislative provisions were enacted during the public health emergency that increased spending; notably, the 3-day inpatient stay requirement to receive skilled nursing facility services was waived, payments for inpatient admission related to COVID-19 were increased by 20 percent, and the use of telehealth was greatly expanded.
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- **More than offsetting additional COVID costs in 2020, spending for non-COVID care declined significantly (compared to both actual 2019 spending and pre-pandemic expectations for 2020).**
  - Spending for services other than COVID-19 was significantly lower than expected in 2020 and 2021. This decline was more pronounced for elective services.
  - In addition, 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.

- **The "morbidity effect."** Compared to the pre-pandemic Medicare population, the surviving Medicare population had lower morbidity, on average, reducing costs by an estimated 1.5% in 2020 and 2.9% in 2021. This morbidity effect is expected to continue over the next few years but is assumed to decrease over time before ending in 2028.

- **Good news for Med Advantage (MA) plans, Physicians, Hospitals, Post-Acute Providers, Dialysis & Clinical Labs, Drugs & Devices.** A less dire solvency situation means that (for now) the pressure is off for lawmakers to rein in runaway healthcare spending.

- **Lumpy projections over the years.** Medicare trustees last year forecasted that funds would dry up in 2026, prompting lawmakers to press Health and Human Services Secretary Xavier Becerra during budget hearings this spring for a plan to preserve and extend the fund.

- **NEXT UP:** Nothing to see here. We would not have expected to see deficit reduction discussions until 2023 at the soonest, even with a more dire outlook. We typically see every 5-7 years some sort of Commission to assess and implement measures to rein in runaway spending.

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BACKGROUND