DEPARTMENT OF HEALTH & HUMAN SERVICES
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# CMS NEWS

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## Medicare Stable, But Requires Strengthening

The Medicare Trustees Report released today shows that the Hospital Insurance (HI) Trust Fund is expected to remain solvent until 2024, the same as last year's estimate, but action is needed to secure its long-term future. In 2011, the HI Trust Fund expenditures were lower than expected.

Without the Affordable Care Act, the HI Trust Fund would expire 8 years earlier, in 2016. The law provides important tools to control costs over the long run such as changing the way Medicare pays providers to reward efficient, quality care. These efforts to reform the healthcare delivery system are not factored into the Trustees projections as many of the initiatives are just launching.

"The Trustees Report tells us that while Medicare is stable for now, we have a lot of work ahead of us to guarantee its future," said Acting CMS Administrator Marilyn Tavenner. "The Affordable Care Act is giving CMS the ability to do this work, with tools to lower costs, fight fraud, and change incentives so that Medicare pays for coordinated, quality care and not the number of services."

The report projects that the Supplementary Medical Insurance (SMI) Trust Fund is financially balanced because beneficiary premiums and general revenue financing are set to cover expected program costs. Spending from the Part B account of the SMI trust fund grew at an average rate of 5.9 percent over the last 5 years.

SMI Part D, the Medicare prescription drug program, had an average growth rate of 7.2 percent over the last 5 years. Cost projections for Part D are lower than in the 2011 Trustees report, due to lower spending in 2011 and greater expected use of generic drugs.

HI expenditures have exceeded income annually since 2008 and are projected to continue doing so under current law in all future years. Trust Fund interest earnings and asset redemptions are required to cover the difference. HI assets are projected to cover annual deficits through 2023, with asset depletion in 2024. After asset depletion, if Congress were to take no further action, projected HI Trust Fund revenue would be adequate to cover 87 percent of estimated expenditures in 2024 and 67 percent of projected costs in 2050. In practice, Congress has never allowed a Medicare trust fund to exhaust its assets.

The financial projections for Medicare reflect substantial cost savings resulting from the Affordable Care Act, but also show that further action is needed to address the program's continuing cost growth.

The Medicare Trustees are Treasury Secretary and Managing Trustee Timothy F. Geithner, Health and Human Services Secretary Kathleen Sebelius, Labor Secretary Hilda L. Solis, and Social Security Commissioner Michael J. Astrue. Two other members are public representatives who are appointed by the President, subject to confirmation by the Senate. Charles P. Blahous III and Robert D. Reischauer began serving on September 17, 2010. CMS Acting Administrator Marilyn B. Tavenner is designated as Secretary of the Board.

The report is available at: https://www.cms.gov/ReportsTrustFunds/downloads/tr2012.pdf

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