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Health and Human Services Secretary Sylvia Mathews Burwell is pictured.

HEALTH CARE

Date for Medicare's insolvency remains 2030

By **PAUL DEMKO** | 07/22/15 06:06 PM EDT

Medicare is still treading financial water.

The latest report on the program's trust fund says it will become insolvent in 2030, the same projection as was issued last year. The conclusion by Medicare's trustees means that if nothing changes, the trust fund will be able to meet all its financial obligations for another 15 years.

The report, released Wednesday, shows that per-beneficiary costs rose by 2.3 percent in 2014, the largest increase in three years. The increase was driven by a 10.9 percent spike in the cost of Part D drug coverage, which the trustees attributed primarily to the expense of breakthrough treatments for hepatitis C.

Medicare costs have grown at historically low levels in recent years — 0.3 percent in 2012 and 0.1 percent in 2013. The slowdown in spending rates has resulted in a significant extension for when the trust fund will begin failing to meet its obligations. Since 2010, when the Affordable Care Act was passed, the insolvency date has been extended by 13 years.

That has provoked heated debate over cause and effect. It remains an open question how much of the slowdown in costs can be attributed to the Great Recession and how much to Obamacare. Most health care experts come down somewhere in the middle.

Health and Human Services Secretary Sylvia Mathews Burwell cited next week's 50th anniversary of the enactment of Medicare as an important reminder that Americans depend on the program not only for health coverage but for financial security.

"We need to continue our efforts to make the program stronger and better for the next 50 years and beyond," Burwell said at a press conference announcing the findings of the annual report.

But the report contains some news that could be politically troubling for Obamacare.

The trustees project that the controversial Independent Payment Advisory Board will be triggered for the first time in 2017. It is required to make recommendations for cuts to Medicare if costs exceed targeted growth rates, and conservatives have derided the board as a potential means to ration care for seniors.

"The new projection raises possibilities that IPAB is going to be more relevant earlier than we might have thought," said Paul Van de Water, a senior fellow at the left-leaning Center on Budget and Policy Priorities.

The House voted to repeal the board earlier this year. The possible 2017 trigger could provide new ammunition on Capitol Hill for lawmakers who want to repeal Obamacare.

The trust fund only pays for Medicare Part A, which covers hospitalizations. The other main pieces of the program, covering physician visits, outpatient services and drug coverage, are paid for primarily with general fund revenues.

The level of spending increases in 2014 varied significantly by area. While drug costs rose by double digits, Part B services for outpatient treatment and physician care were up 4.5 percent per beneficiary. Yet the cost of hospital services covered by the trust fund decreased by 3 percent — with per-beneficiary costs in Part A dropping for the third straight year.

The trustees project that per-beneficiary spending increases will dip back to 1 percent in 2015. Then they're expected to climb for four straight years, peaking with a 5.3 percent increase in 2019.

In 2014, Medicare provided coverage for 53.8 million Americans and cost $613.3 billion. Its expenditures represented 3.5 percent of gross domestic product. Those costs are expected to reach 6 percent of GDP by 2089. But that's actually down from the 6.8 percent projected in last year's report, noted Robert Reischauer, one of two public trustees.

"Notwithstanding this good news, we should treat it with caution," Reischauer told reporters.

The trust fund is bankrolled through a payroll tax. Since 2008, revenues have fallen short of expenditures, with that shortfall reaching $8.1 billion in 2014.

It's typical for projections about the trust fund's insolvency date to vary from year to year. Since 1970, it has ranged from 2 to 28 years, according to the Congressional Research Service. Even after the trust fund hits that mark, there would still be sufficient revenues to fund 86 percent of obligations before sliding to 80 percent by 2050, the trustees note in their latest report.

The share of Medicare beneficiaries in private plans has skyrocketed in recent years. Just over 30 percent of beneficiaries opted for Medicare Advantage plans in 2014, up from 12.8 percent a decade earlier. The trustees expect that figure to reach 35 percent in 2022. The Affordable Care Act reduced payments to private Medicare plans significantly, but those cuts have not slowed the growth in uptake as anticipated.

The new spending projections don't take into account changes in payment models being implemented by HHS that are designed to improve patient outcomes and reduce costs. The Obama administration has set a goal of having 50 percent of Medicare payments tied to outcomes by 2018.

"We're starting to get that evidence and those results in," Burwell said. "We don't feel like we're far enough along to include it."

The trustee's report also looked at the long-term financial health of Social Security, which provides financial support to seniors and disabled Americans. The report found that its general trust fund will remain solvent through 2034, one year longer than previously anticipated.

However, Social Security's disability insurance program faces a much more immediate threat. The trust fund that bankrolls that program is slated to run out of reserves next year if no action is taken. At that point, it will only be able to fund 81 percent of scheduled benefit payments.


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The looming financial difficulties for Medicare have spurred many Republicans to embrace significant changes to the program. Most notably, they've floated allowing future beneficiaries to opt-in to a premium-support model that would provide subsidies for private health plans. But Democrats have pilloried those proposals as a fundamental break with the guarantee of health care coverage for seniors — a foundation of the program.

The trustees agreed that significant changes are needed to provide long-term financial stability to the program. They cautioned that such changes will only become more difficult and the options more narrow as the financial challenges escalate.

Treasury Secretary Jack Lew cited the bipartisan agreement overhauling the formula for paying doctors who treat Medicare patients, which Congress enacted in April, as evidence that big, thorny problems can be addressed.

“Together we put an end to what had become a perennial, manufactured crisis,” Lew said of the so-called doc fix issue. “We must and we can achieve this kind of progress again.”

Brianna Ehley contributed to this report.