

Introduction

The Medicare Hospital Insurance Trust Fund, which is one of the program's two funds and covers Part A, will run dry in eight years — three years sooner than previously projected, according to the Medicare Trustees 2018 annual report.

Source: <https://www.beckershospitalreview.com/finance/medicare-trust-fund-to-run-out-by-2026-7-things-to-know.html>

1. Total Medicare expenditures

Total Medicare expenditures were \$710.2 billion in 2017 and income was \$705.1 billion. The program covered 58.4 million people. The trustees estimate Medicare expenditures will grow faster than the economy, increasing from current levels of 3.7 percent of GDP to 6.2 percent in 2092.

The HI Trust Fund

The HI Trust Fund is set to run out three years earlier than projected last year. In 2017, the Medicare Trustees estimated the HI trust fund would be insolvent in 2029, which was an improvement over the year prior.

3. This progress was reversed

This progress was reversed due to "adverse changes in program income." These changes include lower payroll taxes stemming from lower wages in 2017, lower levels of GDP and reduced taxes on Social Security benefits. On top of that, expenditures are expected to grow as hospital spending and Medicare Advantage payments increase.

4. When the trust fund is exhausted

When the trust fund is exhausted, the government has dedicated revenues that will cover 91 percent of benefits for the remainder of 2026. This share will decline to 78 percent in 2042, but eventually rise to 85 percent by 2092.

5. Medicare's other trust fund - SSI

5. Medicare's other trust fund — the Supplementary Medicare Insurance Trust Fund, which covers Parts B and D — is sufficiently funded. Premium income and general revenue income reset each year to cover costs. As the population ages and healthcare costs grow, projected SMI costs are expected to grow over the next two decades

6. Several changes included in Trump's tax law

Several changes included in President Donald Trump's tax law will modestly affect Medicare solvency. The law reduced individual income tax rates through 2025 and changed the way inflation adjustments are applied to various tax brackets. As a result, this income will grow more slowly. It also repealed the ACA's individual mandate, which is expected to increase the number of uninsured, ultimately increasing Medicare uncompensated care payments. The report also cites tax changes for small businesses that will affect self-employment income and taxable payroll..

7. The Trump administration & economic growth

The Trump administration believes economic growth will improve the financial stability of both Social Security and Medicare. CMS said President Trump's 2019 budget would improve the Medicare program's outlook. U.S. Treasury Secretary Steve Mnuchin gave a similar message: "The Administration's economic agenda — tax cuts, regulatory reform, and improved trade agreements — will generate the long-term growth needed to help secure these programs and lead them to a more stable path," he said in a statement..

