Welcome! In her presentation on health reform and Medicare that you watched earlier in this module, Tricia Neuman described information about the projected improved fiscal status of the Medicare Hospital Insurance Part A Trust Fund following the enactment of the Patient Protection and Affordable Care Act of 2010.

Dr. Neuman explained that prior to the health reform law, the Medicare Trust Fund was projected to be exhausted in 2017, meaning that the trust fund would have insufficient funds to pay for all hospital and other Part A claims. In other words, in 2017 the ratio of assets in the fund at the beginning of the year to expenditures during the year would have been zero. As you can see in the graph, the Affordable Care Act was projected to extend the solvency of the Medicare Part A Trust Fund from 2017 to 2029.

The 2014 Annual Report of the Medicare Trustees was submitted to Congress on July 28, 2014. The Social Security Act requires that the Board of Trustees report annually to Congress on the financial and actuarial status of the Hospital Insurance Trust Fund. Projecting the fiscal health of the trust fund is complex, especially given the fact that the Patient Protection and Affordable Care Act "contains roughly 165 provisions affecting the Medicare program by reducing costs, increasing revenues, improving certain benefits, combating fraud and abuse, and initiating a major program of research and development to identify alternative provider payment mechanisms, health care delivery systems, and other changes intended to improve the quality of health care and reduce its costs to Medicare."

In 2013, Medicare covered just 52.3 million people, including 43.5 million aged 65 and older, and 8.8 million disabled individuals. Total Medicare expenditures in 2013 were $583 billion compared to total income of $575.8 billion. Note that the projected insolvency date for the Medicare Hospital Insurance Trust Fund in the 2014 Trustees Report is 2030, 4 years later than was shown in last year’s report and a year later than the 2029 date reported in Dr. Neuman’s 2010 presentation. This is because the trust fund actuaries are continuously updating and revising economic, demographic, policy, and health industry assumptions used in the projection model.

The bottom line is that the Medicare Part A Hospital Insurance Trust Fund is projected—at the time this presentation was recorded—to be depleted in 2030. How to restructure and reform Medicare—and shore up Medicare’s fiscal health—is a fundamentally important health policy question facing our nation. Reform options include:

- Increasing the age of eligibility for Medicare from 65 to 67 or 70,
- Having high income seniors pay a greater percentage of their Medicare costs,
- Reducing the scope of services covered and/or reducing reimbursement for services under Medicare, and
- Further restructuring the hospital insurance funding mechanism by reducing the dependence of Medicare Part A income on payroll taxes—especially since the ratio of workers paying payroll tax to Medicare beneficiaries is declining with the aging of the Baby Boom generation.

Which of these options do you favor or oppose?
At the time this presentation was recorded, the most recent Annual Report of the Medicare Trustees was submitted to Congress on July 28, 2014. An important exercise for you to do would be to access the current Annual Report to find out the current projected year of Medicare Part A Hospital Insurance Trust Fund insolvency. Has this date moved closer to the present or further out into the future? What are the implications of the current projected insolvency date for Medicare reform?