

**U.S. House and Senate Notification**

**Monday, April 23, 2012**

**To: Congressional Health Staff**

**From: Jennifer Boulanger**

**Acting Director, Office of Legislation**

**Centers for Medicare & Medicaid Services**

**Re: Medicare Trustees Release 2012 Report**

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 have not yet been fully implemented.

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.

The report also projects that the Supplementary Medical Insurance (SMI) Trust Fund is financially balanced, as 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.

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.

Please find attached a press release regarding this announcement. The report will be available at: <https://www.cms.gov/ReportsTrustFunds/downloads/tr2012.pdf>.

If you have any questions, please contact the CMS Office of Legislation at 202-690-8220. Thank you.