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**Media Affairs Office**

## MEDICARE NEWS

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### **Medicare Remains Viable, Trustees Report Shows, but Challenges Remain**

The Medicare Trustees Report released today shows that while Medicare remains solvent longer than expected prior to passage of the Affordable Care Act, challenges remain for securing the long term financial health of the Medicare program. Expenditures for the Supplementary Medical Insurance (SMI) Trust Fund were lower than expected this year. The Trustees annual report says that Medicare's Hospital Insurance (HI) Trust Fund is now projected to remain solvent until 2024.

Without the reforms in the Affordable Care Act, the Medicare HI Trust Fund would expire in just five years – in 2016. The report issued today shows these reforms added eight years of solvency.

“This report shows that without the Affordable Care Act, the outlook for the Hospital Insurance Trust Fund today would be much worse, said Donald Berwick, M.D., Administrator of the Centers for Medicare & Medicaid Services. “CMS is implementing critical reforms to improve

care and reduce costs and improve the overall health of Medicare's beneficiaries and the Trust Fund.”

Actual Part B expenditure growth in 2010 was lower than expected. Part B is funded by a combination of beneficiary premiums and general revenue financing.

Part D, the Medicare prescription drug program, is also in financial balance as a result of annual updating of enrollee premiums and benefit payments. Projected expenditures are slightly lower overall than in last year's report, reflecting lower-than-expected costs in 2009 and 2010 together with a reduction in the projected growth in prescription drug spending in the U.S. for the next 10 years.

HI Trust Fund expenditures have exceeded income annually since 2008 and are projected to continue doing so under current law in all future years. Interest earnings and asset redemptions are required to cover the difference. HI Trust Fund assets are projected to cover annual deficits through 2023, with asset depletion beginning in 2024.

The five year change from the 2010 trustee report was due to a slowdown in the national economy, which resulted in a decline in tax revenues and higher real projected expenditures. This is not the first time that the HI Trust Fund expiration date has been affected by a decline in anticipated revenues. In 2004, for example, the Trust Fund exhaustion date moved up by 7 years, in large part because payroll tax revenues in 2003 were lower than had been anticipated.

**The projections in this year's report demonstrate the importance of the Affordable Care Act as a tool to improve the outlook for the HI Trust Fund but also point to a need to continue serious discussions about driving care improvements that also address underlying cost drivers in the Medicare program.**

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. The two public representatives appointed by the President and confirmed by the Senate, are Charles P. Blahous III and Robert D. Reischauer began serving on September 17, 2010. CMS Administrator Berwick is designated as Secretary of the Board.

The report is available at: <http://www.cms.hhs.gov/ReportsTrustFunds/downloads/tr2011.pdf>