

## ***What is the Medicare Trustees Report?***

On July 22, 2015 the Trustees of the Social Security and Medicare Trust Funds released their annual report on the current and projected financial and actuarial status of the various trust funds supporting the two programs. These annual reports serve as important tools for the management of Social Security and Medicare. With regard to Medicare, the trustees report on the financial operations of two distinct trust funds: the Hospital Insurance (HI) Trust Fund and the Supplementary Medical Insurance (SMI) Trust Fund. (*Click [here](#) to learn more about the HI and SMI Trust Funds and how Medicare is financed.*)

The trustees of the trust funds include the heads of relevant federal departments, as well as two public trustees, who are appointed by the President and approved by the United States Senate.

## ***What does the 2015 Trustees Report say about Medicare?***

Most notably, the Trustees have maintained their projection from last year that the projected date of insolvency of Medicare's HI Trust Fund will be in 2030.

Other important data noted in the report include:

- The Trustees project that total Medicare costs will grow from approximately 3.5 percent of GDP in 2015 to 5.6 percent of GDP by 2040 and will increase gradually thereafter to about 6.0 percent of GDP by 2089.
- While the SMI is projected to remain solvent for years to come, costs for Part B and Part D will continue to grow. Annual costs for Part B are expected to increase from 5.3 percent to 6.7 percent over the next five years, while annual costs for Part D are expected to increase from 5.1 percent to 10.9 percent in the same time period. Meanwhile, GDP is expected to grow by only 3.8 percent over the next five years.
- This year's report was the first to include projected spending from the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015. MACRA repealed the Sustainable Growth Rate (SGR) formula and replaced it with a series of payment updates for physicians. According to the Trustees, new changes to physician payments in MACRA, coupled with payment reductions mandated in the Affordable Care Act (ACA), will lower Medicare spending projections from 9.1 percent to 6.0 percent of GDP in 2089.
- Despite recent spending trends, Medicare still faces a substantial financial shortfall that will need to be addressed through further legislative reform.

## ***What does it mean for the program?***

While Medicare and general health care spending have slowed in recent years, the long-term outlook for Medicare has changed very little. Medicare spending is still expected to increase over the next two decades and the program will go bankrupt by 2030 without additional steps to address its current financial challenges.

New changes to physician payments mandated in MACRA are projected to slow Medicare spending, but the payment updates are not expected to keep pace with increases in underlying physician costs, raising concerns over the long-

term. However, MACRA is projected to increase the use of alternative payment models (APMs), which produce cost savings over time by linking physician payments to quality measures and patient outcomes. By 2019, the trustees anticipate 60 percent of all physician payments to flow through APMs; 100 percent by 2039. But, the future outlook for Medicare remains the same; the program is on a path to insolvency and requires additional reform to ensure its financial security.

Click [here](#) to access the full 2015 Medicare Trustees Report.