

Congress of the United States
Washington, DC 20515

May 24, 2021

VIA ELECTRONIC TRANSMISSION

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen,

Medicare's Hospital Insurance (HI) trust fund is currently running a cash flow deficit. In 2020, the Medicare trustees projected that expenditures from the HI trust fund would exceed annual income by \$9.2 billion. This means that the HI trust fund is redeeming securities in order to pay benefits. Alarming, the Medicare trustees expect annual cash flow deficits will persist through the end of the projection period (2020-2030). As a result, the Medicare trustees project that the HI trust fund's reserves will be depleted by 2026, at which time it will no longer be able to pay full benefits for seniors.¹ Under existing laws, that could mean benefit cuts as early as 2026.

The 2020 Medicare Trustees report, however, did not include an analysis reflecting the potential effects of the COVID-19 pandemic on the Medicare program.² The significant, but necessary, Medicare funding that Congress made available to hospitals and other health care providers in response to the pandemic may have inadvertently accelerated the insolvency date of the HI trust fund. Additionally, because Medicare Part A is financed by payroll taxes that are split between employers and employees, unemployment caused by the pandemic likely resulted in less revenue flowing into the HI trust fund.

On September 2, 2020, the Congressional Budget Office (CBO) estimated that the Medicare trust fund could run out of money in 2024, two years earlier than the Medicare trustees projected.³ Then, on February 11, 2021, CBO released its updated winter baseline.⁴ The new baseline takes into account increased tax revenue from a stronger economic forecast. As a result, CBO revised its HI trust fund insolvency date projection back to 2026. While CBO predicts the HI trust fund

¹ Department of Health and Human Services, Centers for Medicare & Medicaid Services, Office of the Actuary, *2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, [April 22, 2020](#), page 24.

² *Ibid*, page 248.

³ Congressional Budget Office, *The Outlook for Major Federal Trust Funds: 2020 to 2030*, [September 2, 2020](#), page 8.

⁴ Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031*, February 11, 2021, available at <https://www.cbo.gov/publication/56970>.

will be depleted in 2026, there is substantial uncertainty behind their forecast. For example, the baseline projections of the HI yearly balances show that the trust fund’s starting balance for 2025 is only \$21 billion.⁵ Given historic Medicare spending, that is an extraordinarily low reserve amount. It is, therefore, unclear whether the trust fund could remain solvent through the entirety of 2025. It seems likely that CBO’s updated estimate has only improved the life expectancy of the trust fund by one year from 2024 to 2025.

In a disturbing trend, the annual Medicare trustees’ reports have not consistently been released on time. The Social Security Act mandates that the Medicare trustees issue their annual report to Congress no later than April 1st of each calendar year.⁶ Over the past decade, on average, the requisite Medicare trustees report was released 70 days past the statutory deadline – ranging from 126 days late in 2010 and 112 days late in 2015 to 103 days late in 2017. According to a July 30, 2019 report by the U.S. Government Accountability Office (GAO), 2008 was the last year in which the statutory deadline had been satisfied.⁷ The 2020 report was 21 days overdue, missing the deadline by fewer days than the past decade’s average, yet still late.⁸

The 2019 GAO report recommended that the Secretary of the Treasury, as Chairperson of the Boards of Trustees of the Social Security and Medicare trust funds, work to improve management of the report development schedule in order to provide Trustees reports to Congress by the statutory deadline; and, “establish a policy to inform Congressional committees of jurisdiction when the trustees determine that the reports are expected to miss the issuance deadline.” While committees have received an email from Treasury officials identifying that this year’s reports will be delayed for some indefinite period, we are unaware that any policy has been developed or followed.

We simply cannot wait anywhere from two to four months for the next Medicare trustees report to be made public. Congress will soon be making key decisions regarding both fiscal year (FY) 2022 spending and long term outlays through the budgetary window (2022-2031). Either through reconciliation or regular order, there is every expectation that Congress will consider additional health care related legislation this year.

Before Congress debates any further legislation that impacts the Medicare program, it is imperative that policymakers have accurate information explaining when the HI trust fund will be insolvent. If we receive an amended insolvency date projection as late as three months from now, well after Congress and the Administration have already enacted further legislative changes, then we may ultimately fail to take the immediate actions necessary to strengthen the Medicare program.

⁵ Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031*, [February 11, 2021](https://www.cbo.gov/data/budget-economic-data#5), Budget Data, 10-year Trust Fund Projections, CBO’s Baseline Projections of Trust Fund Balances, Table 1, supplemental data file available at <https://www.cbo.gov/data/budget-economic-data#5>.

⁶ Social Security Act, Section 1817(b)(2).

⁷ “Social Security and Medicare: Improved Schedule Management Needed for More Timely Trust Fund Reports,” July 30, 2019, GAO-19-596, available at <https://www.gao.gov/products/gao-19-596>.

⁸ Centers for Medicare & Medicaid Services, *Medicare Trustees Report and Trust Funds*, available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/index>.

We ask that you provide us a revised HI insolvency projection, one that incorporates the economic impact of the COVID-19 pandemic, as soon as possible. Should you have any questions regarding this request, please contact Erin Dempsey with the Finance Committee minority staff or Jay Gulshen with the Ways and Means Committee minority staff.

Thank you for your prompt attention to this very important matter.

Sincerely,



Mike Crapo
Ranking Member
Senate Committee on Finance



Kevin Brady
Republican Leader
Committee on Ways and Means