Medicare’s Spending and Financing Challenges
The Last Five Trustees Reports Have Projected that the Medicare Hospital Insurance Trust Fund will be Depleted within 10 Years
Figure 3

Fewer Workers Per Medicare Beneficiary Contribute to Financing Challenges

The Role of Private Plans in Medicare
The Majority of Medicare Beneficiaries Will Soon be Enrolled in Medicare Advantage

NOTE: These percentages reflect Medicare Advantage enrollment as a share of total Medicare enrollment. As a share of beneficiaries with both Part A and Part B coverage, the share enrolled in Medicare Advantage in 2022 is estimated to be 50.8%

Growth in Medicare Advantage Enrollment Explains About Half of the Projected Increase in Medicare Advantage Spending through 2031

Total Medicare Payments to Medicare Advantage Plans, 2031: $943 Billion

- Growth in Enrollment: $179 billion (51%)
- Increase in Inflation-Adjusted Spending: $349 billion
- Growth in Payments per Enrollee: $187 billion (49%)

Figure 7

Spending on Extra Benefits is Projected to Grow Faster Than Spending on Medicare-Covered Services

<table>
<thead>
<tr>
<th></th>
<th>2022 Spending Per Person</th>
<th>2031 Spending Per Person</th>
<th>2022-2031 Change</th>
<th>Average Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare-Covered Services (Bid)</td>
<td>12,442</td>
<td>19,517</td>
<td>7,075</td>
<td>5.1%</td>
</tr>
<tr>
<td>Extra Benefits (Rebate)</td>
<td>1,565</td>
<td>3,226</td>
<td>1,661</td>
<td>8.4%</td>
</tr>
<tr>
<td>Total</td>
<td>14,006</td>
<td>22,743</td>
<td>8,737</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

It Will Likely Take a Combination of Policies to Address the HI Shortfall
Figure 9
Illustrative Savings if Medicare Advantage Payments Were Lower or Grew Slower Through 2031

The Financial Burden of Health Care Is Higher for People on Medicare in Relatively Poor Health, with Modest Incomes, and at Advanced Ages

Share of spending at least 20% of total income on health expenses, by characteristic:

- Overall: 36%
- Fair/poor health status: 43%
- Income of $20,000 or less: 51%
- Age 85 and over: 53%

Recent Discussions Have Focused More on Policies to Address Gaps in Current Program, But Would Mean More Spending

**Improve**
- Improve affordability by adding an out-of-pocket cap to traditional Medicare and strengthening protections for low-income beneficiaries

**Enhance**
- Enhance benefits by adding coverage for dental, vision, hearing and/or long-term care

**Expand**
- Expand eligibility by lowering the eligibility age
Additional Resources

• **The Facts About Medicare Spending**
• **Higher and Faster Growing Spending Per Medicare Advantage Enrollee Adds to Medicare’s Solvency and Affordability Challenges**
• Medicare Advantage in 2021 (will be updated for 2022 soon):
  – **Enrollment Update and Key Trends**
  – **Premiums, Cost Sharing, Out-of-Pocket Limits and Supplemental Benefits**
  – **Star Ratings and Bonuses**
• **Help with Medicare Premium and Cost-Sharing Assistance Varies by State**
Thank you.