

Reproduced with permission from BNA's Health Care Daily Report, 111 HCDR, 6/8/18. Copyright © 2018 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

Medicare

Congress Needs to Fix Medicare's Funding, Analysts Say

The accelerated date of when Medicare's key trust fund could be exhausted raises questions about what can be done to shore up the program. Now the hard work starts, consultants and analysts told Bloomberg Law.

The Medicare Hospital Insurance trust fund is projected to run out in 2026, according to the 2018 Medicare trustees' report. This is three years earlier than projected last year. The trust fund is running out of money because of lower payroll taxes, higher-than-expected spending, and the affects of recent legislation.

Cori Uccello, a senior health fellow at the American Academy of Actuaries in Washington, told Bloomberg Law June 6 that people should not be looking just at the trust fund depletion date, because that date typically fluctuates from year to year. Uccello said focusing on the depletion date can be detrimental to understanding Medicare's financial problems.

"The high and growing spending under Medicare puts pressure on the federal budget," Uccello said. "Consistently, the trustees have been emphasizing Medicare's financial challenges, and that hasn't changed," but little has been done to fix it.

Uccello served as a commissioner on the Medicare Payment Advisory Commission, which advises Congress, from 2010 to 2016, and was a member of the 2010-2011 Technical Review Panel on the Medicare trustees report.

Solutions? A consultant laid out policy changes, some of them politically risky, that lawmakers could try to help the Medicare fund.

Congress could raise Medicare's eligibility age, change the amount it pays providers for services, or reduce benefits for beneficiaries, Larry Goldberg, founder of Larry Goldberg Consulting in Oakton, Va., and a Bloomberg Law advisory board member, told Bloomberg Law June 6.

Reducing reimbursement rates for patient benefits would hurt hospitals and providers, but it is easier than reducing benefits, because seniors vote, Goldberg said.

Judith Stein, executive director of the Center for Medicare Advocacy in Washington, told Bloomberg Law June 6 that potential solutions to help the trust fund could also include parity between Medicare Advantage managed care and traditional Medicare, as well as government negotiation of drug prices—a policy change that Republicans have rejected.

Congress and the Trump administration's attempts to roll back the Affordable Care Act, encouraging people to join more costly Medicare Advantage plans, and failing to negotiate drug pricing have "not demonstrated a commitment to preserving the trust fund," Stein said.

These policies are "directly antithetical to taking care of an aging population," Stein said, so "it is not surprising that the trustees report is showing a decline in the number of years we can expect solvency for the trust fund."

Members of Congress "have to do something . . . the sooner they do something to recognize it, the better," Goldberg said.

"Providing for the most vulnerable among us by ensuring the ongoing solvency of the trust fund, without cuts to needed Medicare programs, should be a top priority of the executive and legislative branches," Thomas Threlkeld, deputy director of policy and communications at the National Association for Home Care and Hospice in Washington, told Bloomberg Law June 7.

"It's difficult to see . . . with an election this year . . . how anything is going to make a meaningful dent in the trustees' findings," Brian Rye, a senior analyst at Bloomberg Intelligence, told Bloomberg Law June 6. Rye said he was interested to see if Republicans would look at legislation on Medicare later in the year if they lose control of the House in November.

The Centers for Medicare & Medicaid Services has been trying to save money by cutting Medicare reimbursement rates for hospitals getting drug discounts in the federal 340B program, Rye said.

"Given how difficult political decisions are around Medicare," an agency might be able to make changes, but they would likely "force Congress's hand" if they tried to make any big changes, Rye said.

Revenues, Sources Medicare is not receiving enough revenue to fully cover benefits for Part A (hospital insurance), according to the report. Starting in 2018, the government is going to have to start dipping into the trust fund to fully fund Medicare.

Part A helps pay for hospitalization, home health services after hospital stays, skilled nursing facility use, and hospice care for the aged and disabled.

The trust fund primarily gets its financing from payroll taxes, the most stable part of Medicare financing, Paul Spitalnic, chief actuary for the CMS, said at an American Enterprise Institute event June 6.

The growing number of baby boomers retiring without a large enough workforce to pay for their benefits is also contributing to the trust fund shortfall. About three workers paid for each beneficiary's benefits in 2017, the

report said. By 2030, there will only be 2.4 workers covering each beneficiary's benefits.

When the trust fund does run out, revenue is projected to cover 91 percent of Medicare benefits in 2026 and 78 percent in 2042.

"This is really dangerous for people who depend on Medicare," Stein said. "You're going to see people with long-term and chronic conditions being squeezed out of

the coverage they need" when the trust fund does run out.

BY SHIRA STEIN

To contact the reporter on this story: Shira Stein in Washington at sstein@bloomberglaw.com

To contact the editor responsible for this story: Brian Broderick at bbroderick@bloomberglaw.com