Medicare Trustees Maintain 2033 Insolvency Estimate

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Stakeholders and the trustees are again calling for Congress and the administration to pass reforms as soon as possible after Medicare trustees estimated for a second year Tuesday (June 9) that the fund would become insolvent in 2033, and the estimated funding shortfall has increased by 33% due in part to H.R. 1's changes to income taxes

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"The Board of Trustees believes that solutions can and must be found to ensure the financial integrity of [the Hospital Insurance trust fund] and reduce the rate of growth in Medicare costs," the trustee report says. "The sooner solutions are enacted, the more flexible and gradual they can be."

This year's stagnant report comes after a couple years of rosier predictions due to a better economy and a healthier population post-pandemic. But in 2025, trustees estimated the Medicare Hospital Insurance (HI) trust fund would run out of reserves in 2033 as "mainly a result of higher-than-anticipated 2024 expenditures and higher projected spending for inpatient hospital and hospice services."

This year's prediction didn't change the solvency date, and the report says the remaining impact the pandemic will have is the surviving population's morbidity improvement, which trustees say will continue to affect spending levels through 2029.

But H.R. 1's changes to the income tax have increased the trustees' estimated funding shortfall by 33% compared to last year's prediction.

"Politicians have known about and neglected these programs for 40 years now. But the problem is much worse now," Committee for a Responsible Federal Budget President Maya MacGuineas said in a statement. "Thanks to decades of inaction, solutions like eliminating the taxable maximum or progressive price indexing benefits are no longer close to enough to restore solvency."

One option CRFB considered last year is replacing the employer side of the employer payroll tax with a flat Employer Compensation Tax, where workers would continue to pay payroll taxes while employers must pay a tax on all wages -- including fringe benefits like employer-sponsored insurance and stock options -- with no tax cap.

Among the other solutions CRFB has listed is reducing Medicare Advantage overpayments and providing better accounting within the Medicare Physician Fee Schedule for physicians' efficiency gains and for Advance Practice Providers.

Sen. Bernie Sanders (I-VT) has also proposed a solution that he said would extend the solvency of social security for 75 years. The Social Security Expansion Act, which Sanders introduced in 2025 with several Democratic cosponsors, would subject all income above $250,000 to the social security tax and require certain taxpayers to pay a 12.4% tax on their investment and business income.

Meanwhile, Senate Minority Leader Chuck Schumer (D-NY) accused Republicans of wanting to cut Medicare, Social Security and Medicaid on the floor Tuesday.

"We found out this morning that, thanks to Republicans' massive tax giveaway to the wealthiest Americans, Social Security is in worse shape than ever, with insolvency coming faster and finances deteriorating worse than at any point in more than 30 years," Schumer said. "Now Johnson just gave the game away: after making the largest cut to health care in American history and undermining Social Security, Republicans are coming back for second cuts."

AARP reiterated its call for Congress to act immediately in a statement Tuesday (June 9).

"The 125 million Americans age 50 and older have made clear: cutting Social Security or Medicare is not an option," AARP CEO Myechia Minter-Jordan said. "This is money Americans have earned over a lifetime of hard work. They planned for retirement, followed the rules, and now Congress must keep its promise by strengthening, not cutting, Social Security." -- *Dorothy Mills-Gregg* (dmillsgregg@iwpnews.com)