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From: Paul Spitalnic, ASA, MAAA
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Subject: **Medicare Hospital Insurance Trust Fund Depletion in the Fiscal Year 2025
President's Budget**

The 2023 Medicare Trustees Report projected that the Hospital Insurance (HI) trust fund would be depleted in calendar year 2031. Based on additional data and a different set of assumptions that have been prepared to be included in the Fiscal Year (FY) 2025 President's Budget baseline, the HI trust fund is projected to be depleted in FY 2038 under current law.

The Office of Management and Budget (OMB) provided 10-year estimates for additional HI revenue that would result from certain provisions included in the President's Budget. These provisions—

- Increase the Net Investment Income Tax (NIIT) rate by 1.2 percentage points for taxpayers with more than \$400,000 of income and dedicate those revenues, along with current NIIT revenue, to the HI trust fund.
- Increase the additional Medicare tax rates for employment taxes under the Self-Employment Contributions Act (SECA) and the Federal Insurance Contribution Act (FICA) tax by 1.2 percentage points for taxpayers with more than \$400,000 of earnings.
- Ensure that all pass-through business income of high-income taxpayers is subject to either NIIT or SECA taxes.
- Credit proposed drug reform savings to the HI trust fund.

The additional revenue that is to be credited to the HI trust fund from FY 2024 through FY 2034 is estimated to be \$1.537 trillion.¹ With this additional revenue stream, the HI program would be sufficiently funded indefinitely.²

¹ The Office of the Actuary at CMS did not independently assess the reasonability of the revenue estimates for the stated proposals.

² In order to estimate the impact beyond 10 years, annual growth rates from the Medicare and Social Security Fair Share Act estimate (<https://www.cms.gov/files/document/impact-medicare-and-social-security-fair-share-act-solvency-hospital-insurance-trust-fund.pdf>) were applied.