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Trustees Predict Medicare Solvent Until 2029; IPAB Not Triggered Until 2021

Authors: Sheila P. Burke

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On July 13, the Boards of Trustees for Medicare issued the annual Trustees Report to the Congress on the financial operations and actuarial status of the Medicare Program. The trustees estimate that the trust fund financing Medicare's hospital services would be depleted in 2029, one year later than projected in last year's report. The trustees cite lower expected inpatient hospital utilization and lower-than-expected national health spending in 2016 as major factors behind the extended solvency projection.

Of note, the trustees did not project that Medicare spending would exceed the target levels to trigger the ACA's Independent Payment Advisory Board (IPAB), as was previously predicted for this year. Now, the Trustees anticipate that IPAB will not be triggered until 2021. Established under the ACA, IPAB is supposed to be a 15-member panel of health care experts tasked with restraining Medicare's cost growth. IPAB is responsible for submitting cost-cutting recommendations that take effect unless Congress enacts a legislative alternative that achieves the same savings. The Obama Administration never nominated appointees to serve on IPAB, which has faced fierce political and stakeholder opposition. The lack of appointees means that if IPAB were to be triggered, authority would fall to HHS Secretary Tom Price to enact Medicare spending cuts as required by statute.

Takeaway: Although there is generally bipartisan interest in repealing IPAB, the Senate's strict budget reconciliation rules have kept IPAB repeal from being included in the current discussions around Republican health care reform efforts. The projected delay in IPAB activation until 2021 gives opposing lawmakers significantly more time to consider reforming or eliminating the payment board before it takes effect.