

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Office of the Actuary

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FROM: Richard S. Foster

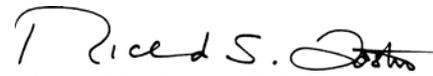
TO: Jonathan Blum
Director, Center for Medicare Management

SUBJECT: Estimated Year of Exhaustion for HI Trust Fund under H.R. 3200

In addition to proposals to expand health insurance coverage, H.R. 3200 (“America’s Affordable Health Choices Act of 2009”) includes numerous provisions designed to reduce Medicare costs. We estimate that the aggregate net savings to the Medicare Hospital Insurance trust fund under H.R. 3200 would postpone the exhaustion of trust fund assets by 5 years, that is, from 2017 under current law to 2022 under the proposed legislation.

This estimate is based on the bill as reported by the Ways and Means Committee. It does not reflect the relatively small impact on HI payroll taxes due to economic effects of the legislation. As noted in our October 21, 2009 memorandum on the estimated financial and other effects of H.R. 3200, reductions in Medicare payment updates to institutional providers, based on economy-wide productivity gains, are unlikely to be sustainable on a permanent annual basis. If such reductions were to prove unworkable within the period 2010-2022, then the actual HI savings from these provisions would be less than estimated, and the postponement in the trust fund exhaustion date could be reduced.

Please let us know if you have any questions about this information.


Richard S. Foster, F.S.A.
Chief Actuary

cc: Amy Hall