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Medicare Insolvency Delay (but Not the Solution) Due to COVID-19 Deaths

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Data from the Centers for Disease Control (CDC) provide proof that COVID-19 deaths affected nearly 80 percent of seniors age 65 and older in the first quarter of 2020 and continuing today, despite the fact that the sample size was limited to 52,166 people. As of January 20, 2022, over *75.8 percent* of total COVID-19 deaths in the United States have been among seniors 65 and older, whilst this age group accounts for only *16.5 percent* of the total United States population. Millennial successors to the Baby Boomers, namely those ages 18 to 39, represent some *29.9 percent* of the United States population but only *2.6 percent* of COVID-19 deaths. This is not a theory; the CDC data fully acknowledges this high percentage of deaths among senior citizens in the United States.

The most recent Medicare Trustees Report projected that, beginning in 2026, the trust fund for Part A (hospital insurance) will have more money going out of the system than coming in. Congress must take urgent action immediately to prevent insolvency. Congressional Democrats have proposed expanding Medicare to include dental, vision, and hearing coverage for all. This provision is included in the Democrats' 10-year, $3.5 trillion spending plan. While adding these benefits would affect Medicare spending, it would have no direct impact on the Part A trust fund.

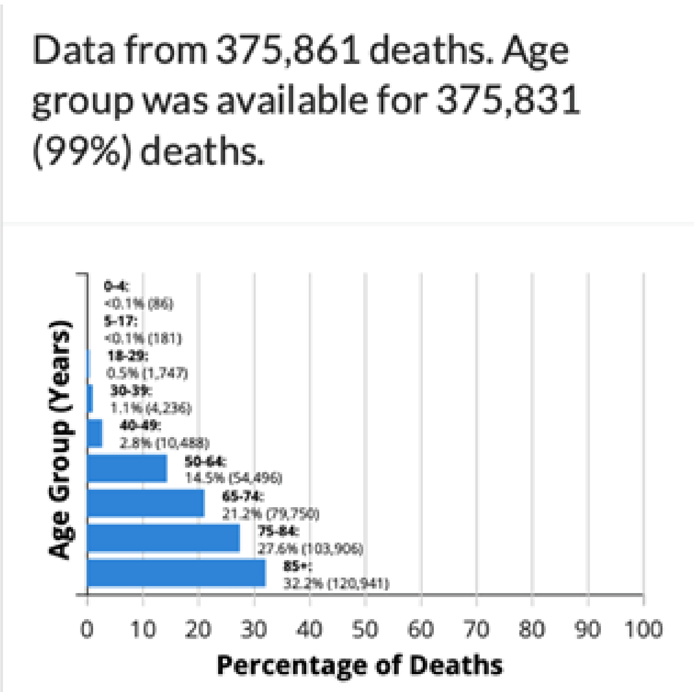
The authors conclude, without a doubt, that the high percentage of senior citizens dying from COVID-19 has eased the financial burden on Medicare, particularly the Part A (hospital insurance) trust fund that is projected to be insolvent by 2026. According to the 2021 Medicare Trustees Report to Congress, the 2020 demographic breakdown of the 62.6 million Medicare beneficiaries is as follows: 8.5 million disabled and 54.1 million aged 65 and older. The problem confronting the Trustees is that Part A (hospital insurance) is facing a shortfall in 2026, and unless Congress intervenes soon, the Part A trust fund will be limited to a payout on only approximately 91 percent of claims under Part A beginning in 2026. In March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Support (CARES) Act, a $2.2 trillion economic stimulus bill signed by President Trump. Unprecedented in size and scope, and amounting to 10 percent of the United States GDP, the Congressional Budget Office estimates that it will add $1.7 trillion to the deficits over the 2020-2030 period, with a huge impact in 2020 and 2021. Furthermore, lawmakers refer to the CARES Act as the "Phase 3" of Congress' coronavirus response. The first phase was a bill encouraging coronavirus vaccine research and development, known as the "Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020." The second phase was a bill of approximately $104 billion package largely focused on paid sick leave and unemployment benefits for workers and families, known as the "Families First Coronavirus Response Act."

Indeed, by design, *none* of the $2.2 trillion stimulus by the CARES Act was allocated to add funds to the Medicare programs. The Report states that the total expenditures of the Medicare program in 2020 were $925.8 billion, outpacing the 2020 total income taken in by Medicare of $899.9 billion. Examining this closer, this income consisted of $894.6 billion in non-interest income and $5.3 billion in interest earnings. Assets held in special issue U.S. Treasury securities decreased by $26.0 billion to $277.3 billion. This significant drop in assets was due in part to the large amount of Accelerated and Advance Payments (AAP) to providers, which were partially offset by reductions in spending during the pandemic. Furthermore, in 2020, Hospital Insurance expenditure exceeded income by $60.4 billion due to the large amount of AAP. Specifically, to the Medicare trust funds, the Report states that total payments of approximately $107.1 billion were made: roughly $67.1 billion from the Hospital Insurance (HI) trust fund, and $40.0 billion from the Supplemental Medicare Insurance (SMI Part B) trust fund account.

According to the Medicare Data for Calendar Year 2020, the 62.6 million enrollees produce an a**verage benefit of $15,763 per enrollee.** Part A (hospital insurance) amounted to $6,388 per enrollee. Supplemental Medical Insurance (SMI) was $7,227 for Part B coverage and $2,148 for Part D (prescription drugs). As mentioned in the beginning of this article, a study of 52,166 individuals pointed out that *nearly 80 percent (41,528 people)* were listed with COVID-19 as the cause of death in the first quarter of 2020. Calculating $15,763 average benefit per enrollee and multiplied by 41,528 deaths among 65 and older, it is clear that these deaths produced a savings of over $654.6 million to the overall Medicare program. The authors recognize that a sample size of 52,166 is too small to be applicable to the entire Medicare population of 62.6 million because the sample size represents less than 1/10th of 1 percent (exactly 0.000833).

A more recent March 2nd, 2021 report from the CDC provided the following table below:

Table 1: Deaths by Age Group, 2021



Using the number of deaths for ages 65 and older, the calculation equates to 304,597 deaths for the first quarter of 2021. With the average benefit of $15,763 per enrollee, the Medicare savings amounted to ***$4.8 billion***. Although this is a significant savings, these 304,597 deaths are less than 1 percent of the 62.6 million Medicare enrollees. In other words, a very small sample size still regardless of the fact that this sample is nearly six times larger than the 2020 (first quarter) sample addressed above.

"Deaths Attributed to COVID-19 on Death Certificates" data suggested that the most recent number of population sample, i.e. 851,726 as of January 20, 2022, some 68.4 percent in Hospitals and 15.1 percent in Nursing Home / Long-Term Care Facility. Zooming into the death certificate data, 630,878 death certificates were those of seniors age 65 and older. To avoid conflicting data, the authors estimate a range between 630,878 death certificates (by age group) and 645,608 death certificates (by 75.8 percent, cited at beginning of article) belong to seniors 65 and older. Therefore, the Medicare program will save between **$9.94 billion** and **$10.2 billion** from the deaths linked to these senior citizens.

Regardless the number of COVID-19 deaths among the 65 and older group, the Medicare Trustees project that Hospital Insurance tax income and other dedicated revenue sources will fall short of Hospital Insurance expenditures in all future years. According to the Report: *"The HI trust fund does not meet either the Trustees' test of short-range financial adequacy or their test of long-range close actuarial balance."* At the beginning of 2021, the Hospital Insurance assets represented 48 percent of annual expenditures. In other words, COVID-19 deaths among senior citizens will relieve some financial pressure on the Medicare program, but evidence proves that Congress must intervene before it is too late. COVID-19 deaths, as diabolical as it may sound, are delaying the total collapse of Medicare.

Table 2: Hospital Insurance Financial Outlook, 2020-2030

HI Financial Outlook

Table II.E1.—Estimated Operations of the HI Trust Fund under Intermediate Assumptions, Calendar Years 2020–2030

[Dollar amounts in billions]

Calendar year	Total income[1]	Total expenditures	Change in fund	Fund at year end	Ratio of assets to expenditures[2]
2020[3]	$341.7	$402.2[4]	−$60.4	$134.1	48%
2021	334.1	345.3[4]	−11.2	122.9	39
2022	372.6	363.7[4]	8.9	131.8	34
2023	389.1	417.4	−28.3	103.5	32
2024	407.0	440.5	−33.5	70.0	23
2025	425.6	468.2	−42.6	27.4	15
2026[5]	448.5	497.8	−49.3	−22.0	5
2027[5]	471.6	529.4	−57.7	−79.7	[6]
2028[5]	491.8	562.9	−71.2	−150.9	[6]
2029[5]	512.0	597.5	−85.5	−236.4	[6]
2030[5]	531.7	630.4	−98.6	−335.0	[6]

[1]Includes interest income.
[2]Ratio of assets in the fund at the beginning of the year to expenditures during the year.
[3]Figures for 2020 represent actual experience.
[4]Includes net payments of $63.5 billion made through the Medicare Accelerated and Advance Payments Program in calendar year 2020 and subsequent repayments of $28.1 billion and $35.4 billion in calendar years 2021 and 2022, respectively.
[5]Estimates for 2026 and later are hypothetical since the HI trust fund would be depleted in those years.
[6]Trust fund reserves would be depleted at the beginning of this year.

Note: Totals do not necessarily equal the sums of rounded components.

As the above table demonstrates, the current projections indicate the trust fund will be insolvent by 2026, as the ratio of assets to expenditure continues to decline from 48 percent (2020) down to 5 percent (2026). These figures include all net payments of $63.5 billion made through the Medicare Accelerated and Advance Payments in 2020, 2021, and 2022. The good news is that, to date, *Congress has never allowed the Medicare Hospital Insurance trust fund to be depleted.* The authors have identified this dilemma as "a race to the bottom" as the Hospital Insurance Trust Fund is less than five years away from insolvency regardless of the deaths of Medicare beneficiaries due to COVID-19, beginning in 2022 and continuing to 2026 and beyond. Congress must intervene to remedy this dire situation [1-9].

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