The President's Budget: Extending Medicare Solvency by 25 Years or More, Strengthening Medicare, and Lowering Health Care Costs

The President's FY 2024 Budget will lay out President Biden's plan to invest in America, lower costs for families, protect and strengthen Social Security and Medicare, and reduce the deficit.

Millions of Americans have been working their whole lives, paying into Medicare with every working day, and want to know that they can count on Medicare to be there for them when they turn 65. The President's Budget extends the life of the Medicare Trust Fund by at least 25 years. It achieves these gains with no benefit cuts—indeed, while <u>lowering</u> costs for Medicare beneficiaries.

<u>Extending Medicare Solvency</u>

The proposals in the President's Budget would extend the solvency of Medicare's Hospital Insurance (HI) Trust Fund by at least 25 years, the Medicare Office of the Chief Actuary estimates. While the most recent Medicare Trustees Report projected that the HI Trust Fund would be insolvent in 2028, the President's Budget would extend solvency at least into the 2050s.

The Budget extends the life of Medicare by:

- **Modestly increasing the Medicare tax rate on income above $400,000.** The Budget proposes to increase the Medicare tax rate on earned and unearned income above $400,000 from 3.8 percent to 5 percent. Since Medicare was passed, income and wealth inequality in the United States have increased dramatically. By asking those with the highest incomes to contribute modestly more, we can keep the Medicare program strong for decades to come.

- **Closing loopholes in existing Medicare taxes and dedicating the Medicare net investment income tax to the HI Trust Fund.** High-income people are supposed to pay a 3.8 percent Medicare tax on all of their income, but some high-paid professionals and other wealthy business owners have managed to shield some of their income from tax by claiming it is neither earned income nor investment income. The Budget would ensure that Medicare taxes apply to incomes over $400,000 per year, without loopholes. It would also dedicate the revenue from the Medicare net investment income tax to the HI Trust Fund, as originally intended.

- **Crediting savings from prescription drug reforms to the HI Trust Fund.** Building on the Inflation Reduction Act (IRA), which gave Medicare the authority to negotiate prices for high-cost drugs, the Budget strengthens this newly-established negotiation power by allowing Medicare to negotiate prices for more drugs and bringing drugs into negotiation sooner after they launch. It also strengthens the IRA requirement that drug companies pay rebates to Medicare when they increase prices faster than inflation by extending this rule to commercial health insurance. The Budget credits the savings from these additional prescription drug reforms, amounting to $200 billion over 10 years, to the HI Trust Fund.

Lowering Costs for Beneficiaries

Not only does the President's Budget extend the life of the Medicare Trust Fund without benefit cuts, it does so while lowering costs for beneficiaries in key areas.

- **Lower out-of-pocket costs for drugs subject to negotiation.** By reducing prices for high-cost drugs, the Budget's expansion of Medicare drug negotiations will not only save money for the federal government, it will also cut beneficiary's out-of-pocket costs by billions of dollars.

- **$2 cost sharing for generic drugs for chronic conditions.** The Budget proposes capping Part D cost-sharing on certain generic drugs, such as those used to treat chronic conditions like hypertension and high cholesterol, to $2 per prescription per month.

- **Lowering behavioral health care costs in Medicare.** The Budget eliminates cost-sharing for three mental health or other behavioral health visits per year and requires parity between physical health and mental health coverage in Medicare. It also requires coverage and payment for new types of Medicare providers, such as peer support workers and certified addiction counselors, and evidence-based digital applications and platforms that facilitate delivery of mental health services, while removing unnecessary limitations on beneficiary access to psychiatric hospitals.

###