

United States Senate
WASHINGTON, DC 20510

March 7, 2024

Chiquita Brooks-LaSure
Administrator
Centers for Medicare & Medicaid Services
Department of Health and Human Services
200 Independence Avenue, SW, Room 445-G
Washington, DC 20201

Dear Administrator Brooks-LaSure,

We write to express our bipartisan concern over the long-term sustainability of the Medicare program, and urge you to prioritize policies that ensure its fiscal stability for future generations. The rising costs of healthcare and growth of our aging population pose significant challenges to Medicare's long-term financial outlook. Without proactive measures, this critical program, which serves 66 million Americans and represents 10% of our annual federal budget, risks insolvency within the next ten years.

For the last 20 years, the Medicare Hospital Insurance (HI) Trust Fund has failed to meet the Medicare Board of Trustees' short-range test of financial adequacy. The Congressional Budget Office projects depletion of the Medicare HI Trust Fund by 2033, necessitating a 10% spending cut¹, while the Medicare Board of Trustees paints an even more immediate picture, with depletion projected by 2031², leaving the fund able to pay only 89% of scheduled benefits. These timelines underscore the urgency of action.

The Medicare Supplemental Medical Insurance (SMI) Trust Fund, which pays for physician and outpatient services under Medicare Part B and prescription drug benefits under Medicare Part D, is projected to be adequately funded for the foreseeable future. However, the Trustees' report notes that the burden on taxpayers and beneficiaries will steadily increase.

Federal payments to Medicare Advantage plans in 2021 reached \$361 billion, accounting for 44% of the total Medicare spending³. The significant growth of Medicare Advantage (MA) is evidence of the program's popularity, with enrollment tripling between 2011 and 2021⁴. While

¹ Congressional Budget Office, [The Budget and Economic Outlook](#), February 2023

² Social Security Administration, [A Summary of the 2023 Annual Reports](#), 2023

³ KFF, [What to Know about Medicare Spending and Financing](#), January 2023

⁴ KFF, [Half of All Eligible Medicare Beneficiaries Are Now Enrolled in Private Medicare Advantage Plans](#), May 2023

benefits like \$0-premium plans and improved quality, as evidenced by 43% lower readmission rates, are commendable, ensuring responsible spending remains crucial⁵.

The Medicare HI Trust Fund solvency is impacted by Medicare and MA beneficiaries' utilization of Medicare Part A services. Adjusting for differences in enrollment and beneficiary pre-existing conditions, evidence suggests that MA had lower utilization than Traditional Fee-For-Service (FFS), primarily driven by reduced inpatient visits. However, despite lower Part A utilization, additional studies indicate that spending on MA has grown considerably faster than Traditional FFS, with MedPAC estimating a \$88 billion difference in 2024 alone⁶. While MA's appeal lies in its attractive features like capped out-of-pocket expenses and additional benefits, we call for a balanced approach that ensures program solvency alongside beneficiary support.

We appreciate the efforts of the Centers for Medicare & Medicaid Services (CMS) in addressing spending and quality in the 2024 Announcement for MA⁷. However, as we look toward updates for plan year 2025, we urge you to consider not only the immediate needs of our seniors but also the program's long-term viability. Recent data highlights potential concerns around coding intensity and selection driving up MA spending. In 2022, Medicare payments to MA plans averaged an estimated 104% of FFS spending, of which 3.6% (equal to \$12 billion) was attributed to uncorrected coding intensity⁸

The MA program's framework for preventative and managed care, and resulting expansion of treatment options for beneficiaries', facilitates access to high-quality, affordable care. However, bipartisan support for the MA program and associated improved health outcomes for America's seniors does not necessitate turning a blind eye to its impact on Medicare's overall financial health. Substantial increases in Medicare spending are, in part, the result of higher enrollment, growing aging population, and increasing MA payments⁹. However, we cannot let our focus on short-term benefits jeopardize the program's future.

We must prioritize solutions that both improve quality and safeguard long-term solvency¹⁰. This might involve adopting reimbursement methods that incentivize value-based care models that offer quality preventative and managed care, rather than volume-inducing incentives of FFS reimbursement¹¹. Correcting for overspending does not have to come at the expense of access to benefits or quality care for seniors. Rather, addressing these challenges with a sense of urgency will ensure we protect Medicare's benefits for generations to come.

⁵ Inovalon, [Harvard-Inovalon Medicare Study: Quality Outcomes Under Medicare Advantage vs. Medicare Fee-for-Service](#), November 2023

⁶ MedPAC, [The Medicare Advantage program: Status report](#), January 2024

⁷ Centers for Medicare & Medicaid Services, [Announcement of CY2-24 MA Capitation Rates and Part C and Part D Payment Policies](#), March 2023

⁸ MedPAC, [The Medicare Advantage program: Status report and managed report on dual-eligible special needs plans](#), March 2022

⁹ KFF, [What to Know about Medicare Spending and Financing](#), January 2023

¹⁰ ASPE, [Medicare Advantage Overview: A primer on Enrollment and Spending](#), May 2023

¹¹ MedPAC, [The Medicare Advantage program: Status report and managed report on dual-eligible special needs plans](#), March 2022

We commend your dedication to serving Medicare beneficiaries and urge you to consider these concerns as you shape the future of this vital program. We stand ready to work with you and across the aisle to find solutions that guarantee Medicare's fiscal stability and continued success in caring for millions of Americans.

Sincerely,



Joe Manchin III
United States Senator



Mitt Romney
United States Senator