

Actuarial Analysis

of the United States forming a part of the public debt that are not due or callable until after 4 years from the end of that month. Since the inception of the SMI trust fund, the Department of the Treasury has always invested the assets in special public-debt obligations.⁴⁸ Table V.H10, presented in section V.H, shows the assets of the SMI trust fund (Parts B and D) at the end of fiscal years 2019 and 2020.

2. 10-Year Actuarial Estimates (2021–2030)

Section III.C2 provides detailed information concerning the short-range financial status of the Part B account, including projected annual income, outgo, differences between income and outgo, and trust fund balances. The projected future operations of the Part B account are based on the Trustees' economic and demographic assumptions, as detailed in the OASDI Trustees Report, as well as other assumptions unique to Part B. Section IV.B1 presents an explanation of the effects of these assumptions on the estimates in this report. The Trustees also assume that financing for future periods will be determined according to the statutory provisions described in section III.C1a, although Part B financing rates have been set only through December 31, 2021.

In order to accommodate the financial uncertainty due to the COVID-19 pandemic, the 2021 Part B premium and associated general revenue financing needed to be increased. The Consolidated Appropriations Act, 2021 and Other Extensions Act specified that the 2021 actuarial rate for enrollees aged 65 and older be determined as the sum of the 2020 actuarial rate for enrollees aged 65 and older and one-fourth of the difference between the 2020 actuarial rate and the preliminary 2021 actuarial rate (as determined by the Secretary of HHS) for such enrollees. The Part B premium is equal to one-half of the aged actuarial rate. This legislative change dampened the 2021 Part B premium increase that would otherwise have occurred. The legislation further specified that a transfer be made from the general fund of the Treasury to Part B for the revenue lost by using the lower premium (and that this transfer be treated as premium revenue for general revenue matching purposes).

In 2021 the monthly Part B premium rate is \$148.50, which is higher than the 2020 monthly premium of \$144.60. The estimated monthly premium for 2022 is \$158.50. This premium, paid by affected enrollees and Medicaid and matched by general revenue transfers, would maintain a contingency reserve at the level necessary to accommodate

⁴⁸The Department of the Treasury may also make investments in obligations guaranteed as to both principal and interest by the United States, including certain federally sponsored agency obligations.

Part B Financial Status

typical financial variation, plus the possibility of legislative action that would raise costs after the establishment of financing rates, plus the financial variation due to the COVID-19 pandemic. Any impacts from Medicare coverage of Aduhelm, the recently approved Alzheimer's disease drug, have not been considered in these projections.

For determining an individual's monthly premium rate, there is a hold-harmless provision in the law that limits the dollar increase in the premium to the dollar increase in an individual's Social Security benefit. This provision applies to most beneficiaries who have their premiums deducted from their Social Security benefits, or roughly 70 percent of Part B enrollees.⁴⁹

In 2016, the cost-of-living adjustment (COLA) for Social Security benefits was 0 percent, and premiums did not increase from the 2015 level for beneficiaries to whom the hold-harmless provision applies. Without the Bipartisan Budget Act of 2015 (BBA 2015), Part B premiums for other beneficiaries would have been raised substantially to offset premiums forgone as a result of the hold-harmless provision. However, BBA 2015 specified that the Part B premium for 2016 be determined as if the hold-harmless provision did not apply and that a transfer be made from the general fund of the Treasury to the Part B account of the SMI trust fund in the amount of the estimated forgone premiums (and that the transfer be treated as premiums for matching purposes).

BBA 2015 further requires that, starting in 2016, the Part B premium otherwise determined be increased by \$3.00, which is to be collected and repaid to the general fund of the Treasury.

Similarly, as noted previously, the Consolidated Appropriations Act, 2021 and Other Extensions Act specified that the 2021 actuarial rate for enrollees aged 65 and older be determined as the sum of the 2020 actuarial rate for enrollees aged 65 and older and one-fourth of the difference between the 2020 actuarial rate and the preliminary 2021 actuarial rate (as determined by the Secretary of HHS) for such enrollees. The premium revenue lost by using the resulting lower premium (excluding the forgone income-related premium revenue) was replaced by a transfer of general revenue from the Treasury, which will

⁴⁹About 30 percent of Part B enrollees are not eligible for the hold-harmless provision. This group consists of new enrollees during the year, enrollees who do not receive Social Security benefit checks, enrollees with high incomes who are subject to the income-related premium adjustment, and dual Medicare-Medicaid beneficiaries (whose premiums are paid by State Medicaid programs).