

Estimated Effect of the Patient Protection and Affordable Care Act on the Hospital Insurance Trust Fund

Under current law, and based on the economic forecast and technical assumptions in CBO's March 2009 baseline, CBO projected that the Hospital Insurance (HI) Trust Fund will be exhausted—that is, the balance of the trust fund will decline to zero—during fiscal year 2017. The HI trust fund pays for services covered under Part A of Medicare.

CBO estimates that enacting the Patient Protection and Affordable Care Act (PPACA) would reduce net Part A outlays by \$246 billion over the 2010-2019 period. CBO and the staff of the Joint Committee on Taxation estimate that enacting PPACA would increase HI payroll tax receipts by about \$69 billion over that period. Given those changes in the financial flows of the trust fund, CBO estimates that the HI trust fund would have a positive balance of about \$120 billion at the end of fiscal year 2019. That balance would be declining, and would be exhausted within a few years.

Those estimates were prepared relative to the March 2009 baseline. CBO's August 2009 baseline used an updated economic forecast in which payroll tax receipts were projected to be substantially lower than in the March 2009 baseline. Largely as a result of those lower payroll tax receipts, CBO projected that the HI trust fund will be exhausted one year earlier—that is, during fiscal year 2016. CBO has not estimated the budgetary effects of enacting PPACA compared to the August 2009 baseline. However, CBO expects that such an estimate would show a lower—but still positive—balance in the HI trust fund at the end of fiscal year 2019.