Medicare Trigger

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2/8/2016 (CRS) -- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA; P.L. 108-173) requires the Medicare Board of Trustees to provide in its annual reports an expanded analysis of Medicare expenditures and revenues (§801 of the MMA). Specifically, if the Medicare Trustees determine that general revenue funding for Medicare is expected to exceed 45% of Medicare outlays for the current fiscal year or any of the next six fiscal years, a determination of excess general funding is made. If the determination is issued for two consecutive years, a funding warning is issued, which triggers certain presidential and congressional actions related to the introduction and consideration of legislation designed to respond to the warning (§§802-804 of the MMA).

Because such a determination was issued in both the 2006 and 2007 Medicare Trustees reports, the President was required to submit a legislative proposal to Congress within 15 days of submitting his budget in 2008 that would lower the ratio to the 45% level. Similarly, each of the subsequent annual reports of the Boards of Trustees through 2013 has included an estimate that general revenue funding would exceed 45% at some point during the current or six subsequent fiscal years, thus "triggering" a response from the President and Congress. President George W. Bush submitted such a proposal in 2008, but no such legislative proposals have been submitted since that time.

In both their 2014 and 2015 reports, the Medicare Trustees projected that Medicare general revenue funding would not exceed 45% of total Medicare outlays within seven fiscal years. Therefore, the Medicare Trustees did not issue funding warnings in those years, and the President was not required to submit a related legislative proposal subsequent to the release of his FY2016 budget and will not be required to submit such legislation subsequent to the submission of his FY2017 budget.

The Medicare funding warning focuses attention on the impact of program spending on the federal budget, and it provides one measure of the financial health of the program. However, some options for reducing general revenue spending below the 45% level would have a greater impact than others. Proponents of the trigger maintain that it forces fiscal responsibility, whereas critics of the trigger suggest that other measures of Medicare spending, such as total Medicare spending as a portion of federal spending, would be more useful indicators.

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