



JAN 10 2017

Administrator
Washington, DC 20201

The Honorable Ron Wyden
United States Senate
Washington, DC 20510

Dear Senator Wyden:

Thank you for your question regarding the potential impact on the Medicare Hospital Insurance (HI) Trust Fund of repealing the additional 0.9-percent tax on high income earners.

For this question, the Centers for Medicare & Medicaid Services' independent Chief Actuary has estimated the depletion date of the HI Trust Fund as well as the 75-year actuarial balance. The depletion date reflects the year during which the Trust Fund will no longer be able to pay for full benefits for beneficiaries while the 75-year actuarial balance is a measure of the financial status of the Trust Fund that represents the difference between the present value of future income and costs as a share of taxable payroll over the next 75 years. Based on the intermediate assumptions of the 2016 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds issued in June 2016, the estimate of the date of depletion is 2028 and the estimate of the actuarial balance is -0.73 percent of taxable payroll.

The primary source of financing for the Medicare HI Trust Fund is the payroll tax on covered earnings. Under the Affordable Care Act, beginning in 2013, the Medicare HI Trust Fund receives an additional 0.9-percent tax on earnings in excess of a threshold amount. The threshold amounts are \$250,000 for married taxpayers who file jointly, \$125,000 for married taxpayers who file separately and \$200,000 for all other taxpayers. The additional 0.9-percent tax rate for high-income workers increases HI payroll tax revenues, which improves the solvency of the Medicare HI Trust Fund.

The Chief Actuary estimates that the impact of repealing this provision beginning with tax year 2018 would move forward the date of the Medicare HI Trust Fund depletion three years to 2025 and worsen the actuarial balance by 0.39 percentage points to -1.12 percent of taxable payroll.

Thank you again for your question about the impact of eliminating the additional 0.9-percent payroll tax on high income earners on the Medicare HI Trust Fund. We look forward to continuing to work with you to strengthen Medicare to ensure better care, smarter spending, and healthier people.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew M. Slavitt".

Andrew M. Slavitt
Acting Administrator