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Follow the Money: Medicare Funding Stems From Two Sources

Admin User · February 18, 2026

Learn more about how the two Medicare trust funds operate.

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Many of the federal government programs, such as Social Security, unemployment benefits and Medicare are contributory programs. Other types of benefit programs, such as housing assistance, Medicaid and the Supplemental Nutrition Assistance Program (SNAP) are noncontributory programs.

In 2023, Medical News Today reports that the total expenditures for Medicare were around $1 trillion. This money came from two Medicare Trust Funds and can only be used for Medicare.

The first Medicare trust fund is the Hospital Insurance (HI) Trust Fund. The money in this fund comes from:

- Payroll taxes from employees, employers, and those who are self-employed.
- Other sources, including:

Income taxes paid on Social Security benefits.
Medicare Part A premiums for those who are not eligible for premium-free Part A.
Interest earned on the trust fund investments.

- Income taxes paid on Social Security benefits.
- Medicare Part A premiums for those who are not eligible for premium-free Part A.
- Interest earned on the trust fund investments.

The second Medicare trust fund is the Supplementary Medical Insurance (SMI) Trust Fund. The money in this fund comes from:

- Premiums from those who are enrolled in Part B and Part D.

- Funds authorized by Congress.
- Other sources, such as interest earned on the trust fund investments.

Learn more about Medicare funding.