



Status of the Social Security and Medicare Programs

Background:

Each year the Trustees of the Social Security and Medicare trust funds report on the current and projected financial status of the two programs. The Trustees Reports <https://www.ssa.gov/oact/TRSUM/> include extensive information about the current operations of these important social insurance programs and careful analysis of their outlook.

Social Security and Medicare both face long-term financing shortfalls under currently scheduled benefits and financing. Costs of both programs will grow faster than gross domestic product (GDP) through the mid-2030s, primarily due to the rapid aging of the U.S. population. Medicare costs will continue to grow faster than GDP through the late 2070s due to projected increases in the volume and intensity of services provided.

Assumptions:

The projections presented include best estimates of the effects of the COVID-19 pandemic. Economic recovery from the 2020 recession has been stronger and faster than assumed in last year's reports, with positive effects on the projected actuarial status of the trust funds in these reports. They currently assume that the pandemic will have no net effect on long-range projections. The assumptions for the report were determined in mid-February 2022. Developments since then have added to the uncertainty regarding the path of the COVID-19 pandemic and the economy in the near-term.

Findings:

Based on best estimates, the 2022 reports determine:

1. The Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement and survivors benefits, will be able to pay scheduled benefits on a timely basis until 2034.
 - a. **This is one year later than reported last year.**
 - b. At that time, the fund's reserves will become depleted and continuing tax income will be sufficient to pay 77 percent of scheduled benefits.
2. The Disability Insurance (DI) Trust Fund, which pays disability benefits, is **no longer projected to be depleted** within the 75-year projection period.
 - a. By comparison, last year's report projected that it would be able to pay scheduled benefits only until 2057.

3. The OASI and DI funds are separate entities under law. The report also presents information that combines the reserves of these two funds in order to illustrate the actuarial status of the Social Security program as a whole.
 - a. The hypothetical combined OASI and DI funds would be able to pay scheduled benefits on a timely basis until 2035, **one year later than reported last year.**
 - b. At that time, the combined funds' reserves will become depleted and continuing tax income will be sufficient to pay 80 percent of scheduled benefits.
4. The Hospital Insurance (HI) Trust Fund, or Medicare Part A, which helps pay for services such as inpatient hospital care, will be able to pay scheduled benefits until 2028.
 - a. **This is two years later than reported last year.**
 - b. At that time, the fund's reserves will become depleted and continuing total program income will be sufficient to pay 90 percent of total scheduled benefits.
5. The Supplementary Medical Insurance (SMI) Trust Fund is adequately financed into the indefinite future because current law provides financing from general revenues and beneficiary premiums each year to meet the next year's expected costs.
 - a. Due to these funding provisions and the rapid growth of its costs, SMI will place steadily increasing demands on both taxpayers and beneficiaries.
6. For the sixth consecutive year, the Trustees are issuing a determination of projected excess general revenue Medicare funding, as is required by law whenever annual tax and premium revenues of the combined Medicare funds will be below 55 percent of projected combined annual outlays within the next 7 fiscal years.
 - a. Under the law, two such consecutive determinations of projected excess general revenue constitute a "Medicare funding warning."
 - b. Under current law and the Trustees' projections, such determinations and warnings will recur every year through the 75-year projection period.

Conclusion:

From our standpoint, the good news is that, compared to last year's reports, most of the programs are expected to be funded for a somewhat longer period of time. The bad news is that there is more uncertainty than ever, especially given the high inflation environment that we are currently encountering. What this means is that Social Security payments will be subject to much higher inflation increases than we've encountered over the past several decades. This will have a negative impact on the funded status of Social Security. On the other hand, the increasing interest rate environment that we've experienced over the past six months may in fact have the impact of "reducing" the long-term liabilities, which would positively impact the funded status of the various programs. As noted in the Trustees Reports, lawmakers have many policy options that would reduce or eliminate the long-term financing shortfalls in Social Security and Medicare. Taking action sooner rather than later would allow consideration of a broader range of solutions and provide more time to phase in changes so that the public has adequate time to prepare.

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