Fact Sheet: 2019 Social Security and Medicare Trustees Reports

April 22, 2019

Washington – Today the Social Security and Medicare Boards of Trustees issued their annual financial review of the programs.

The projections indicate that income is sufficient to pay full scheduled benefits until 2026 for Medicare's Hospital Insurance program, 2034 for Social Security's Old Age and Survivors Insurance program, and until 2052 for Social Security's Disability Insurance program. The Supplementary Medical Insurance (SMI) Trust Fund remains adequately financed throughout the projection period, but only because SMI has unlimited access to general revenues.

The Trustees project that Medicare costs will grow from approximately 3.7 percent of GDP in 2018 to 5.9 percent of GDP by 2038, and will increase gradually thereafter to about 6.5 percent of GDP by 2093. The costs of the Social Security program equaled 4.9 percent of GDP in 2018 and are expected to rise to 5.9 percent of GDP by 2039, decline to 5.8 percent of GDP by 2052, and then rise slowly to 6.0 percent of GDP by 2093.

SOCIAL SECURITY

The Social Security program consists of the Old-Age and Survivors Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. The Trustees project that the hypothetical combined Trust Funds will be depleted in 2035. The 75-year actuarial deficit for the combined trust funds is estimated at 2.78 percent of taxable payroll, down from 2.84 percent of taxable payroll estimated in last year's Report. This reflects a 0.05 percentage point worsening due to extending the projection period and valuation date one year that was more than offset by a 0.11 percentage point improvement due to new data, changed assumptions, and improved projection methods.

The financial outlook for the separate DI trust fund has substantially improved. The DI depletion date is now 2052, 20 later than projected last year, and the DI actuarial balance is -0.12 percent of taxable payroll, 0.09 percentage points larger (less negative and more favorable) than last year. These changes are largely due to continuing favorable experience for DI applications and benefit awards. The 20-year extension to the life of the DI Trust fund is large relative to the 0.09 percentage point improvement in the DI 75-year actuarial balance. This is because in last year's Report DI income was projected to be very near to DI cost for many years after the projected 2032 depletion date, so that a relatively small improvement in the program's projected cash flow has large implications for the projected depletion date.

Social Security's total cost is projected to exceed its total income (including interest) in 2020 for the first time since 1982, and to remain higher throughout the projection period.

MEDICARE

Medicare has two Trust Funds: the Hospital Insurance (HI) Trust Fund and the Supplementary Medical Insurance (SMI) Trust Fund. The Trustees project that the HI Trust Fund will pay full scheduled benefits until 2026, the same year projected in last year's Report. After the HI trust fund is depleted in 2026, the share of scheduled benefits that can be paid from dedicated revenues is 89 percent for the remainder of 2026, declines slowly to 77 percent in 2046, and then rises gradually to 83 percent in 2093. The 75-year actuarial deficit in the HI Trust Fund is projected at 0.91 percent of taxable payroll, up from 0.82 percent projected in last year's Report. Several factors contributed to the change in the actuarial deficit, most notably lower assumed productivity growth (+0.10 percent of taxable payroll), slower projected growth in the utilization of skilled nursing facility services (-0.10 percent), higher costs and lower income in 2018 than expected (+0.04 percent), lower real discount rates (+0.03 percent), and other factors.

The SMI Trust Fund, which includes Medicare Part B and Medicare Part D, remains adequately financed into the future due to financing being derived from general revenues and beneficiary premiums. The aging population and rising health care costs cause SMI projected costs to grow steadily from 2.1 percent of GDP in 2018 to approximately 3.7 percent of GDP in 2038, and to then increase more slowly to 4.2 percent of GDP by 2093. About three-quarters of these costs will be financed from general revenues, and the remaining will be financed from premiums paid by beneficiaries.

After the Reports are transmitted to Congress, the Social Security Report and the Medicare Report will be posted at:

Social Security Report

Medicare Report