Fact Sheet: 2020 Social Security and Medicare Trustees Reports

Today, the Trustees of the Social Security and Medicare trust funds issued their annual reports on the financial status of the trust funds for the next 75 years.

The projections and analysis in the 2020 reports do not reflect the potential effects of the COVID-19 pandemic on the Social Security and Medicare programs. Given the uncertainty associated with these impacts, the Trustees believe that it is not possible to adjust their estimates accurately at this time.

The reports find the following:

- Social Security and Medicare both face long-term financing shortfalls under currently scheduled benefits and financing. Both programs will experience cost growth substantially in excess of GDP growth through the mid-2030s due to rapid population aging. Medicare also sees its share of GDP grow through the late 2070s due to increases in the volume and intensity of services provided.

- Social Security, which pays retirement, survivor, and disability benefits, will be able to pay scheduled benefits on a timely basis until 2035, the same as reported last year. At that time, the Social Security funds' reserves will become depleted and continuing tax income will be sufficient to pay 79 percent of scheduled benefits.

- The Hospital Insurance (HI) Trust Fund, which pays Medicare Part A inpatient hospital expenses, will be able to pay scheduled benefits until 2026, the same as reported last year. 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.

- The Supplemental 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. Due to these funding provisions, the rapid growth of SMI costs will place steadily increasing demands on both taxpayers and beneficiaries.

Key Changes Since Last Year

- The 75-year (2020-2094) actuarial deficit of the Social Security trust funds increased from 2.78 to 3.21 percent of taxable payroll since the 2019 reports. The 75-year actuarial balance is a summary measure that calculates the difference between the projected income and the projected costs of the trust funds as a percentage of taxable payroll.

- The increase in the deficit was due to:

   - The excise tax on high-cost, employer-sponsored group health plans (commonly referred to as the Cadillac tax) was repealed.

   - The Trustees changed several of their long-run assumptions in light of new analysis and data:

     - The total fertility rate was reduced from 2.0 to 1.95 births per woman.

     - Consumer price inflation was reduced from 2.6 to 2.4 percent.

     - The real interest rate was reduced from 2.5 to 2.3 percent.

     - The disability incidence rate was reduced from 5.2 to 5.0 per 1000 covered workers.

- The 75-year (2020-2094) actuarial deficit of the HI Trust Fund decreased from 0.91 to 0.76 percent of taxable payroll. The actuarial balance of the HI Trust Fund is affected by the same changes affecting Social Security and some others as well.

- The principal changes exclusively affecting Medicare are:

   - Lower projected spending due to a methodological change in the projection of health care spending that considers time until death as a factor in the projection. For more information, see: https://www.cms.gov/files/document/incorporation-timedeath-medicare-demographic-assumptions.pdf.

   - Higher projected enrollment and spending per beneficiary in Medicare Advantage.

   - Higher projected spending outside the prospective payment system for acute care hospitals.

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

Social Security Report (Hyperlink: https://www.ssa.gov/OACT/TR/2020/)

Medicare Report (Hyperlink: https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf)