Fact Sheet: 2022 Social Security and Medicare Trustees Reports

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 include extensive information about the current operations of these important social insurance programs and careful analysis of their outlook. We believe the reports fully and fairly present the current and projected financial condition of the programs. This summary of the 2022 reports presents results based on the intermediate set of assumptions, which represents our best estimates of likely future demographic, economic, and program-specific conditions.[1]

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.

The projections presented include our 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.

At this time, there is no consensus among experts on the lasting effects of the COVID-19 pandemic. We currently assume that the pandemic will have no net effect on our long-range projections. In addition, the assumptions for this 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. The Trustees will continue to monitor these and any future developments and modify the projections in later reports as appropriate.

Based on our best estimates, the 2022 reports determine:

- 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, one year later than reported last

[1] In addition to the results summarized in this document under the best-estimate, intermediate set of assumptions, the Trustees Reports include results illustrating ranges of uncertainty in measures of trust fund actuarial status. One approach develops results under low-cost and high-cost alternative sets of assumptions. A second approach conducts an analysis of the sensitivity of the projection to different assumptions by varying one assumption parameter at a time.

year. At that time, the fund's reserves will become depleted and continuing tax income will be sufficient to pay 77 percent of scheduled benefits.

- The Disability Insurance (DI) Trust Fund, which pays disability benefits, is no longer projected to be depleted within the 75-year projection period. By comparison, last year's report projected that it would be able to pay scheduled benefits only until 2057.

- 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. 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. At that time, the combined funds' reserves will become depleted and continuing tax income will be sufficient to pay 80 percent of scheduled benefits.
- 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, two years later than 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 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. Due to these funding provisions and the rapid growth of its costs, SMI will place steadily increasing demands on both taxpayers and beneficiaries.

- 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. Under the law, two such consecutive determinations of projected excess general revenue constitute a "Medicare funding warning." Under current law and the Trustees' projections, such determinations and warnings will recur every year through the 75-year projection period.

Key Changes Since Last Year

The long-range 75-year actuarial deficit of the combined OASI and DI Trust Funds decreased from 3.54 to 3.42 percent of taxable payroll since the 2021 reports.[2] As shown in Table 1, this result was due to the combined effects of changes in methodology, legislation, regulation, economic, demographic, and programmatic assumptions, and recent observed experience. The following changes had the largest effects on the actuarial deficit.

- One long-range ultimate assumption was changed. The disability incidence rate was reduced from 5.0 to 4.8 per thousand individuals who meet insured requirements but who are not receiving benefits, reflecting that program applications and incidence rates have continued to decline in recent years from a peak in 2010.
- Changes were made to near-term demographic data and assumptions to reflect updated birth and immigration data and to better reflect the expected effects of the recovery from the pandemic.
- Changes were made to near-term economic data and assumptions reflecting that the recovery of employment, earnings, and GDP from the 2020 recession has been faster and stronger than projected in last year's report, resulting in higher payroll tax receipts and higher revenue from income taxation of Social Security benefits. Real interest rates are projected to be slightly higher in the near term, lowering the present value of projected future deficits.
- The 75-year valuation period advanced from 2021-95 to 2022-96.

[2] The 75-year actuarial balance is a summary measure that calculates the difference between the projected summarized income rate and the summarized cost rate of the trust funds as a percentage of taxable payroll. When that balance is negative, or in "deficit," projected income over the long-range valuation period (2022-96 for the 2022 reports) plus any trust fund reserves at the start of the period are insufficient to pay all program costs over the period and leave an adequate "contingency reserve" at the end of the period.

Table 1.—Change in the OASDI 75-Year Actuarial Balance Since the 2021 Report, Based on Intermediate Assumptions
[As a percentage of taxable payroll]

Item	OASI	DI	OASDI
Shown in the 2021 report:			
Actuarial balance	**-3.46**	**-0.08**	**-3.54**
Changes in actuarial balance due to changes in:			
Legislation / Regulation	.00	.00	.00
Valuation period	-.05	-.01	-.06
Demographic data and assumptions	-.04	.00	-.04
Economic data and assumptions	.13	.00	.13
Disability data and assumptions	.00	.08	.07
Methods and programmatic data	.01	.00	.01
Total change in actuarial balance	.05	.07	.12
Shown in the 2022 report:			
Actuarial balance	**-3.41**	**-.01**	**-3.42**

Note: Totals do not necessarily equal the sums of components due to rounding. A negative actuarial balance is a deficit.

The long-range 75-year actuarial deficit of the HI Trust Fund decreased from 0.77 to 0.70 percent of taxable payroll. As shown in Table 2, this result was due to the combined effects of economic, demographic, and programmatic assumptions, including the changes discussed above for OASDI, as well as adjustments to assumptions about private health plan spending.

Table 2.—Change in the HI 75-Year Actuarial Balance Since the 2021 Report, Based on Intermediate Assumptions
[As a percentage of taxable payroll]

Shown in the 2021 report:	
Actuarial balance	**-0.77**
Changes in actuarial balance due to changes in:	
Valuation period	-.01
Base estimate	.00
Private health plan assumptions	.07
Hospital assumptions	-.03
Other provider assumptions	-.02
Other economic and demographic assumptions	.06
Total change in actuarial balance	.07
Shown in the 2022 report:	
Actuarial balance	**-.70**

Note: A negative actuarial balance is a deficit.

Conclusion

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 will 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.

By law, there are six Trustees, four of whom serve by virtue of their positions in the Federal Government: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, and the Commissioner of Social Security. The other two Trustees are public representatives appointed by the President, subject to confirmation by the Senate. The two Public Trustee positions have been vacant since 2015.