

# **Social Security & Medicare Explained:** Top 10 Questions & Answers

*A Chartbook from the Bipartisan Policy Center's Economic Policy Project*

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# About This Chartbook

Social Security and Medicare are critical social insurance programs the American people rely upon. They provide crucial support and have stood the test of time, contributing to the financial security of millions in the United States.

And yet, there is no question that this safety net is facing substantial financing challenges. If left unaddressed, these programs' trust funds will run out and their spending (e.g., benefits) will face drastic cuts.

This chartbook explains **what you need to know about the status of Social Security and Medicare** – who the programs cover, how they are funded, and what their financial outlook is – in 10 questions and answers.



# Table of Contents

**Question 1:** How many people receive Social Security and Medicare benefits?.....p. 4

**Question 2:** How important is Social Security for seniors as a source of income?.....p. 5

**Question 3:** How important is Medicare for seniors as a source of health care coverage?.....p. 6

**Question 4:** How is Social Security funded?.....p. 7

**Question 5:** How is Medicare funded?.....p. 8

**Question 6:** How much of the federal budget do Social Security and Medicare comprise?.....p. 9

**Question 7:** What is the state of the Social Security trust funds?.....p. 10

**Question 8:** What is the current outlook for Social Security’s finances?.....p. 11

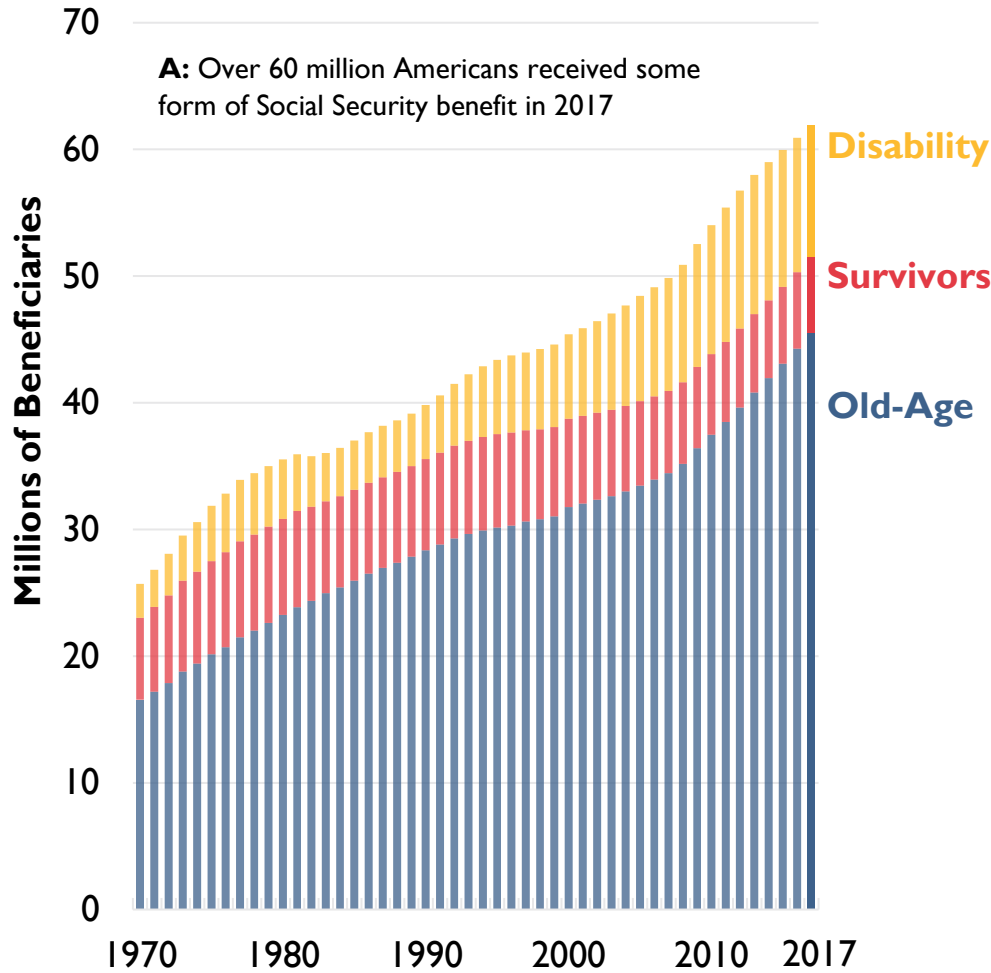
**Question 9:** What is the state of the Medicare Hospital Insurance trust fund?.....p. 12

**Question 10:** What is the current outlook for Medicare’s finances?.....p. 13



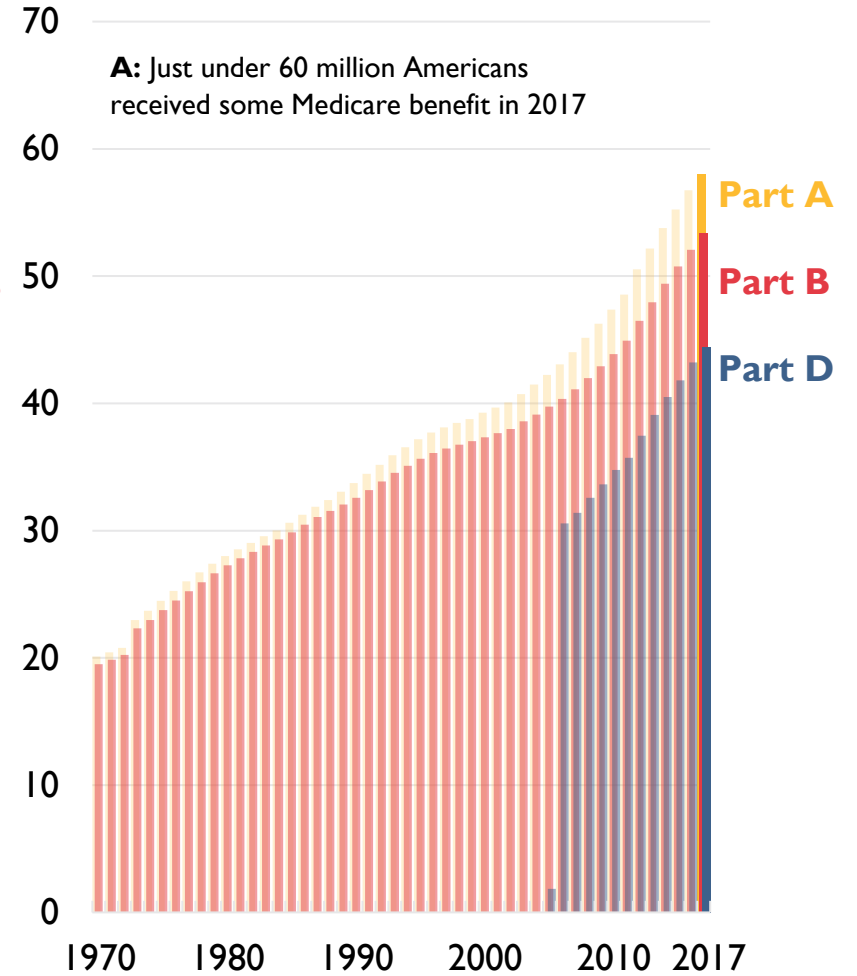
# Q1: How many people receive Social Security and Medicare benefits?

## Social Security Beneficiaries



Source: 2018 Social Security Trustees' Report

## Medicare Beneficiaries

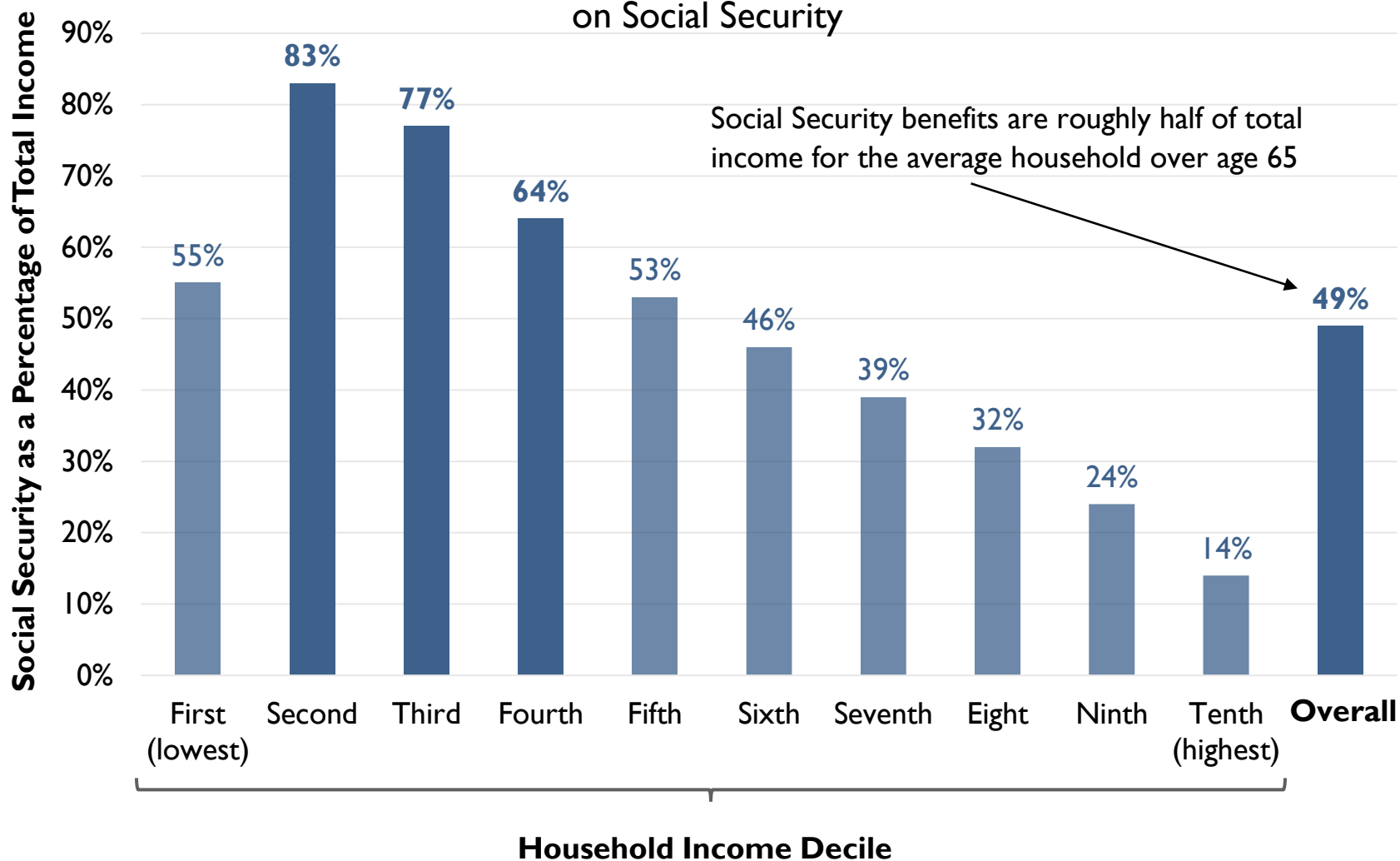


Source: 2018 Medicare Trustees' Report



## Q2: How important is Social Security for seniors as a source of income?

**A:** America's seniors, especially those with moderate incomes, rely heavily on Social Security

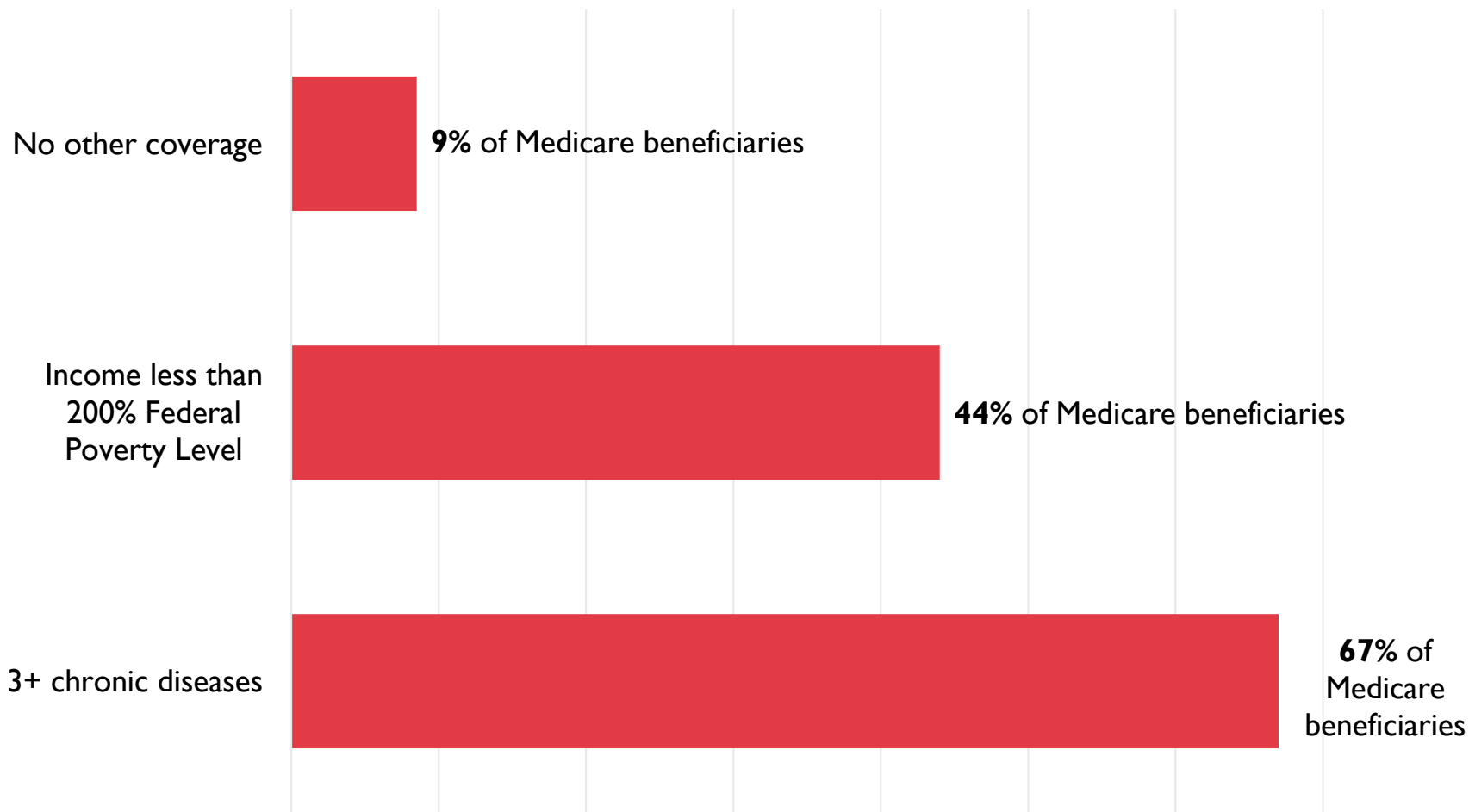


Source: SSA and IRS administrative records, from U.S. Census Bureau Working Paper No. SEHSD-WP2017-39



### Q3: How important is Medicare for seniors as a source of health care coverage?

**A:** Medicare accounts for **20%** of health care spending nationwide, and it is critically important to many older Americans and people with disabilities

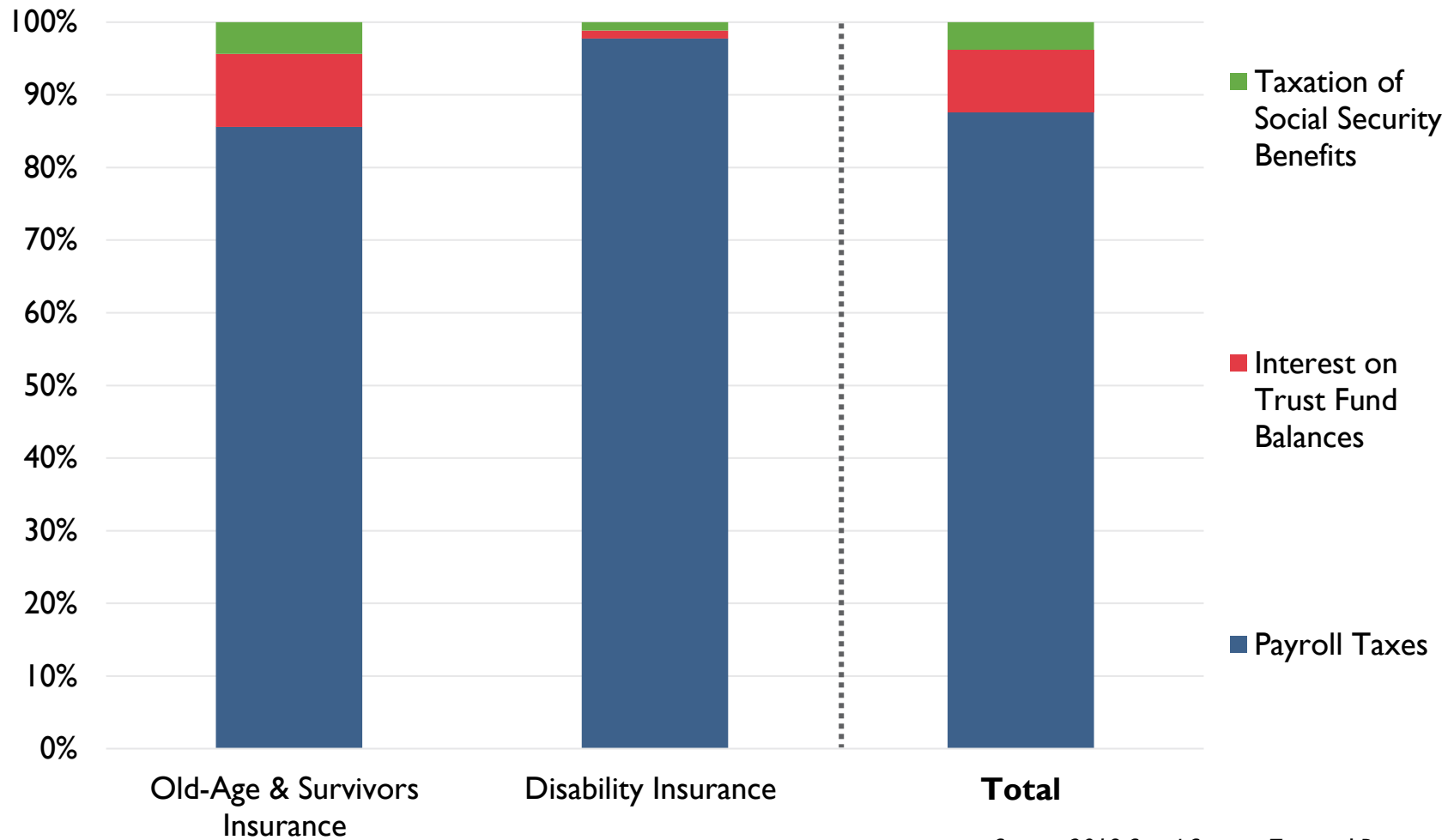


Source: Centers for Medicare & Medicaid Services, Current Beneficiary Survey 2015



## Q4: How is Social Security funded?

**A:** Social Security is funded mainly through payroll taxes, with a few other minor revenue sources

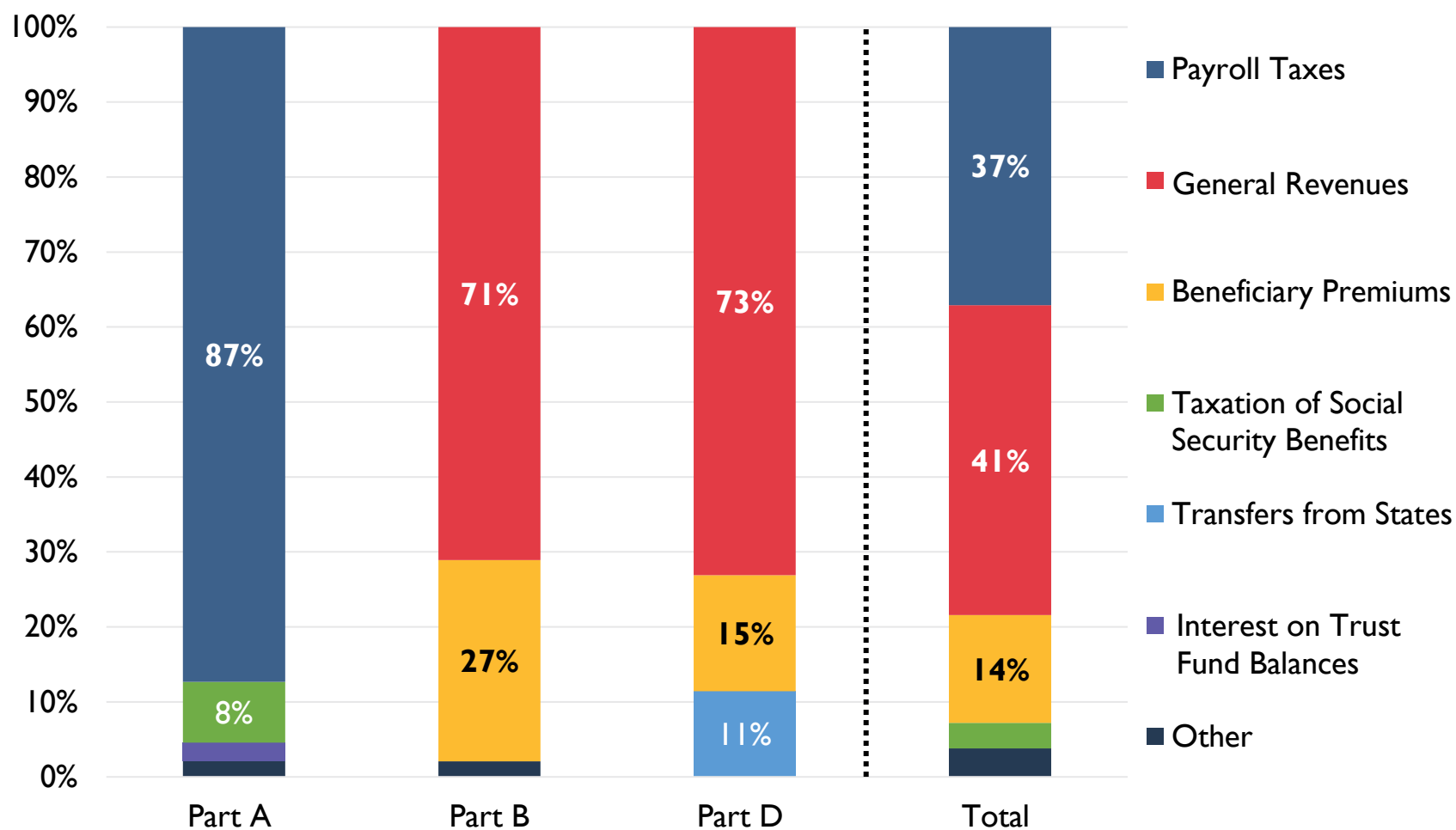


Source: 2018 Social Security Trustees' Report



## Q5: How is Medicare funded?

**A:** Medicare is funded through a combination of payroll taxes, general revenues, premiums, and other sources



Source: 2018 Medicare Trustees' Report

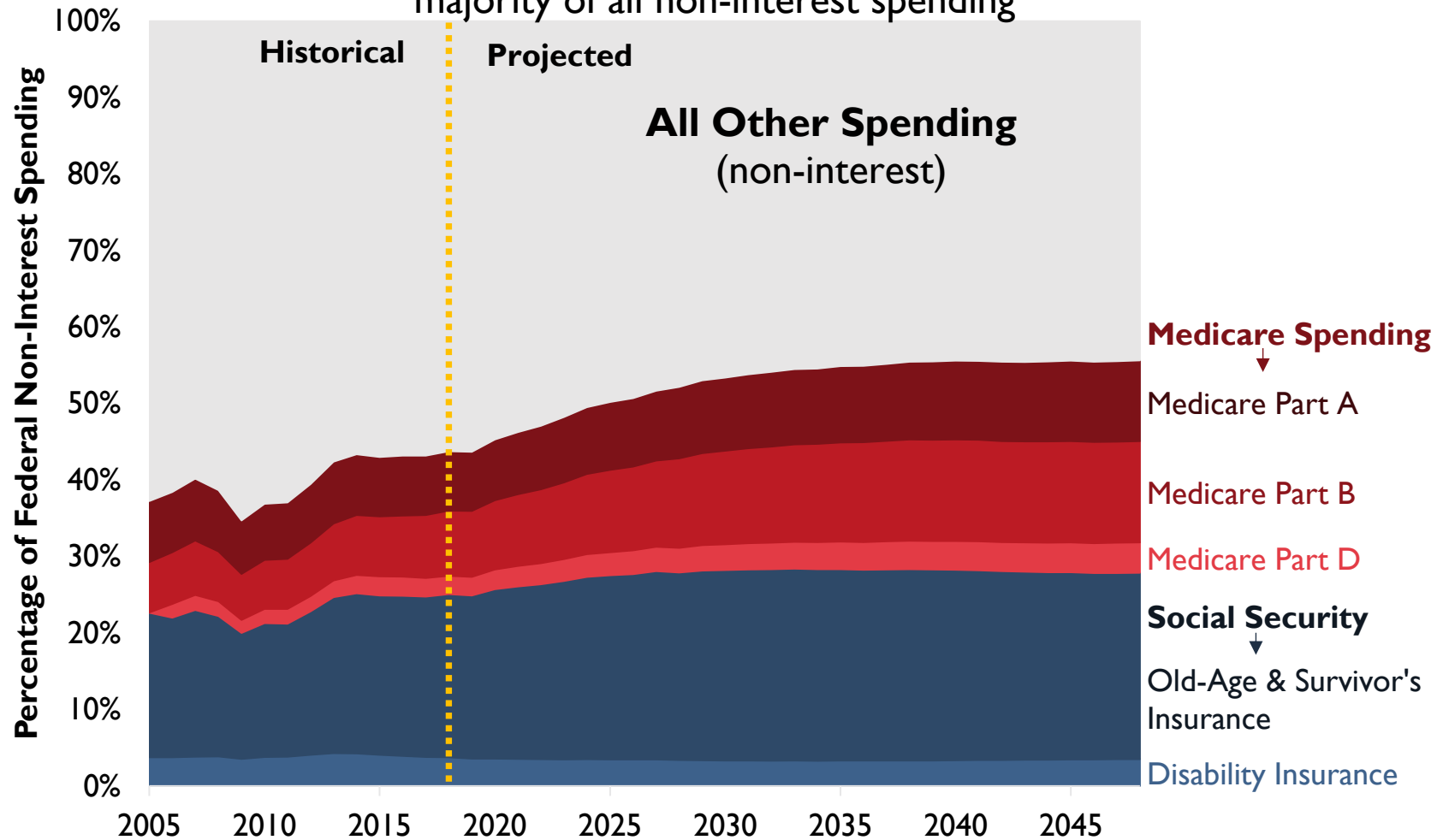
Note: Revenue sources under 2 percent are included in "Other" category.





**Q6: How much of the federal budget do Social Security and Medicare comprise?**

**A:** Social Security and Medicare are large and are projected to grow as a percentage of the federal budget, eventually constituting the majority of all non-interest spending

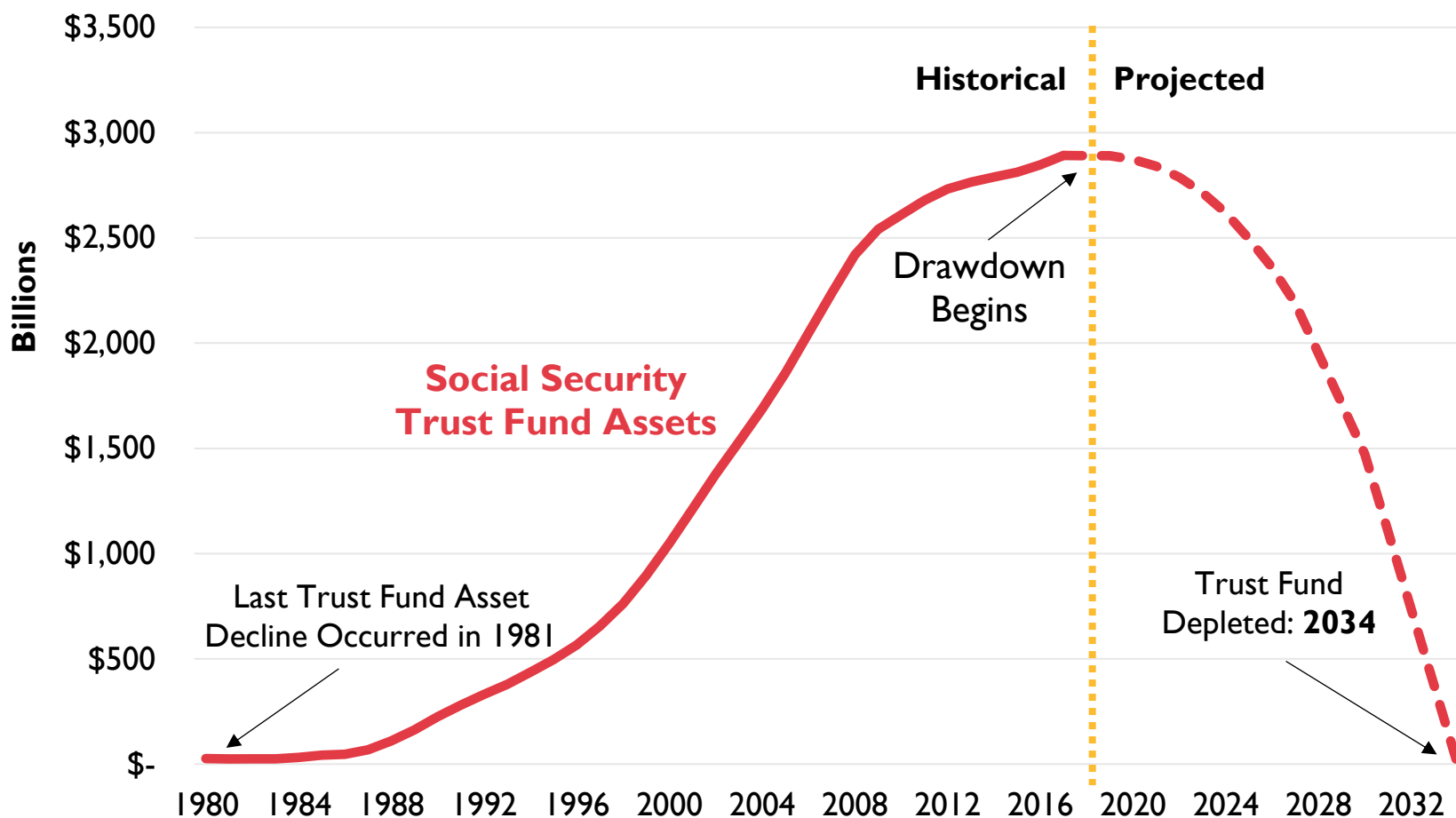


Sources: Congressional Budget Office; 2018 Social Security and Medicare Trustees' Reports



## Q7: What is the state of the Social Security trust funds?

**A:** For the first time since 1981, Social Security's combined assets declined in 2018, as the trust funds began drawing down to pay the benefits of baby boomers



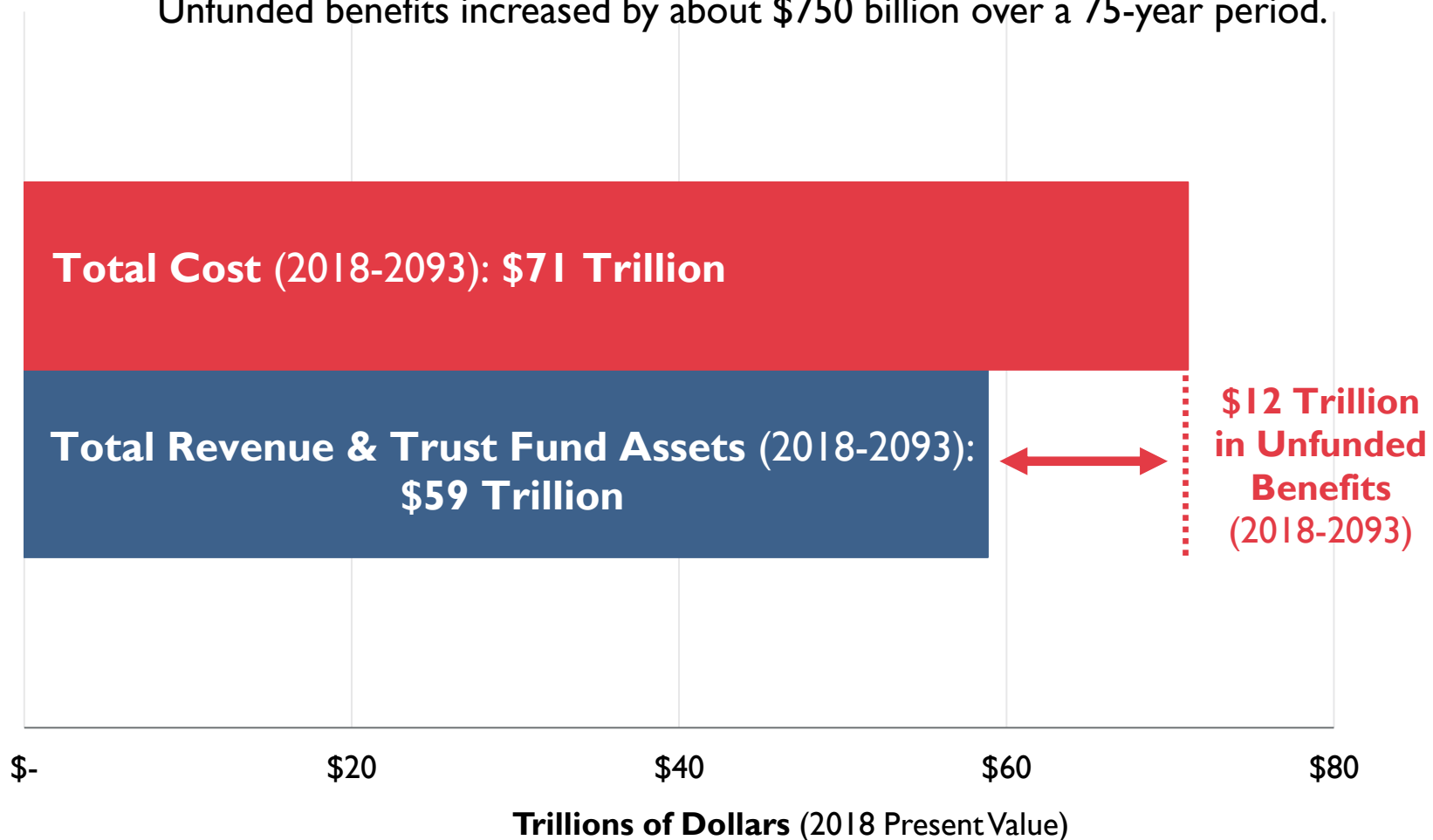
Source: 2018 Social Security Trustees' Report, BPC staff extrapolations for years 2027-2030 and 2031-2033



Note: The Social Security program has two separate trust funds – one for old-age and survivors insurance and the other for disability insurance. The two trust funds do not share assets, but for illustrative purposes, their assets are often combined when summarizing program finances.

## Q8: What is the current outlook for Social Security's finances?

**A:** Social Security's finances are slightly worse compared to 2017. Unfunded benefits increased by about \$750 billion over a 75-year period.



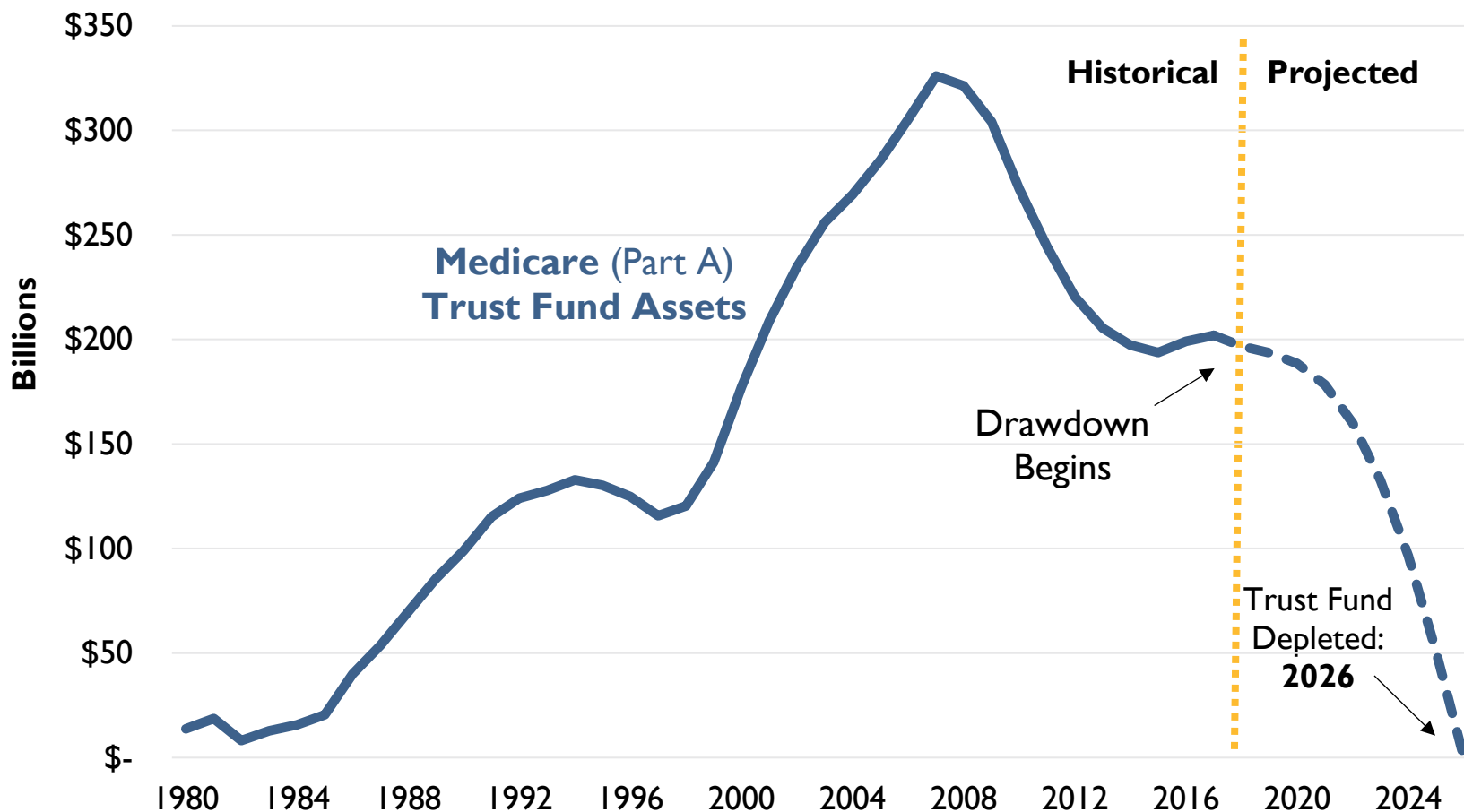
Sources: 2017 & 2018 Social Security Trustees' Reports

Note: Data shown only for old-age and survivors insurance, not disability insurance.



## Q9: What is the state of the Medicare Hospital Insurance trust fund?

**A:** Medicare Part A (Hospital Insurance) assets declined in 2018 as the trust fund began drawing down to pay benefits



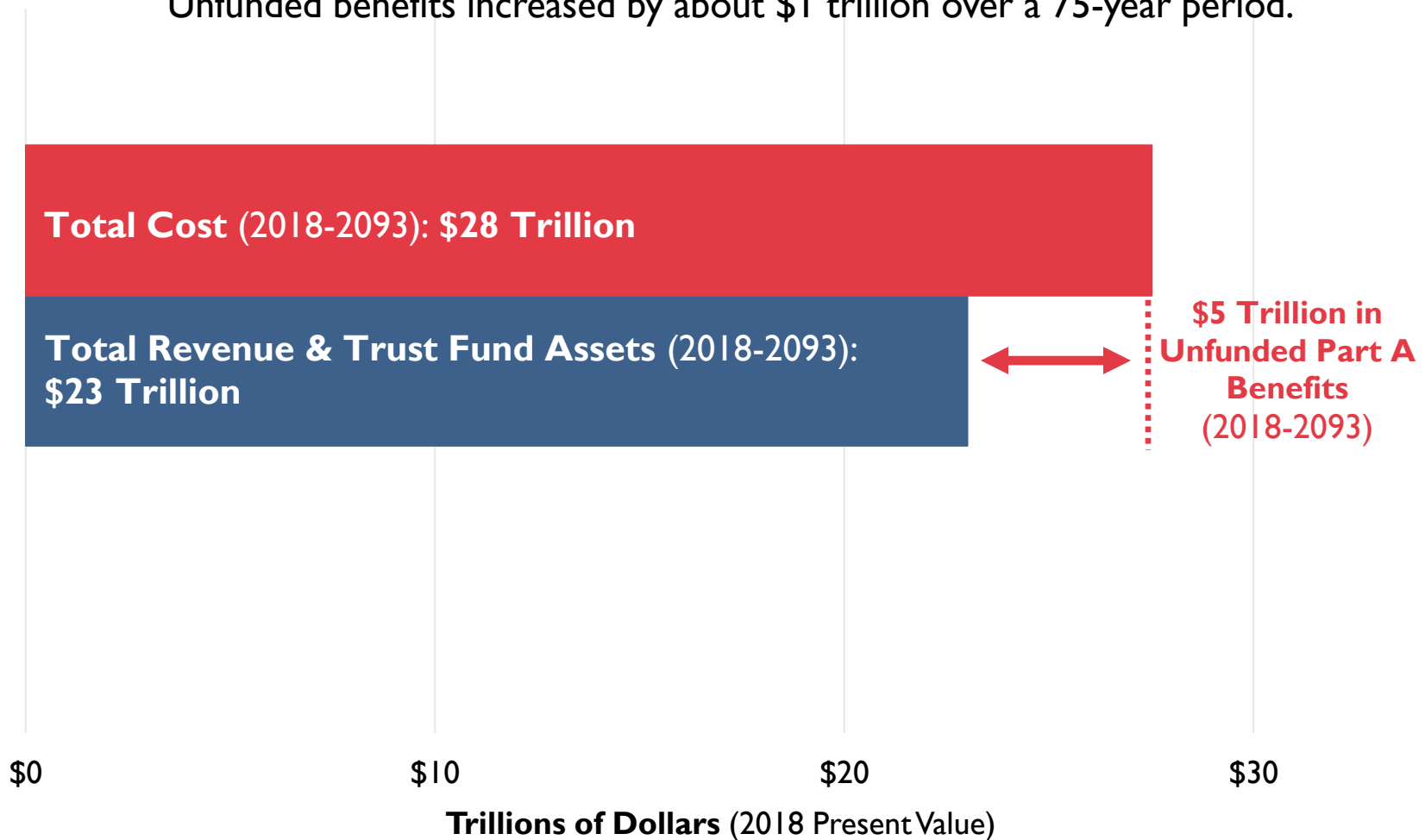
Source: 2018 Medicare Trustees' Report

Note: Medicare Part A generally covers inpatient hospital care, skilled nursing, hospice care, and other related services.



## Q10: What is the current outlook for Medicare's finances?

**A:** Medicare Part A's finances are significantly worse compared to 2017. Unfunded benefits increased by about \$1 trillion over a 75-year period.



Sources: 2017 & 2018 Medicare Trustees' Reports



