



# A Guide to the 2017 Social Security and Medicare Trustees' Reports

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Former Public Trustees of the Social Security and Medicare Trust Funds Charles P. Blahous III, Ph.D. and Robert D. Reischauer, Ph.D.



BIPARTISAN POLICY CENTER

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# Executive Summary

The public trustees for Social Security and Medicare have been essential to the oversight of program finances since the official positions were established in 1983. These individuals are tasked with ensuring that the trustees' reports for Social Security and Medicare—the primary sources of information on the programs' finances—are developed in an objective manner.

Unfortunately, for the past two years, the public trustee positions have gone unfilled. As the most recent holders of these positions, we have partnered with the Bipartisan Policy Center to provide independent analysis of the trustees' reports while the positions remain vacant.

Our review of the trustees' 2017 annual reports on the financial conditions of Social Security and Medicare has led to the following conclusions:

- **Both Social Security and Medicare face substantial and certain financing problems that will continue to worsen until corrective legislation is enacted.** Social Security's combined trust funds currently face a long-range (75-year) financing shortfall equal to 17 percent of projected program costs, while the Medicare Hospital Insurance (HI) program faces a long-range shortfall equal to 14 percent of its projected costs. As these respective trust funds near depletion, their deficits will become larger and more difficult to correct. This is especially true for Social Security, for which 23 percent of benefits would lack financing at the point of combined trust fund depletion in 2034, gradually increasing to 27 percent 75 years from now. Because Medicare's Supplementary Medical Insurance (SMI) trust fund is financed largely from general government funds rather than a separate payroll tax in the manner of the other trust funds, its growing costs will place mounting pressure on the federal budget over the coming decades. **Lawmakers' current posture of inaction with respect to Social Security and Medicare finances is clearly untenable.**
- **The window of opportunity for repairing Social Security and Medicare finances is closing.** The trustees' reports document how various strategies for addressing program shortfalls will become increasingly impractical if program finances are not addressed soon. For example, policymakers have historically enacted changes to strengthen these programs' finances without decreasing the benefits of individuals already receiving them. If policymakers took this approach today, closing the Social Security shortfall without raising taxes would require a benefit reduction of 20 percent for those becoming eligible after 2017. If action were delayed until 2034, when Social Security's trust funds are depleted, only changing benefits for newly eligible beneficiaries (even 100 percent reductions in benefits) would be insufficient to maintain continuous trust fund solvency. Alternatively, pursuing solvency through payroll tax rate increases, starting in 2034, would require the combined employer-employee Social Security tax to increase from 12.4 percent to 16.4 percent. Similarly, a Medicare HI tax increase from 2.9 percent to 3.7 percent would be needed at its point of depletion in 2029—which would result, along with the aforementioned Social Security payroll tax increase, in a total payroll tax rate exceeding 20 percent.

- **Further delaying fixing program finances will almost certainly result in solutions that both sides of the American political spectrum regard as unacceptable, and far less tolerable than the available policy options—unpalatable though they may appear—if action were taken sooner.** Continued delay reduces the cost savings achievable by prospective changes to Social Security benefits and Medicare insurance payments, thereby increasing the programs' revenue needs. Because of this, policy advocates who oppose payroll tax increases should favor compromise approaches that stabilize program finances before revenue requirements mount further. At the same time, the objectives of policy advocates who want to protect benefits from reductions are similarly jeopardized by further delay. This is because as the funding shortfalls for these programs grow, the size of the payroll tax increases needed to close them will become impractically large. This limitation will unavoidably lead to larger reductions in benefit payments, or a bailout from the general government fund. Were Social Security or Medicare HI to be financed significantly from general revenues, these programs would be forced to compete annually for funding against other government priorities, while the longstanding political protections—that thus far have shielded beneficiaries from sudden changes to benefit levels and eligibility rules—would be sacrificed. Thus, the policy interests of both sides of the American political spectrum will be harmed by continued delay.
- **Risks of inaction are greatest for economically vulnerable Americans.** Projections by BPC's Commission on Retirement Security and Personal Savings (referred to hereafter as "the commission") show that in the absence of legislated corrections to Social Security's financial shortfall, the poverty rate among Americans aged 62 and older will increase by over 20 percent in 2035 relative to recent levels.<sup>a</sup> This increased incidence of poverty would be greatest among historically disadvantaged groups, including African Americans and those lacking a high school education. Policymakers face difficult trade-offs: reducing program benefits risks undermining income security, whereas solutions based entirely on tax increases risk lowering workforce participation as well as worker standards of living, particularly for vulnerable populations. Retirement security proposals made by the commission demonstrate there is still time to enact a solution that would repair program finances while reducing poverty among elderly Americans and improving the program's work incentives.<sup>1</sup>
- **Medicare and Social Security are placing increasing pressure on the federal budget.** The challenges of financing Medicare and Social Security are substantial and continue to grow, even though trust fund insolvency is a number of years away. The latest trustees' report summary finds that the combined general revenue needs of the two programs in 2017 equals \$311 billion, with the vast majority of this consisting of the general revenue financing for Medicare SMI. Increasing SMI costs and general fund payments to meet other program revenue commitments (such as interest payments and bond redemptions) will place increased pressure on the general fund in future years.

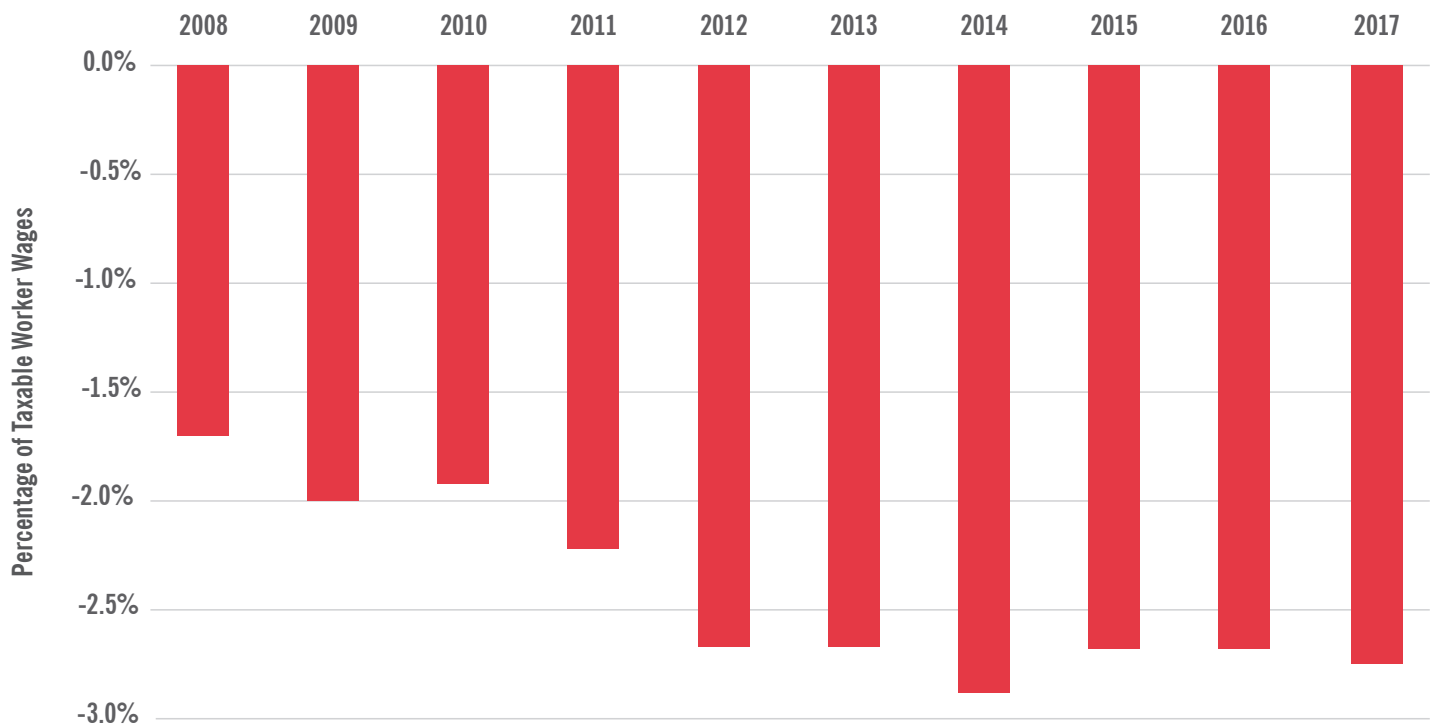
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<sup>a</sup> Modeling for the commission was conducted by the Urban Institute using its DYNASIM3 model.

# Social Security and Medicare's Financial Conditions

The duties of the Social Security and Medicare trustees to monitor and report on the programs' financial conditions were described more fully in our June 2017 BPC publication, "The Upcoming Social Security and Medicare Trustees' Reports: A Preview." Consistent with previous trustees' reports, the 2017 reports find that both programs face significant and growing financing challenges requiring legislation to correct. Specifically, both the Social Security Disability Insurance (DI) trust fund and the Medicare HI trust fund fail the trustees' test of short-range financial adequacy, while the Social Security Old-Age and Survivors' Insurance (OASI) trust fund fails their test of long-range financial adequacy.

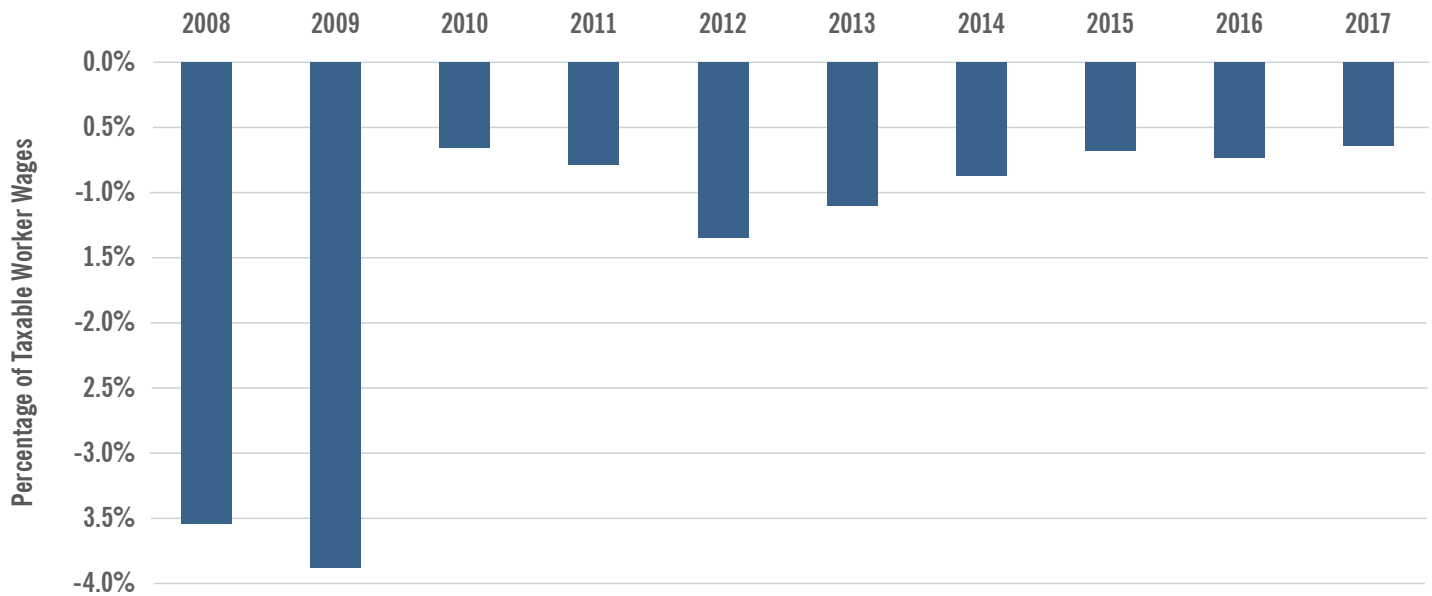
**Figure 1. Combined Social Security (OASDI) Trust Funds Long-Range Financing Shortfall**



Source: 2008-2017 Social Security Trustees' Reports

Averaged over the next 75 years, the projected financing shortfall in Social Security's combined (OASDI) trust funds equals 2.83 percent of the program's tax base, which consists of workers' wages subject to the Social Security payroll tax. This equates to 21 percent of the program's non-interest income or 17 percent of its costs. The similarly calculated long-range shortfall in the Medicare HI trust fund is equal to 0.64 percent of taxable worker wages, which equates to 16 percent of non-interest income or 14 percent of its costs. These and other important measures of the programs' financial conditions are tabulated in the appendix to this report (see Appendix A).

**Figure 2. HI Trust Fund Long-Range Financing Shortfall**



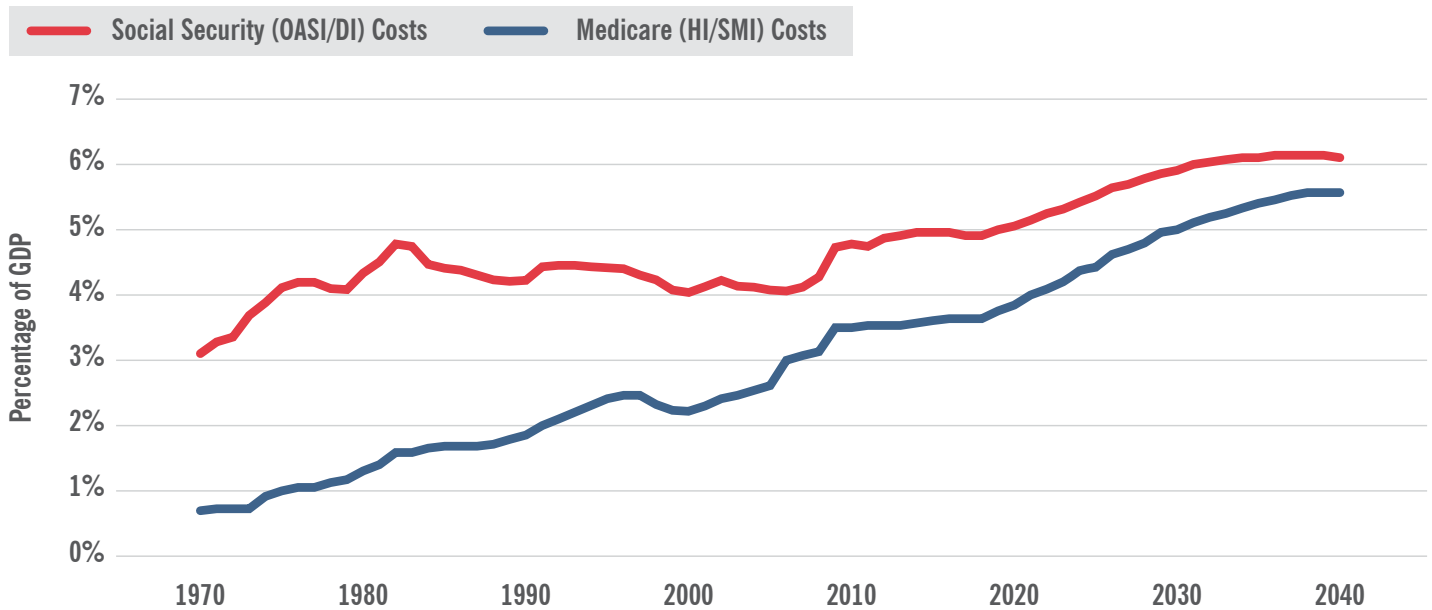
**Source:** 2008-2017 Medicare Trustees' Reports

**Note:** The large reduction in HI's actuarial imbalance from 2009 to 2010 is attributable primarily to enactment of the ACA's provisions affecting Medicare HI operations.

The Medicare SMI trust fund operates somewhat differently from the OASI, DI and HI trust funds in that its solvency is ensured in statute. Roughly three-quarters of SMI revenues are provided by the federal government's general fund, with most of the rest derived from premiums collected from participants. Both the general revenue transfer to the trust fund and premium levels are automatically adjusted annually to maintain trust fund adequacy. However, this does not mean SMI does not generate financial strains.

Financial strains in SMI are manifested not in the threat of program insolvency but in rising financial pressures on premium-paying beneficiaries and federal taxpayers. The 2017 trustees' reports project that, without further reforms, Medicare SMI cost growth will continue to outpace national economic growth. This year Medicare SMI will require \$287 billion in general revenue financing, or roughly 1.5 percent of GDP. These general revenue demands will rise to 2.7 percent of GDP by the end of the trustees' valuation period. Overall, total Social Security and Medicare costs are projected to rise from 8.5 percent of GDP today to 11.5 percent in 2035.

**Figure 3. Social Security and Medicare Cost as a Percentage of GDP, 1970-2040**



Source: 2017 Social Security and Medicare Trustees' Reports

Social Security finances involve two distinct trust funds (OASI and DI) each of which under law must remain solvent to permit full benefit payments. Of the four trust funds the trustees monitor, the DI trust fund faces the earliest projected depletion (2028). Though Social Security's disability program faces unique policy challenges, it would be a mistake to interpret Social Security's financial shortfalls as being more serious in its disability program than its old-age and survivors (retirement) benefit program. In both absolute and relative terms, the OASI trust fund faces a larger long-term imbalance (with only 75 percent of benefits payable upon trust fund depletion) than the DI trust fund (93 percent of benefits payable upon trust fund depletion). The primary reason the DI trust fund faces earlier insolvency is that the baby boomers pass through the ages of peak disability incidence (drawing upon the DI trust fund) before reaching retirement age when they begin drawing upon the OASI trust fund.

A critical measure of trust fund adequacy is the "trust fund ratio" (TFR). This metric compares the assets held by a specific trust fund at the beginning of a year to projected expenditures over the coming year, illuminating the relative adequacy of trust fund assets. For example, a TFR of 100 indicates reserves sufficient to finance one year's worth of benefits, whereas a TFR of 200 would be sufficient to finance two years of benefits. Each of the OASI, DI, and HI trust fund ratios have been declining for several years. The DI TFR peaked in 2003 and currently stands at only 31, indicating reserves sufficient to finance only four months' worth of benefits. The OASI TFR has declined since 2011. The HI TFR also peaked in 2003 and its current-year TFR of 67 indicates reserve levels sufficient to fully finance benefits for only eight months. Both HI and DI fail the trustees' short-range financial adequacy test due to their low trust fund balances, and both are therefore highly susceptible to substantial changes in their dates of projected depletion if in the future the trustees were to make even minor changes in their projected revenue or expenditure trends.



# Critical Variables Underlying the Trustees' Analysis

Over the next two decades, rapid cost growth in both Social Security and Medicare will be driven primarily by increases in the numbers of beneficiaries as more members of the large baby boom generation join the beneficiary rolls. Prior to the first boomer collecting Social Security early retirement benefits in 2008, the ratio of contributing workers to recipient beneficiaries stood at 3.3. That ratio has since declined to 2.8 and is projected to drop to 2.1 by 2040.

While the increasing number of beneficiaries is the principal driver of Medicare cost growth for the near future, Medicare faces the additional challenge of rapid growth in expenditures per beneficiary throughout the near-term projection period. After the mid-2030s, cost growth in each program is projected to decelerate, in part because population aging will become more gradual after the baby boomers have retired, and in part because the trustees project slower per-capita Medicare spending growth later on. Cost projections over such long timespans are attended by very high levels of uncertainty, especially in Medicare due to the difficulty of projecting health care expenditure growth.

Despite long-range projection uncertainty, the existence of substantial financing shortfalls in both Social Security and Medicare should be understood as being quite certain, deriving as they do from largely unalterable demographic factors. Put more simply, the baby boomers whose retirements will strain program finances are already with us, and will add to the beneficiary rolls in relatively certain numbers, barring sudden changes in program eligibility rules. As one example of this certainty, consider that in the trustees' stochastic analysis of the Social Security projections, every scenario throughout the 80 percent confidence band (from the 10<sup>th</sup> percentile to the 90<sup>th</sup>), shows depletion of its combined trust funds sometime in the 2030s. The total variance in the depletion date under this full range of scenarios is only eight years. Under any scenario that can be regarded as remotely realistic, lawmakers should enact legislative corrections as soon as can be practicably accomplished.

Each year the trustees make assumptions for critical demographic and economic variables, including factors bearing upon the projections such as birth rates, death rates, immigration rates, productivity growth, real wage growth, price inflation, unemployment, interest rates, disability incidence, labor force participation, and health expenditure growth. Throughout the recent period when public trustees have not overseen and participated in the projection process, the *ex officio* trustees have exercised a commendable caution, refraining from making significant changes to these fundamental assumptions. However, as time passes, it will become more difficult for the trustees to leave critical assumptions unchanged, irrespective of whether public trustees are confirmed to serve. We believe that the restoration of public trustees to the process will help safeguard the credibility of the projections when such adjustments must inevitably occur.

For example, the trustees' 2017 assumptions for net immigration levels remained essentially similar to those assumed in the 2016 report notwithstanding the new administration's expressed intention to reduce net flows through executive actions. The trustees made only minor changes in 2017 to the 2016 assumptions, specifically assuming that certain parts of President Obama's executive actions would not be implemented. Both the 2016 and 2017 reports assumed higher net immigration rates over the long term than previous reports. If future immigration policies and other ongoing trends instead produce lower net immigration rates than now assumed, the actuarial balances of OASDI and HI would likely be worsened.

In addition, the trustees have assumed for several years that certain provisions of the Affordable Care Act (ACA), notably its excise tax on so-called Cadillac health insurance plans, will effectively reduce health insurance premium growth and thereby increase the amount of worker compensation received as wages subject to the payroll tax. The longer lawmakers continue to postpone the imposition of the Cadillac plan tax, the less of this assumed positive effect on wage growth will be realized. Lower real wage growth would have a negative effect on program actuarial balances. In addition to these specific variables, the trustees must continually reassess whether many other critical assumptions, such as mortality rates and birth rates, should be revised in future reports.

Both the Social Security and Medicare trustees' reports generally illustrate projection uncertainty by modeling the effects of deviations from key economic and demographic assumptions. Beyond this, the Medicare report contains additional illustrative projections designed to model policy uncertainty. An illustrative alternative scenario developed by the CMS Medicare Chief Actuary models an alternative policy future in which certain current-law provisions, such as the physician payment schedule under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) and certain Medicare cost-containment provisions of the ACA, are gradually relaxed in the 2020s and 2030s to enable provider reimbursement rates to grow more in line with projected health costs. Under this alternative scenario, total Medicare costs would be considerably higher than in the baseline projections, reaching 9.0 percent of GDP (as opposed to 6.2 percent) by the end of the trustees' long-range valuation period.

# *The Adverse Consequences of Delaying Financial Corrections*

The financing shortfalls in Social Security and Medicare HI are already large enough that closing them poses significant policy and political challenges, which are rapidly growing more difficult to surmount. To close Social Security's aggregate shortfall with action today would require corrections equal to an immediate increase in its payroll tax rate from 12.4 percent to 15.2 percent, or to a 20 percent reduction in benefits for all future claimants. At the point of combined trust funds depletion, the payroll tax increase would need to be from 12.4 percent to 16.4 percent while alternatively, wholly eliminating benefits for new claimants would be insufficient to maintain continuous trust fund solvency.

The immediate Medicare payroll tax rate increase required to maintain HI trust fund solvency is from 2.90 percent to 3.54 percent, and will rise to 3.70 percent if not imposed until the moment of trust fund depletion. Given how the program is structured, closing the shortfall through insurance payment reductions would affect those previously eligible as well as new claimants. To be sufficient to preserve trust fund solvency, such reductions would need to lower Medicare HI expenditures by 14 percent if enacted today, rising to 17 percent if postponed until trust fund depletion.

Continued delay in repairing Social Security and Medicare financing shortfalls tends to increase program costs, assuming a continued reluctance on the part of lawmakers to reduce benefits for those already eligible to receive them. This means that each successive year of delay excludes another large cohort of baby boomer retirees from contributing to the solution, thereby reducing the numbers of those among whom the burdens of balancing system finances must be spread. This inexorable mathematical progression steadily worsens the individual income losses experienced by those who ultimately participate in repairing financing shortfalls. More specifically, as further delay increases total program outlays, a legislated solution must rely ever more heavily on revenue increases, whether this involves directly increasing Social Security and Medicare payroll taxes or tapping general government revenues. This should provide those with an aversion to tax increases with a powerful incentive to reach a compromise agreement to stabilize Social Security and Medicare finances before further delay tilts the balance in the direction of larger future tax increases.

At the same time, however, the policy interests of those who regard benefits as sacrosanct are similarly threatened by continued delay. The payroll tax increases now required to stabilize Social Security OASDI and Medicare HI finances likely already exceed the amounts that would be deemed broadly acceptable in any bipartisan compromise solution. An example of this truth is the compromise package developed by the BPC's Commission on Retirement Security and Personal Savings (referred to hereafter as "the commission") which contained tax provisions likely to be politically controversial, including an increase in the Social Security payroll tax to 13.4 percent and a hike in the cap on taxable wages from its current \$127,200 to approximately \$200,000 by 2020. Yet even these substantial tax increases would together have closed only roughly half of the program's actuarial imbalance.<sup>b</sup>

To the extent that the Social Security and Medicare financing shortfalls cannot be completely closed via payroll tax increases alone, lawmakers must rely on benefit restraints, insurance payment reductions, or other sources of revenue. These latter

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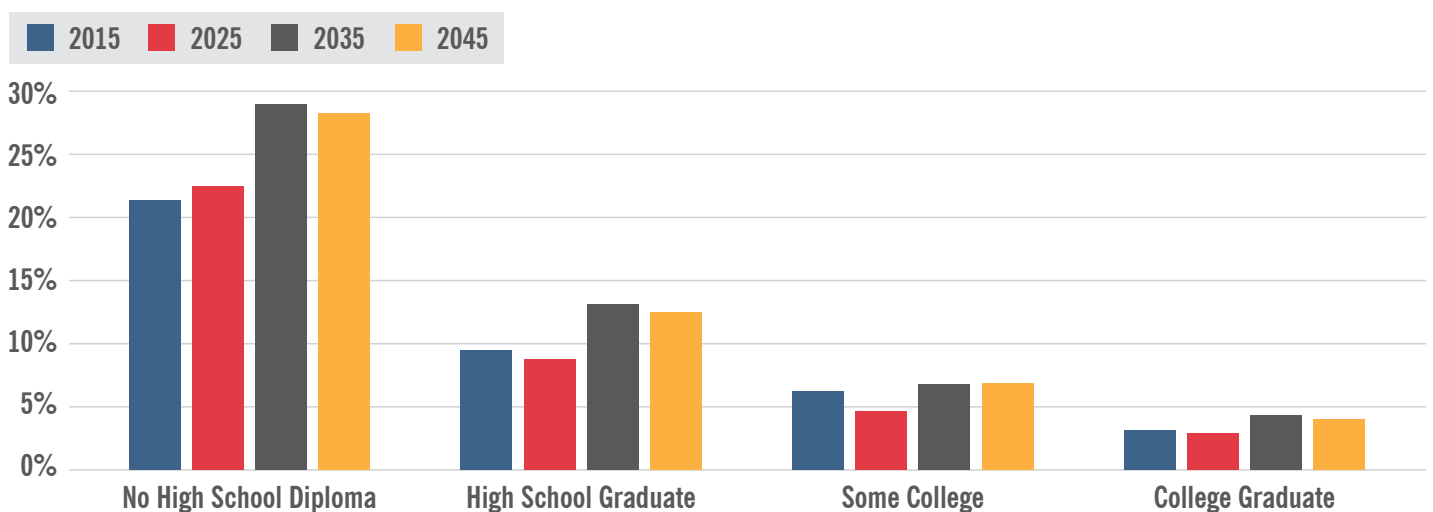
<sup>b</sup> Modeling in the commission's report used assumptions and data from the 2015 Social Security and Medicare Trustees' reports.

approaches pose risks for the income security of beneficiaries. In particular, general revenue financing would force Social Security and Medicare HI to compete annually for funding against other federal budget priorities and undermine the perception that they are self-financing, earned benefit programs. This could result in more frequent changes in benefit levels and eligibility rules. In sum, policy advocates at both ends of the American political spectrum have powerful incentive to pursue repair of Social Security and Medicare finances before further delay.

Delay is also likely to exacerbate the programs’ worsening net treatment of younger generations relative to earlier (that is, older) ones. A table (VI.F2) in the Social Security trustees’ report shows that benefits scheduled for those who have already entered the system exceeds the taxes they have paid and will have to pay by an amount equal to nearly 4 percent of the present value of all future taxable wages. Put more simply, this means that unless current participants—whether retirees or workers—contribute toward the solution, future workers entering the system will experience substantial net income losses through Social Security equal to nearly 4 percent of all future wages, irrespective of whether system finances are balanced via benefit restraints or tax increases. The only way to minimize this adverse treatment of entering workers is for older generations to also contribute to balancing system finances.

Further delay in enacting a solution also extends lingering policy uncertainty, posing a particular threat to economically vulnerable Americans. Under projections undertaken for the BPC’s commission, current-law limitations on payable Social Security benefits would result in a senior poverty rate in 2035 roughly 20 percent higher than today. As shown in Figures 4 and 5, this increased incidence of poverty would be greatest among historically disadvantaged groups, including African Americans and those lacking a high school education. As the commission proposals demonstrate and also reflected in Figure 6, there is still time to enact a solution that would substantially reduce projected poverty among American seniors, while improving the program’s work incentives and requiring smaller revenue increases than existing benefit growth schedules would.<sup>6</sup> As more time passes, it will become prohibitively difficult for these competing objectives to be met.

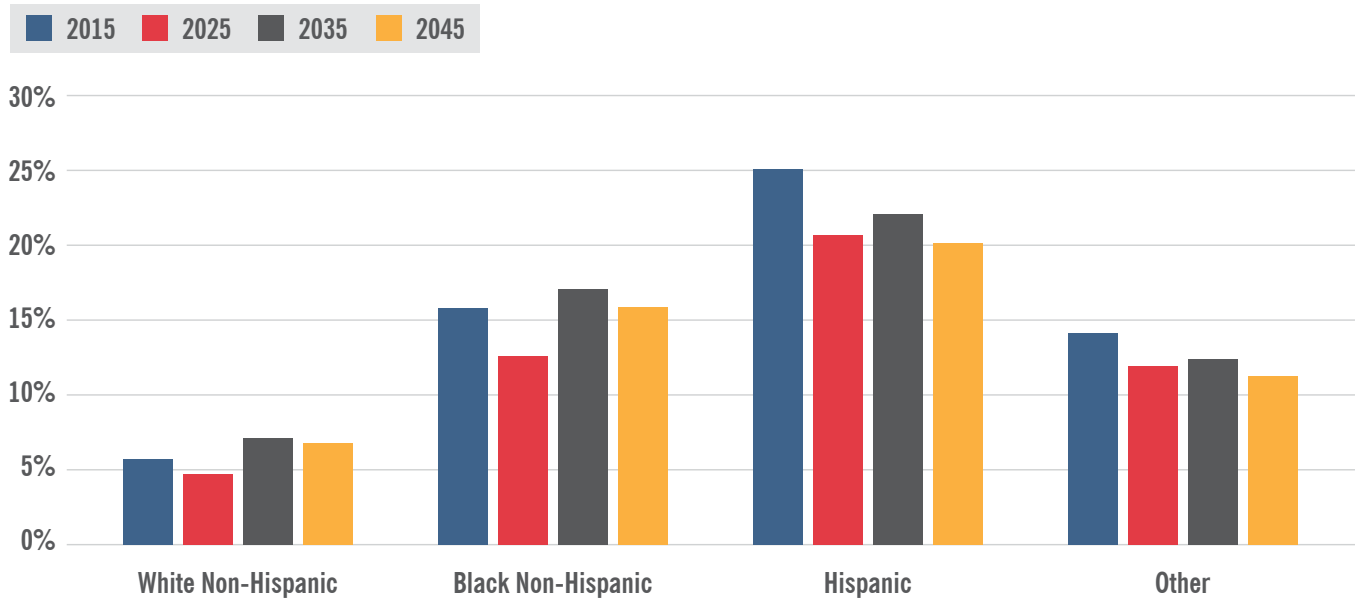
**Figure 4. Poverty Rates for Individuals 62+ Under Payable Social Security Benefits, by Education Level**



Source: The Urban Institute, DYNASIM3

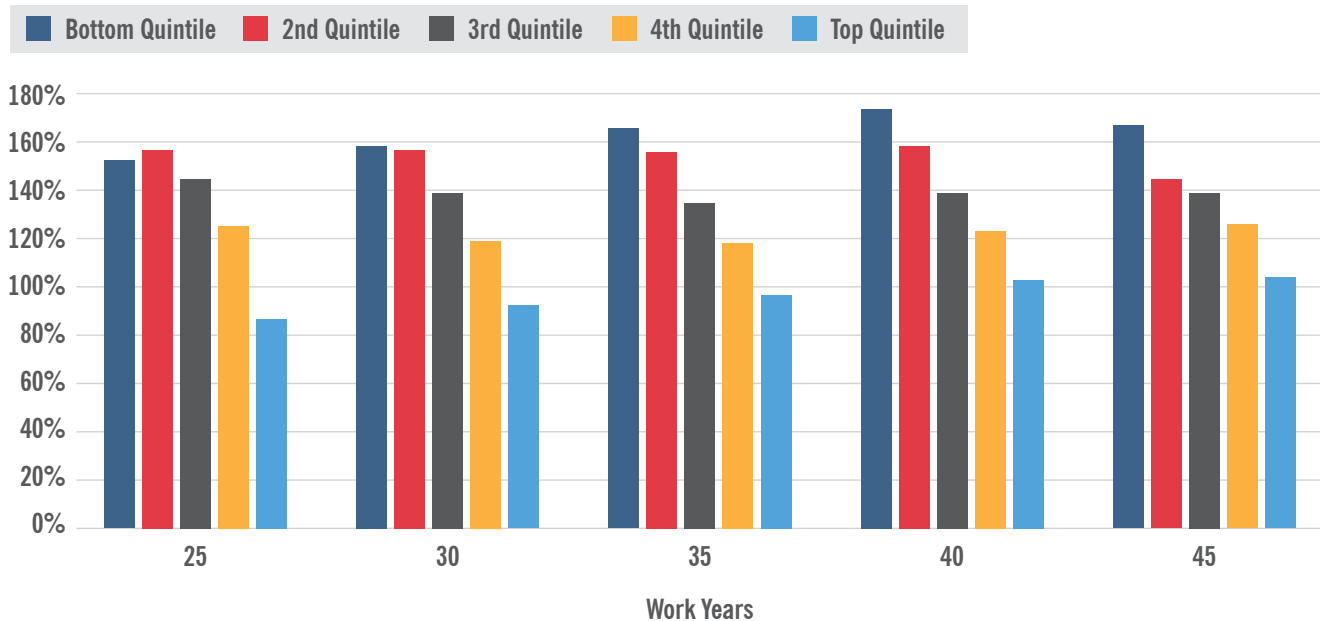
<sup>6</sup> A full description of the commission’s proposals is available at: <https://bipartisanpolicy.org/library/retirement-security>, 78-100.

**Figure 5. Poverty Rates for Individuals 62+ Under Payable Social Security Benefits, by Race**



Source: The Urban Institute, DYNASIM3

**Figure 6. Benefits for Individuals under Commission Proposals, Relative to those Payable under Current Law**



Source: The Urban Institute, DYNASIM3

**Note:** Projected lifetime combined Social Security and SSI benefits under the commission’s proposal versus those payable under current law for hypothetical workers born in 1993 (age 67 in 2060), by years worked and earnings (AIME) quintile.

# *Implications for Federal Government Finances*

A central function of the Social Security and Medicare trustees' reports is to quantify the magnitudes of projected financing shortfalls. To fulfill this responsibility, the reports contain multiple tables and graphs illustrating various characterizations of scheduled benefit obligations. It is important to understand that under current law these benefit obligations would not be paid in the amounts illustrated in many places throughout the reports. Instead, the Social Security and Medicare programs are precluded from spending in amounts exceeding the income to and assets in their trust funds, which under current projections would not provide sufficient resources to finance all scheduled benefits shown.<sup>d</sup>

This limitation should be borne in mind when reviewing all projections in the trustees' reports, whether they are presented from a trust fund perspective or a unified budget perspective. For example, Figure VI.E.4 in the Social Security trustees' report shows various alternative projections for trust fund balances, illustrating several substantially negative scenarios even though, under law, the trust funds do not have borrowing authority and are not permitted to reach such negative balances. Similarly, the scheduled benefit illustrations in table V.C7 of the same report would not be fully payable under current law.

Presentations of the programs' effects on the unified budget in both the Medicare report as well as the combined reports' summary similarly show the substantial pressures that the payment of full scheduled benefits would have on the federal budget. These depictions are intended to illustrate the magnitudes of the spending obligations facing Social Security and Medicare, and not to suggest that the programs have unlimited spending authority.

Regardless of whether the payments illustrated involve full scheduled benefits or only those payable under current law, the trustees' projections bear substantial implications for the programs' trust funds as well as for the larger federal budget. For the OASI, DI, and HI trust funds, the trustees quantify current and projected assets, as well as their dates of projected depletion. For the SMI trust fund, which by statutory design can never be depleted, the trustees project the assessments that would be made on premium-paying beneficiaries as well as the general federal government fund.

The trustees project that Medicare SMI will require general revenue financing equaling approximately \$287 billion in 2017. Cash payments of interest as well as bond redemptions for each of the OASI, DI and HI trust funds will also be paid from the government's general fund, such that the total general revenue needs of Medicare and Social Security together will be \$311 billion in 2017, or roughly 1.6 percent of GDP. Costs in these respective programs are projected to grow such that by 2040, financing scheduled Medicare and Social Security benefits would require enormous general revenue contributions equal to 4.2 percent of GDP. Again the caveat should be noted that under current law, the programs would lack the authority to make these full claims upon general revenues after the OASI, DI, and HI trust funds are each depleted.

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<sup>d</sup> Multiple passages in the Social Security and Medicare reports clarify these distinctions. The Medicare report states, "under current law, payments would be reduced to levels that could be covered by incoming tax and premium revenues when the HI trust fund was depleted. If the projections reflected such payment reductions, then any imbalances between payments and revenues would be automatically eliminated, and the report would not fulfill one of its critical functions, which is to inform policy makers and the public about the size of any trust fund deficits that would need to be resolved to avert program insolvency." The trustees' report summary contains similar language in noting that "under current law expenditures can only be made to the extent covered by current income" and that illustrations showing full scheduled benefits being paid "do not reflect current law. . . nor do they reflect policy approaches that Congress has used in the past." The actuarial opinion of the Social Security chief actuary also accentuates the point in noting that presentations showing full scheduled benefit payments as projected "expenditures" warrant a caveat that these include many "unfunded obligations, which are not payable under the law."

## *Conclusion*

The current posture of legislative inaction with respect to Social Security and Medicare finances is untenable. Both programs face substantial, certain, and worsening financial challenges that grow more difficult to resolve with each additional year of delay. The window of opportunity for closing these shortfalls using traditional policy approaches is rapidly closing, threatening the income security of economically vulnerable Americans. Further delay will almost certainly lead to outcomes considered undesirable by both sides of the American political spectrum. Prompt attention to the task of repairing Social Security and Medicare finances is vital to the interests of beneficiaries, taxpaying workers, and the general federal budget, in addition to serving the programs' strength, efficacy and financial integrity.

# Appendix A:

## Important Metrics in the Social Security and Medicare Trustees' Reports<sup>2,3,4,\*</sup>

Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Metrics that Appear in the Trustees' Summary of the Annual Reports			
OASDI actuarial deficit <sup>e</sup>	Shortfall in total (combined) Social Security, averaged over 75 years, expressed as a percentage of workers' taxable wages	2.66 percent of taxable payroll, p. 12	2.83 percent of taxable payroll, p. 1
HI actuarial deficit	Shortfall in Medicare HI trust fund, averaged over 75 years, expressed as a percentage of workers' taxable wages	0.73 percent of taxable payroll, p. 12	0.64 percent of taxable payroll, p. 1
OASI actuarial deficit	Shortfall in OASI trust fund, averaged over 75 years, expressed as a percentage of workers' taxable wages	2.39 percent of taxable payroll, p. 12	2.59 percent of taxable payroll, p. 11
DI actuarial deficit	Shortfall in DI trust fund, averaged over 75 years, expressed as a percentage of workers' taxable wages	0.26 percent of taxable payroll, p. 12	0.24 percent of taxable payroll, p. 11
DI trust fund ratio, current year (2016 then 2017)	Trust fund assets expressed as a function of the number of years' benefits they can finance (100 = one year, 500 = five years, 50 = half a year, etc.)	21, meaning .21 years or approximately two-and-a-half months, p. 9	31, meaning .31 years or approximately 4 months, p. 9
HI trust fund ratio, current year (2016 then 2017)	Trust fund assets expressed as a function of the number of years' benefits they can finance (100 = one year, 500 = five years, 50 = half a year, etc.)	67, meaning .67 years or approximately 8 months, p. 9	67, meaning .67 years or approximately 8 months, p. 9
Projected DI trust fund depletion date	Date by which reserves in this specific trust fund are projected to be depleted	2023, p. 10	2028, p. 1
Percent of DI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	89 percent, p. 11	93 percent, p. 10
Projected HI trust fund depletion date	Date by which reserves in this specific trust fund are projected to be depleted	2028, p. 10	2029, p. 1
Percent of HI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	87 percent, p. 11	88 percent, p. 11
Projected OASI trust fund depletion date	Date by which reserves in this specific trust fund are projected to be depleted	2035, p. 10	2035, p. 1
Percent of OASI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	77 percent, p. 11	75 percent, p. 10

\* The table has been edited to clarify the time periods for each metric.

<sup>e</sup> Certain OASDI and HI metrics are expressed as a percent of taxable payroll. However, the taxable payroll total is larger for HI than for OASDI. For OASDI, individual earnings above a certain income level are not subject to payroll taxes (\$127,200 in 2017). HI has no income cap on taxable earnings, leading to a larger total taxable payroll.



Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Metrics that Appear in the Trustees' Summary of the Annual Reports (Continued)			
Projected combined OASDI trust funds depletion date	Date by which total Social Security reserves would be depleted if the law were changed to combine its trust funds	2034, p. 10	2034, p. 1
Percent of OASDI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	79 percent, p. 11	77 percent, p. 10
Total general fund needs of OASDI, HI and SMI, current year (2016 then 2017) projection	Social Security and Medicare's combined net effect on the unified federal budget deficit for the current year (2016 in last year's report) as measured by the amount by which expenditures exceed income generated from sources external to the US government.	\$401 billion, p. 8	\$311 billion, p. 7
OASDI Deficit of non-interest income relative to expenditures, current year (2016 then 2017) projection	OASDI's net effect on the unified federal budget deficit for the current year (2016 in last year's report), as measured by the amount by which expenditures exceed income generated from sources external to the US government	\$73 billion, p. 8	\$27 billion, p. 7
HI Deficit of non-interest income relative to expenditures, current year (2016 then 2017) projection	HI's net effect on the unified federal budget deficit for the current year (2016 in last year's report), as measured by the amount by which expenditures exceed income generated from sources external to the US government	\$7 billion deficit, p. 8	\$3 billion surplus, p. 7
SMI general fund needs, current year (2016 then 2017) projection	SMI's net effect on the unified federal budget deficit for the current year (2016 in last year's report), as measured by the amount by which expenditures exceed income generated from sources external to the US government	\$319 billion, p. 8	\$287 billion, p. 7
Total OASDI expenditures, current year (2016 then 2017) projection	Social Security combined expenditures, current year projection	\$929 billion, p. 11	\$955 billion, p. 10
HI expenditures, current year (2016 then 2017) projection	HI expenditures, current year projection	\$287 billion, p. 11	\$295 billion, p. 1
OASDI total income, current year (2016 then 2017) projection	Social Security combined income, current year projection	\$945 billion, p. 11	\$1,014 billion, p. 10
HI total income, current year (2016 then 2017) projection	HI total income, current year projection	\$288 billion, p. 11	\$306 billion, p. 11
Projected Social Security costs at end of the 75-year valuation period as a percent of taxable payroll	This projection illuminates how rapidly program costs are growing over the long term; it expresses projected costs as a percent of taxable worker earnings	17.68 percent of taxable payroll (up from 11.32 percent in 2007, before the baby boomers began to claim benefits) p. 5	17.80 percent of taxable payroll (up from 11.32 percent in 2007, before the baby boomers began to claim benefits), p. 5

Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Metrics that Appear in the Trustees' Summary of the Annual Reports (Continued)			
Projected Social Security annual deficit at end of the 75-year valuation period as a percent of taxable payroll	Excess of annual obligations over annual income	4.35 percent of taxable payroll (in contrast with 1.53 percent surplus in 2007, before the baby boomers began to claim benefits) p. 12	4.48 percent of taxable payroll in 2091 (in contrast with 1.53 percent surplus in 2007, before the baby boomers began to claim benefits), p. 12
Projected Medicare HI (not SMI) costs at end of the 75-year valuation period as a percent of taxable payroll	This projection illuminates how rapidly program costs are growing over the long term; it expresses projected HI costs as a percent of taxable worker earnings (SMI costs are not financed by payroll taxes)	5.08 percent of taxable payroll (up from 3.17 percent in 2007, before the baby boomers began to claim benefits), p. 5	4.96 percent in 2091 (up from 3.17 percent in 2007, before the baby boomers began to claim benefits), p. 5
Projected Medicare HI (not SMI) annual deficit at end of the 75-year valuation period as a percent of taxable payroll	Excess of annual obligations over annual income	0.71 percent of taxable payroll (up from 0,02 percent in 2007, before the baby boomers began to claim benefits), p. 12	0.60 percent of taxable payroll by 2091 (up from 0,02 percent in 2007, before the baby boomers began to claim benefits), p. 12
Projected Social Security costs in 2035 and 2037 as a percent of GDP	Cost growth is steepest relative to GDP through the mid-2030s due to the retirements of the baby boom generation	6.0 percent of GDP by 2035 (up from 4.1 percent in 2007, before the baby boomers began to claim benefits), p. 3	6.1 percent of GDP by 2037 (up from 4.1 percent in 2007, before the baby boomers began to claim benefits), p. 4
Projected total Medicare (HI + SMI) costs in 2035 as a percent of GDP	Cost growth is steepest relative to GDP through the mid-2030s due to the retirements of the baby boom generation	5.5 percent of GDP (up from 3.1 percent in 2007, before the baby boomers began to claim benefits), p. 4	5.4 percent of GDP by 2035 (up from 3.1 percent in 2007, before the baby boomers began to claim benefits), p. 4
Projected combined Social Security + Medicare costs in 2035 as a percent of GDP	Cost growth is steepest relative to GDP through the mid-2030s due to the retirements of the baby boom generation	11.5 percent of GDP (up from 7.2 percent in 2007, before the baby boomers began to claim benefits), p. 4	11.5 percent of GDP by 2035 (up from 7.2 percent in 2007, before the baby boomers began to claim benefits), p. 4
Projected Social Security costs at end of the 75-year valuation period as a percent of GDP	This projection illuminates how rapidly program costs are growing relative to GDP over the long term	6.1 percent of GDP, p. 3	6.1 percent of GDP, p. 4
Projected total Medicare (HI + SMI) costs at end of the 75-year valuation period as a percent of GDP	This projection illuminates how rapidly program costs are growing relative to GDP over the long term	6.0 percent of GDP, p. 4	5.9 percent of GDP by 2091, p. 6
Projected combined Social Security + Medicare costs at end of the 75-year valuation period as a percent of GDP	This projection illuminates how rapidly program costs are growing relative to GDP over the long term	12.1 percent of GDP, p. 4	12.0 percent by 2091, p.4
Projected general fund financing required for Medicare SMI at end of the 75-year valuation period as a percent of GDP	Because roughly three-fourths of Medicare SMI is financed from the government's general fund, Medicare SMI cost growth places mounting pressures on the remainder of the US budget	2.7 percent of GDP (up from 1.7 percent in 2016), p. 7	2.7 percent of GDP (up from 1.5 percent in 2017), p. 6
Annual individual earnings subject to Social Security taxes (2016 then 2017)	Above this annual threshold, indexed each year for growth in the national Average Wage Index, workers neither contribute additional payroll taxes nor do they accrue additional Social Security benefits for that year; Medicare payroll taxes by contrast are assessed on all earnings, with no annual limit	\$118,500, p. 5	\$127,200, p. 4

Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Metrics that Appear in the Trustees' Summary of the Annual Reports (Continued)			
Income thresholds for Social Security benefit taxation	Some Social Security benefits are subject to income tax; the thresholds are fixed and are not indexed to change from year to year, resulting in more individuals being subject to tax	\$25,000 for individuals /\$32,000 for married couples (50 percent of benefits subject to income tax) phasing to 85 percent of benefits subject to income tax for individuals at \$34,000 and married couples at \$44,000, p. 14	\$25,000 for individuals /\$32,000 for married couples (50 percent of benefits subject to income tax) phasing to 85 percent of benefits subject to income tax for individuals at \$34,000 and married couples at \$44,000, p. 13
Standard Medicare Part B monthly premium (2016 then 2017)		\$121.80, p. 14	\$134.00, p. 14
Income-related Part B premiums (2016 then 2017)		Range from \$170.50 to \$389.80, p. 14	Range from \$187.50 to \$428.60, p. 14
Part D base monthly premium (2016 then 2017)		\$34.10, p. 14	\$35.63, p.14
Part D income-related premiums (2016 then 2017)		Range from \$12.70 to \$72.90 per month, p. 14	Range from \$13.30 to \$76.20 per month, p. 14
Additional Measures Found in the Social Security Trustees' Report			
95 percent confidence band around OASDI actuarial deficit estimate	Actuarial imbalance projections ranging from the 2.5th to 97.5th percentile of outcomes modeled	0.93 percent to 4.95 percent of taxable payroll, p. 200	1.07 percent to 5.01 percent of taxable payroll, p. 198
Social Security benefit reduction, effective immediately (2016 then 2017), required to maintain 75-year solvency	This illustrative benefit reduction would affect all current and future beneficiaries	16 percent, p. 5	About 17 percent, p. 5
Social Security benefit reduction, effective immediately (2016 then 2017), required to maintain 75-year solvency without affecting current beneficiaries	This illustrative benefit reduction would exclude current beneficiaries	19 percent, p. 5	About 20 percent, p 5
Social Security payroll tax increase, effective immediately (2016 then 2017), required to maintain 75-year solvency		Increase of the payroll tax rate from 12.4 percent to 14.98 percent, p. 5	Increase of the payroll tax rate from 12.4 percent to 15.16 percent, p. 5
Social Security benefit reduction, effective at the point of combined trust fund depletion required to maintain 75-year solvency	This illustrative benefit reduction would affect all beneficiaries	21 percent, p. 6	23 percent, p. 5
Social Security benefit reduction, effective at the point of combined trust fund depletion required to maintain 75-year solvency without affecting those already collecting benefits	This illustrative benefit reduction would exclude those already collecting benefits	Even 100 percent would be insufficient to avoid temporary insolvency, p. 25 in 2015 report (not included in 2016 report)	Even 100 percent would be insufficient to avoid temporary insolvency, p. 25 in 2015 report (not included in 2017 report)

Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Additional Measures Found in the Social Security Trustees' Report (Continued)			
Social Security payroll tax increase, effective at the point of combined trust fund depletion required to maintain 75-year solvency		Increase of the payroll tax rate from 12.4 percent to 15.98 percent, p. 6	Increase of the payroll tax rate from 12.4 percent to 16.38 percent, p. 5
OASI trust fund ratio, current year (2016 then 2017)	Trust fund assets expressed as a function of the number of years' benefits they can finance (100 = one year, 500 = five years, 50 = half a year, etc.)	357, p. 66	347, p. 64
OASDI trust fund ratio, current year (2016 then 2017)	Theoretical combined trust fund assets expressed as a function of the number of years' benefits they can finance (100 = one year, 500 = five years, 50 = half a year, etc.)	303, p. 3	298, p. 64
OASDI non-interest income, current year (2016 then 2017) projection	Social Security combined income generated from sources external to the US government, current year projection	\$856 billion, p. 222	\$928 billion, p. 222
HI non-interest income, current year (2016 then 2017) projection	HI income generated from sources external to the US government, current year projection	\$280 billion, p. 56	\$299 billion, p. 222
Projected Social Security costs in 2035 as a percent of taxable payroll	Cost growth is steepest through the mid-2030s due to the retirements of the baby boom generation; this expresses projected costs as a percent of taxable worker earnings	16.50 percent of taxable payroll (up from 11.32 percent in 2007, before the baby boomers began to claim benefits), p. 55	16.93 percent for 2035 of taxable payroll (up from 11.32 percent in 2007, before the baby boomers began to claim benefits), p. 54
Projected Social Security annual deficit in 2035, as a percent of taxable payroll	Excess of annual obligations over annual income	3.28 percent of taxable payroll, p. 55	3.69 percent of taxable payroll, p. 206
Social Security 75-year unfunded obligation (\$PV)	Excess of total Social Security obligations over assets	\$11.4 trillion, p. 5	\$12.5 trillion, p. 72
Current end-of-year (2016 then 2017) balance of combined Social Security trust funds	Social Security assets carried over from the past that can be applied to obligations over the next 75 years	\$2.8 trillion, p. 49	\$2.9 trillion, p. 48
Medium-earner Social Security benefit, claimed at Normal Retirement Age (2016 then 2017)	Assumes individual is currently 65, and had a full career of earnings at the average national wage (roughly the 56th percentile of all beneficiaries)	\$19,455, p. 152	\$20,190, p. 150
Total Social Security shortfall attributable to the excess of scheduled benefits over contributions for current/past participants, as a percent of future taxable payroll	The Social Security shortfall is attributable to an excess of scheduled benefits over contributions for individuals who have already entered the system	3.7 percent of future taxable payroll, p. 204	3.8 percent of future taxable payroll, p. 202

Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Additional Measures Found in the Social Security Trustees' Report (Continued)			
Portion of Social Security financing that cannot be precisely allocated among cohorts/generations, as a percent of future taxable payroll	Portion of Social Security financing has been provided through transfers of revenues from the general fund, the financing for which cannot be precisely allocated among cohorts/generations	0.1 percent of future taxable payroll, p. 204	0.1 percent of future taxable payroll, p. 202
Net income loss to generations just now entering the Social Security system under current schedules, as a percent of future taxable payroll	Assuming benefits/contributions for current participants remain unchanged, new entrants to the Social Security system must contribute substantially more in contributions than they will receive in benefits	3.6 percent of future taxable payroll, p. 204	3.7 percent of future taxable payroll, p. 202
Additional Measures Found in the Medicare Trustees' Report			
Medicare HI benefit reduction, effective immediately (2016 then 2017), required to maintain 75-year solvency	This illustrative benefit reduction would affect all current and future beneficiaries	16 percent, p. 31	14 percent, p. 30
Medicare HI benefit reduction, effective at the point of trust fund depletion, required to maintain 75-year solvency	This illustrative benefit reduction would affect all beneficiaries	18 percent, p. 68	17 percent, p. 66
Medicare HI payroll tax rate increase, effective immediately (2016 then 2017), required to maintain 75-year solvency	This illustration provided by the trustees assumes that the increase is applied to the basic rate of 2.9 percent paid by workers at all income levels	Increase of the payroll tax rate from 2.90 percent to 3.63 percent, p. 30	Increase of the payroll tax rate from 2.90 percent to 3.54 percent, p. 30
Medicare HI payroll tax rate increase, effective at the point of trust fund depletion, required to maintain 75-year solvency	This illustration provided by the trustees assumes that the increase is applied to the basic rate of 2.9 percent paid by workers at all income levels	Increase of the payroll tax rate from 2.90 percent to 3.80 percent, p. 68	Increase of the payroll tax rate from 2.90 percent to 3.70 percent, p. 66
SMI expenditures, current year (2016 then 2017) projection	SMI expenditures, current year projection	\$396 billion, p. 33	\$412 billion, p. 32
SMI total income, current year (2016 then 2017) projection	SMI total income, current year projection	\$419 billion, p. 33	\$402 billion, p. 32
Projected Medicare HI (not SMI) costs in 2035 as a percent of taxable payroll	Cost growth is steepest through the mid-2030s due to the retirements of the baby boom generation; this expresses projected HI costs as a percent of taxable worker earnings (SMI costs are not financed by payroll taxes)	4.57 percent of taxable payroll (up from 3.17 percent in 2007, before the baby boomers began to claim benefits), p. 64	4.50 percent of taxable payroll (up from 3.17 percent in 2007, before the baby boomers began to claim benefits), p. 62
Projected Medicare HI (not SMI) annual deficit in 2035, as a percent of taxable payroll	Excess of annual obligations over annual income	0.87 percent of taxable payroll, p. 64	0.77 percent of taxable payroll, p. 62
Net Social Security financing requirements over 75 years from a unified budget perspective	Net pressure placed on unified federal budget if Social Security benefit obligations were met without increasing tax collections	\$14.2 trillion, p. 214	\$15.4 trillion, p. 210

Metric	Description	Result for 2016 (from 2016 Reports)	Result for 2017 (from 2017 Reports)
Additional Measures Found in the Medicare Trustees' Report (Continued)			
Medicare HI 75-year unfunded obligation (\$PV)	Excess of Medicare HI obligations over assets	\$3.6 trillion, p. 71	\$3.3 trillion, p. 68
Current year (2016 then 2017) balance of Medicare HI trust fund	Medicare HI assets carried over from the past that can be applied to obligations over the next 75 years	About \$0.2 trillion, p. 71	About \$0.2 trillion, p. 69
Net Medicare HI financing requirements over 75 years from a unified budget perspective	Net pressure placed on unified federal budget if Medicare HI benefit obligations were met without increasing tax collections	\$3.8 trillion, p. 214	\$3.5 trillion, p. 210
Medicare SMI 75-year unfunded obligation	Zero by statutory definition because the program is provided revenues as necessary to finance benefits	\$0, p. 214	\$0, p. 210
Current balance of Medicare SMI trust fund	Medicare SMI assets carried over from the past that can be applied to obligations over the next 75 years	\$0.1 trillion, p. 214	\$0.1 trillion, p. 210
Net Medicare SMI financing requirements over 75 years from a unified budget perspective	Net pressure placed on unified federal budget if Medicare SMI benefit obligations were met without increasing revenue collections	\$28.6 trillion, p. 214	\$30.0 trillion, p. 210

# Endnotes

- <sup>1</sup> Bipartisan Policy Center, *Securing Our Financial Future: Report of the Commission on Retirement Security and Personal Savings*, June 2016. Available at: <https://bipartisanpolicy.org/library/retirement-security>.
- <sup>2</sup> Social Security and Medicare Boards of Trustees, Status of the Social Security and Medicare Programs. *A Summary of the 2017 Annual Reports*, 2017. Available at: <https://www.ssa.gov/oact/TRSUM/tr17summary.pdf>.
- <sup>3</sup> Social Security and Medicare Boards of Trustees, *The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. Available at: <https://www.ssa.gov/oact/tr/2017/tr2017.pdf>.
- <sup>4</sup> Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *The 2017 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds*. Available at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf>

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