A Preview of the 2018 Social Security and Medicare Trustees' Reports

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BIPARTISAN POLICY CENTER

Prologue

In the coming weeks, the trustees of the Social Security and Medicare trust funds are expected to release their 2018 annual reports on the two programs. This BPC issue brief describes the topics generally covered by such reports and previews certain aspects that policymakers and the public should note, such as assumptions about the economy, demographics, labor force participation, health care costs, immigration and other factors could contribute to changes in this year's projections. At the same time, it is expected that the reports will continue to show Social Security and Medicare facing substantial financing shortfalls, which are growing ever more difficult to correct with each additional year of legislative inaction. Troublingly, this is the third consecutive year that the trustees' reports have been developed and published without the participation and oversight of presidentially nominated and Senate-confirmed public trustees.

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Introduction

In the coming weeks, the Social Security and Medicare trustees will publish their annual reports, updating the nation on the financial status of Social Security, America's largest federal social insurance program, and Medicare, America's largest federal health insurance program.[i] The reports describe in detail the sizes and scopes of the financial challenges they face, and key information policymakers and the public need to understand as the futures of the programs are determined.

While critically important, the reports are dense and lengthy, combining to over 500 pages between them. Historically, much of the responsibility for communicating their key findings to busy policymakers and the public has fallen to the public trustees, who were added to the Boards of Trustees for the Social Security and Medicare trust funds in 1983. Their participation in the process has helped ensure transparency and objectivity in the development of the annual trustees' reports.

Unfortunately, the public trustee positions have remained vacant since August 2015, during the development of the last three sets of reports, depriving the trustees' process of independent, bipartisan oversight. In the absence of public trustees, as the most recent to serve in this capacity, we are partnering for the second consecutive year with the Bipartisan Policy Center to provide bipartisan review and analysis, highlighting key findings of the reports for policymakers and the public.

Last year, we wrote a primer on the contents of the trustees' reports, which can continue to serve as a general guide for the reports' readers.[ii] This brief previews the upcoming release of the 2018 annual trustees' reports, summarizes findings of the most recent previous reports, and describes crucial areas in which this year's trustees' reports may be different. In particular, we raise key questions that will provide readers with important context for approaching this year's reports. Several of the questions that should be asked are:

1. **Do any of the reports' core findings differ markedly from those of previous years?** This year's reports will almost certainly reiterate longstanding findings that the financial challenges facing Social Security and Medicare are large and growing. If they remain consistent with previous reports, they will also describe the adverse consequences of delaying action to fix the financial imbalances in these critical programs upon which millions of Americans rely. It is always worth reviewing the trustees' annual messages and report summaries to learn whether the current trustees have presented other significant new interpretations of the reports' findings.

2. **How have policy changes affected the trustees' projections?** The policy and economic landscapes have shifted significantly since the 2017 trustees' reports were crafted. The economy is running at or close to its potential and significant tax and budget legislation has recently been enacted. Projected income tax collections over the coming years have been reduced, and certain aspects of the Affordable Care Act (ACA)—such as the so-called "Cadillac tax," health insurance mandate penalties, and Independent Payment Advisory Board (IPAB)—have been postponed or repealed altogether. These and other policy changes could affect the assumptions underlying the financial projections for Social Security and Medicare.

3. **Have the trustees updated their projection methodologies and key assumptions?** In the past few annual reports, the

trustees have not significantly modified the key assumptions that underlie their analyses—but with each passing year it becomes more likely that key assumptions will change.[iii] Updated demographic data must be incorporated into the projections. (For example, the Centers for Disease Control and Prevention recently reported that the 2017 U.S. birth rate was the lowest on record since 1987.[iv]) A number of these assumptions—from economic growth to immigration to health care cost growth – may have become outdated. Updated assumptions could change the financial projections for both programs, for better or for worse.

4. **When will new public trustees be confirmed?** For the third consecutive year, no public trustees have been in place during the development of the trustees' reports. This is as long as any vacancy in the public trustees' positions since their inception. Lack of public oversight is always troubling, but becomes more so when, because of economic, demographic, or policy changes, the trustees must consider whether to change assumptions critical to the projections. Nominating and confirming public trustees would signal to the public that analysis of these programs' finances continues to be developed in an objective and nonpartisan manner.

A Review of the 2017 Social Security and Medicare Trustees' Reports

The following short summary of the key findings from the 2017 trustees' reports provides important context for the upcoming 2018 trustees' report release.

Social Security and Medicare's Trust Funds Face Large, Growing Financial Imbalances

The 2017 trustees' reports reiterated the key finding from previous reports: the financial imbalances[a] in Social Security and Medicare are substantial and growing. In 2017 Social Security's combined trust funds faced a long-range (75-year) financing shortfall equal to 17 percent of projected program costs, while the Medicare Hospital Insurance (HI) program faced a long-range shortfall equal to 14 percent of its projected costs. Social Security's combined trust funds faced depletion in 2034, at which time 23 percent of benefits would lack financing, gradually increasing to 27 percent over the 75-year valuation window. Medicare's HI trust fund faced depletion in 2029, at which time 12 percent of benefits would lack financing, gradually increasing to 19 percent in 2041 before receding to 12 percent at the end of the 75-year valuation window. Medicare's Supplementary Medical Insurance (SMI) trust fund was projected to place growing pressure on the federal budget, because it is financed largely from general government funds rather than a separate payroll tax in the manner of the other trust funds.

Significant changes would need to be enacted to keep the programs' trust funds solvent. Historically, policymakers have enacted changes to preserve solvency without decreasing the benefits of individuals already receiving them. If policymakers had taken this approach last year, closing the Social Security shortfall without raising taxes would have required a benefit reduction of 20 percent for all those becoming eligible after legislative action. If action were delayed until 2034, when Social Security's trust funds are depleted, changing benefits only 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.

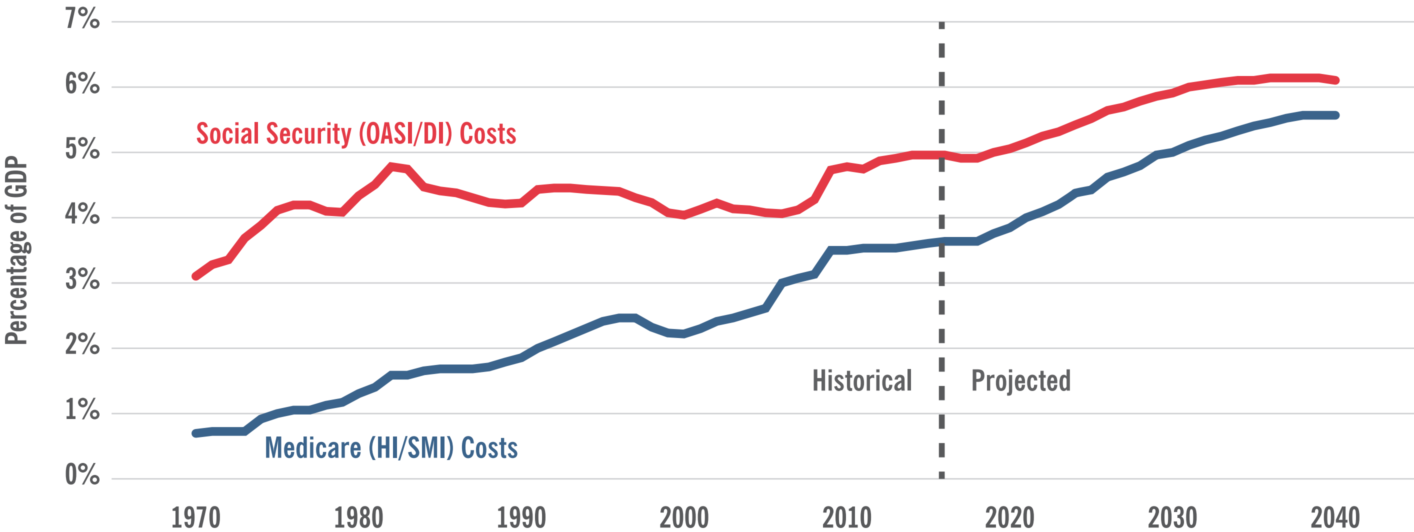
The trust fund that supports Medicare's Supplementary Medical Insurance (SMI) program operates differently from the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Medicare HI trust funds. Medicare SMI's trust fund solvency is ensured by statute, and is financed primarily by general government revenues. This difference does not mean that the SMI program faces no financial challenges, but only that the problems are manifested differently than in the other trust funds. Only about a quarter of Medicare SMI is financed by premiums paid by or on behalf of beneficiaries. In 2017, Medicare SMI general government revenue costs were $287 billion. The 2017 trustees' reports projected that figure to increase steadily in the coming decades, suggesting that additional federal debt or taxes would be needed to finance the program if spending on other vital national priorities were not to be crowded out.

[a] A financial imbalance is a situation in which the costs of a program outweigh its revenues.

Social Security and Medicare Costs Represent a Growing Percentage of the Economy

In addition to the financial imbalances found in each program, both Social Security and Medicare were projected to grow significantly faster than the overall economy (GDP). As shown in Figure 1, total Medicare costs (HI and SMI) and total Social Security costs (OASI and DI) will reach nearly 12 percent of GDP by 2040, compared to about 8.5 percent in 2017.

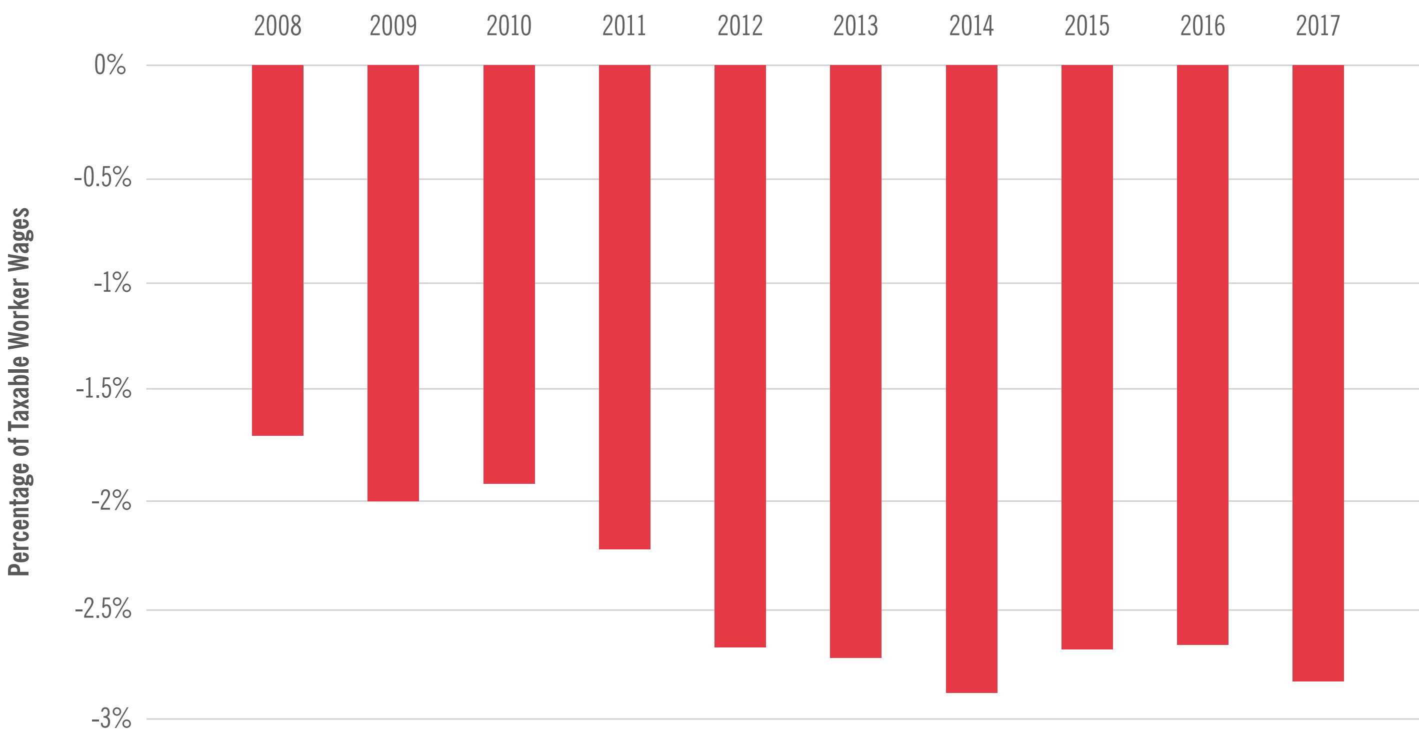
Figure 1. Social Security and Medicare Costs as a Percentage of GDP, 1970-2040



Source: 2017 Social Security and Medicare Trustees' Reports

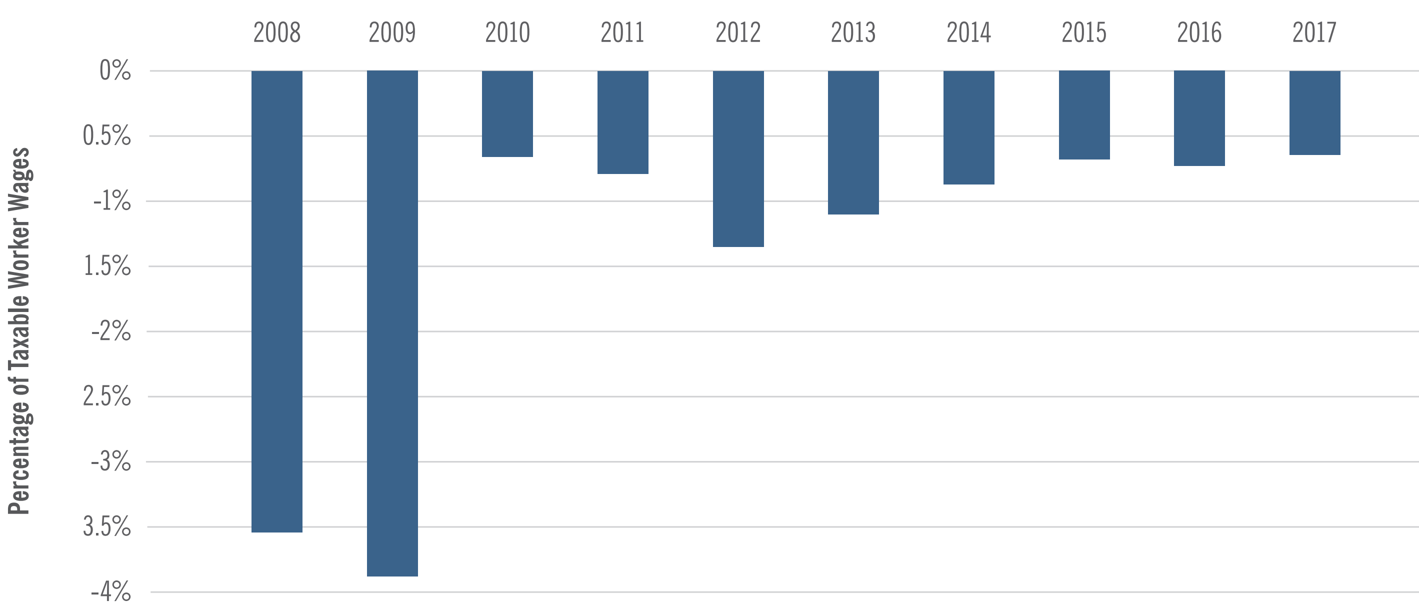
These growing costs are projected to deplete the OASI, DI, and HI trust funds (as shown in Figures 2 and 3), as well as requiring a growing portion of general revenues to be devoted to SMI. The financing shortfall in the combined OASDI trust funds has grown substantially in recent years. The cost growth in both programs adds to the challenge facing policymakers to make the programs financially sustainable. Prompt action to strengthen Social Security and Medicare finances is essential to protect the interests of beneficiaries, taxpaying workers, and the general federal budget, in addition to ensuring the financial sustainability and efficacy of the programs.

Figure 2. Combined Social Security (OASDI) Trust Funds Long-Range Financing Shortfalls Projected in Recent Trustees' Reports



Source: 2008-2017 Social Security Trustees' Reports

Figure 3. HI Trust Fund Long-Range Financing Shortfalls Projected in Recent Trustees' Reports



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.

Inaction Makes Solutions More Difficult, Hurts Vulnerable Populations the Most

Our guide to the 2017 trustees' reports documented how continued delay in enacting legislative repairs renders effective solutions more elusive, and poses particular risks to economically vulnerable populations. The historical reluctance of lawmakers to reduce benefits for current beneficiaries 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 growing cost of delay steadily worsens the individual income losses experienced by those who participate in repairing the programs' finances when those changes are no longer postponed. These costs can only be distributed in so many ways. To the extent that the Social Security and Medicare financing shortfalls are not closed via payroll tax increases alone, lawmakers must rely on benefit restraints, insurance payment reductions, or premium increases. These latter approaches pose risks to beneficiaries' financial security. 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 future reductions in benefit levels and tightening of eligibility rules.

Further delay in enacting a solution also extends lingering policy uncertainty, posing a particular threat to economically vulnerable Americans. As noted in our 2017 guide, current law limitations on payable Social Security benefits would result in a senior poverty rate in 2035 roughly 20 percent higher than today. 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. However, as more time passes it will become nearly impossible for these competing objectives to be met.

Critical Recurring Information in the Trustees' Reports

For several years running, the trustees' reports have presented key information that sheds important light on the financial conditions of both Social Security and Medicare. A list of many of these specific projections, along with their 2017 values, is provided in Appendix A. The appendix first lists several factors that have typically been presented in the trustees' annual report summary, including metrics that apply to both Social Security and Medicare. These are followed by projections specific to the Social Security and Medicare annual reports respectively.

Among the most important of these metrics are those that summarize the financial conditions of the Social Security and Medicare trust funds, such as estimates of the various trust funds' projected actuarial deficits, the ratios of current asset levels to annual obligations, and projected dates of trust fund depletion. These bottom-line findings are followed in the appendix by other data that relate to them, such as projected benefit reductions or insurance payment reductions at the point of trust fund depletion, projections for total program cost growth, and general government revenue obligations to the various trust funds.

The appendix, like the trustees' reports themselves, also presents certain annually updated information that is often of interest to beneficiaries, taxpaying workers, and policymakers, such as the annually adjusted cap on earnings subject to Social Security taxes, thresholds for income taxation of Social Security benefits, and projected Medicare Part B and Part D premiums.

Items to Watch for in the 2018 Trustees' Reports

Following are several items that warrant special attention in the 2018 Social Security and Medicare trustees' reports.

How large are the financing shortfalls in OASI, DI, and HI? How large are the adjustments to benefits and/or taxes required to restore Social Security and Medicare to long-term solvency? It is certain that once again the trustees' reports will show substantial long-term financing shortfalls facing the OASI, DI, and HI trust funds. Even more important than whether these shortfalls have continued to increase over the last year is whether the sizes of the sacrifices required of beneficiaries and workers to maintain the trust funds' solvency have continued to become more severe.

Are Social Security and Medicare cost growth continuing to outpace broader economic growth? If so, by how much and for how long? Irrespective of the actuarial status of the trust funds, rising program costs require ever increasing financial support from taxpayers and premium-paying beneficiaries, whether provided through payroll taxes, beneficiary premium payments, or redemptions of trust fund assets from the general government fund. The trustees generally provide estimates of annual flows of program costs, both as percentages of workers' taxable earnings and of GDP, to illuminate how far program cost growth trends are from being stabilized.

What are the current trust fund ratios, especially in DI and HI? Are any of the individual trust funds nearing depletion? The trustees apply a test of short-range financial adequacy that measures whether there are assets in each trust fund sufficient to finance a full year's worth of benefits. Even if a trust fund is not projected to be depleted in the near term, a trust fund ratio that remains below 100 (that is, insufficient to finance one year's worth of benefits) prompts a finding of short-range financial inadequacy. In recent reports both the DI and HI trust funds have shown inadequate financing over the trustees' short-term (ten year) period. The OASI trust fund has shown inadequate financing over the long term.

What changes have the trustees made to critical economic and demographic assumptions? This year there is a host of potential changes to fundamental underlying assumptions affecting the trustees' financial projections. Among them:

> **Economic assumptions:** The trustees must determine the extent to which taxable wage growth may be affected by recent tax legislation. Income tax legislation also affects projections for revenues from the income taxation of Social Security benefits, which in turn affect income to both the Social Security and Medicare HI trust funds. The trustees also annually review long-term assumptions for economic factors that include interest rates and price inflation to ensure consistency with current and projected federal economic policy.
>
> **Demographic assumptions:** These are among the most critical affecting the trustees' projections. Program costs as a percentage of taxable worker wages closely follow trends in the ratios of beneficiaries to taxpaying workers. The trustees must review recent data with respect to both birth rates and death rates to keep these projections up to date.

Health care cost growth: Overall health care cost projections directly affect projections for Medicare program costs, which are driven primarily by growth in the number of beneficiaries as well as expenditures per beneficiary. Recent legislative changes, such as repeal of the Medicare IPAB, could potentially affect Medicare's projections in ways unrelated to overall health care cost growth. Health care cost growth affects the projections in other respects as well, for example by affecting the growth of taxable worker wages which are net of employer-sponsored health benefits. To the extent that health care cost inflation slows, taxable worker wages should be expected to rise more quickly. Subsequent to the passage of the ACA, the trustees lowered their projections for the growth of employer-sponsored health costs, on the assumption that the ACA's so-called "Cadillac tax" on high-cost health plans would be implemented. Recent legislation has again postponed the collection of the Cadillac tax to 2022, suggesting a possible reassessment of current assumptions for the effects of its imposition.

Immigration assumptions: Immigration has a generally positive effect on the finances of Social Security and Medicare. The trustees must continue to monitor changes in immigration policy, and their effects on immigration flows, to keep immigration assumptions up to date.

Disability incidence: Disability applications increased during the Great Recession and have tailed off since then, as they often do when unemployment rates are low. The trustees will need to incorporate the latest data when making both short-term and long-term projections for future disability applications and approvals.

Have the trustees changed their presentation in significant ways? Historically, the public trustees have taken on particular responsibility for reviewing the presentation and points of emphasis in the annual trustees' reports. In the absence of public trustees, it is of interest to note whether the *ex officio* trustees make any significant changes to the presentation in either the reports or their accompanying summary.[b] Such changes could include the addition or subtraction of a particular numerical projection, or a new emphasis or de-emphasis of a particular analytical point.

Have the trustees made significant changes to their projection methodology? Beyond the assumptions, the trustees annually review their methodology for making Social Security and Medicare projections, with Medicare projections being especially uncertain over the long term due to the near impossibility of precisely projecting health care cost trends. Fundamental reviews of the projection methodology have typically been supervised by the public trustees, so any significant changes implemented during their sustained absence from the process would warrant attention.

Are there any important caveats or warnings in the reports? For the past several years the trustees have issued caveats to the primary Medicare projections. In particular, they have directed the Medicare Actuary to produce an alternative projection scenario in which future legislation repeals various constraints on reimbursements to providers and physicians required by current law. The trustees are also required by law to issue a "Medicare funding warning" if general revenue financing is projected to exceed 45 percent of Medicare's total outlays in any of the next seven years. Due to the recent repeal of the IPAB, which would have been charged with recommending additional savings measures if projected total Medicare spending growth exceeded statutory targets, the trustees are no longer required to make specific findings triggering IPAB's responses.

[b] *Ex officio* trustees are trustees by virtue of their government positions. For example, the Secretary of the Treasury is automatically a member of the Social Security and Medicare Boards of Trustees. The public trustees, in contrast, are appointed specifically as Social Security and Medicare trustees.

Conclusion

The 2018 Social Security and Medicare trustees' reports will undoubtedly show these two vital programs in troubled financial conditions. Moreover, the projections are likely to show that their funding shortfalls have grown more difficult to correct with another year of legislative neglect. The continuing failure to address these programs' problematic finances creates mounting threats to beneficiaries, taxpaying workers, employers, health care providers, federal finances, and the economy as a whole, with the greatest risks falling on the most economically vulnerable among us.

The program's *ex officio* trustees have been commendably reluctant over multiple years to make fundamental alterations to assumptions in the absence of public trustee oversight. With each passing year, it becomes more likely that critical economic and demographic assumptions will need to be revised. This is among the many reasons why public trustees should be confirmed as soon as possible: to oversee and vouch for the objectivity and integrity of the analysis that will guide policymakers' future decisions about Social Security and Medicare.

Appendix A:

Important Metrics in the Social Security and Medicare Trustees' Reports[i]

Metric	Description	Result from 2017 Reports
Metrics that Appear in the Trustees' Summary of the Annual Reports		
OASDI actuarial deficit[c]	Shortfall in total (combined) Social Security, averaged over 75 years, expressed as a percentage of workers' taxable wages	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	0.64 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	2.59 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	0.24 percent of taxable payroll, p. 11
DI trust fund ratio, current year projection	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.)	31, meaning .31 years or approximately 4 months, p. 9
HI trust fund ratio, current year projection	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
Projected DI trust fund depletion date	Date by which reserves in this specific trust fund are projected to be depleted	2028, p. 1
Percent of DI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	93 percent, p.10
Projected HI trust fund depletion date	Date by which reserves in this specific trust fund are projected to be depleted	2029, p. 1
Percent of HI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	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. 1
Percent of OASI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	75 percent, p. 10

[c] 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 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. 1
Percent of OASDI benefits that can be paid after trust fund depletion	Benefit payments cannot exceed available revenues	77 percent, p. 10
Total general fund needs of OASDI, HI, and SMI, current year projection	Social Security and Medicare's combined net effect on the unified federal budget deficit for the current year as measured by the amount by which expenditures exceed income generated from sources external to the US government.	$311 billion, p. 7
OASDI deficit of non-interest income relative to expenditures, current year projection	OASDI's net effect on the unified federal budget deficit for the current year, as measured by the amount by which expenditures exceed income generated from sources external to the US government	$27 billion, p. 7
HI deficit of non-interest income relative to expenditures, current year projection	HI's net effect on the unified federal budget deficit for the current year, as measured by the amount by which expenditures exceed income generated from sources external to the US government	$3 billion surplus, p. 7
SMI general fund needs, current year projection	SMI's net effect on the unified federal budget deficit for the current year, as measured by the amount by which expenditures exceed income generated from sources external to the US government	$287 billion, p. 7
Total OASDI expenditures, current year projection	Social Security combined expenditures, current year projection	$955 billion, p. 10
HI expenditures, current year projection	HI expenditures, current year projection	$295 billion, p. 1
OASDI total income, current year projection	Social Security combined income, current year projection	$1,014 billion, p. 10
HI total income, current year projection	HI total income, current year projection	$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	17.80 percent of taxable payroll (up from 11.32 percent in 2007, before the baby boomers began to claim benefits), p. 5

Metric	Description	Result 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	4.48 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)	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	0.60 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 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	6.1 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	5.4 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 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. 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	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	12.0 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 1.5 percent in 2017), p. 6
Annual individual earnings subject to Social Security taxes	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	$127,200, p. 4

Metric	Description	Result 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. 13
Standard Medicare Part B monthly premium		$134.00, p.14
Part B income-related premiums		Range from $187.50 to $428.60 per month, p. 14
Part D base monthly premium		$35.63, p.14
Part D income-related premiums		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	1.07 percent to 5.01 percent of taxable payroll, p. 198
Social Security benefit reduction, effective immediately, required to maintain 75-year solvency	This illustrative benefit reduction would affect all current and future beneficiaries	About 17 percent, p. 5
Social Security benefit reduction, effective immediately, required to maintain 75-year solvency without affecting current beneficiaries	This illustrative benefit reduction would exclude current beneficiaries	About 20 percent, p 5
Social Security payroll tax increase, effective immediately, required to maintain 75-year solvency		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	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 2017 report)

Metric	Description	Result 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 16.38 percent, p. 5
OASI trust fund ratio, current year projection	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.)	347, p. 64
OASI trust fund ratio, current year projection	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.)	298, p.64
OASDI non-interest income, current year projection	Social Security combined income generated from sources external to the US government, current year projection	$928 billion, p. 222
HI non-interest income, current year projection	HI income generated from sources external to the US government, current year projection	$299 billion, p. 222
Projected Social Security costs in 2035 as a percent of taxable payroll	Cost growth is steepest through the mid-2030s due to the retirements of the baby boom generation; this expresses projected costs as a percent of taxable worker earnings	16.93 percent for 2035 of taxable payroll (up from 11.32 percent in 2007, before the baby boomers began to claim benefits), p. 54
Projected Social Security annual deficit in 2035, as a percent of taxable payroll	Excess of annual obligations over annual income	3.69 percent of taxable payroll, p. 206
Social Security 75-year unfunded obligation ($PV)	Excess of total Social Security obligations over assets	$12.5 trillion, p. 72
Current end-of-year 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	$2.9 trillion, p. 48
Medium-earner Social Security benefit, claimed at Normal Retirement Age	Assumes individual is currently 65, and had a full career of earnings at the average national wage (roughly the 56th percentile of all beneficiaries)	$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	3.8 percent of future taxable payroll, p. 202

Metric	Description	Result 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. 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	3.7 percent of future taxable payroll, p. 202
Additional Measures Found in the Medicare Trustees' Report		
Medicare HI benefit reduction, effective immediately, required to maintain 75-year solvency	This illustrative benefit reduction would affect all current and future beneficiaries	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	17 percent, p.66
Medicare HI payroll tax rate increase, effective immediately, 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 3.54 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 3.70 percent, p. 66
SMI expenditures, current year projection	SMI expenditures, current year projection	$412 billion, p. 32
SMI total income, current year projection	SMI total income, current year projection	$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)	4.50 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	0.77 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	$15.4 trillion, p. 210

Metric	Description	Result 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	$3.3 trillion, p. 68
Current year 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. 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	$3.5 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. 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. 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	$30.0 trillion, p. 210

Endnotes

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Available at: https://www.rollcall.com/news/opinion/avoid-crisis-confidence-medicare-needs-public-trustees

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Notes

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