

Joint Economic Committee

Representative Pat Tiberi, Chairman

July 19, 2017

5 Takeaways from the Social Security and Medicare Trustees Report

- 1. Social Security will have to cut benefits by 23 percent.** Social Security's trust fund is actually two legally separate funds, the Old-Age and Survivors Insurance (OASI) program and the Disability Insurance (DI) program. Considering the two funds hypothetically as combined, the Old-Age, Survivors, and Disability Insurance program (OASDI) is projected to deplete reserves by 2034,¹ and thereafter will only have the resources to pay 77 percent of promised benefits.² In other words, in 17 years beneficiaries in both programs will see an average benefit cut of 23 percent if nothing is done.



- 2. Disability Insurance insolvency is around the corner.** The trustees project the DI trust fund will reach depletion by 2028.³ As it did in the Bipartisan Budget Act of 2015 (BBA), Congress could divert payroll tax revenue from OASI to DI. The trustees projected that the BBA extended DI's solvency in their 2016 report, but a diversion of tax revenue is a temporary solution. Fewer applicants and benefit awards led the actuaries to project the DI trust fund will remain solvent longer than was expected last year.⁴ However, in 11 years the DI program will only be able to cover 93 percent of scheduled benefits,⁵ leaving many vulnerable Americans at risk of losing promised benefits.

3. **Medicare Part A’s trust fund will be depleted in 12 years.** Medicare Part A, or Hospital Insurance (HI), fails to “meet either the Trustees’ test of short-range financial adequacy or their test of long-range close actuarial balance.”⁶ By 2029, HI will only have enough revenue to cover 88 percent of its spending⁷ and beneficiary “access to health care services would rapidly be curtailed” if nothing is done to improve Medicare’s finances.⁸
4. **Interest revenue is not enough to save the trust funds.** OASDI spending has exceeded tax revenue since 2010. This cash-flow deficit has been temporarily alleviated by interest payments that the general fund pays to the trust funds on their reserves. However, interest payments will dwindle as the reserves continue to be drawn down. Social Security payments will exceed both tax and interest income by 2022⁹ and Medicare Part A spending will exceed tax and interest revenue by 2023,¹⁰ hastening the time to insolvency. Within six years, all three of the trust funds will spend more than they take in.¹¹ These dates signal the march toward trust fund depletion and benefit cuts.

KEY DATES FOR THE TRUST FUNDS				
	Retirement Benefits	Disability Benefits	Combined Social Security Trust Funds	Medicare Part A
First year benefit payments exceed tax revenue ^a	2010	2019	2010	2021
First year benefit payments exceed tax and interest revenue ^a	2022	2019	2022	2023
Year trust funds are depleted	2035	2028	2034	2029

^a Dates indicate the first year a condition is projected to occur and to persist annually thereafter through 2098

Source: Social Security and Medicare Trustees

5. **The time to act is now.** The Trustees for Social Security and Medicare continue to call on lawmakers to act as soon as possible to address the financial challenges faced by the trust funds.

“Taking action sooner rather than later will permit consideration of a broader range of solutions and provide more time to phase in changes so that the public has adequate time to prepare.”¹²

¹ Social Security Trustees Report 2017, p. 3, July 13, 2017, <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>

² Social Security Trustees Report 2017, p. 6, July 13, 2017, <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>

³ Social Security Trustees Report 2017, p. 5, July 13, 2017, <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>

⁴ Social Security Trustees Report 2017, p. 4, July 13, 2017, <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>

⁵ Social Security Trustees Report 2017, p. 5, July 13, 2017, <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>

⁶ Medicare Trustees Report 2017, p. 9, July 13, 2017, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf>

⁷ Medicare Trustees Report 2017, p. 5, July 13, 2017, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf>

⁸ Medicare Trustees Report 2017, p. 26, July 13, 2017, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf>

⁹ Social Security Trustees Report 2017, p. 3, July 13, 2017, <https://www.ssa.gov/oact/TR/2017/tr2017.pdf>

¹⁰ Medicare Trustees Report 2017, p. 25, July 13, 2017, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf>

¹¹ Social Security and Medicare Boards of Trustees, “Summary of the 2017 Annual Reports,” July 13, 2017, <https://www.ssa.gov/oact/trsum/>

¹² Social Security and Medicare Boards of Trustees, “Summary of the 2017 Annual Reports,” July 13, 2017, <https://www.ssa.gov/oact/trsum/>