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Actuarial State of the Union 2020: Academy Highlights Risks and Reform Options for Social Security, Medicare, NFIP

WASHINGTON—Leading up to Tuesday’s 2020 State of the Union message, the American Academy of Actuaries is highlighting the need for public policymakers to address significant financial risks and challenges facing federal programs such as Social Security, Medicare, and the National Flood Insurance Program (NFIP).

“As experts in the analysis of risk, actuaries have a unique perspective on and role in providing policymakers with an objective understanding of the options to address risks to financial programs and systems that millions of Americans rely on for health care, retirement and lifetime income, and after extreme weather and natural disasters strike,” said Academy President D. Joeff Williams.

Social Security’s trust fund reserves [may be depleted around 2035](#). After 2035, existing payroll taxes would support payment of 80 percent of scheduled benefits, declining to about 75 percent over time. Potential [reform approaches](#) include changing Social Security financing, modifying benefits, and raising Social Security’s retirement age.

Medicare’s Hospital Insurance Trust Fund is [projected to be depleted in 2026](#). At that time, tax revenues are projected to cover only 89 percent of program costs, with the share declining to 77 percent in 2046 and then increasing to 83 percent in 2093. Medicare’s Supplemental Medical Insurance general revenue funding is scheduled to increase from 1.6 percent of gross domestic product in 2019 to 3.0 percent in 2093. [Putting Medicare on a more sustainable path](#) for current and future generations of beneficiaries will require policymakers to adopt some reforms of benefit coverage, provider and plan payments, and/or taxpayer funding.

With the NFIP’s debt standing at over \$20 billion and growing, [fundamental questions remain](#) regarding how much revenue should be raised in premiums as opposed to through post-event surcharges, and about how the Treasury’s exposure to the need for lending should be provided for in

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program rates. Reform legislation could also encourage sharing of historical flood loss data with private insurers, growth of the private flood insurance market, and modernization of flood mapping.

The Academy is developing and throughout 2020 will continue to release analyses of other topics to help policymakers evaluate challenges to and reform options for insurance and pension programs and systems, including health care costs and implementation of the SECURE Act that was enacted in December 2019.

For more information click on the “public policy” tab at [actuary.org](https://www.actuary.org).

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The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.