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2021 Trustees' Reports Reflect Actuarial Consideration of COVID-19 Pandemic's Effects on Social Security, Medicare

WASHINGTON—This year's Social Security and Medicare trustees' reports released on Aug. 31, 2021, offer actuarial analysis of the programs including the effects of the COVID-19 pandemic and the 2020 recession, the American Academy of Actuaries notes in two newly updated *Essential Elements* papers on [Social Security](#) and [Medicare](#).

“While uncertainties remain regarding the future course of the pandemic, more is known now compared to last year about COVID-19 impacts, and the trustees' annual evaluations of what's shaping the financial health of these vital public programs discuss these impacts,” said Academy Senior Pension Fellow Linda K. Stone. “While COVID-19 is new in being reflected in this year's annual reports, what's not new is that both Social Security and Medicare continue to face financial challenges that will only become more difficult for public policymakers to address the longer solutions are delayed.”

Last year's trustees' reports, released on April 22, 2020, when data helpful to evaluating the pandemic's impacts such as COVID-19 medical treatment costs and the pandemic's economic effects were just beginning to emerge, explicitly noted that they did not account for COVID-19. Conclusions regarding the impact of the pandemic that are reflected in this year's reports, as well projections on the programs' overall financial conditions, include:

- The pandemic lowered employment and earnings and increased mortality rates in the near term, with some pandemic-related economic and mortality effects projected to continue through 2023. The reports reflect a permanent reduction in worker productivity and hence gross domestic product of 1 percent.

(MORE)

- The projected exhaustion date of the Social Security theoretical combined Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds is 2034, one year earlier than projected in last year's report, increasing the long-term financial challenge facing the program. Total program outlays are projected to exceed total program income, including interest, starting this year.
- Medicare's Hospital Insurance (HI) trust fund is projected to be depleted in 2026, the same year as projected in last year's report, meaning that this serious shorter-term financial challenge remains unimproved and thus more urgent. The Supplementary Medical Insurance (SMI) trust fund is expected to remain solvent indefinitely because current law provides financing from general revenues and beneficiary premiums each year to meet the next year's expected costs.

The Academy's [*Essential Elements*](#) series of papers is designed to provide a quick and easy-to-understand overview of key public policy issues. Learn more on our website at [actuary.org](https://www.actuary.org).

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