



CROSS-PRACTICE ISSUES

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Annual Social Security and Medicare Trustees' Reports Released

On May 6, the Social Security and Medicare Boards of Trustees issued their annual reports on the financial status of the [Social Security](#) and [Medicare](#) programs. The reports show that the Medicare Hospital Insurance (HI) Trust Fund will have sufficient funds to cover its obligations until 2036, and that the combined retirement and disability programs of Social Security have sufficient reserves to fully cover benefits until 2035.

Medicare

The projected long-range financial condition of the Medicare's HI trust fund, according to the 2024 Medicare Trustees Report, has improved since last year due to several factors, including a policy change correcting the way medical education expenses are accounted for in Medicare Advantage rates starting in 2024; higher payroll tax income resulting from stronger-than-expected economic growth; and lower-than-projected 2023 program expenditures.

The HI trust fund (Medicare Part A) will have sufficient funds to cover its obligations until 2036, up five years from last year's report, with dedicated revenues covering 89% of HI costs at that time. The projected HI deficit over the next 75 years is 0.35% of taxable payroll, down from 0.62% in 2023.

Meanwhile, the change in Supplementary Medical Insurance (SMI) trust fund spending from last year's report varies over the projection period. For Part B, the long-range projections as a percent of gross domestic product (GDP) are lower than those projected last year through 2056 and higher thereafter. This change reflects the combined effects of lower projected spending for outpatient hospital and home health agency services and revised GDP estimates.

For Part D, the expenditure share of GDP is projected to be higher than last year early in the projection period and will continue to vary, becoming more similar to last year's estimates later in the projection period. These changes largely reflect revisions to drug utilization, enrollment,

and GDP projections. Despite rising Part B and Part D spending, the SMI trust fund is expected to remain solvent indefinitely because revenues are reset each year to meet projected costs.

Overall, Medicare's annual cost is projected to rise from 3.8% of GDP in 2023 to 5.8% by 2048, largely due to the rapid growth in the number of beneficiaries. It is then expected to climb to 6.2% of GDP in 2098, with growth in the cost per beneficiary becoming the larger factor in later years, particularly for Part D costs.

Social Security

The 2024 Social Security Trustees Report indicates that the solvency of the Old-Age, Survivors, and Disability Insurance (OASDI) trust funds increased slightly from last year's report, largely due to a projected increase in labor productivity during the projection period and a lower assumed long-term disability incidence rate. However, these improvements were partially offset by a drop in the assumed long-term total fertility rate. Higher-than-expected economic growth also contributed to the change.

The trust funds are projected to have sufficient revenue to pay benefits until 2035, one year later than estimated in last year's report, but the same as in 2022. In 2035, annual revenues will be sufficient to fund 83% of scheduled benefits. The 75-year actuarial deficit for the combined trust funds is estimated at 3.50% of taxable payroll, down from 3.61% as estimated in 2023.

Trustees expect that Social Security's overall cost will grow from 5.2% of GDP in 2024 to a peak of 6.4% in 2078. It then declines to 6.1% by 2098. The 75-year actuarial deficit equals 1.2% of GDP through 2098, the same percentage as reported last year.

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Although the short-term financial outlook of both the Social Security and Medicare programs saw at least some improvement over last year's reports, the trustees note that both programs will continue to face significant financing issues into the future unless viable solutions are developed.

A combined federal summary of the 2024 Medicare and Social Security trustees' reports is available [here](#). Further analysis from the Academy will be available shortly—please continue to check our website for updates. All such content will be available to view on the [2024 Election Issues Clearinghouse](#).

If you have any questions regarding this *Academy Alert*, please contact Ted Gotsch, content and publications senior analyst, by email (gotsch@actuary.org) or by telephone (202-785-6930).

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