The Trustees of the Social Security and Medicare Trust Funds are required by law to produce an annual report on April 1 of each year. It is by no means a shock that the report is late in any year; it happens often. This year, however, there is probably more of a justification that the report was released only yesterday, five months late. The economic and health care environments are perhaps as chaotic and uncertain as they have been in living memory.

But apart from the extraordinary events of the last year, Social Security and Medicare remain political footballs of the highest order. Emblematic of that, this report was filed by not the six Trustees required by law, but four. Those four are the ex-officio board members, the Secretaries of the Treasury, Health and Human Services, and Labor, and the Social Security Commissioner (who at this time is acting in the position). The other two Trusteeships, the public appointees, one representing each political party, are vacant, because of the failure of the two sides to achieve confirmation of nominees in the Senate. This has been going on for six years.

And speaking of jobs that can’t be filled (and that you would not want to have), the news that these Trustees must report is virtually all bad.

The headline number in the annual report is always the “insolvency date” for Social Security—the year when its Trust Fund balance plus its receipts is projected to become insufficient to pay full benefits. Last year, the insolvency date was 2034. This year, it is 2033. The significance of this datum is a matter of intense dispute. Suffice it to say that if the tax receipts in the Trust Fund are insufficient to pay full benefits, as they are today, the Treasury must borrow from the public to pay interest on the Trust Fund balance in cash so that the program can write checks for those benefits. When interest receipts become insufficient, the Treasury will need to borrow from the public to redeem the balances in the Trust Funds to pay the benefits. It is this borrowing from the public that causes anxiety among some watchers of the program. Although you may hear arguments that it will be fully acceptable to run the Trust Funds all the way down to the ground before refinancing the program, the Trustees urge in this report that the program be repaired as soon as possible.

To add some perspective to that issue, consider that the last of the baby-boom generation, Americans born in 1964, are 57 years old this year. If it should be considered unfair to reduce prospective benefits for individuals within 10 years of Social Security retirement because of a lack of “fair warning,” the entire baby-boom generation will have suffered no cut in benefits to preserve the program for younger generations.

Some might think that the pandemic, with its disproportionate mortality effect on the older generations who currently collect benefits, would not be so harsh on the Social Security program. However, that mortality burden reduces the number of benefit-years by a fairly small number for each victim. Meanwhile, the pandemic is causing many deaths (a smaller mortality percentage, but of a larger population) among younger Americans, and taking many years of their earnings out of the tax base. As a result, Social Security is suffering financially.
Medicare is being hurt much less. The solvency date for Medicare Part A, the Hospital Insurance (or HI) program, remains unchanged, at 2026. Of course, that is only five years from now. The program has benefited in a perverse way from the inability of its fee schedule to compensate doctors and hospitals for the cost of COVID care. (In the same way, private insurers have weathered the pandemic much better than health care providers.)

The future for these programs is bleak. Like many seniors, these programs must fear outliving their money. The Trustees have said as much, even if it was five months late.

The summary of the Trustees Report is available here. The full report is posted here.