Social Insurance

The social insurance programs consisting of Social Security, Medicare, Railroad Retirement, Black Lung, and Unemployment Insurance (UI) were developed to provide income security and health care coverage to citizens under specific circumstances as a responsibility of the government. Because taxpayers rely on these programs in their long-term planning, social insurance program information should indicate whether the current statutory provisions of the programs can be sustained, and more generally what effect these provisions likely have on the government's financial condition. The resources needed to run these programs are raised through taxes and fees. Eligibility for benefits depends in part on earnings and time worked by the individuals. Social Security benefits are generally redistributed intentionally toward lower-wage workers (i.e., benefits are progressive). In addition, each social insurance program has a uniform set of eligibility events and schedules that apply to all participants.

RSI material is generally drawn from the 2025 Annual Reports of the Boards of Trustees, which represents the official government evaluation of the financial and actuarial status of the Social Security and Medicare Trust Funds. Unless otherwise noted, all data are for calendar years, all projections are based on current law and the Trustees intermediate set of assumptions. A significant exception is that the projections disregard benefit payment reductions that would result from the projected depletion of the OASDI and HI Trust Funds. Under current law, benefit payments would be reduced to levels that could be covered by incoming tax and premium revenues when the trust fund balances have been depleted.

Social Security and Medicare

Social Security

The OASI and DI Trust Funds were established on January 1, 1940 and August 1, 1956, respectively as separate accounts in Treasury. The OASI fund pays cash retirement benefits to eligible retirees and their eligible dependents and survivors, and the much smaller DI fund pays cash benefits to eligible individuals who are unable to work because of medical conditions and certain family members of such eligible individuals. All financial operations of the OASI and DI Programs are handled through these respective funds. The two funds are often referred to as the combined OASDI Trust Funds or "Social Security." At the end of calendar year 2024, Social Security benefits were paid to approximately 68 million beneficiaries.

The events that trigger benefit payments are quite different however, both trust funds have the same dedicated financing structure: taxes paid by workers, their employers, and individuals with self-employment income, based on work covered by the Social Security Program. Currently, employers and employees each pay 6.2 percent of taxable earnings, and the self-employed pay 12.4 percent of taxable earnings. Payroll taxes are levied on wages and net earnings from self-employment up to a specified maximum annual amount, referred to as maximum taxable earnings ($176,100.00 in 2025), that increases each year with economy-wide average wages.

Legislation passed in 1984 subjected up to half of Social Security benefits to income tax and allocated the revenue to the OASDI Trust Funds. In 1993 legislation increased the potentially taxed portion of benefits to 85.0 percent and allocated the additional revenue to the Medicare's HI Trust Fund.

Medicare

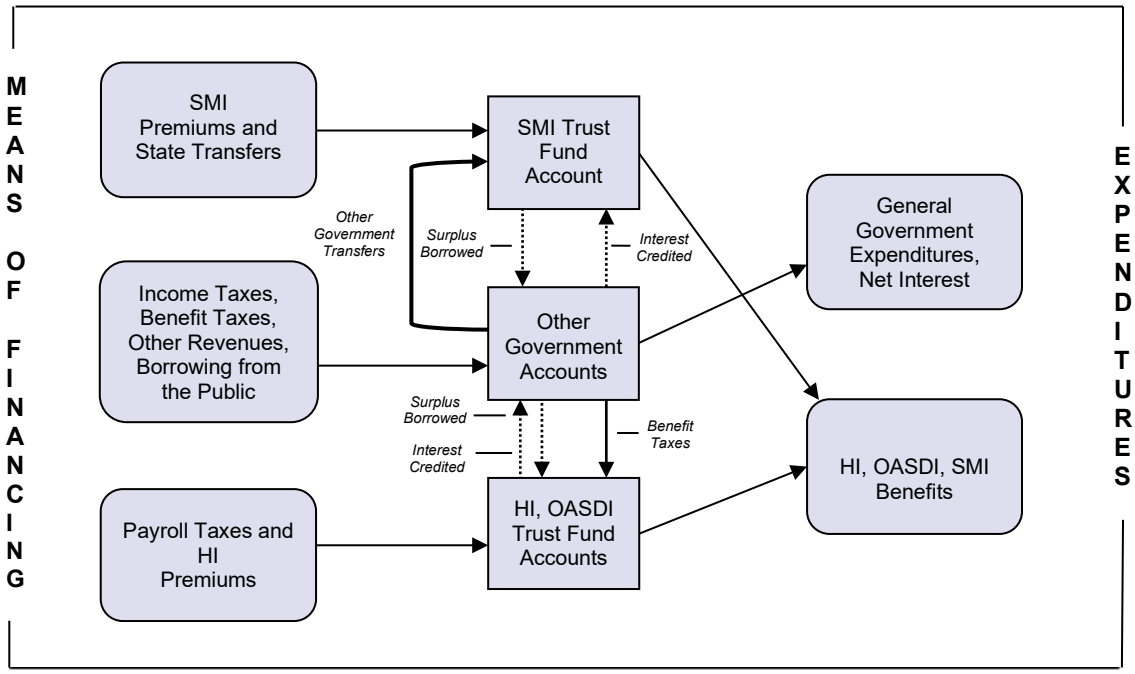
The Medicare Program, created in 1965, has two separate trust funds: the HI Trust Fund (otherwise known as Medicare Part A) and the SMI Trust Funds (which consists of the Medicare Part B and Part D[14] accounts). HI helps pay for inpatient hospital skilled nursing facility, home health, and hospice. SMI helps pay for hospital outpatient services, physician services, and assorted other services and products through Part B and for prescription drugs through Part D.

Though the events that trigger benefit payments are similar, HI and SMI have different dedicated financing structures. Similar to Social Security, HI is financed primarily by payroll contributions. Currently, employers and employees each pay 1.45 percent of earnings, while self-employed workers pay 2.9 percent of their net earnings. SMI is financed primarily by direct transfers from the General Fund. Additional financing sources include premiums paid by beneficiaries and, for Part D state transfers.

[14] Medicare legislation in 2003 created the new Part D account in the Medicare Part B and D Trust Fund to track the finances of a new prescription drug benefit that began in 2006. As is the case for Medicare Part B, a little less than three-quarters of revenues to the Part D account will come from future transfers from the General Fund. Consequently, the nature of the relationship between the Medicare Part B and D Trust Fund and the *Budget* described below is largely unaffected by the presence of the Part D account though the magnitude will be greater.

Social Security, Medicare, and Government-wide Finances

Figure 1—Social Security, Medicare, and Government-wide Finances



- Other Government Transfers: Intra-governmental transfers to the Medicare SMI Trust Fund from other government accounts.
- Surplus Borrowed: Program revenue loaned to the General Fund and treated as if it borrowed the money from the public.
- Interest Credited: Interest earned when the excess of program revenue over expenses is loaned to the General Fund becoming a future obligation to the General Fund.

The current and future financial status of the separate Social Security and Medicare Trust Funds is the focus of the Social Security and Medicare Trustees Reports, a focus that may appropriately be referred to as the "trust fund perspective." In contrast, the government primarily uses the budget concept, appropriately referred to as the "budget perspective" or the "government-wide perspective" as the framework for budgetary analysis and presentation. It represents a comprehensive display of all federal activities, regardless of fund type or on- and off-budget status and has a broader focus than the trust fund perspective. Social Security and Medicare are among the largest expenditure categories of the *Budget*. This section describes the important relationship between the trust fund perspective and the government-wide perspective.

Figure 1 is a simplified depiction of the interaction of the Social Security and Medicare Trust Funds with the rest of the *Budget*.[15] The boxes on the left show sources of funding, those in the middle represent the trust funds and other government accounts, including the General Fund into which that funding flows, and the boxes on the right show simplified expenditure categories. The figure is intended to illustrate how the various sources of program revenue flow through the *Budget* to beneficiaries. The general approach is to group revenues and expenditures that are linked specifically to Social Security and/or Medicare separately from those for other government programs.

Each of the trust funds has its own sources and types of revenue. With the exception of General Fund transfers to Medicare Parts B and D, each of these revenue sources represents revenue from the public that is dedicated specifically for the respective trust fund and cannot be used for other purposes. In contrast, personal and corporate income taxes as well as other revenue go into General Fund and are drawn down for any government program for which Congress has approved spending.[16] The Medicare SMI Trust Fund is shown separately from the Social Security OASDI Trust Funds and the Medicare HI Trust Fund to highlight the unique financing of Medicare Parts B and D. Currently, Medicare Parts B and D are

[15] The *Budget* encompasses all government financing and is synonymous with a government-wide perspective.
[16] Other programs also have dedicated revenues in the form of taxes and fees (and other forms of receipt) and there are a large number of dedicated trust funds in the *Budget*.

the only programs that are funded through transfers from the General Fund. The transfers are automatic and their size depends on program expenses, not on how much revenue comes into Treasury. If General Fund revenues become insufficient to cover both the mandated transfer to Medicare Parts B and D and expenditures on other general government programs, Treasury needs to borrow to make up the difference. In the longer run, if transfers to Medicare Parts B and D increase beyond growth in general revenues is as projected, then Congress must either raise taxes, cut other government spending, reduce Medicare Parts B and D benefits, or borrow even more.

Intra-governmental transfers (surplus) is a form of "borrowing/lending" between the government accounts. How loans from the trust funds to the General Fund and later repayments of those loans affect tax income and expenditures of the General Fund is uncertain. Two extreme cases encompass the possibilities. At one extreme, each dollar the trust funds loan to the General Fund might reduce borrowing from the public by a dollar at the time the loan is extended, in which case the General Fund could repay all trust fund loans by borrowing from the public without raising the level of debt held by the public above the level that would have occurred in the absence of the loans. At the other extreme, the trust fund loans result in additional largess (i.e., higher spending and/or lower taxes) in General Fund programs at the time the loans are extended, but ultimately that additional largess is financed with additional austerity (i.e., lower spending and/or higher taxes). The actual impact of trust fund loans to the General Fund and their repayment on General Fund programs is at one of these two extremes or somewhere in between.

Actual dollar amounts roughly corresponding to the flows presented in Figure 1 are shown in the following table for FY 2025. From the government-wide perspective, only revenues received from the public and state transfers less expenditures made to the public are important for the final balance. From the trust fund perspective which is captured in the bottom section of each of the three trust fund columns, revenue also includes amounts transferred from the General Fund and interest earned from the lending/borrowing activity between the General Fund and the trust funds. Transfers to the SMI Program from the General Fund are obligated under current law and therefore, appropriately viewed as revenue from the trust fund perspective.

Revenues and Expenditures for Medicare and Social Security Trust Funds and the Total Federal Budget for the Fiscal Year Ended September 30, 2025

	Trust Funds					
(In billions of dollars)	HI	SMI	OASDI	Total	All Other	Total[1]
Payroll taxes and other public revenues:						
Payroll and benefit taxes	441.7	-	1,367.9	1,809.6	-	1,809.6
Premiums	7.6	165.5	-	173.1	-	173.1
Other taxes and fees	-	21.5	-	21.5	3,230.4	3,251.9
Total	449.3	187.0	1,367.9	2,004.2	3,230.4	5,234.6
Total expenditures to the public[2]	439.0	748.3	1,581.7	2,769.0	4,241.0	7,010.0
Net results for budget perspective[3]	10.3	(561.3)	(213.8)	(764.8)	(1,010.6)	(1,775.4)
Revenues from other government accounts:						
Transfers	1.1	549.1	0.2	550.4	(550.4)	
Interest credits	8.3	3.8	70.0	82.1	(82.1)	
Total	9.4	552.9	70.2	632.5	(632.5)	
Net results for trust fund perspective[3]	19.7	(8.4)	(143.6)	(132.3)	N/A	N/A

[1] This column is the sum of the preceding two columns and shows data for the total *Budget*. The figure $1,775.4 billion was the total federal deficit in FY 2025.

[2] The OASDI figure includes $6.0 billion transferred to the RRB for benefit program payments and is therefore an expenditure to the public.

[3] Net results are computed as revenues less expenditures.

Transfers and interest credits received by the trust funds appear as a negative entry under "all other" and the column is offset when summed for the total *Budget*.

Note: "N/A" indicates not applicable.

Medicare Part A: From the government-wide perspective, the difference between expenditures made to the public and revenues was $10.3 billion. From the trust fund perspective, after revenues from transfers and interest from the General Fund, revenues exceeded expenditures by $19.7 billion.

Medicare Parts B and D: From the government-wide perspective, the difference between expenditures made to the public and revenues was $561.3 billion resulting in a net draw on the overall budget balance. From the trust fund perspective, after revenues from transfers and interest from the General Fund, expenditures exceeded revenues by $8.4 billion.

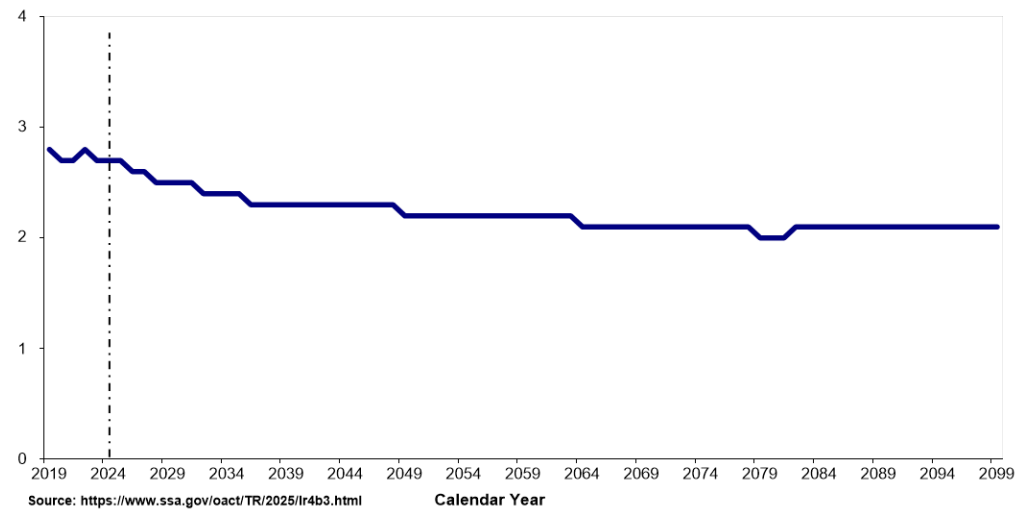
Social Security: From the government-wide perspective, the difference between expenditures made to the public and revenues was $213.8 billion. From the trust fund perspective, after revenues from transfers and interest from the General Fund, expenditures exceeded revenues by $143.6 billion.

Cash Flow Projections

Economic and Demographic Assumptions. The Boards of Trustees of the OASDI and Medicare Trust Funds provide in their annual reports to Congress short-range (10-year) and long-range (75-year) actuarial estimates of each trust fund. Because of their inherent uncertainty in estimating 75 years into the future, the boards use three alternative sets of economic and demographic assumptions to show a range of possibilities. The economic and demographic assumptions used for the most recent set of intermediate projections for Social Security and Medicare are shown in the demographic and economic assumption section of Note 25—Social Insurance.

Worker-to-Beneficiary Ratio. For the most part, current workers' pay for current benefits. The relatively smaller number of persons born after the baby boom will therefore finance the retirement of the baby boom generation. Chart 1 shows the estimated number of covered workers per OASDI beneficiary using the Trustees intermediate assumptions. Covered workers are persons having earnings creditable for OASDI purposes based on wages in covered employment or income from covered self-employment. The estimated number of workers per beneficiary declines from 2.7 in 2024 to 2.1 in 2099. A similar demographic pattern confronts the Medicare Program. In 2024 every HI beneficiary had about 2.8 workers to pay for his or her benefit and continues to decline until there are only 2.2 workers per beneficiary by 2099.

Chart 1—Number of Covered Workers per OASDI Beneficiary 2019-2099



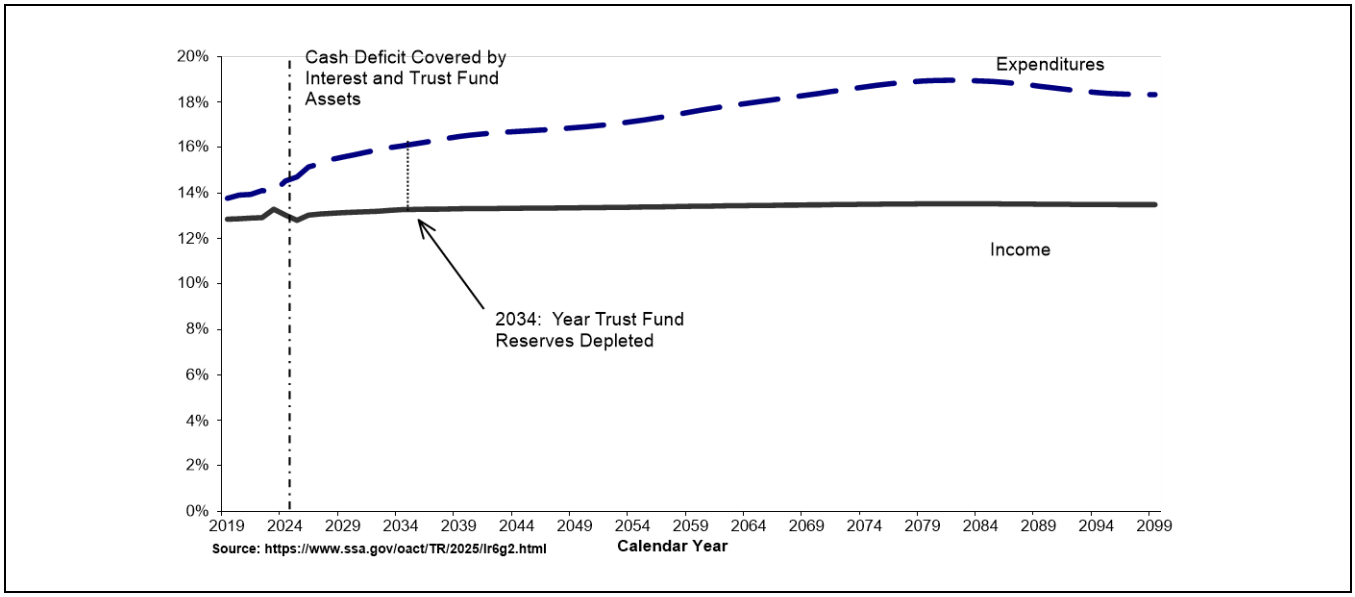
Social Security Projections

Income and Expenditures as a Percent of Taxable Payroll. Chart 2 shows annual non-interest income and expenditures expressed as percentages of taxable payroll. Estimated cost continues to exceed income excluding interest in years 2025 through 2034. Estimated cost rises rapidly through about 2040, then continues to rise more gradually through 2081 before mostly decreasing through 2099. The estimated income at the end of the 75-year period is sufficient to cover 72.0 percent of the estimated cost.

In any year, to meet all OASDI cost on a timely basis, the combined OASI and DI Trust Funds will need to redeem Treasury securities. This redemption differs from the situation of prior years when the combined OASI and DI Trust Funds had been net lenders to the General Fund. Because the program lacks the authority to borrow to continue paying benefits, benefit payments would be limited to the available noninterest income.

Solvency could be achieved by: 1) increasing revenue equivalent to an immediate and permanent payroll tax rate increase of 3.65 percentage points; or by 2) reducing scheduled benefits by an amount equivalent to an immediate and permanent reduction of about 22.4 percent applied to all current and future beneficiaries, or about 26.8 percent if the reductions were applied only to newly entitled beneficiaries. Alternatively, some combination of tax increases and benefit reductions could be adopted.

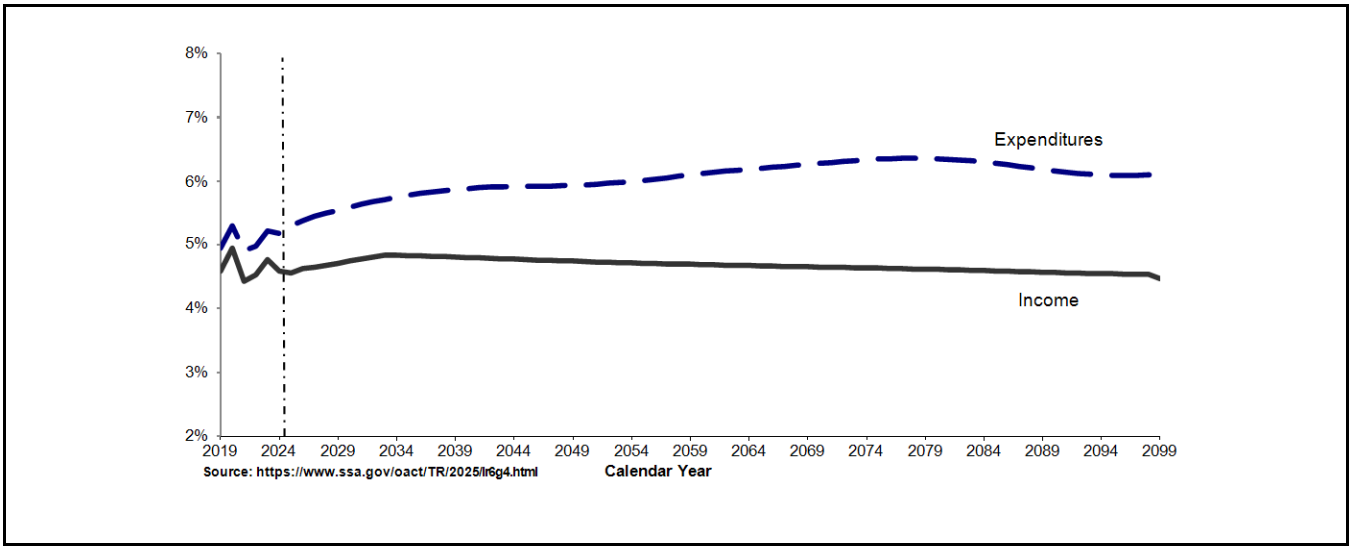
Chart 2—OASDI Income (Excluding Interest) and Expenditures as a Percent of Taxable Payroll 2019-2099



Income and Expenditures as a Percent of GDP. Chart 3 shows estimated annual non-interest income and expenditures, expressed as a percent of GDP. Analyzing these cash flows in terms of percentage of the estimated GDP, which represents the total value of goods and services produced in the U.S., provides a measure of the cost of the OASDI program in relation to the size of the national economy that must finance it.

In calendar year 2024, OASDI cost was about $1.5 trillion, which was about 5.1 percent of GDP. The cost of the program (based on current law) rises to a peak of 6.4 percent of GDP in 2079, then declines to 6.1 percent by 2099. The increase from 2024 to 2040 is projected to occur as baby boomers continue to become eligible for OASDI benefits, lower birth rates result in fewer workers per beneficiary, and beneficiaries continue to live longer. The decrease at the end of the period is projected to occur as smaller generations, due to reduced birth rates following the recession of 2007-2009, begin to retire.

Chart 3—OASDI Income (Excluding Interest) and Expenditures as a Percent of GDP 2019-2099



Medicare Projections

Medicare Legislation. The projections presented here are based on current law, certain features of which may result in some challenges for the Medicare program. In 2010 the PPACA was signed into law and contains the most significant changes to health care coverage since the *Social Security Act*. The COVID-19 pandemic is no longer projected to have a significant impact on the Medicare program. Fee-for-service per capita spending has stabilized, and the Trustees rely more on recent experience when developing the cost projections. The only remaining adjustment is to account for the surviving population's morbidity improvement, which is expected to continue to affect spending levels through 2029.

Incorporated in these projections is the sequestration of non-salary Medicare expenditures as required by the following laws:

- *Budget Control Act of 2011* (P.L. 112-25, enacted on August 2, 2011), as amended by the *American Taxpayer Relief Act of 2012* (P.L. 112-240, enacted on January 2, 2013);
- *Continuing Appropriations Resolution, 2014* (P.L. 113-67, enacted on December 26, 2013);
- Sections 1 and 3 of P.L. 113-82, enacted on February 15, 2014;
- *Protecting Access to Medicare Act of 2014* (P.L. 113-93, enacted on April 1, 2014);
- *Bipartisan Budget Act* (BBA) of 2015 (P.L. 114-74, enacted on November 2, 2015);
- BBA of 2018 (P.L. 115-123, enacted on February 9, 2018);
- BBA of 2019 (P.L. 116-37, enacted on August 2, 2019);
- The CARES Act (P.L. 116-136, enacted on March 27, 2020);
- The *Consolidated Appropriations Act* (CAA), 2021 (P.L. 116-260, enacted on December 27, 2020);
- *An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes* (P.L. 117-7, enacted on April 14, 2021);
- *Infrastructure Investment and Jobs Act* (P.L. 117-58, enacted on November 15, 2021);
- *The Protecting Medicare and American Farmers from Sequester Cuts Act* (P.L. 117-71, enacted on December 10, 2021);
- The CAA, 2023 (P.L. 117-328, enacted on December 29, 2022);
- *National Defense Authorization Act*, 2024 (P.L. 118-31, enacted on December 22, 2023);
- The CAA, 2024 (P.L. 118-42, enacted on March 9, 2024); and
- *Full -Year Continuing Appropriations and Extensions Act,* 2025 (P.L. 119-4, enacted on March 15, 2025).

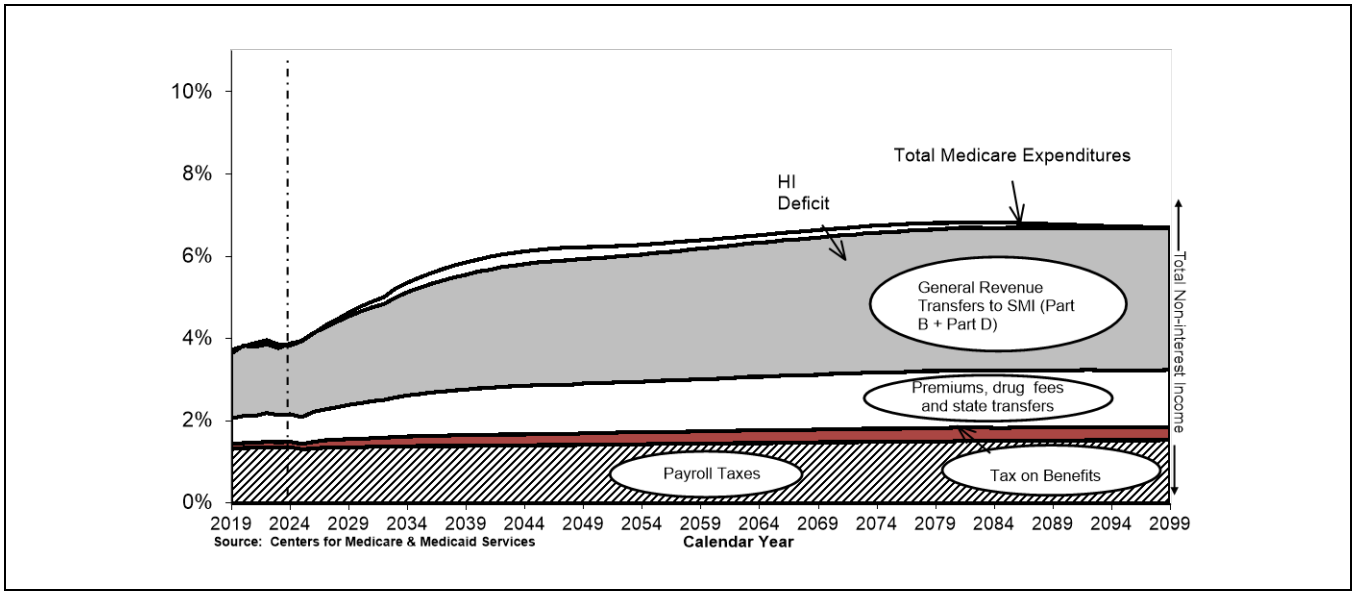
The sequestration reduces benefit payments by 2.0 percent from April 1, 2013 through April 30, 2020, by 1.0 percent from April 1, 2022 through June 30, 2022, by 2.0 percent from July 1, 2022 through January 31, 2033. Because of sequestration, non-salary administrative expenses are reduced by an estimated 5.0 to 7.0 percent from March 1, 2013 through January 31, 2033, excluding May 1, 2020 through March 31, 2022 when it was suspended.

The financial projections for the Medicare program reflect substantial, but very uncertain, cost savings deriving from current law provisions that lower increases in Medicare payment rates to most categories of health care providers, but such adjustments would probably not be viable indefinitely without fundamental change in the current delivery system. In view of the factors described above, it is important to note that Medicare's actual future costs are highly uncertain for reasons apart from the inherent challenges in projecting health care cost growth over time. For additional information refer to the "Medicare – Illustrative Alternative Scenario" section of Note 25—Social Insurance and HHS's financial statements.

Changes in Projection Methods. The long-range cost growth rates must be modified to reflect demographic impacts. In the 2021 report, these impacts reflected the changing distribution of Medicare enrollment by age and sex, and the beneficiary's proximity to death, which is referred to as a time-to-death (TTD) adjustment. The TTD adjustment reflects the fact that the closer an individual is to death, the higher his or her health care spending is.

Total Medicare. Chart 4 shows expenditures and current-law non-interest revenue sources for HI and SMI combined as a percent of GDP. Under the PPACA, beginning in 2013 the HI Trust Fund receives an additional 0.9 percent tax on earnings in excess of $250,000 for joint tax return filers and $200,000 for individual tax return filers. As a result of this provision, it is projected that payroll taxes will grow slightly faster than GDP. Beginning in 2022, HI revenue from income taxes on Social Security benefits will gradually increase as a share of GDP as the share of benefits subject to such taxes increase. General Fund transfers are projected to gradually increase from 45.0 percent of Medicare financing in 2024 to about 50.0 percent in 2036, stabilizing thereafter. SMI premiums will also grow in proportion to general revenue transfers, placing a growing burden on beneficiaries. Medicare Part B and D general revenues equal 1.7 percent of GDP in 2024 and will increase to an estimated 3.5 percent in 2099 under current law.

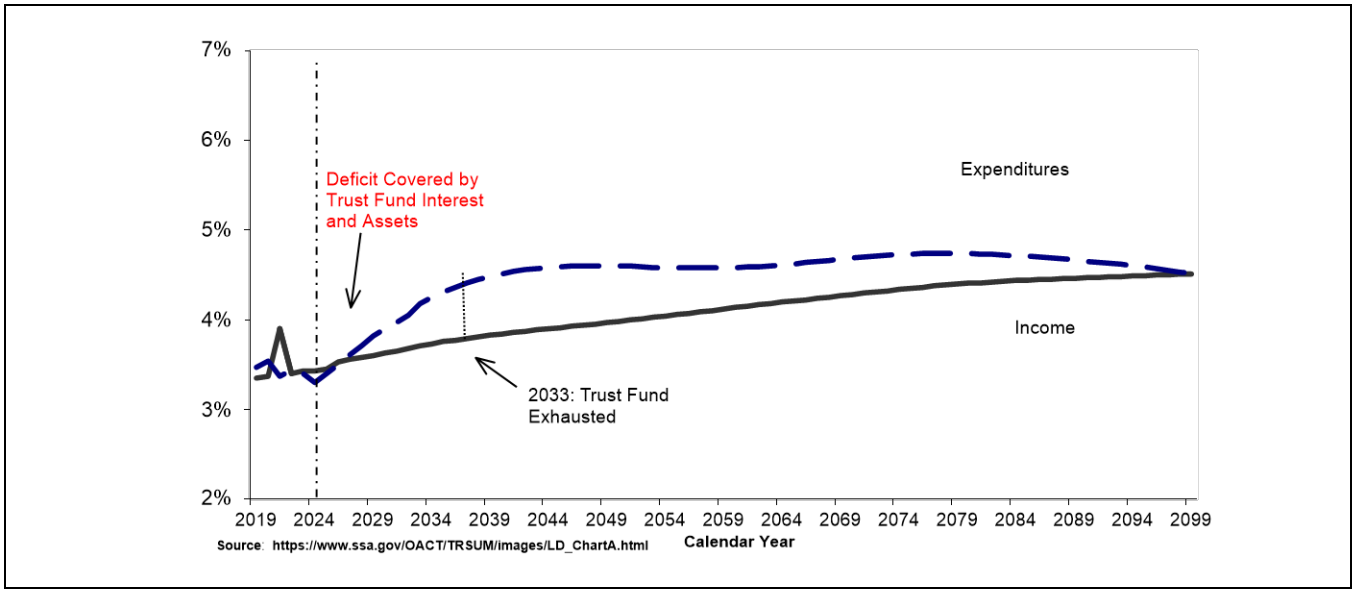
Chart 4—Total Medicare (HI and SMI) Expenditures and Non-interest Income as a Percent of GDP 2019-2099



Medicare, Part A Income and Expenditures as a Percent of Taxable Payroll. Chart 5 illustrates Medicare Part A income (excluding interest) and expenditures as a percentage of taxable payroll. The standard HI payroll tax rate is not scheduled to change in the future under current law and payroll tax income as a percentage of taxable payroll is estimated to remain constant at 2.9 percent. Income from taxation of Social Security benefits will also increase faster than taxable payroll because the income thresholds determining taxable benefits are not indexed for price inflation. Since these income thresholds are not indexed, over time an increasing proportion of workers and their earnings will become subject to the additional HI tax rate as discussed above.

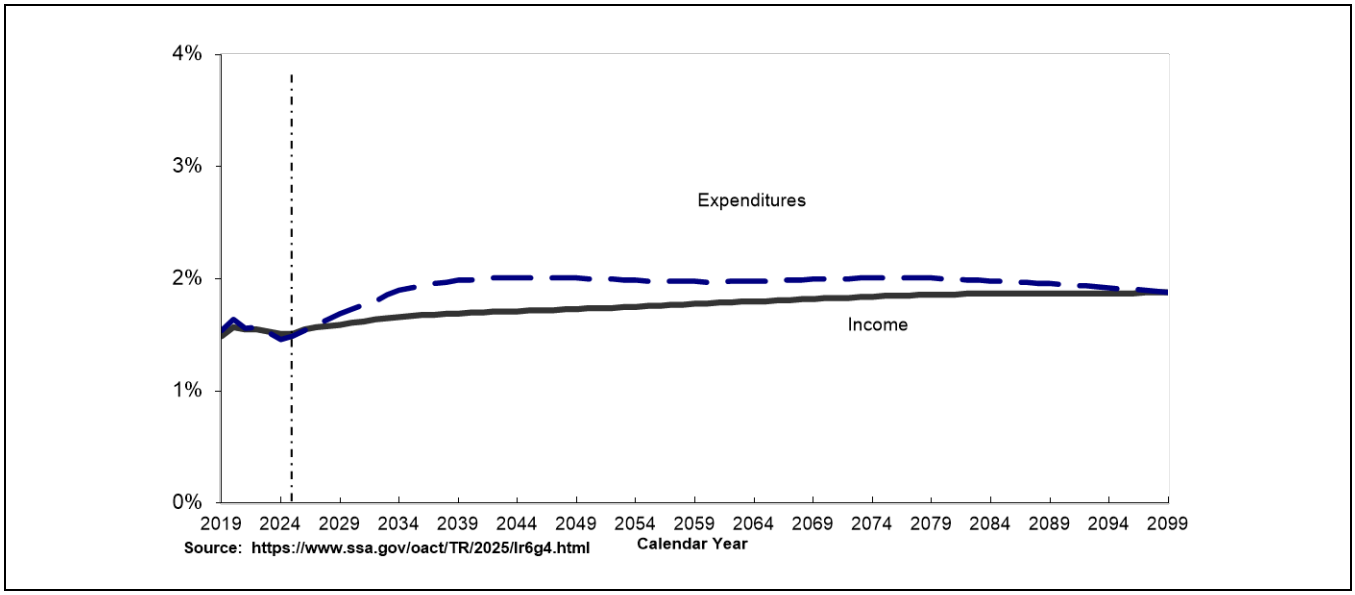
After remaining steady from 2023 through 2024, as indicated in Chart 5, the cost rate is projected to rise in 2025 and beyond primarily as a result of an acceleration of health service cost growth. This cost rate increase is moderated by the productivity adjustments to provider price updates, which are estimated to reduce annual HI per capita cost growth by an average of 0.8 percent through 2034 and 1.0 percent thereafter.

Chart 5—Medicare Part A Income (Excluding Interest) and Expenditures as a Percent of Taxable Payroll 2019-2099



Medicare, Part A Income and Expenditures as a Percent of GDP. Chart 6 shows estimated annual Medicare Part A non-interest income and expenditures, expressed as a percent of GDP. This measure provides an idea of the relative financial resources that will be necessary to pay for Medicare Part A services. In 2024, the expenditures were $0.4 trillion, which was 1.4 percent of GDP. This percentage is projected to increase steadily until about 2046 and then remain fairly level throughout the rest of the 75-year period, as the accumulated effects of the price update reductions are realized.

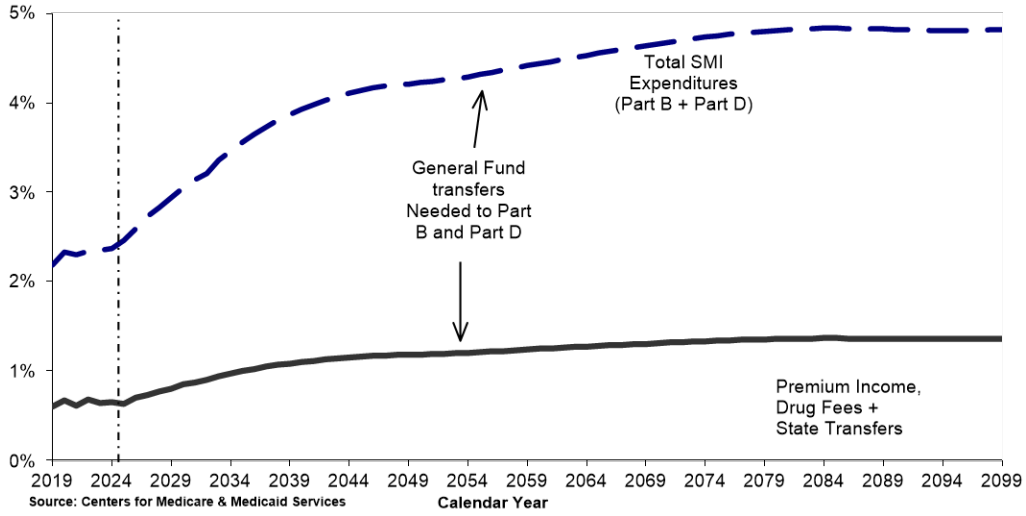
Chart 6—Medicare Part A Income (Excluding Interest) and Expenditures as a Percent of GDP 2019-2099



Medicare Part B and Part D Premium as well as State Transfer Income and Expenditures as a Percent of GDP. Chart 7 shows expenditures for the Part B and D Program expressed as a percent of GDP. It is important to examine the projected rise in expenditures and the implications for beneficiary premiums and General Fund transfers.

In 2024, SMI expenditures were $0.7 trillion, or about 2.4 percent of GDP. Under current law, they would grow to about 4.2 percent of GDP within 25 years and to 4.8 percent by the end of the projection period. To match the faster growth rates for SMI expenditures, beneficiary premiums, along with general revenue contributions, would increase more rapidly than GDP over time but at a slower rate compared to the last 10 years. Average per beneficiary costs for Part B and Part D benefits are projected to increase after 2024 by about 4.3 percent annually. The associated beneficiary premiums—and General Fund transfers would increase by approximately the same rate. The special state payments to the Part D account are set by law at a declining portion of the states' forgone Medicaid expenditures attributable to the Medicare drug benefit.

Chart 7—Medicare Part B and Part D Premium and State Transfer Income and Expenditures as a Percent of GDP 2019-2099



Social Security and Medicare Sensitivity Analysis

Projections of the future financial status of the Social Insurance programs depend on many demographic and economic assumptions. The estimates presented here are based on the assumption that the programs will continue under current law except that the full amount of Social Security and Medicare HI scheduled benefits are paid after trust fund depletion contrary to current law. Income will depend on how these factors affect the size and composition of the working population and the level and distribution of wages and earnings. Similarly, the cost will depend on how these factors affect the size and composition of the beneficiary population and the general level of benefits.

Because actual experience is likely to differ from the estimated or assumed values of these factors, this section is included to illustrate the sensitivity of the long-range projections to changes in assumptions by analyzing key assumptions: average annual reduction in death rates for Social Security, average annual growth in health costs for Medicare, total fertility rate, real-wage differential, CPI change, net immigration, and real interest rate.

For this analysis, the intermediate assumptions are used as the reference point, and each selected assumption is varied individually. The variation used for each individual assumption reflects the levels used for that assumption in the low-cost and high-cost projections. For example, when analyzing sensitivity with respect to variation in real wages, income, and expenditure projections using the intermediate assumptions are compared to the outcome when projections are done by changing only the real wage assumption to either low-cost or high-cost alternatives.

The following tables show the PV of the estimated excess of Social Security and Medicare cost over income for the 75-year period, using various assumptions, which are shown in parentheses. The low-cost alternative is characterized by assumptions that improve the financial status of the program (relative to the intermediate assumption) such as slower improvement in mortality (beneficiaries die younger). In contrast, assumptions under the high-cost alternative worsen the

financial outlook. All PV are calculated as of January 1, 2025 and are based on estimates of income and cost during the 75-year projection period 2025-2099. Refer to SSA's and HHS's unaudited RSI—Social Insurance section for additional information on the Social Insurance programs sensitivity analysis.

Present Values of Estimated OASDI Expenditures in Excess of Income Under Various Assumptions, 2025-2099

(Dollar values in trillions; values of assumptions shown in parentheses)

Assumption	Financing Shortfall Range		
	Low	Intermediate	High
Average annual reduction in death rates[1]	22.6 (0.3)	27.9 (0.7)	33.9 (1.2)
Total fertility rate	25.6 (2.1)	27.9 (1.9)	31.1 (1.6)
Real-wage growth[1]	23.2 (1.7)	27.9 (1.1)	30.7 (0.5)
CPI change	27.2 (3.0)	27.9 (2.4)	28.5 (1.8)
Net immigration[2]	26.1 (1,696)[3]	27.9 (1,253)[3]	29.6 (833)[3]
Real interest rate	23.7 (2.8)	27.9 (2.3)	33.0 (1.8)

[1] The amounts shown represent averages from 2034 to 2099 of the 75-year projection period.
[2] The amounts shown represent averages from 2035 to 2099 of the 75-year projection period.
[3] Per thousands of persons.
Source: SSA

The decrease and increase discussed below represent how much the low and high alternatives differ from the intermediate alternative shown in the table above over the 75-year projection period.

- The average annual reduction in death rates: If people die at younger ages Social Security income relative to cost would decrease by $5.3 trillion; if people live longer the shortfall would increase by $6.0 trillion.
- Total fertility rate: Higher rates of fertility increase the ratio of workers to beneficiaries, all else equal. If there are more workers compared to beneficiaries Social Security income relative to cost would decrease by $2.3 trillion; if there are fewer workers compared to beneficiaries the shortfall would increase by $3.2 trillion.
- Real-wage growth: Higher real wage growth results in faster income growth relative to expenditure growth; if real-wage growth is higher Social Security income relative to cost would decrease by $4.7 trillion; if real-wage growth is lower the shortfall would increase by $2.8 trillion.
- CPI change: If the ultimate annual increase in the CPI percentage is higher Social Security income relative to cost would decrease by $0.7 trillion; if the ultimate annual increase in the CPI percentage is lower shortfall would increase by $0.6 trillion.
- Net immigration: If there is a larger increase in immigration levels then Social Security income relative to cost would decrease by $1.8 trillion; if there is a smaller increase in immigration levels the shortfall would increase by $1.7 trillion.
- Real interest rate: If the ultimate real interest rate is higher, then Social Security income relative to cost would decrease by $4.2 trillion; if the ultimate annual real interest rate is lower, then the shortfall would increase by $5.1 trillion.

Present Values of Estimated Medicare Part A Expenditures in Excess of Income Under Various Assumptions, 2025-2099
(Dollar values in trillions; values of assumptions shown in parentheses)

Assumption	Financing Shortfall Range		
	Low	Intermediate	High
Average annual growth in health costs	(6.9)[1] (2.7)	3.3 (3.7)	19.6 (4.7)
Total fertility rate	2.5 (2.1)	3.3 (1.9)	4.5 (1.6)
Real wage growth	(0.6)[1] (1.7)	3.3 (1.1)	6.0 (0.5)
CPI change	2.0 (3.0)	3.3 (2.4)	5.1 (1.8)
Net immigration	2.5 (1,733)[2]	3.3 (1,273)[2]	4.1 (836)[2]
Real interest rate	2.9 (2.8)	3.3 (2.3)	3.7 (1.8)

[1] Average annual growth in health costs and real wage growth is projected to be negative for 2025.
[2] Per thousands of persons.
Source: Centers for Medicare & Medicaid Services

The decrease and increase discussed below represent how much the low and high alternatives differ from the intermediate alternative shown in the table above over the 75-year projection period.

- Average annual growth in health care costs: The financial status of the HI Trust Fund is extremely sensitive to the growth rates for health care service costs. Slower growth rates will produce a lower aggregate cost of providing covered health care services. If a slower growth rate is attained Medicare Part A income relative to cost would decrease by $10.2 trillion; if the growth rate is higher the shortfall would increase by $16.3 trillion.
- Total fertility rate: Higher rates of fertility increase the ratio of workers to beneficiaries, all else equal. If there are more workers compared to beneficiaries Medicare Part A income relative to cost would decrease by $0.8 trillion; if there are fewer workers compared to beneficiaries, the shortfall would increase by $1.2 trillion.
- Real-wage growth: Faster real-wage growth results in smaller HI cash flow deficits. If real-wage growth is higher Medicare Part A income relative to cost would decrease by $3.9 trillion; if real wage growth is lower, the shortfall would increase by $2.7 trillion.
- CPI change: If the ultimate annual increase in the CPI percentage is higher Medicare Part A income relative to cost would decrease by $1.3 trillion; if the ultimate annual increase in the CPI percentage is lower the shortfall would increase by $1.8 trillion.
- Net immigration: If there is a larger increase in immigration levels then Medicare Part A income relative to cost would decrease by $0.8 trillion; if there is a smaller increase in immigration levels the shortfall would increase by $0.8 trillion.
- Real interest rate: If the ultimate real interest rate is higher, Medicare Part A income relative to cost would decrease by $0.4 trillion; if the ultimate real interest rate is lower, then the shortfall would increase by $0.4 trillion.

Present Values of Estimated Medicare Parts B and D Future Expenditures Less Premium Income and State Transfers Under Three Health Care Cost Growth Assumptions, 2025-2099

Medicare Program[1]	Government-wide Resources Needed		
	Low	Intermediate	High
(in trillions of dollars)	2.7	3.7	4.7
Part B	35.0	49.3	71.8
Part D	5.6	7.8	11.2

[1] Annual growth rate is the aggregate cost of providing covered health care services to beneficiaries. The low and high scenarios assume that costs increase 1.0 percent slower or faster, respectively, than the intermediate assumption.

Source: Centers for Medicare & Medicaid Services

The table above shows the effects of various assumptions about the growth in health care costs on the PV of estimated Part B and D expenditures in excess of income in the terms of government-wide resources needed due to the financing mechanism (General Fund transfers) for Medicare Parts B and D. As with Part A, net Part B and D expenditures are very sensitive to the health care cost growth assumption. If a slower growth rate is attained government-wide resources needed for Part B would decrease by $14.3 trillion and Part D by $2.2 trillion; if the growth rate is higher, government-wide resources needed would increase to $22.5 trillion for Part B and to $3.4 trillion for Part D.

Sustainability of Social Security and Medicare

75-Year Horizon

According to the 2025 Medicare Trustees Report, the HI Trust Fund is projected to remain solvent until 2033 and, according to the 2025 Social Security Trustees Report, the OASI Trust Fund is projected to have sufficient reserves to pay full benefits on time until 2033 while the DI Trust Fund is not projected to be depleted within the projection period. In each case, some trust fund interest income and balances accumulated during prior years are needed to pay benefits. This leads to a repayment of loans made to the General Fund by the trust funds. The General Fund will pay back the trust funds and then the monies will be paid out to beneficiaries. Moreover, under current law, General Fund transfers to the SMI Trust Fund will occur into the indefinite future and will continue to grow with the growth in health care expenditures.

The potential magnitude of future financial obligations under these three social insurance programs is, therefore, important from a budget perspective as well as for understanding generally the growing resource demands of the programs on the economy. From the 75-year budget perspective, the PV of the additional resources that would be necessary to meet projected expenditures, for the three programs combined, is $88.2 trillion. To put this figure in perspective, it would represent 4.7 percent of the PV of projected GDP over the same period ($1,882.0 trillion). These resource needs would be in addition to the payroll taxes, benefit taxes, and premium payments. Asset redemptions and Medicare Part B and D general revenue transfers represent formal budget commitments, but no provision exists for covering the Medicare Part A and Social Security Trust Fund deficits once assets are depleted.

The table below shows the magnitudes of the primary expenditures and sources of financing for the three trust funds computed on an open-group basis for the next 75 years and expressed in PV terms. The data are consistent with the SOSI included in the principal financial statements.

From the government-wide perspective, the PV of the total resources needed for the Social Security and Medicare Programs over and above current-law funding sources (payroll taxes, benefit taxes, and premium payments from the public) is $88.3 trillion. From the trust fund perspective, which counts the trust funds ($3.1 trillion) and the general revenue transfers to the SMI Program ($57.1 trillion) as dedicated funding sources, additional resources needed to fund the programs are $28.1 trillion.

Present Values of Costs Less Revenues of 75-Year Open Group Obligations HI, SMI, and OASDI as of January 1, 2025

(In trillions of dollars)	HI	SMI		OASDI	Total
		Part B	Part D		
Revenues from the public:					
Taxes	32.7	-	-	92.4	125.1
Premiums and state transfers	0.4	19.2	2.9	-	22.5
Total	33.1	19.2	2.9	92.4	147.6
Total costs to the public	36.4	68.5	10.7	120.3	235.9
Net results - budget perspective[1]	3.3	49.3	7.8	27.9	88.3
Revenues from other government accounts	-	49.3	7.8	-	57.1
Trust fund balances as of 1/1/2025	0.2	0.2	-	2.7	3.1
Net results - trust fund perspective[1]	3.1	(0.2)	-	25.2	28.1

[1] Net results are computed as costs less revenues and trust fund balances. Negative values are indicative of surpluses.
Source: 2025 OASDI Trustees Reports and Centers for Medicare & Medicaid Services

Infinite Horizon

The 75-year horizon is consistent with the primary focus of the Social Security and Medicare Trustees Reports. Experts have noted that limiting the projections to 75 years understates the magnitude of the long-range unfunded obligations because summary measures (such as the actuarial balance and open-group unfunded obligations) reflect the full amount of taxes paid by the next two or three generations of workers, but not the full amount of their benefits. One approach to addressing the limitation of 75-year summary measures is to extend the projections horizon indefinitely, so that the overall results reflect the projected costs and revenues after the first 75 years. The open-group infinite horizon net obligation is the PV of all expected future program outlays less the PV of all expected future program tax and premium revenues. Such a measure is provided in the following table for the three trust funds represented above.

From the *Budget* or government-wide perspective, the values in line 1 plus the values in line 4 are summed in the last line of the table and represent the value of resources needed to finance each of the programs into the infinite future. The total resources needed for all the programs sums to $193.6 trillion in PV terms. This need can be satisfied only through increased borrowing, higher taxes, reduced program spending, or some combination.

The second line shows the value of the trust fund at the beginning of 2025. For the HI and OASDI Programs this represents the extent the programs are funded from the trust fund perspective. From that perspective, when the trust fund is subtracted, an additional $72.9 trillion is needed to sustain the Social Security program into the infinite future, while the Medicare Part A program reflects a projected surplus of $15.2 trillion over the infinite horizon. As described above, from the trust fund perspective, the SMI Program is fully funded; from a government-wide basis, the substantial gap that exists between premiums, state transfer revenue, and program expenditures in the Part B and D Program ($112.9 trillion and $19.9 trillion, respectively) represents future general revenue obligations of the *Budget*.

In comparison to the analogous 75-year number in the table above, extending the calculations beyond 2099, captures the full lifetime benefits, plus taxes and premiums of all current and future participants. The shorter horizon understates the total financial needs by capturing relatively more of the revenues from current and future workers and not capturing all the benefits that are scheduled to be paid to them.

Present Values of Costs Less Tax, Premium and State Transfer Revenue Through the Infinite Horizon, HI, SMI, OASDI as of January 1, 2025

		SMI			
(In trillions of dollars)	HI	Part B	Part D	OASDI	Total
Present value of future costs less future taxes, premiums, and state transfers for current participants	14.4	40.7	6.1	55.0	116.2
Less current trust fund balance	0.2	0.2	-	2.7	3.1
Equals net obligations for past and current participants	14.2	40.5	6.1	52.3	113.1
Plus net obligations for future participants	(29.4)	72.4	13.8	20.6	77.4
Equals net obligations through the infinite future for all participants	(15.2)	112.9	19.9	72.9	190.5
Present values of future costs less the present values of future income over the infinite horizon	(15.0)	113.1	19.9	75.6	193.6

Source: 2025 OASDI and Medicare Trustees Reports

Railroad Retirement, Black Lung, and Unemployment Insurance

Railroad Retirement

The RRB was created in the 1930s to establish a retirement benefit program for the nation's railroad workers. The RRB and the SSA share jurisdiction over the payment of retirement and survivor benefits. Railroad retirement pays full retirement annuities at age 60 to railroad workers with 30 years of service and disability annuities based on total or occupational disability. It also pays annuities to certain beneficiaries of deceased railroad workers.

Payroll taxes paid by railroad employers and their employees provide a primary source of income for the Railroad Retirement and Survivors' Benefit Program. Other sources of program income include: the RRB-SSA-CMS Financial Interchanges with the Social Security and Medicare Trust Funds, federal income taxes on railroad retirement benefits, appropriations, and earnings on investments.

Revenues in excess of benefit payments are invested to provide additional trust fund income. Legislation enacted in 2001 allowed for Railroad Retirement Account funds transferred to the NRRIT to be invested in non-governmental assets, as well as in governmental securities.

Since its inception, NRRIT has received $21.3 billion from RRB and returned $35.7 billion. During FY 2025, the NRRIT made net transfers of $1.4 billion to the RRB to pay retirement benefits. Administrative expenses of the trust are paid out of trust assets. The balance as of September 30, 2025, and 2024, of non-federal securities and investments of the NRRIT are disclosed in Note 8—Investments.

Black Lung

The Federal Coal Mine Health and Safety Act of 1969 created the BLDBP to provide compensation, medical, and survivor benefits for eligible coal miners who are totally disabled due to pneumoconiosis (Black Lung Disease) arising out of their coal mine employment and the BLDTF provides benefit payments when no responsible mine operator can be assigned the liability.

Black lung disability benefit payments are funded by excise taxes from coal mine operators based on the domestic sale of coal, as are the program's administrative costs. These taxes are collected by the IRS and transferred to the BLDTF.

P.L. 110-343, *Division B-Energy Improvement and Extension Act of 2008*, enacted on October 3, 2008, among other things, restructured the BLDTF debt by refinancing the outstanding high interest rate repayable advances with low interest rate discounted debt instruments similar in form to zero-coupon bonds, plus a one-time appropriation. This Act also allowed that any subsequent debt issued by the BLDTF may be used to make benefit payments, other authorized expenditures, or to repay debt and interest from the initial refinancing.

Unemployment Insurance (UI)

The UI Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs generally through no fault of their own and are unemployed due to a lack of suitable work. The program protects workers during

temporary periods of unemployment through the provision of unemployment compensation benefits. The program is administered through a unique system of federal and state partnerships established in federal law but executed through conforming state laws by state officials. The federal government provides broad policy guidance and program direction through the oversight of DOL, while program details are established through individual state UI statutes, administered through state UI entities.

The UI Program is financed through the collection of federal and state unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF) and federal appropriations. The fund was established to account for the receipt, investment, and disbursement of unemployment taxes. Federal unemployment taxes are used to pay for the administrative costs of the UI Program, including grants to each state to cover the costs of state UI operations and the federal share of extended UI benefits. Federal unemployment taxes are also used to fund an account within the UTF to make advances to state UI accounts when a state's UI account balance has been exhausted and the state is unable to make benefit payments.

Cash Flow Projections

Railroad Retirement Income and Expenditures. Railroad retirement cash flow projections are based on the intermediate set of assumptions used in the RRB's actuarial valuation of the program. Estimated railroad retirement annual revenue exceeds annual expenditures throughout the entire projection period. Without investment income, however, annual expenditures are greater than annual revenue throughout the entire period.

Sensitivity Analysis. The projections of the future financial status of the RRP depend on many economic and demographic assumptions. For additional information on the sensitivity of the long-range projections of the RRP and how the projections are impacted by changes in certain key assumptions, refer to RRB's financial statements.

Black Lung Projected Cash Inflows and Outflows, in Constant Dollars, for the Open Group. The significant assumptions used in the projections show that cash inflows from excise taxes will exceed cash outflows for benefit payments and administrative expenses only for FY 2026 and the cash outflows for benefit payments and administrative expenses will exceed cash inflows from excise taxes in all other fiscal years through FY 2050.

Sensitivity Analysis. For the projected cash inflows and outflows with sensitivity analysis, in constant dollars for the open group, the significant assumption for medical cost inflation was increased while other significant assumptions were left unchanged. For additional information on the sensitivity of the projections of the BLDBP and how the projections are impacted by changes in assumptions, refer to DOL's financial statements.

Unemployment Insurance Projected Cash Inflows and Outflows, in Constant Dollars, Under Expected Economic Conditions. The significant assumptions used in the cash flow projections of the UTF show total cash inflow exceeds total cash outflow in all years in the projection period.

Sensitivity Analysis. The effect on the accumulated UTF assets of projected total cash inflows and cash outflows of the UTF, in constant dollars, over the ten-year period ending September 30, 2035, are demonstrated in two sensitivity analyses. Each sensitivity analysis uses an open group, which includes current and future participants in the UI Program. Sensitivity Analysis I assumes higher rates of unemployment and Sensitivity Analysis II assumes even higher rates of unemployment. In Sensitivity Analysis I, there is a net cash inflow in FY 2026, net cash outflows in FYs 2027 and 2028, and then net cash inflows again in FYs 2029 through 2035. In Sensitivity Analysis II, net cash outflows are projected in FYs 2026 through 2029, but inflows exceed outflows in FYs 2030 through 2035; net cash inflows are reestablished in FY 2030 and peak in FY 2035 with a decrease in unemployment rate in FY 2035. For additional information on the sensitivity of the projections of the UI Program, refer to DOL's financial statements.

Sustainability

Sustainability of Railroad Retirement from a trust fund perspective, when the trust fund balance ($29.6 billion) and the financial interchange and transfers ($90.3 billion) are included, the combined balance of the NRRIT, the Railroad Retirement Account, and the Social Security Equivalent Benefit Account show a slight surplus ($2.1 billion). For additional information related to the sustainability of the RRP, refer to RRB's financial statements.

On September 30, 2025, total liabilities of the BLDTF exceeded assets by nearly $6.9 billion. This net position deficit represents the accumulated shortfall of excise taxes necessary to meet benefit payments, administrative costs, and interest expense incurred prior to and subsequent to the debt refinancing pursuant to P.L. 110-343. Prior to the enactment of P.L. 110-343, this shortfall was funded by repayable advances to the BLDTF, which were repayable with interest. Pursuant to P.L. 110-343, any shortfall will be financed with debt instruments similar in form to zero-coupon bonds, with a maturity date of one year and bear interest at Treasury's 1-year rate.

The ability of the UI Program to meet a participant's future benefit payment needs depends on the availability of accumulated taxes and earnings within the UTF. The effect of projected benefit payments on the accumulated net assets of the UTF is measured, under an open group scenario, which includes current and future participants in the UI Program. As of

September 30, 2025, total assets within the UTF exceeded total liabilities by nearly $74.5 billion. At the present time there is a surplus; any surplus of tax revenues and earnings on these revenues over benefit payment expenses is available to finance benefit payments in future periods when tax revenues may be insufficient.

For additional information related to the sustainability of the RRP, BLDBP, and UI refer to RRB's and DOL's financial statements.

Unemployment Trust Fund Solvency

Each state's accumulated UTF net assets or reserve balance provides a defined level of benefit payments over a defined period. To be minimally solvent, a state's reserve balance provides for one year's projected benefit payment needs based on the highest levels of benefit payments experienced by the state over the last 20 years. A ratio of 1.00 or greater indicates that the state UTF account balance is minimally solvent. States below this level are vulnerable to exhausting their funds in a recession. States exhausting their reserve balance must borrow funds from either Federal Unemployment Account (FUA) or the private markets to make benefit payments. FUA and Extended Unemployment Compensation Account outstanding advances were $15.0 billion and $6.0 billion, respectively, as of September 30, 2025.

The results of DOL's state by state analysis indicate 32 state UTF accounts and the accounts of the D.C., Puerto Rico, and the Virgin Islands were below the minimal solvency ratio of 1.00 at September 30, 2025. For additional information regarding the UTF accounts, refer to DOL's financial statements.