

Note 25. Social Insurance

SOSI presents the projected actuarial PV of the estimated future revenue and estimated future expenditures of the Social Security, Medicare, Railroad Retirement, and Black Lung social insurance programs which are administered by the SSA, HHS, RRB, and DOL, respectively. Social Security and Medicare projections are based on current law and the Social Security and Medicare trustees intermediate set of assumptions, except that the projections assume full Social Security and Medicare Part A benefits are paid after fund depletion contrary to current law.

Contributions consist of: payroll, income, and excise taxes; premiums from, and state transfers on behalf of, participants in Medicare; and miscellaneous reimbursements from the General Fund. Generally, beneficiaries finance the remainder of Parts B and D costs via monthly premiums to these programs. With the introduction of Part D drug coverage, Medicaid is no longer the primary payer of drug costs for full-benefit dually eligible beneficiaries of Medicare and Medicaid. For those beneficiaries, states are subject to a contribution requirement and must pay a portion of their estimated foregone drug costs into the Part D account (referred to as state transfers). By accounting convention, the General Fund transfers are eliminated in the consolidation of the SOSI at the government-wide level. These General Fund transfers that are used to finance Medicare Parts B and D are also shown as eliminations on these calculations. For the FYs 2025 and 2024, the amounts eliminated totaled \$57.1 trillion and \$50.2 trillion, respectively.

The SOSI also includes projected general revenues that, under current law, would be used to finance the remainder of the expenditures in excess of revenues for Medicare Parts B and D that is reported in the SOSI. Expenditures include benefit payments scheduled under current law and administrative expenses. Once the reserves in the trust funds are depleted, under current law benefits for Social Security and Medicare Part A can be paid only to the extent there are resources from dedicated income sources. Social insurance programs utilize “trust funds” to account for dedicated collections held for later use to accomplish the program’s purpose. Expenditures reflect full benefit payments even after the point at which trust fund asset reserves are projected to be depleted. Refer to the unaudited RSI–Social Insurance section and SSA’s, HHS’s, RRB’s, and DOL’s financial statements for additional information on Social Security, Medicare, Railroad Retirement, and Black Lung program financing.

The estimates in the consolidated SOSI of the open group measures are for persons who are participants or eventually will participate in the programs as contributors (workers) or beneficiaries (retired workers, survivors, dependents, and disabled) during the 75-year projection period. The closed group comprises only current participants, which are those who have attained age 15 at the start of the projection period. Actuarial PV of estimated future income (excluding interest) and estimated future expenditures for the Social Security and Medicare social insurance programs are presented for three different groups of participants: 1) current participants who have not yet attained eligibility age; 2) current participants who have attained eligibility age; and 3) new entrants, who are expected to become participants in the future. Current participants in the Social Security and Medicare programs are the closed group of taxpayers and/or beneficiaries who are aged at least 15 years at the start of the projection period. Future participants for Social Security and Medicare include those born during the projection period and individuals below age 15 as of January 1 of the valuation year. Railroad Retirement’s future participants are the projected new entrants as of October 1 of the valuation year.

On July 4, 2025, Congress enacted P.L. 119-21, commonly referred to as the OBBBA. Prominent components of P.L. 119-21 include federal income tax deductions for certain income from Social Security benefits, overtime, and tips (P.L. 119-21). Among many other provisions, this law makes permanent the lower ordinary income tax rates and adjusted tax brackets originally enacted under the TCJA and temporarily changes certain standard and itemized deduction amounts. The income tax provisions will lead to lower income tax liability for Social Security beneficiaries. As a result, the social insurance trust funds will receive lower levels of projected revenue from income taxation of Social Security benefits, which may impact the projected depletion dates of the trust funds. Because it was enacted after the release of the 2025 Social Security and Medicare Trustees Reports, the impact of P.L. 119-21 is not reflected in the actuarial estimates presented in the SOSI and SCSIA. However, it is estimated that enactment of P.L. 119-21 will result in the PV of the estimated future net cash outflows to increase (become more negative).

The trust fund balances as of the valuation date for the respective programs, including interest earned, are shown in the table below.²³ The PV of estimated future expenditures in excess of estimated future revenue are calculated by subtracting the actuarial PV of future scheduled contributions as well as dedicated tax income by and on behalf of current and future participants from the actuarial PV of the future scheduled benefit payments to them or on their behalf. To determine a program’s funding shortfall over any given period of time, the starting trust fund balance is subtracted from the PV of expenditures in excess of revenues over the period. The portion of each trust fund not required to pay benefits and

²³ Trust fund balances for the Railroad Retirement and Black Lung programs are not included, as these balances are less than \$50.0 billion.

administrative costs is invested, on a daily basis, in interest-bearing obligations of the U.S. government. The *Social Security Act* authorizes the issuance by Treasury of special nonmarketable, intra-governmental debt obligations for purchase exclusively by the trust funds. Although the special issues cannot be bought or sold in the open market, they are redeemable at any time at face value and thus bear no risk of fluctuation in principal value due to changes in market yield rates. Interest on the bonds is credited to the trust funds and becomes an asset to the funds and a liability to the General Fund. These Treasury securities and related interest are eliminated in consolidation at the government-wide level. For additional information, see Note 22—Funds from Dedicated Collections.

Social Insurance Programs Trust Fund Balances¹					
(In trillions of dollars)	2025	2024	2023	2022	2021
Social Security	2.7	2.8	2.8	2.9	2.9
Medicare	0.4	0.4	0.4	0.4	0.3

¹ As of the valuation date of the respective programs.

Medicare – Illustrative Alternative Scenario

The financial projections for the Medicare program reflect substantial, but very uncertain, cost savings deriving from current-law provisions that lowered increases in Medicare payment rates to most categories of health care providers. Certain features of current law may result in some challenges for the Medicare program. There remains continued uncertainty regarding adherence to current-law payments updates, particularly in the long range. This concern is more immediate for physician services, for which payment rate updates have been low or even negative for a number of years and are projected to be below the rate of inflation in all future years. Payment rate updates for most non-physician categories of Medicare providers are reduced by the growth in economy-wide private nonfarm business total factor productivity although these health providers have historically achieved lower levels of productivity growth. Should payment rates prove to be inadequate for any service, beneficiaries' access to and the quality of Medicare benefits would deteriorate over time, or future legislation would need to be enacted that would likely increase program costs beyond those projected under current law. Refer to the unaudited RSI—Social Insurance and HHS financial statements for additional information.

The illustrative alternative scenario projections below help to illustrate and quantify the magnitude of the potential cost understatement under current law. The difference between current-law and illustrative alternative scenario projections is substantial for Parts A and B. The illustrative alternative scenario projections for Parts A and B illustrate the impact that would occur if the payment updates that are affected by the productivity adjustments were to gradually transition from current law to the payment updates assumed for private health plans, the physician updates transition to the Medicare Economic Index. The extent to which actual future Part A and Part B costs exceed the projected amounts due to changes to the productivity adjustments and physician updates depends on what specific changes might be legislated and whether Congress would pass further provisions to help offset such costs. This alternative was developed for illustrative purposes only and the calculations have not been audited.

Medicare Present Values (Unaudited)	2025 Consolidated SOSI Current Law	Illustrative Alternative Scenario ^{1,2}
(In trillions of dollars)		
Income:		
Part A	33.1	33.2
Part B ³	19.2	21.6
Part D ⁴	2.9	2.9
Total income	55.2	57.7
Expenditures:		
Part A	36.4	43.3
Part B	68.5	76.9
Part D	10.7	10.7
Total expenditures	115.6	130.9
Income less expenditures:		
Part A	(3.3)	(10.1)
Part B	(49.3)	(55.3)
Part D	(7.8)	(7.8)
Excess of expenditures over income	(60.4)	(73.2)
¹ These amounts are not presented in the current fiscal year Trustees Report. ² A set of illustrative alternative Medicare projections has been prepared under a hypothetical modification to current law. No endorsement of the illustrative alternative by the Trustees, CMS, or the Office of the Actuary should be inferred. ³ Excludes \$49.3 trillion and \$55.3 trillion of general revenue contributions from the 2025 Consolidated SOSI Current Law projection and the Illustrative Alternative Scenario's projection, respectively; i.e., to reflect Part B income on a consolidated government-wide basis. ⁴ Excludes \$7.8 trillion of general revenue contributions from both the 2025 Consolidated SOSI Current Law projection and the Illustrative Alternative Scenario's projection; i.e., to reflect Part D income on a consolidated government-wide basis.		

Demographic and Economic Assumptions

Social Security and Medicare – Demographic and Economic Assumptions and Summary Measures									
	Demographic Assumptions								
	2025	2030	2040	2050	2060	2070	2080	2090	2100¹³
Total fertility rate ¹	1.6	1.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Age-sex adjusted death rate ²	764.4	734.3	676.1	623.8	577.6	536.6	500.1	467.6	438.5
Net annual immigration ³	2,102	1,323	1,289	1,260	1,251	1,244	1,240	1,237	1,235
Period life expectancy at birth - Male ⁴	76.7	77.2	78.3	79.3	80.3	81.2	82.1	82.9	83.7
Period life expectancy at birth - Female ⁴	81.6	82.1	83.0	83.8	84.6	85.4	86.1	86.7	87.4
	Economic Assumptions (percent change)								
	2025	2030	2040	2050	2060	2070	2080	2090	2100¹³
Real wage growth ⁵	1.5	1.5	1.2	1.1	1.1	1.1	1.1	1.1	1.1
Wages ⁶	4.0	3.9	3.7	3.5	3.5	3.6	3.6	3.6	3.6
CPI ⁷	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Real GDP ⁸	2.3	2.0	1.9	1.8	1.9	1.8	1.8	1.9	1.9
Total employment ⁹	0.9	0.5	0.3	0.3	0.3	0.2	0.3	0.4	0.3
Avg. annual interest rate (percent) ¹⁰	4.2	4.1	4.6	4.7	4.7	4.7	4.7	4.7	4.7
Real interest rate (percent) ¹¹	1.8	1.7	2.2	2.3	2.3	2.3	2.3	2.3	-
Per beneficiary cost - HI ¹²	3.7 ¹⁴	4.6	4.2	3.3	3.3	3.4	3.4	3.6	-
Per beneficiary cost - SMI Part B ¹²	5.4 ^{15,16}	7.2	5.5	3.7	3.9	3.6	3.7	3.8	-
Per beneficiary cost - SMI Part D ¹²	5.9 ^{16,17}	2.2	2.8	4.0	4.0	3.8	3.9	4.0	-

¹ Average number of children per woman.

² The age-sex-adjusted death rate per 100,000 that would occur in the enumerated population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year.

³ Includes lawful permanent resident immigration, net of emigration, as well as temporary or unlawfully present immigration.

⁴ Summary measure of average number of years expected prior to death for a person born on January 1 in that year, using the mortality rates for that year over the course of his or her remaining life. (Social Security)

⁵ Difference between percentage increases in wages and the CPI.

⁶ Average annual wage in covered employment.

⁷ CPI represents a measure of the average change in prices over time in a fixed group of goods and services.

⁸ Total dollar value of all goods and services produced in the U.S., adjusted to remove the impact of assumed inflation growth.

⁹ Summary measure of average weekly U.S. civilian employment and U.S. Armed Forces. (Social Security)

¹⁰ The average of the nominal interest rates, compounded semi-annually, for special public-debt obligations issuable monthly.

¹¹ Average rate of interest earned on new trust fund securities, above and beyond rate of inflation. (Medicare)

¹² These increases reflect the overall impact of more detailed assumptions that are made for each of the different type of services provided by the Medicare program. These assumptions include changes in the payment rates, utilization, and intensity of each type of services. (Medicare)

¹³ The valuation period used for the 2025 Statement of Social Insurance extends to 2099. (Social Security) Medicare did not report assumptions for 2100.

¹⁴ Reflects higher-than-anticipated 2024 expenditures and higher projected spending for inpatient hospital and hospice services.

¹⁵ Reflects higher projected spending for outpatient hospital and physician-administered drugs.

¹⁶ Reflects IRA of 2022.

¹⁷ Reflects lower projected enrollment that is disproportionately lower for those eligible for low-income subsidies.

The Boards of Trustees²⁴ of the Social Security 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. Significant uncertainty surrounds the estimates, especially for a period as long as 75 years. To illustrate the range of uncertainty, the Trustees use three alternative scenarios (low-cost, intermediate, and high-cost) that use specific assumptions. These assumptions include fertility rates, rates of change in mortality, lawful permanent resident (LPR) and other than LPR immigration levels, emigration levels, changes in real GDP, changes in the CPI, changes in average real wages, unemployment rates, trust fund real yield rates, and disability incidence and recovery rates. The assumptions used for the most recent set of projections shown above in the Social Security and Medicare demographic and economic assumption table are generally referred to as the “intermediate assumptions,” and reflect the Trustees reasonable estimate of expected future experience. For additional information on Social Security and Medicare demographic and economic assumptions, refer to SSA’s and HHS’s financial statements.

The RRB’s estimated future revenues and expenditures reflected in the SOSI are based on various economic, employment, and other actuarial assumptions, and assume that the program will continue as presently constructed. For further details on actuarial assumptions related to the program and how these assumptions affect amounts presented on the SOSI and SCSIA, consult the Technical Supplement to the *29th Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2022 with Technical Supplement*, which also serves as the *2024 Annual Report of the Railroad Retirement System required by Section 502 of the Railroad Retirement Solvency Act of 1983* (P.L. 98-76), and RRB’s financial statements.

The Black Lung Disability Benefit Program (BLDBP) significant assumptions used in the projections are the coal excise tax revenue estimates, the tax rate structure, the number of beneficiaries, life expectancy, federal civilian pay raises, medical cost inflation, and the interest rates used to discount future cash flows.

Statement of Changes in Social Insurance Amounts

The SCSIA reconciles the change (between the current valuation and the prior valuation) in the PV of estimated future revenue less estimated future expenditures for current and future participants (the open group measure) over the next 75 years (except Black Lung which has a rolling 25-year projection period). The reconciliation identifies several components of the changes that are significant and provides reasons for the changes. The following disclosures relate to the SCSIA including the reasons for the components of the changes in the open group measure during the reporting period from the end of the previous reporting period for the government’s social insurance programs.

All estimates relating to the Social Security and Medicare Programs in the SCSIA represent values that are incremental to the prior change. In general, a decrease in the PV of future net cash outflows represents a positive change (improving financing), while an increase in the PV of future net cash outflows represents a negative change (worsening financing). For additional information regarding the estimates used to prepare the SCSIA, see SSA’s, HHS’s, RRB’s, and DOL’s financial statements.

Assumptions Used for the Components of the Changes

The PV included in the SCSIA are for the current and prior years and are based on various economic as well as demographic assumptions used for the intermediate assumptions in the Social Security and Medicare Trustees Report for these years. The Social Security and Medicare – Demographic and Economic Assumptions table summarizes these assumptions for the current year. This year’s SOSI projections for Social Security and Medicare, which are as of January 1, 2025, are based on the same demographic and economic assumptions that underlie the 2025 Social Security and Medicare Trustees Report. The 2025 SOSI projections are not adjusted for the more current near-term economic information after the time assumptions were set in December 2024.

PV as of January 1, 2024 and January 1, 2023 are calculated using interest rates from the intermediate assumption of the 2024 and 2023 Trustees Reports, respectively. All other PV in this part of the SCSIA are calculated as a PV as of January 1, 2025 and January 1, 2024, respectively.

For the period beginning on January 1, 2024 to the period beginning on January 1, 2025 (current year) and period beginning on January 1, 2023 to the period beginning on January 1, 2024 (prior year) estimates of the PV of Social Security and Medicare changes in social insurance amounts due to changing the valuation period, projection base, demographic data and assumptions, methods, and law are presented using the interest rates under the intermediate assumption of the 2024 and 2023 Trustees Report, respectively. Since interest rates are an economic estimate and all estimates in the table are

²⁴ The boards are composed of six members. Four members serve by virtue of their positions in the federal government: the Secretary of the Treasury, who is the Managing Trustee; the Secretary of Labor; the Secretary of HHS; and the Commissioner of Social Security. The President appoints and the Senate confirms the other two members to serve as public representatives. These two positions are currently vacant.

incremental to the prior change, the estimates of the PV of changes in economic and health care assumptions and all other PV in this part of the SCSIA are calculated using the interest rates under the intermediate assumptions of the 2025 and 2024 Trustees Reports, respectively. The PV of estimated future expenditures in excess of estimated future revenue represents net cash outflows.

Changes in Valuation Period

From the period beginning on January 1, 2024 to the period beginning on January 1, 2025

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2024-2098) to the current valuation period (2025-2099) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2024, replaces it with a much larger negative estimated net cash flow for 2099, and measures the PV as of January 1, 2025, one year later. As a result, the PV of the estimated future net cash outflows increased by \$0.8 trillion and \$1.8 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2023-2097) to the current valuation period (2024-2098) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2023, replaces it with a much larger negative estimated cash flow for 2098, and measures the PV as of January 1, 2024, one year later. As a result, the PV of the estimated future net cash outflows increased by \$0.8 trillion and \$1.5 trillion for Social Security and Medicare, respectively.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2024 to the period beginning on January 1, 2025

For the current valuation (beginning on January 1, 2025), the ultimate demographic assumptions are the same as those of the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- The ultimate TFR of 1.9 children per woman is reached in 2050, which is 10 years later than assumed in the prior valuation.
- Final birth rate data for calendar year 2023 and preliminary data for 2024 indicated slightly lower birth rates than were assumed in the prior valuation, leading to slightly lower assumed birth rates during the period of transition to the ultimate level.
- Assumed levels of temporary or unlawfully present immigrant entrants in the period 2022-2025 are higher than under the prior valuation.
- Mortality data, historical population data, immigration data, marriage data, and divorce data were updated since the prior valuation.

There were two notable changes in demographic methodology.

- The method used for projecting death rates now incorporates Medicare data for deaths at ages 95 through 99, rather than using data only for ages up to 94 as in the prior valuation.
- The method used for projecting temporary or unlawfully present immigration was improved to better reflect recent data on the composition of the entrant population by age and sex.

Overall, changes in demographic data, assumptions, and methods caused the PV of the estimated future net cash outflows to increase by \$0.1 trillion and decrease by \$1.1 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

For the current valuation (beginning on January 1, 2024), there was one change to the ultimate demographic assumptions.

- The ultimate TFR was lowered from 2.0 children per woman to 1.9 children per woman, and at the same time, the year the ultimate TFR is reached was changed from 2056 to 2040.

This change to the TFR assumption increased the PV of estimated future net cash outflows. In addition to this change to the ultimate demographic assumptions, the starting demographic values, and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- Final birth rate data for calendar year 2022 and preliminary data for 2023 indicated slightly lower birth rates than were assumed in the prior valuation, leading to slightly lower assumed birth rates during the period of transition to the ultimate level.

- Updates to near-term mortality assumptions to better reflect the effects of the COVID-19 pandemic led to an increase in death rates through 2024 compared to the prior valuation.
- Mortality data, historical population data, other-than-LPR immigration data, and divorce data were updated since the prior valuation.

There was one notable change in demographic methodology. The method for projecting fertility rates during the transition period to the ultimate rate was modified to produce more reasonable paths to the ultimate assumed rates by age group than had been previously used. This change increased the PV of the estimated future net cash outflows.

Overall, changes in demographic data, assumptions, and methods caused the PV of the estimated future net cash outflows to increase by \$1.2 trillion and \$1.1 trillion for Social Security and Medicare, respectively.

Changes in Economic Data, Assumptions, and Methods (Social Security Only)

From the period beginning on January 1, 2024 to the period beginning on January 1, 2025

For the current valuation (beginning on January 1, 2025), there was one change to the ultimate economic assumptions. The ratio of total labor compensation to GDP is assumed to increase gradually to 61.2 percent in 2034, and to remain approximately constant thereafter.

In addition to this change to the ultimate economic assumptions, the starting economic values and the way these values transition to the ultimate assumptions were changed. The one significant change is that historical OASDI covered employment for 2022 was slightly higher and its age distribution was different than assumed under the prior valuation.

Additionally, there were several notable changes in economic methodology.

- The model to project the CNI population was updated to make the CNI projections more consistent with the projections of the Social Security area population.
- The method used for projecting average weeks worked during a calendar year, a key component of projections of OASDI covered employment, was updated. The updated approach uses historical data through 2021 and a more directly relevant data source.
- The process used to calculate and apply adjustments that smooth the age profile of labor force participation rates was improved, resulting in a decrease in projected labor force participation rates of workers age 75 and older relative to the prior valuation.

The updates to the CNI model and the average weeks worked methodology increased the PV of the estimated future net cash outflows. The change to the labor force participation rate methodology decreased the estimated future net cash outflows.

Overall, changes to economic data, assumptions, and methods caused the PV of the estimated future net cash outflows to increase by \$0.3 trillion for Social Security.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

For the current valuation (beginning of January 1, 2024), the ultimate economic assumptions are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- An update to educational attainment data caused a change in labor force participation rates at ages 55 and older for men and 50 and older for women.
- Historical OASDI covered employment for 2021 was higher than assumed under the prior valuation. Specifically, covered employment for 2021 was significantly higher than previously estimated at the youngest and oldest working ages, and lower for men at early prime working ages.
- Economic growth through 2023 was higher than assumed under the prior valuation, which led to a higher assumed level of labor productivity over the projection period.

All three of these changes decreased the PV of the estimated future net cash outflows. Overall, changes to economic data, assumptions, and methods caused the PV of the estimated future net cash outflows to decrease by \$0.4 trillion for Social Security.

Changes in Law or Policy

From the period beginning on January 1, 2024 to the period beginning on January 1, 2025

For Social Security, between prior valuation (beginning on January 1, 2024) and the current valuation (beginning on January 1, 2025), there were two notable changes in law or policy.

- On April 18, 2024, SSA published a final rule on past relevant work. This regulation reduces the time period, from 15 to 5 years, that SSA considers when determining whether an individual's past work is relevant for the purposes of making disability determinations and decisions.

- The *Social Security Fairness Act of 2023* was enacted on January 5, 2025. This law repeals the Windfall Elimination Provision and Government Pension Offset, which reduced or eliminated the Social Security benefits of individuals receiving a pension based on work that was not covered by Social Security.

Overall, the changes to these laws, regulations, and policies caused the PV of the estimated future net cash outflows to increase by \$1.1 trillion for Social Security.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

The monetary effect of the changes in law or policy on the PV of estimated future net cash outflows of the OASDI and Medicare programs was not significant at the consolidated level. Refer to SSA's and HHS's financial statements for additional information related to the impact of the changes in law or policy on the PV of estimated future net cash outflows of the OASDI and Medicare programs.

Changes in Methodology and Programmatic Data (Social Security Only)

From the period beginning on January 1, 2024 to the period beginning on January 1, 2025

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2025). The most significant are identified below.

- Recent data and estimates provided by the Office of Tax Analysis in Treasury indicate lower near-term levels of revenue from income taxation of OASDI benefits relative to the prior valuation.
- The current valuation uses a 10 percent sample of all newly entitled worker beneficiaries in a recent year to project average benefit levels of retired-workers and disabled-worker beneficiaries. Updates were made to better reflect the distribution of taxable earnings levels observed through 2019.

Overall, changes to programmatic data and methods caused the PV of the estimated future net cash outflows to increase by \$0.2 trillion for Social Security.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2024). The most significant are identified below.

- The ultimate disability incidence rate was lowered from 4.8 per thousand exposed to 4.5 per thousand exposed.
- The long-range model used to project the number of insured workers was modified to improve the alignment of simulated fully insured rates with historical fully insured rates.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicate higher near-term and ultimate levels of revenue from income taxation of OASDI benefits than projected in the prior valuation.
- As in the prior valuation, the current valuation uses a 10.0 percent sample of all newly entitled worker beneficiaries in recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. Updates were made to data and the methodology for projecting average benefit levels for women was improved.
- Updates were made to the post-entitlement benefit adjustment factors. These factors are used to account for changes in benefit levels, primarily due to differential mortality by benefit level and earnings after benefit entitlement.

Overall, changes to programmatic data and methods caused the PV of estimated future net cash outflows to decrease by \$1.4 trillion for Social Security.

Changes in Economic and Health Care Assumptions (Medicare Only)

From the period beginning on January 1, 2024 to the period beginning on January 1, 2025

The economic assumptions used in the Medicare projections are the same as those used for Social Security program shown above while the health care assumptions are specific to the Medicare projections. The following health care assumptions were changes in the current valuation.

- Higher Part A projected spending growth because of higher-than-anticipated 2024 expenditures and higher projected spending for inpatient hospital and hospice service.
- Higher Part B projected spending growth due to higher projected spending for outpatient hospital and physician-administered drugs.
- Lower Part D projected spending growth because of lower Part D enrollment which is disproportionately lower for those eligible for low-income subsidies.

Overall, these changes increased the PV of the estimated future net cash outflows by \$4.8 trillion for Medicare.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

The economic assumptions used in the Medicare projections are the same as those used for the Social Security program shown above while the health care assumptions are specific to the Medicare projections. The following health care assumptions were changes in the current valuation.

- Lower Part A projected spending growth due to a policy change to exclude medical education expenses associated with Medicare Advantage enrollees from the fee-for-service per capita costs used in the development of Medicare Advantage spending, and lower projected spending for hospital and home health agency services.
- Lower Part D growth mainly beyond the short-range period.

Overall, these changes decreased the PV of the estimated future net cash outflows by \$2.7 trillion for Medicare.

Change in Projection Base (Medicare Only)**From the period beginning on January 1, 2024 to the period beginning on January 1, 2025**

Actual income and expenditures in 2024 were different from what was anticipated when the 2024 Trustees report projections were prepared. For Part A, B, and D income and expenditures were higher than estimated based on actual experience. Actual experience of the Medicare Trust Funds between January 1, 2024 and January 1, 2025 is incorporated in the current valuation and is less than projected in the prior valuation. Overall, the net impact of Part A, B, and D projection base change is an increase in the estimated future net cash outflows by \$2.1 trillion for Medicare.

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

Actual income and expenditures in 2023 were different from what was anticipated when the 2023 Trustees Report projections were prepared. Part A income was higher and expenditures were lower than estimated based on actual experience. For Part B and Part D income and expenditures were both higher than estimated based on actual experience. Actual experience of the Medicare Trust Funds between January 1, 2023, and January 1, 2024, is incorporated in the current valuation and is less than projected in the prior valuation. Overall, the net impact of Part A, B, and D projection base change is a decrease in the estimated future net cash outflows by \$0.2 trillion for Medicare.