

# Are Social Security and Medicare on Life Support?

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**Take-Away:** Congress can no longer ignore the spread between Social Security and Medicare benefits and the payroll taxes needed to pay for those federal entitlement programs.

**Background:** For decades now we have known that both Social Security and Medicare benefits remain on unsustainable financial tracks. A recent report demonstrates just how bad the spread is between contributions into these programs and the payout from these programs.

[<http://www.taxpolicycenter.org/publications/social-security-and-medicare-benefits-and-taxes-2023>.] In the past, the Social Security lifetime benefit payments in excess of dedicated taxes were supported over the years by a number of factors, including the ratio of workers to program beneficiaries. However, that has declined in recent years as Baby Boomers retire and become eligible for Social Security benefits. As for Medicare, it has relied relatively more on general federal revenues to finance its non-hospital or Part B benefits.

**Example:** A single male earning an average wage every year and who retired in 2020 at age 65 will receive lifetime Social Security and Medicare benefits of about \$640,000, while the total taxes paid-in will be about \$470,000.

**Example:** For a couple with one average earner who retired in 2020 at age 65 and one low-wage earning spouse, Social Security and Medicare benefits will total about \$1.24 million for their lifetimes, while taxes paid-in to these programs will be about \$680,000.

**Example:** These amounts rise and fall for other hypothetical households as their incomes rise and fall relative to average wages. Lifetime benefits will double for those individuals who turn age 65 in 2060. For a married couple who retire in 2060 they can expect to receive close to \$2.5 million in

program benefits during their retirement years, while using current projections the dedicated payroll taxes will be about \$1.1 million.

The Future: This imbalance between taxes paid into these federal programs and the benefits paid out is expected to increase, either driven by a growth in real wages, the upward pressure from higher health care costs and new health services, or the general increase in life expectancies. Current projected trust fund shortfalls for Social Security is expected to occur in 2034, while for Medicare it is expected to occur in 2028.

Conclusion: Reforms could scale back the rate of growth of these program benefit increases while allowing lifetime benefits to increase significantly for each cohort of future retirees. Or, payroll taxes could increase and longer work lives could be imposed before benefit eligibility to address the challenge of having fewer workers to support more retirees. Whatever the 'mix,' it seems that Congress can no longer 'kick the can down the road' and ignore the funding problem.