

CROSS-PRACTICE ISSUES

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Annual Medicare and Social Security Trustees' Reports Released

On June 9, the Social Security and Medicare Boards of Trustees issued their annual reports on the financial status of the [Medicare](#) and [Social Security](#) programs. Both reports show that the outlook remains largely unchanged, with the Medicare Hospital Insurance (HI) Trust Fund projected to have sufficient funds to cover its obligations until 2033, and the combined retirement and disability programs of Social Security projected to have sufficient reserves to fully cover scheduled benefits until 2034.

The Trustees, however, continue to state that unless viable solutions are developed, both programs will face significant financing issues. They recommend taking action sooner rather than later to provide more options to maintain the financial solvency of these programs.

Medicare

The projected long-range financial condition of Medicare's HI trust fund, according to the 2026 Medicare Trustees Report, declined slightly since last year due to higher assumed utilization of some provider services; upward revisions to assumed average Medicare Advantage per capita expenditures; and lower revenue projected to be received from income taxation of Social Security benefits due to the enactment of the One Big Beautiful Bill Act (OBBBA). That said, the net effect of lower 2025 expenditures than the Trustees had anticipated last year and net changes to the demographic and economic assumptions partially offset these downward adjustments.

The HI trust fund (Medicare Part A) still has sufficient funds to cover its obligations until 2033, but its ability to fully fund its obligations did fall by a quarter of a year compared to last year's report, with dedicated revenues covering 89% of HI costs at that time. The projected HI deficit over the next 75 years is 0.56% of taxable payroll, an increase from 0.42% in 2025.

Meanwhile, changes in Supplementary Medical Insurance (SMI) trust fund spending compared with last year's report continue to be mixed over the projection period. For Part B, expenditures as a percentage of gross domestic product (GDP) are lower over the first 10 years of the projection mainly due to the assumed impact of policy changes implemented in 2026 related to certain physician-administered drugs. However, faster projected growth for spending on other Part B drugs causes expenditures as a percentage of GDP being slightly higher than in last year's report by 2048.

For Part D, expenditures as a share of GDP are projected to be significantly higher than in last year's report in all years of the projection. This is mainly due to increased utilization of certain specialty drugs in 2025, combined with higher drug cost trends and lower projected pharmacy and drug manufacturer rebates over the first 10 years of the projection.

After 2048, Parts B and D expenditures as a percentage of GDP are projected to grow faster than in last year's report due to changes in demographic assumptions, most notably a lower expected fertility rate, which results in lower GDP projections.

Overall, Medicare's annual cost is projected to rise from 4.1% of GDP in 2026 to 6.5% by 2050, largely due to the growth in the number of beneficiaries and a reduction in overall GDP growth due to lower birth and immigration rates. Annual costs are then expected to climb to 7.6% of GDP in 2089 before declining slightly to 7.5% in 2100.

Social Security

The 2026 Social Security Trustees Report finds that the financial soundness of the theoretically combined Old-Age, Survivors, and Disability Insurance (OASDI) trust fund remains essentially unchanged from last year's report. Over the long-term, however, the Trustees lowered their birth and immigration rate assumptions, reducing their future revenue forecast. Additionally, the OBBBA makes permanent the lower ordinary income tax rates originally enacted under the 2017 Tax Cuts and Jobs Act and the larger standard deduction of the 2017 Act. The OBBBA also adds a temporary additional standard deduction for taxpayers over age 65.

The combined trust funds are projected to have sufficient revenue to pay fully scheduled benefits until 2034, at which time annual revenues will only be sufficient to fund 83% of scheduled benefits, declining gradually to 65% by 2100. The 75-year actuarial deficit for the combined trust funds is estimated at 4.42% of taxable payroll, up from 3.82% projected last year.

The trustees expect Social Security's annual costs to increase from 5.3% of GDP in 2026 to about 6.9% in 2084, before declining to 6.7% in 2100. The annual deficit, excluding interest, is projected to grow from 0.8% of GDP in 2026 to 2.4% in 2085, before declining to 2.2% in 2100.

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A combined federal summary of the 2026 Medicare and Social Security Trustees' Reports is available [here](#). Further analysis from the Academy will be available shortly—please continue to check our [website](#) for updates and the [event calendar](#) for future webinars, including the [June 15 webinar](#) featuring the Social Security Administration's Chief Actuary, Karen Glenn. All such content will be available to view on the [Policy Forum](#).

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