Note 23. 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. The SOSI projections are based on the estimates developed for the 2020 Trustees' Report which did not reflect the potential effects of the COVID-19 pandemic. At this time, management cannot reasonably estimate the potential effect of COVID-19 on the projections or other sustainability measures, which could be significant.

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 2020 and 2019, the amounts eliminated totaled $40.9 trillion and $36.8 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. Current Social Security and Medicare Part A law provides for full benefit payments only to the extent that there are sufficient balances in the trust funds. 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 unaudited RSI – Social Insurance section for additional information on Social Security, Medicare, Railroad Retirement, and Black Lung program financing and SSA's, HHS's, RRB's, and DOL's financial statements.

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 at least age 15 years at the start of the projection period. Future participants for Social Security and Medicare include births 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.

The trust fund balances as of the valuation date for the respective programs, including interest earned, are shown in the table below.[7] 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 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 21—Funds from Dedicated Collections.

[7] Trust fund balances for the Railroad Retirement and Black Lung programs are not included, as these balances are less than $50 billion.

Social Insurance Programs Trust Fund Balances [1]

(In trillions of dollars)	2020	2019	2018	2017	2016
Social Security	2.9	2.9	2.9	2.8	2.8
Medicare	0.3	0.3	0.3	0.3	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 specific provisions of the PPACA and the MACRA 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 including physician payments, payment rate updates for most non-physician categories, and productivity adjustments. For those providers affected by the productivity adjustments and the specified updates to physician payments, sustaining the price reductions will be challenging, as the best available evidence indicates that most providers cannot improve their productivity to this degree for a prolonged period given the labor-intensive nature of these services and that physician costs will grow at a faster rate than the specified updates. As a result, actual Medicare expenditures are highly uncertain for reasons apart for the inherent difficulty in projecting health care cost growth over time. Please refer to unaudited RSI—Social Insurance and HHS financial statements for additional information.

To help illustrate and quantify the potential magnitude of the cost understatement, the Trustees asked the Office of the Actuary at CMS to prepare the following illustrative Medicare Trust Fund projections under a hypothetical alternative. This scenario illustrates 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, and the 5 percent bonuses paid to qualified physicians in advance APMs did not expire. 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 (In trillions) (Unaudited)

	2020 Consolidated SOSI Current Law	Illustrative Alternative Scenario [1, 2]
Income:		
Part A	25.6	25.6
Part B [3]	13.5	15.2
Part D [4]	3.2	3.2
Total income	42.3	44.0
Expenditures:		
Part A	30.4	35.5
Part B	46.6	52.5
Part D	11.0	11.0
Total expenditures	88.0	99.0
Income less expenditures:		
Part A	(4.8)	(9.9)
Part B	(33.1)	(37.3)
Part D	(7.8)	(7.8)
Excess of expenditures over income	(45.7)	(55.0)

[1]These amounts are not presented in the 2020 Trustees' Report.

[2]At the request of the Trustees, the Office of the Actuary at CMS has prepared an illustrative set of Medicare Trust Fund projections that differ from current law. No endorsement of the illustrative alternative to current law by the Trustees, CMS, or the Office of the Actuary should be inferred.

[3]Excludes $33.1 trillion and $37.3 trillion of General Revenue Contributions from the 2020 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 2020 Consolidated SOSI Current Law projection and the Illustrative Alternative 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

	Demographic Assumptions							
	2020	**2030**	**2040**	**2050**	**2060**	**2070**	**2080**	**2090**
Total Fertility Rate[1]	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Age-Sex Adjusted Death Rate (per 100,000)[2]	790.4	729.4	669.5	616.6	570.1	529.1	492.8	460.5
Net Annual Immigration (in thousands of persons)[3]	1,418	1,326	1,277	1,249	1,236	1,227	1,221	1,218
Period Life Expectancy at Birth - Male [4]	76.4	77.5	78.6	79.7	80.7	81.6	82.5	83.3
Period Life Expectancy at Birth - Female[4]	81.3	82.2	83.1	84.0	84.8	85.6	86.3	86.9
	Economic Assumptions (percent change)							
	2020	**2030**	**2040**	**2050**	**2060**	**2070**	**2080**	**2090**
Real Wage Differential[5]	1.2	1.3	1.1	1.1	1.2	1.1	1.1	1.1
Average Annual Wage in Covered Employment[6]	3.5	3.7	3.5	3.5	3.6	3.5	3.5	3.5
CPI[7]	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Real GDP[8]	2.1	2.0	1.9	2.0	2.0	1.9	2.0	2.0
Total Employment[9]	0.9	0.4	0.3	0.5	0.4	0.3	0.4	0.4
Average Annual Interest Rate (percent)[10]	2.3	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Real Interest Rate (percent)[11]	0.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Per Beneficiary Cost - HI[12]	5.2	6.5	4.4	3.4	3.1	3.4	3.5	3.3
Per Beneficiary Cost - SMI Part B[12]	6.5	8.3	4.4	3.8	3.7	3.6	3.7	3.6
Per Beneficiary Cost - SMI Part D[12]	(0.7)	4.5	4.2	4.4	4.2	4.1	4.2	4.1

[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 immigration, net of immigration, as well as other, non-legal, 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 total U.S. military and civilian employment. (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. The assumption for 2020 is greater than -0.05 and less than 0.05 percent. (Medicare)

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

The Boards of Trustees[8] 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

[8] 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.

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, 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 RRP's estimated future revenues and expenditures reflected in the SOSI are based on various economic, employment, and other actuarial assumptions, and assume that the RRP will continue as presently constructed. For further details on actuarial assumptions related to the RRP and how these assumptions affect amounts presented on the SOSI and SCSIA, consult the Technical Supplement to the *27th Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2016, the 2020 Annual Report on the Railroad Retirement System required by Section 502 of the Railroad Retirement Solvency Act of 1983* and RRB's financial statements.

The BLBDP 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 through September 30, 2045). 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, an increase in the PV of net cash flows represents a positive change (improving financing), while a decrease in the PV of net cash flows 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.

PV as of January 1, 2019 and January 1, 2018 are calculated using interest rates from the intermediate assumption of the 2019 and 2018 Trustees' Reports, respectively. All other PV in this part of the SCSIA are calculated as PV as of January 1, 2020 and January 1, 2019 respectively.

For the period beginning on January 1, 2019 to the period beginning on January 1, 2020 (current year) and period beginning on January 1, 2018 to the period beginning on January 1, 2019 (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, and law are presented using the interest rates under the intermediate assumption of the 2019 and 2018 Trustees' Report respectively. Since interest rates are an economic estimate and all estimates in the table are incremental to the prior change, the estimates of the PV of changes in economic and health care assumption and all other PV in this part of the SCSIA are calculated using the interest rates under the intermediate assumptions of the 2020 and 2019 Trustee's Report respectively.

Changes in Valuation Period

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2019-2093) to the current valuation period (2020-2094) 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 net cash flow for 2019, replaces it with a much larger negative net cash flow for 2094, and measures the PV as of January 1, 2020, one year later. As a result, the PV

of the estimated future net decreased by $0.6 trillion and decrease by $1.6 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2018–2092) to the current valuation period (2019–2093) 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 net cash flow for 2018, replaces it with a much larger negative net cash flow for 2093, and measures the PV as of January 1, 2019, one year later. As a result, the PV of the estimated future net cash flows decreased by $0.5 trillion and decreased by $1.4 trillion for Social Security and Medicare respectively.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

For the current valuation (beginning on January 1, 2020), there were two changes to ultimate demographic assumptions compared to prior valuation (beginning on January 1, 2019).

- The ultimate total fertility rate was lowered.
- The ultimate disability incidence rate was lowered, and the near-term assumed disability incidence rates are somewhat lower in the current valuation. (Medicare only)

In addition to this ultimate demographic assumption change, the starting demographic values and the way those values transition to the ultimate assumptions were changed.

- Final birth rate data for 2018 and the first quarter of 2019 indicated somewhat lower birth rates.
- Incorporating mortality data obtained from the NCHS resulted in higher death rates for all future years.
- The latest valuation included the impact of TTD on Medicare expenditures.

These changes especially the TTD assumption lowered Medicare expenditures for the current valuation period, particularly for Part A, and resulted in a large increase in the estimated future net cash flow. For Social Security there were no notable changes in demographic methodology. Overall, changes to these assumptions caused the PV of the estimated future net cash flows decrease by $0.4 trillion and increased by $3.7 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

The ultimate demographic assumptions for the current valuation (beginning on January 1, 2019) are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- The numbers of new LPRs for calendar years 2018 and 2019 were assumed to be slightly lower.
- The current valuation incorporated a gradual rise in 2017 and 2018 of other-than-LPR immigrants, reaching the ultimate assumed level in 2019.
- Final birth rate data for 2017 indicated slightly lower birth rates.
- Incorporating mortality data obtained from the NCHS resulted in higher death rates for all future years.

There were two notable changes in demographic methodology:

- Improved the method for projecting fertility rates by better incorporating detailed provisional birth rate data available from NCHS.
- Incorporated more comprehensive Medicare mortality data from CMS.

Overall, changes to these assumptions and methods caused the PV of the estimated future net cash flows to increase by $0.4 trillion for Social Security and Medicare.

Changes in Economic Data, Assumptions, and Methods

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

For the current valuation (beginning on January 1, 2020), there were four changes to the ultimate economic assumptions compared to prior valuation (beginning on January 1, 2019).

- The ultimate rate of price inflation (CPI-W) was lowered.
- The ultimate average real-wage differential was decreased. Most of this decrease is due to the repeal of the ACA excise tax, the effect of which is accounted for in the “Changes in Law or Policy” section.
- The ultimate age-sex adjusted unemployment rate was reduced, and long-term labor force participation rates were reduced by age and sex such that projected employment rates remained essentially unchanged.
- The ultimate real interest rate was lowered.

In addition to these changes in ultimate assumptions, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most notable change was to include a 0.7 percent decrease in the estimated level of potential GDP for the fourth quarter of 2019 and thereafter.

There were no notable changes in economic methodology. Overall, changes to these assumptions caused the PV of the estimated future net cash flows to decrease by $1.8 trillion for Social Security.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

For the current valuation (beginning on January 1, 2019), there were four changes to the ultimate economic assumptions compared to the prior valuation (beginning on January 1, 2018).

- The ultimate annual rate of change in total-economy labor productivity was lowered reflecting an expected slower rate of productivity growth in the long term.
- The difference between the ultimate growth rates for the CPI-W and the GDP implicit price deflator (the "price differential"), was decreased.
- The ultimate average real-wage differential was increased.
- The ultimate real interest rate was lowered.

In addition to these changes in ultimate assumptions, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most notable change was to include the July 2018 revisions in historical GDP estimated by the BEA of the DOC.

There was one notable change in economic methodology:

- Incorporated more recent projections of disability prevalence in the labor force participation model.

Overall, changes to these assumptions and methods cause the PV of the estimated future net cash flows to decrease by $1.0 trillion for Social Security.

Changes in Law or Policy

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

For Social Security, between prior valuation and the current valuation one new law and one new regulation were enacted that are expected to have significant effects on the long-range cost.

- The ACA, which was enacted in 2010, specified an excise tax on employer-sponsored group health insurance premiums above a given level (commonly referred to as the “Cadillac” tax). On December 20, 2019, the ACA’s excise tax provision was repealed.
- On February 25, 2020, SSA published a final rule in the Federal Register that eliminates the inability to communicate in English as an educational category in the disability determination and medical review process.

Most of the provisions enacted as part of Medicare legislation since the prior valuation date had little or no impact on the program. The following provisions did have a financial impact.

- *The BBA of 2019* (P.L. 116-37, enacted on August 2, 2019) included one provision that affects HI and SMI Program.
- *The Future Consolidated Appropriations Act, 2020* (P.L. 116-94, enacted on December 20, 2029) included provisions that affect HI and SMI programs.

Overall, the changes to these laws, regulations, and policies caused the PV of the estimated future net cash flows to decrease by $0.3 trillion for Social Security and Medicare.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

The effect of the changes in law or policy for Social Security and the provisions enacted as part of Medicare legislation since the prior valuation date had no measurable impact on program expenditures.

Changes in Methodology and Programmatic Data (Social Security Only)

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2020) compared to the prior valuation (beginning on January 1, 2019). The most significant are identified below.

- The ultimate disability incidence rate was lowered and near term assumed disability incidence rates are somewhat lower.
- The current valuation includes an improvement in the long-range model used for projecting the percentage of the population that has fully-insured status.

- 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-worker and disabled-worker beneficiaries.

Overall, changes to these assumptions and methods caused the PV of the estimated future net cash flow to increase by $0.2 trillion for Social Security.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2019) compared to the prior valuation (beginning on January 1, 2018). The most significant are identified below.

- The ultimate disability incidence rate was lowered. In addition, recent levels of disability applications and awards are lower than expected and estimated disability incidence rates are assumed to increase more gradually toward the assumed ultimate level.
- The current valuation uses a 10 percent sample of newly-entitled worker beneficiaries in 2015 to project average benefit levels of retired-worker and disabled-worker beneficiaries. For the current valuation, the model's projection of earnings for workers becoming newly entitled in future years was improved to better reflect the "dispersion" in taxable earnings levels observed from 1970 to 2010.
- The current valuation includes an improvement in the method for calculating future benefit levels for those who are awarded benefits more than two years after their date of initial benefit entitlement. This improvement mainly affects DI benefit levels.
- The current valuation updated two sets of benefit adjustment factors based on new programmatic data: the post-entitlement adjustment factors and the Windfall Elimination Provision factors.

Overall, changes to these assumptions and methods caused the PV of the estimated future net cash flows to increase by $0.5 trillion for Social Security.

Changes in Economic and Other Health Care Assumptions (Medicare Only)

From the period beginning on January 1, 2019 to the period beginning on January 1, 2020

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

- Higher projected spending growth for Medicare Advantage beneficiaries.
- Faster projected growth for Part B drugs.
- Slower overall drug price increases and higher direct and indirect remuneration.

Overall, these changes decreased the PV of the estimated future net cash flows by $5.4 trillion for Medicare.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

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

- Lower assumed growth in economy-wide productivity, which results in higher payment updates for certain providers.
- Faster projected spending growth for physician-administered drugs under Part B.
- Higher projected drug manufacturer rebates and slower overall drug price increases assumed in the short-range period.

Overall, the net impact of these changes caused the PV of estimated future net cash flows to decrease by $3.0 trillion for Medicare.

Change in Projection Base (Medicare Only)

From the period beginning on January 1, 2019 to period beginning on January 1, 2020

Actual income and expenditures in 2019 were different than what was anticipated when the 2019 Trustees' Report projections were prepared. Part A income and expenditures in 2019 were lower than anticipated based on actual experience. For both Part B and Part D, total income and expenditures were higher than estimated based on actual experience. The net impact of the Part A, B, and D projection base changes is an increase of $401 billion in the PV of the estimated future net cash flow, including combined trust fund assets. Actual experience of the Medicare Trust Funds between January 1, 2019 and January 1, 2020 is incorporated in the current valuation and is more than projected in the prior valuation. Overall, the net

impact of the Part A, B, and D projection base change is an increase in the estimated future net cash flows by $0.1 trillion for Medicare.

From the period beginning on January 1, 2018 to the period beginning on January 1, 2019

Actual income and expenditures in 2018 were different than what was anticipated when the 2018 Trustees' Report projections were prepared. Part A income in 2018 was lower and expenditures were higher than anticipated based on actual experience. For both Part B and Part D, total income and expenditures were higher than estimated based on actual experience. The net impact of the Part A, B, and D projection base changes is a decrease in the estimated future net cash flow. Actual experience of the Medicare Trust Funds between January 1, 2018 and January 1, 2019 is incorporated in the current valuation and is more than projected in the prior valuation. Overall, the net impact of the Part A, B, and D projection base change is a decrease in the estimated future net cash flows by $0.5 trillion for Medicare.