

Third Quarter 2025

Social Security & Medicare News

News that puts you in the know!



In this issue:

- [Trustees Issue 2025 Annual Reports](#)
- [What is the 2026 projection for Social Security?](#)
- [What is the 2026 projection for Medicare?](#)
- [Summary Table: 2025 Figures and 2026 Projections](#)
- [Solutions to fix the programs](#)
- [Order the 2025 Social Security and Medicare booklets: Save 20%](#)

Trustees Issue 2025 Annual Reports

Each year the Social Security and Medicare Trustees issue updated reports on the trust fund status for these two programs. The 2025 reports released on June 18, 2025. Social Security and Medicare both face long-term financial shortfalls under the current level of benefits payable to beneficiaries. Changes are needed to both programs because costs continue to rise, and the rapid aging of the population will require more Medicare services. Even with these funding issues, Social Security is still a stable source of income for keeping many retirees out of poverty and Medicare is still the base of healthcare protection.

You can look at the [summary table](#) to see many of the 2025 Social Security and Medicare figures along with the **2026 projections**. The actual 2026 figures typically release in October for Social Security and Medicare.

What is the 2026 projection for Social Security?

The Social Security projection is that reserves will last until 2034, with 81% of benefits still payable at that time — a year earlier than the 2024 report. This means that in less than nine years, the trust fund reserves that have been saving up through the years will be gone in 2034. After this date, payroll taxes will be the only source for benefit payments.

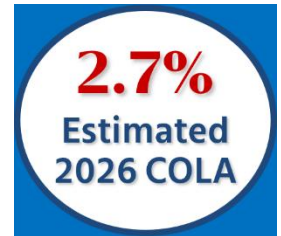
The cost for the Social Security program was more than the tax revenues collected (including interest) and will continue throughout the long-range period. The shortfall in revenue and cost growth is mostly due to the rising number of beneficiaries as the baby-boom generation retires, lower birth rates (resulting in fewer workers), and people living longer. New this year are the additional benefits being paid from the **Social Security Fairness Act of 2023** enacted January 5, 2025. This Act repealed the Windfall Elimination Provision and Government Pension Offset.

[Back to topics](#)

Currently there are 2.7 covered workers for each beneficiary (was about 5 to 1 in 1960) — decreasing to 2.3 covered workers by 2035 when most baby boomers will have retired. To prevent the shortfall, more money needs to be put in the system or benefits need to be cut.

The program covered about 184 million workers in 2024. About 68 million people were receiving monthly Social Security benefits at the end of 2024 — totaling about \$1.471 trillion in payments. Administrative costs were a very low 0.5% of total expenses in 2024.

The 2026 cost-of-living adjustment (COLA) is projected to be a 2.7% increase (compared to 2.5% in 2025). With an increase in the COLA, the estimated taxable earnings base and retirement earnings test limits will increase — see the [summary table](#) that follows for the 2026 estimates.



What is the 2026 projection for Medicare?

The projection for Medicare Part A Hospital Insurance (HI) is that it will remain solvent until 2033, three years earlier than last year’s report primarily due to higher-than-expected 2024 expenses and higher projected spending for inpatient hospital and hospice services.

In 2033, dedicated revenues will be able to pay 89% of HI costs, dropping to 86% in 2049, and then increasing back to about 100% by the end of the 75-year projection timeframe. Health care reform is an important tool to control costs, provide physician incentives, and prevent fraud. Work still needs to occur to guarantee the future of Medicare and historically, Congress has always taken action to prevent the depletion of these assets.

The Part A program pays benefits for inpatient hospital and other care. In 2024, the program covered about 67.6 million people (60.3 million age 65 or older and 7.3 million long-term disabled people under age 65). About 50% of HI beneficiaries have enrolled in Part C private health plans that contract with Medicare to provide Part A and Part B health services. HI is financed primarily by payroll taxes from about 187.9 million covered workers in 2024, which includes some government workers who pay the HI tax only. The initial hospital inpatient deductible for 2026 is projected to be \$1,716 (\$1,676 in 2025). See the [summary table](#) for other relevant figures.

The Part B program pays benefits for physician services, outpatient hospital services, and certain other medical expenses for the aged and disabled who have voluntarily enrolled. The Part D program is a voluntary outpatient prescription drug benefit. Because of the automatic financing provisions for Parts B and D, this trust fund is expected to be adequately financed into the indefinite future.

The Part B monthly premium is projected to be \$206.50 in 2026. The “hold-harmless” provision in the law can cause the Part B premium rate for some current enrollees who have their premiums deducted from their Social Security benefit limited to the dollar increase in the Social Security benefit. New and high-income Medicare beneficiaries and those whose Medicare premium is paid by Medicaid would pay the new year’s premium. The Part D base monthly premium in 2026 is estimated to be about \$38.99. Several key 2026 Part D limits were released by the Centers for Medicare and Medicaid Services on April 7, 2025, for certain retiree drug subsidy purposes. Starting in 2025, the catastrophic threshold is indexed by program growth. See the [summary table](#) for all the Part B and Part D figures including the projected premiums for high-income beneficiaries.

Summary Table: 2025 Figures and 2026 Projections

Social Security	2025	Projected 2026
Cost-of-living Adjustment (COLA) for December (payable in January).	2.5% (12/24)	2.7% (12/25)
FICA tax rate: <ul style="list-style-type: none"> Social Security for employees. Medicare (Hospital Insurance). An additional FICA tax of 0.9% applies to high-income beneficiaries with annual incomes above \$200,000 (\$250,000 for married couples filing jointly). The employer does not pay this additional percentage. 	6.20% 1.45%	6.20% 1.45%
Maximum Social Security earnings for tax contributions and benefits.	\$176,100	\$183,600
Medicare taxable earnings.	no limit	no limit
Earnings required to earn one credit (maximum of four credits per year).	\$1,810	\$1,880
Retirement Earnings Test exempt amounts: <ul style="list-style-type: none"> Under full retirement age (FRA) throughout year Reaches FRA in year (period before the month FRA is attained). FRA and over. 	\$23,400 \$62,160 no limit	\$24,360 \$64,800 no limit
Maximum monthly retirement benefit at FRA.	\$4,018	n/a

Medicare Part A (Hospital Insurance)	2025	Projected 2026
Part A inpatient deductible per benefit period.	\$1,676	\$1,716
Part A daily coinsurance 61st through 90th days.	\$419	\$429
Part A daily coinsurance for up to 60 "lifetime reserve" days.	\$838	\$858
Part A daily coinsurance 21st through 100th days in a skilled nursing facility.	\$209.50	\$214.50
Part A voluntary monthly premium if not eligible for premium-free Part A.	\$518	\$563
Part A reduced monthly premium for persons with 30-39 credits.	\$285	\$310

Medicare Part B (Medical Insurance)	2025	Projected 2026																													
Part B annual deductible.	\$257	\$288																													
Part B (Medical Insurance) standard monthly premium for most current, new, and high-income Medicare beneficiaries, and people whose Medicare premium is paid by Medicaid.	\$185.00	\$206.50																													
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<table border="0"> <tr> <td><u>File an Individual Tax Return</u></td> <td><u>File a Joint Tax Return</u></td> <td></td> <td></td> </tr> <tr> <td>0 to \$106,000 annual income</td> <td>0 to \$212,000 annual income</td> <td>\$185.00</td> <td>\$206.50</td> </tr> <tr> <td>\$106,001 to \$133,000</td> <td>\$212,001 to \$266,000</td> <td>\$259.00</td> <td>\$289.10</td> </tr> <tr> <td>\$133,001 to \$167,000</td> <td>\$266,001 to \$334,000</td> <td>\$370.00</td> <td>\$413.00</td> </tr> <tr> <td>\$167,001 to \$200,000</td> <td>\$334,001 to \$400,000</td> <td>\$480.90</td> <td>\$536.90</td> </tr> <tr> <td>\$200,001 to \$499,999</td> <td>\$400,001 to \$749,999</td> <td>\$591.90</td> <td>\$660.80</td> </tr> <tr> <td>\$500,000 or more</td> <td>\$750,000 or more</td> <td>\$628.90</td> <td>\$702.10</td> </tr> </table>	<u>File an Individual Tax Return</u>	<u>File a Joint Tax Return</u>			0 to \$106,000 annual income	0 to \$212,000 annual income	\$185.00	\$206.50	\$106,001 to \$133,000	\$212,001 to \$266,000	\$259.00	\$289.10	\$133,001 to \$167,000	\$266,001 to \$334,000	\$370.00	\$413.00	\$167,001 to \$200,000	\$334,001 to \$400,000	\$480.90	\$536.90	\$200,001 to \$499,999	\$400,001 to \$749,999	\$591.90	\$660.80	\$500,000 or more	\$750,000 or more	\$628.90	\$702.10			
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*Income brackets for beneficiaries based on their 2023 federal income tax return filing status and adjusted gross income in 2025 (2024 returns for 2026 with new income thresholds).																															

Medicare Part D (Prescription Drug Coverage)		2025	Projected 2026
Part D (Prescription Drug Coverage) monthly premium (estimate).		\$36.78	\$38.99
Part D monthly premium adjustment for high-income beneficiaries (paid to Medicare):*			
<u>File an Individual Tax Return</u>	<u>File a Joint Tax Return</u>		
0 to \$106,000 annual income	0 to \$212,000 annual income	\$0	\$0
\$106,001 to \$133,000	\$212,001 to \$266,000	+ \$13.70	+ \$14.50
\$133,001 to \$167,000	\$266,001 to \$334,000	+ \$35.30	+ \$37.50
\$167,001 to \$200,000	\$334,001 to \$400,000	+ \$57.00	+ \$60.40
\$200,001 to \$499,999	\$400,001 to \$749,999	+ \$78.60	+ \$83.30
\$500,000 or more	\$750,000 or more	+ \$85.80	+ \$91.00
*Income brackets for beneficiaries based on their 2023 federal income tax return filing status and adjusted gross income in 2025 (2024 returns for 2026 with new income thresholds).			

2026 Part D Figures Released April 7, 2025	2025	Actual 2026
Part D deductible.	\$590	\$615
Part D catastrophic threshold.	\$2,000	\$2.100

Solutions to fix the programs

Some solutions to fix Social Security's financial issues could include one or a combination of the following:

1. Social Security payroll tax is immediately increased from 12.4% (6.2% each for employees and employers) to 16.05%.
2. Reduce all current and future benefits by about 22.4%.
3. Reduce all benefits starting in 2025 or later by about 26.8%.
4. Draw on alternative revenue sources.
5. Raise the full retirement age (currently set to reach age 67 in 2027).
6. Gradually eliminate the cap on taxable earnings.
7. Change the calculation for the cost-of-living adjustment (COLA).

New legislation is needed for the Medicare program to ensure that the growing number of beneficiaries have the health care benefits they need in the next 50 years. Part A could be brought into balance over the next 75 years by one or a combination of the following options:

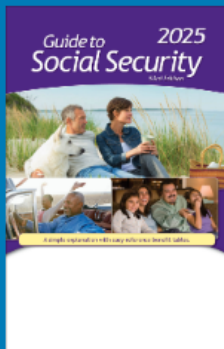
- An immediate increase in the payroll tax from 2.9% to 3.32%.
- An immediate 9% reduction in expenses.

These changes could be made gradually but would ultimately have to be at a higher level to eliminate the deficit. Parts B and D are adequately financed because premiums and general revenue income are set each year to cover expected costs.

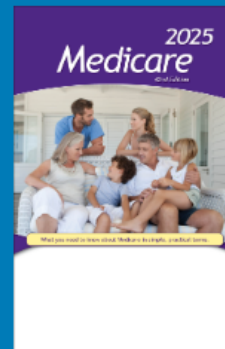
For the long-term stability of the Social Security and Medicare programs, lawmakers need to look at the policy options to reduce or eliminate the shortfalls in both programs. For changes to be spread over more generations, action needs to be taken now rather than later. With informed decisions and new legislation, Social Security and Medicare can continue to protect future generations.

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