

Testimony of

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Social Security: a Discussion on the Facts and the Path Forward

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Chairman Graham, Ranking Member Merkley, and distinguished members of the Committee, thank you for the opportunity to submit this written testimony on Social Security solvency.

My name is Wendell Primus, and I am a visiting fellow at the Center on Health Policy at the Brookings Institution. The views expressed in this testimony are my own and should not be attributed to others affiliated with Brookings. I have had the privilege of working for Congress for almost 4 decades, starting part-time for the House Agriculture Committee for Chairman Tom Foley in 1975 and then joining the Committee on Ways and Means in the fall of 1977 full-time. I was a staffer at the 1990 Budget Summit for Chairman Rostenkowski. I started working for Democratic leader and Speaker Emerita Nancy Pelosi in 2005, through which I worked on my final reconciliation bill, the Inflation Reduction Act, and the drug negotiations provisions in 2022.

### **Introduction**

In this testimony, I will touch upon five different topics: (1) the size of the problem, (2) the principles that should guide the construction of a Social Security solvency plan, (3) a brief description of the plan, (4) avoid changing Social Security to be focused on poverty reduction but do lower poverty by reducing Medicare premiums and improving the Supplemental Security Income Program and (5) outline a process on how this all could be accomplished.

### **Size of the problem**

The size of the problem is immense. In approximate terms, the Social Security Administration Office of the Chief Actuary and the Trustee Report estimate that the size of the Social Security 75-year deficit is nearly [4%](#) of taxable payroll. What that means is that if you were to restore solvency entirely by changes in payroll taxes, it would require raising the current 12.4% tax rate that is dedicated to the Social Security trust funds to about 16.4%. The Congressional Budget Office (CBO) projects that the size of the 75-year deficit to be higher, [at almost 5%](#) of taxable payroll.

But, in addition to the Social Security solvency deficit, Congress should also make efforts to reduce the size of our federal budget deficit, which [CBO estimates](#) to be \$1.9 trillion in 2026, increasing to over \$3 trillion in 2036 at the end of the 10-year budget window. Obviously, reducing the Social Security deficit will make a large down payment in solving our budget deficit, but much more will be needed to reduce our general fund deficit so that our debt to GDP ratio does not grow.

### **Key principles to guide Social Security reform**

There are seven key principles that should guide the formulation of a Social Security solvency plan. The primary principle or emphasis should be on restoring solvency to the Social Security program for 75 years. Restoring solvency over that time horizon is important so that younger generations paying Social Security taxes can be assured that when they retire or become disabled that the program will pay them the promised scheduled benefits. A second key principle is that the program must be strongly supported by both parties. Bipartisan support is crucial for several reasons. One is that Social Security is the nation's largest and most important social insurance program, and thus both parties should be intimately involved in restoring solvency to the program. Furthermore, both parties were heavily involved in the last major revisions to the program in 1983. Under budget law, Social Security solvency cannot be done through the reconciliation bill process and therefore requires 60 votes in the Senate, thus ensuring that any solution must be bipartisan.

A third principle is that benefit reductions should not affect current beneficiaries and should be phased in carefully to allow future beneficiaries time to adjust to those benefit changes. A fourth principle is that general revenues should not be used to finance the program. It is very important that the program only relies upon payroll taxes, taxation of benefits, and interest earned on trust fund balances. General revenues are needed to finance other national priorities and should not be tapped to finance Social Security benefits.

A fifth principle is that the overall progressivity of the program should be strengthened, and sixth, that the overall risk protection be enhanced to improve program supports for individuals facing retirement, disability, or death. As detailed below, disability and survivor benefits are strengthened. In addition, child benefits are extended for college and trade schools. Finally, universal participation should be achieved where every worker is part of the Social Security system. The 1983 amendments enhanced participation significantly by placing all federal employees into the system and by some other changes. In recent years, [about 6%](#) of the workforce is still in employment that is not covered by Social Security. For those individuals outside the system, risk protection in many instances is not as strong as Social Security.

### **A detailed Social Security solvency proposal**

What follows is a brief description of a bipartisan Social Security [solvency proposal](#) that I and others have put forward. All provisions discussed can be found in further detail in the proposal (the table describing all the provisions is attached as a supplemental PDF). I am proud that 20

former members (10 Republicans and 10 Democrats) have written a letter to Congress saying that this proposal should be the starting point from which Congressional negotiations should begin. Representatives Tom Downey and Bill Gradison, former Members of the Committee on Ways and Means who voted for the 1983 amendments to Social Security, assisted in soliciting their former colleagues. Below are the former Members who signed the letter to Congress.

**Table 1: List of Former Members Endorsing Social Security Solvency Proposal**

Former Republicans	Former Democrats
1. Rep. Bill Gradison (R-OH)	1. Rep. Thomas J. Downey (D-NY)
2. Rep. Charles Boustany (R-LA)	2. Rep. Mike Andrews (D-TX)
3. Rep. and Sen. Dan Coats (R-IN)	3. Rep. and Sen. Tom Daschle (D-SD)
4. Rep. Phil English (R-PA)	4. Rep. Dick Gephardt (D-MO)
5. Rep. Nancy Johnson (R-CT)	5. Rep. Earl Pomeroy (D-ND)
6. Rep. Jim McCrery (R-LA)	6. Rep. Marty Russo (D-IL)
7. Rep. Tom Reed (R-NY)	7. Rep. Jim Slattery (D-KS)
8. Rep. Fred Upton (R-MI)	8. Rep. Henry Waxman (D-CA)
9. Rep. James C. Greenwood (R-PA)	9. Rep. Joseph Crowley (D-NY)
10. Rep. William M. Thomas (R-CA)	10. Rep. Timothy J. Penny (D-MN)

Source: [Letters of support organized by former members of Congress](#). Four new members were added in March 2026, and the letters will be forthcoming on the Brookings website.

### Revenue Provisions

The plan has three revenue provisions. The taxable maximum is essentially doubled over a period of years, from [the current \\$184,500](#) to around \$360,000. Ultimately, the policy is to cover 90% of wages in the economy like in 1983 and each year the increase would be tied to covering 90% of wages. However, unlike many democratic Social Security solvency plans, the taxable maximum is not eliminated. Elimination is not done for several reasons: First, all payroll taxes should be considered in determining Social Security benefit levels. If the taxable maximum was eliminated, the link between contributions and benefits would need to be broken because the benefit level of some high-wage earners would be judged as too high. Second, and more importantly, there is a limit on how many of society's resources should be devoted to Social Security benefits. Removing the taxable maximum squeezes the amount of revenue that is available for other important national priorities.

The second revenue provision increases the payroll tax from 12.4% to 12.6%, as small an increase as possible. The third revenue provision closes a payroll tax loophole. Some business owners take more of their compensation in the form of capital income as opposed to wage compensation to avoid the payroll tax on wages.

### Benefit Provisions

In the overall proposal over the 75-year time period, the amount of benefit reductions less benefit improvements is about equal to the tax increases in terms of the impact on percent of taxable payroll. The symmetry between tax increases versus net benefit changes is important politically.

One of the important benefit changes is to increase the retirement age, but only for higher earners. If you examine life expectancy for a cohort of males, born in 1960 and reached age 62 in 2022; male wage earners in the bottom quintile of lifetime earners live on average 15 more years beyond 62. However, those in the top quintile of male earners live on average 25 years. This 10.3 year difference in life expectancy is why the retirement age should only be increased for high earners and not enact increased retirement ages across-the-board. [In 1983](#), the retirement age was increased by an equal amount for everybody when two years were added. The retirement age is the age when no actuarial reduction is applied to benefits. The proposal I put forth increases the retirement age by three years for those in the top quintile. The retirement age is gradually increased from one month for those at the 61st percentile of career earnings up to three years for those in the top quintile.

As shown in Table 2 below, the difference in life expectancy is about six years for females. [Table 2](#) also illustrates that life expectancy between 1930 and 1960 birth cohorts increased more among higher earners.

**Table 2: Estimated Life Expectancy in Years at Age 62, by Sex and Income Quintiles for 1930 and 1960 Birth Cohorts (SSA)**

	Quintile 1	Q2	Q3	Q4	Q5	Difference between Q5 and Q1
<b>Male</b>						
1930	13.6	16.8	18.4	19.9	22.0	8.4
1960	15.3	18.8	21.3	23.5	25.6	10.3
Change	1.7	2.0	2.9	3.6	3.6	
<b>Female</b>						
1930	18.3	20.6	22.1	23.2	22.9	4.6
1960	19.7	23.2	24.5	25.1	26.1	6.4
Change	1.4	2.6	2.4	1.9	3.2	

**SOURCE:** Office of the Chief Actuary, SSA

**NOTE:** Income quintiles defined by average indexed monthly earnings (AIME).

A second provision that reduces benefits is to increase the number of working years when calculating average indexed monthly earnings. This reflects, to some extent, that life expectancy is increasing.

Another benefit change is to eliminate the retirement dependent spouse benefit. In the future, each person will receive a retirement benefit based entirely upon their earnings record, rather than their spouse's. This modernizes the Social Security system, given the significant increase in female workforce participation over time. The proposal also eliminates child dependent benefits for retirees. I see no reason why men who marry younger women and have children later in life should get a bigger Social Security check just because they had children late in life. There is nothing wrong with the decision to have children late in life. But there is no reason that this voluntary decision should be rewarded with a larger Social Security check. The primary reason this benefit exists in the first place is because the same structure of child benefits for retirees also applies to children of disabled or deceased workers. The proposal also taxes all Social Security benefits for retirees with substantial incomes—\$100,000 of income for a single individual and \$125,000 of income for a couple. I consider this change on the benefit reduction side because it results in lower benefits for high-income retiree families.

In addition to these benefit reductions, there are also some very important benefit improvements included in the proposal. Speaker Emerita Nancy Pelosi strongly believes that education is one of our most important federal investments. The proposal adopts this same philosophy as it restores the student benefit that was fully eliminated in [1985](#). Many parents support their children through their college years. Consequently, when a parent's income is reduced because of disability or death, the child's education should be continued. Relative to the prior benefit, this benefit would not only apply to college but also to trade school, and just like one of the more popular Affordable Care Act provisions. Furthermore, the proposed provision gives eligibility to children up to age 26, whether they are single or married.

Another important benefit improvement is increasing survivor benefits. Under current law, the survivor benefit is the higher of your own benefit or that of your spouse. But for many couples where the earnings levels are approximately equal, the benefits coming to the household is cut in half upon the death of one spouse. However, living expenses do not decline by half, and therefore we propose the survivor benefit be changed to equal 75% of the combined benefit prior to the death of one member of the couple.

The disability benefit within Social Security is also improved. Today, there are many workers who can no longer work at their current job when they near retirement age, but are not disabled enough to meet the very strict disability definition. As a result, they are often forced to take a 30% reduction in their benefit by applying for retirement benefits at age 62 due to what is known as the actuarial reduction. Under the proposal, if an individual is judged to not be able to do their current job or a recent past job, those individuals would be eligible for a new disability benefit starting at age 58, and their actuarial reduction would be cut in half.

The disabled child benefits are also improved based on [several bills](#) that have been introduced on a bipartisan basis, including HR 6640, S4555, and S2196. The final improvement is to provide a child benefit to grandparents (or other relatives in the same generation as grandparents) who are raising their grandchildren and providing over half of the child's support. An [increasing](#) number of children are being placed in the care of a grandparent, which in part reduces the burden on the child welfare system in the event that grandparents are placed into a caregiving role due to a parental inability to care for a child.

#### Other provisions improve solvency

This section describes several other provisions that reduce the actuarial deficit. As was mentioned when the principles were discussed, the proposal establishes universal participation, which improves the overall solvency of the program. The state and local governments that currently have uncovered employment would be given time, just like the federal government was given time in 1983, to change their retirement, survivor, and disability benefits to transition newly hired wage earners into the Social Security program.

Another important change is that legal immigration levels would be increased. Increasing immigration would allow for additional taxpayers to improve the solvency of the trust fund, but it is also important for workforce reasons. When the baby boom generation reaches its peak demand for long-term care services, either home care or nursing home care, where will the workforce come from? Many analysts, direct care providers, and hospitals believe that increasing legal immigration levels is very important. The American Hospital Association [has lobbied](#) Congress for [many years](#) to increase legal immigration for nurses. That shortfall in both long-term workers and nurses could be filled to some extent if we would increase legal immigration levels.

The final provision places all the taxation of Social Security benefit proceeds into the Social Security trust funds instead of the Hospital Insurance (HI) Trust Fund, which is part of the Medicare system. Taxation of Social Security benefits is more closely related to cash benefits paid out from the Social Security trust funds rather than the Medicare Trust Fund. Furthermore, in the Social Security system, one only has two choices—cut benefits or raise taxes. In the health system, one can also reduce reimbursement to providers or slow costs, meaning there are many ways to replace the loss of revenues to the HI Trust Fund. For example, one could place the proceeds of the Net Investment Income Tax into the HI trust fund, increase the base and rate of that tax and place those proceeds into the HI trust fund, or enact various policies to lower outlays in our hospital system.

#### Modifying the original proposal to meet increasing actuarial deficits

Since work on this Social Security solvency plan began in 2023, the long-run deficit of the program has increased substantially. Part of the reason is the [Social Security Fairness Act](#), which was signed into law by former President Biden, that repealed the Windfall Elimination Provision

and Government Pension Offset. Another part of the reason is worsening economic conditions, such as the slowing of economic growth and increased inflation. However, the largest contributing factor is that the deficit increases are driven by the years at the end of the 75-year outlook period, which have the greatest shortfall between outlays and revenues.

Consequently, several months ago, co-authors and I published an [issue brief](#) that illustrates that three provisions in the original Social Security proposal could easily be changed to meet these increased actuarial deficits. These three provisions are slightly increasing the taxable maximum to cover between 91 to 94% of wages, increasing the payroll tax, or increasing the retirement age for those high-wage earners. Changes in those three provisions would more than meet the challenge of growing 75-year deficits. The table below outlines the estimated impact on the deficit of these changes to the Social Security blueprint.

Table 3: Estimated Improvement to the 75-Year Actuarial Deficit by Provision Changes

Provision	Updated Policy Values	Change from the Blueprint	Estimated Improvement to the 75-Year Actuarial Deficit (% of Taxable Payroll)
Taxable Maximum Ceiling	94.0%	4 percentage points	0.30%
Retirement Age for High Earners	73 years	3 years	0.47%
Payroll Tax	13.6%	1 percentage point	0.81%
Total			1.58%

**Source:** Authors' calculations and the Fixing Social Security Blueprint

**Note:** Values are rounded.



### Radical changes to Social Security should be avoided

Several organizations and individuals have suggested that the solution to Social Security solvency is by making the benefit flatter, taking away benefits from higher-wage workers, and increasing benefits for lower-wage workers to reduce poverty. In other words, they would make the entire Social Security program more poverty-focused. These individuals argue that other countries have done that, and less poverty is enticing. Co-authors and I wrote about several of [these proposals](#) in a recent issue brief.

The Social Security program has worked well for 50 years. It does take many individuals, including children, out of poverty. Those reductions in benefits for higher wage employees

would have to be made up by more savings or increases in employer-defined contribution plans, leading to large changes in retirement planning. Also, remember that the Social Security program is three programs in one: retirement, survivor, and disability protection. Changing the structure of Social Security means that survivor and disability protection would also need to be altered in programs outside of Social Security, which would be very hard to accomplish.

There is no reason why the financing issues in the Social Security program can't be solved by careful revisions to the current system, as I've outlined above. We should not change the Social Security program to a flatter benefit system primarily because the current system works well and can be continued by changes to our current structure, but without changing the basic principles or benefit formula.

To be clear, I also favor reducing elderly poverty. Based upon the National Experimental WellBeing Statistics, a poverty measure is from the Census Bureau that uses administrative data to make adjustments for the under-reporting of income to Census surveys, the poverty rate among older adults is [only 6%](#)—a rate that should be celebrated.

Nonetheless, the poverty rate among older adults could be easily reduced by changes to three programs. Medicare premiums for low-income elderly are too high. For example, a low-income elderly person has to pay a monthly [Part B premium](#) of \$202.90, and then, depending upon which Part D plan they choose, it could be around [\\$39 per month more](#). That is the base premium level for the Part D Medicare program. That amounts to about \$2,900 for someone at 150% poverty. Under the Affordable Care Act last year, a family in the marketplace with income equal to 150% of poverty [paid zero premiums](#). Furthermore, participation rates in the Medicare Savings program, which offers lower premiums for elderly families below 135% of poverty, are [close to 50%](#).

So if we lowered premiums for these Medicare beneficiaries, increased housing appropriation levels, and made some changes to the Supplemental Security Income (SSI) program, we could lower elderly poverty to about 1.5%.<sup>1</sup> The major changes to the SSI program would be to increase the monthly benefit level by \$70 for an individual and \$105 for a couple, increase the asset limitations, increase participation rates, and disregard 40% of Social Security benefits when calculating the SSI benefit level. The payment of Social Security payroll taxes should enhance a person's well-being in retirement. However, for a low-wage worker who does not earn enough to garner a Social Security benefit greater than the SSI benefit level, those payroll taxes only result in an additional \$20 per month of income. Disregarding 40% of Social Security benefits when calculating SSI benefit levels would enhance returns from payroll taxes for these low-wage workers significantly.

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<sup>1</sup> Author's calculation. Work forthcoming.

When the 1983 Social Security amendments were enacted, the legislation also made changes to the SSI program. SSI benefit level was increased, as well as significant changes to the Medicare program were included. Hopefully, when Social Security solvency is addressed in several years, provisions to reduce elderly poverty can be included along with legislation to add long-term care and supports to the Medicare program.

### **What process accomplishes Social Security solvency and deficit reduction?**

Restoring solvency to the Social Security program and reducing our budget deficits is political pain. It can only be accomplished by increasing taxes or lowering benefits for future retirees. [Senator Cassidy and others](#) have an approach that borrows money and then invests those funds in the stock market with the hope that some of that political pain can be avoided. I will not elaborate in detail on the implications of that proposal, but if you believe that proposal works, why stop at \$1.5 trillion? Why not borrow \$3 trillion or \$5 trillion and reduce some of our general fund deficit as well? While borrowing large sums of money from the public and investing those funds in the stock market sounds like an easy way to avoid cutting benefits or raising taxes, that proposal would lower economic growth and increase interest rates. It would also crowd out investments in the private sector.

The process that has the best chance of restoring solvency and reducing the general fund deficits is to copy the process that President George H.W. Bush initiated in the 1990 Budget Summit. President Bush, to his credit, broke his pledge of “no new taxes” because the deficit was too large and needed to be reduced. That deficit was much smaller relative to our current projected deficit of \$1.9 trillion. The chairman and ranking Member from the money committees—Budget, Appropriations, Finance, and Ways and Means, plus leadership of both parties in both houses, sat around a big table at Andrews Air Force Base. Each of the 20 Members was allowed to bring two staffers. The President’s team provided substantial leadership and expertise—Richard Darman from OMB, Treasury Secretary Nick Brady, and John Sununu Chief of Staff to President Bush. The process started with each party putting an offer on the table on how they would reduce the deficit. There was an agreement to reduce the deficit by \$500 billion.

The process worked because Members owned it. As they were negotiating, each side and every Member involved had to check with rank-and-file Members on their respective Committees and caucuses to see if ultimately the votes would be there to enact the proposal. Maybe there’s some other process that would work, but the key is that Members have got to agree upon the proposal. And because restoring solvency and reducing the deficit is all political pain, both parties and Houses with substantial Presidential leadership must go over the cliff together. Then in the next election, they cannot blame each other for raising taxes or cutting benefits. In some ways, this should be easier than in 1990 because both parties can say they saved Social Security by restoring solvency.

In summary, this testimony has outlined the size of the problem, the principles that should govern the formulation of a Social Security solvency plan, a possible Social Security plan, an admonition to not radically change the Social Security program, but also a way of further reducing elderly poverty, and a process by which solvency and budget deficits could be reduced.

More detail on each of these topics can be found in the following documents: [a summary of the Social Security blueprint](#), [the full blueprint](#), and [a letter of support from former Members of Congress](#). Two additional Brookings issue briefs that address related aspects of Social Security financing are also available: [Modifying the Social Security Blueprint in Response to a Deteriorating Outlook](#) and [Insufficient Financing Should Not Provoke Dramatic Changes to Social Security](#).

## Estimated Effects of Blueprint on the Social Security System's Finances

Proposal	OASDI Actuarial Balance, Percent of Taxable Payroll	Budget Impact Over 2025-2035, Billions*
<b>Tax-Based Revenue Enhancements</b>		
Increase the taxable maximum ceiling	0.66	-730.2
Change rules for pass-through payroll tax	0.19	-553.1
Increase payroll tax	0.19	-208.5
<b>Subtotal</b>	<b>1.04</b>	<b>-1,491.8</b>
<b>Benefit Reductions</b>		
Increase retirement age for high earners	0.55	-1.3
Increase the number of working years used to calculate Social Security's average indexed monthly earnings	0.39	-19.0
Tax all Social Security benefits of high earners	0.17	-241.2
End the dependent retiree spouse benefit	0.17	-2.3
Replace the Windfall Elimination Provision and the Government Pension Offset	0.05	
Eliminate child retiree benefits	0.03	-75.0
<b>Subtotal</b>	<b>1.36</b>	<b>-338.8</b>
<b>Benefit Improvements</b>		
Increase survivor benefits	-0.10	156.0
Create a disability benefit for older workers with disabling conditions that make them unable to do their jobs	-0.10	211.6
Restore and expand the student benefit for children whose parents are disabled or dead	-0.07	111.4
Provide a child benefit to grandparents or certain other relatives caring for children	-0.04	61.5
Improve benefits for disabled adult children	-0.01	
<b>Subtotal</b>	<b>-0.32</b>	<b>540.5</b>
<b>Coverage and Transfers</b>		
Devote all proceeds from taxes on Social Security benefits to OASDI trust funds	0.87	-755.1
Expand the labor force by changing policies on legal immigration	0.30	-117.2
Achieve universal coverage in Social Security	0.15	-4.8
<b>Subtotal</b>	<b>1.32</b>	<b>-877.1</b>
<b>Total for all proposals, including interactions</b>	<b>3.63</b>	<b>-2,291.2</b>
<b>Addendum</b>		
Remove proposal to replace the Windfall Elimination Provision and Government Pension Offset from the blueprint	-0.05	
<b>New total for all proposals</b>	<b>3.58</b>	<b>-2,291.2</b>

**Source:** Office of the Chief Actuary, SSA; The Urban Institute

**Note:** The Chief Actuary completed this analysis of the actuarial balance as a percent of taxable payroll before former President Biden in early January 2025 signed a Social Security bill that eliminates the system's Windfall Elimination Provision (WEP) and related Government Pension Offset (GPO). The new law increases the 75-year deficit slightly from 3.50% of taxable payroll to 3.62%. This blueprint originally envisioned changing WEP and GPO, but that proposal has been dropped in light of the new law.

\*Negatives indicate a decrease in the annual federal unified budget.

^The budget impact was not modeled by the Urban Institute because the WEP and GPO proposal was dropped from the blueprint. As a result, there is no change in addendum total.

+The Urban Institute did not model the cost of this proposal, as the estimated effects on the budget are small.