



Entitlements and Mandatory Spending

Summary and Key Points

Policy Proposals

1. Make entitlements more targeted and sustainable by giving Americans greater control of their health care and financial well-being.
2. Strengthen Social Security and Medicare. Improve Social Security's Disability Insurance program so that it can serve individuals with disabilities more effectively while ensuring efficiency for taxpayers.
3. Replace the misnamed Affordable Care Act of 2010 (Obamacare) with a patient-centered approach that expands choices, improves access, and lowers costs.

Quick Facts

1. America has four major entitlement programs—Social Security, Medicare, Medicaid, and Obamacare—and more than 80 other means-tested mandatory programs.
2. In fiscal year (FY) 2025, the federal government spent \$4.2 trillion on entitlements and mandatory programs, accounting for 59 percent of federal spending. The Congressional Budget Office (CBO) projects that, by FY 2036, such spending will have increased to 62 percent of federal spending.
3. The Social Security payroll tax has grown from 2 percent in 1935 to 12.4 percent today. It has not changed since 1990. The Medicare payroll tax has been 2.9 percent since 1986.
4. The Social Security trust fund will be able to pay full benefits until 2033, when the fund's reserves are depleted. At that time, cash from current taxes will support only 77 percent of promised benefits.¹
5. Medicare enrollment is expected to increase from 69 million in 2025 to almost 81 million by 2036, at which point it will cost \$2 trillion annually.
6. As a result of reforms in the One Big Beautiful Bill Act (OBBBA), Medicaid enrollment is expected to decline from 73 million to 66 million by 2036. Despite the reforms, the program's cost is nearly \$1.5 trillion annually to federal and state taxpayers.
7. Obamacare subsidies are expected to reach almost 12 million Americans by 2036 at a cost of \$144 billion.

What to Say About Entitlements and Mandatory Spending

- Entitlement programs should protect seniors and vulnerable Americans who truly rely on them.

- Social Security and Medicare face serious financial problems that threaten their future for today's workers. Fraud, waste, and abuse drain resources that should go to people who genuinely need help.
- When entitlements grow without reform, future generations pay more and receive less in return. Delaying reform risks sudden benefit cuts that would hurt retirees the most.
- Entitlement spending keeps growing faster than the economy and is a major driver of long-term debt.
- Reforms should focus on sustainability and fairness, not expanding benefits without paying for them. Returning more control over health and retirement decisions to individuals can strengthen these programs.

The Issue

Mandatory spending consists of benefits payments to individuals and some businesses and governments that must be paid pursuant to permanent law and are not subject to the annual appropriations process. These programs continue during a federal government shutdown and grow automatically regardless of available revenues. America's major entitlement programs—Social Security, Medicare, Medicaid, and Obamacare—provide income and health care benefits to older Americans as well as health care benefits to lower-income and middle-income individuals and families, and account for 82 percent of mandatory spending in FY 2025. Pay-as-you-go entitlement programs like Social Security that use current workers' payroll taxes to fund retirees' benefits strip workers of the opportunity to earn a positive return on their savings. Consequently, average retirees could receive two to three times as much by saving on their own as they can by having their money go into Social Security.

Medicare, created in 1965, provides a guaranteed health care benefit to seniors and some people with disabilities. Over the past 60 years, although it has delivered hospital and physician services and some financial security, Medicare spending routinely has outpaced inflation, growth in the general economy, and growth in the federal budget. Meanwhile, the addition of new benefits and services has been accompanied by progressively tougher price controls and increasingly detailed conditions of reimbursement that have led to more intrusive bureaucracy and costly red tape for doctors, hospitals, and medical professionals in general. These changing dynamics leave seniors, health care providers, and taxpayers at risk.

Enacted alongside Medicare in 1965, the Medicaid program began as a safety net to provide health care to low-income individuals. Like Medicare, the program has expanded beyond its original core functions, providing additional benefits to larger populations at a significant cost to federal and state taxpayers. The program's joint federal–state design further complicates administration and oversight, creating new and disparate sets of incentives and outcomes. Changing demographic, structural, and fiscal challenges undermine this critical safety net program.

Obamacare rewards insurance companies for raising prices—matching their increases dollar for dollar, which incentivizes higher health care costs for everyone. America's entitlement programs have value as social safety nets, but they have grown far beyond that purpose and discourage some individuals who are able to provide for their own health care and retirement needs from doing so. America's entitlement systems should return to their original intent of protecting America's most vulnerable while giving individuals greater control and ownership of their health care and financial well-being.

Other significant mandatory programs include the Supplemental Nutrition Assistance Program (SNAP); refundable tax credits, such as the Earned Income and Child Tax Credits; the Supplemental Security Income (SSI) program; unemployment–compensation and child-nutrition programs. Each of these programs is vulnerable to waste, fraud, and abuse, draining taxpayer resources.

Recommendations

Strengthen Social Security for the most vulnerable while restoring to workers more control of their own money. The program's insolvency—which will result in benefit cuts of almost 25 percent beginning in 2033—threatens workers' retirement security. To ensure that Social Security is there for workers who need it and to increase workers' incomes both before and during retirement, the program's eligibility age should reflect rising life expectancies and increased work capabilities. Social Security should apply a more accurate inflation measure to annual benefit increases, and workers should have an option to save for retirement outside of Social Security.

Improve Social Security's Disability Insurance (SSDI) program so that it better serves individuals with disabilities while ensuring efficiency and integrity for taxpayers. The SSDI program has served as a lifeline for certain individuals with disabilities, but its more than tenfold expansion in size and scope since 1970 has produced inefficiencies and inadequacies that prevent it from meeting workers' basic needs on a timely basis. A rehabilitated and modernized SSDI system would promote independence and physical and mental well-being by helping individuals with disabilities to receive the assistance they need when they need it and with less stigma and cynicism than are currently associated with the receipt of SSDI benefits.

Improve Medicare's quality of care for the senior population while retargeting taxpayer subsidies to those who are most in need. Reforms to improve the delivery of care in Medicare should both ensure that seniors have access to quality care and protect taxpayers from bankruptcy. Such reforms include simplifying the traditional Medicare program, harmonizing eligibility with Social Security, updating premiums and cost-sharing arrangements, building on the success of the competitive and integrated Medicare Advantage plans, and transitioning to a defined-contribution, premium-support model for long-term sustainability.

Restore Medicaid's strong health care safety net to the most vulnerable while ensuring financial sustainability. Restoring Medicaid to its original purpose as a functioning safety net would require a major overhaul of its financing structure to realign and reset priorities and incentives for those who need the program the most. Specifically, the financing of Medicaid should be sustainable and realistic, and it should be aligned with the needs of the most vulnerable, which can be accomplished by giving states greater flexibility in managing the delivery of care to those who are in need.

Rein in Obamacare to expand health care choices and access while lowering costs. The Affordable Care Act put in place two new federal health care entitlements and a massive federal regulatory infrastructure, all financed by an unrealistic set of new taxes and cuts in payments to providers in other health care programs. Since its enactment, premiums have climbed, coverage options have dropped, provider networks have narrowed, and many people are left with higher costs, less access, and fewer choices. Moreover, the open-ended Obamacare subsidies scheme and Medicaid expansion encourage more spending instead of delivering higher-quality care at lower costs. Fundamental changes are needed to restore choice, improve access, and lower costs. The way to begin is by reining in Obamacare federal spending and mandates, restoring state authority over health care, and making available a wider range of private coverage options that best meet individual needs.

Facts + Figures

FACT: Social Security is the largest federal program.

- For every \$1 spent on the core constitutional function of defense, the federal government spends \$1.76 on Social Security's retirement benefits.

- Life expectancy is 16 years higher today than in 1940 (up from 61 to 77), yet Social Security's normal retirement age has risen by only two years from the original 65 to 67 (and an early retirement age of 62 has been added).
- The Social Security payroll tax has grown from 2 percent in 1935 to 12.4 percent today. It has not changed since 1990.
- Social Security is on track to become insolvent around 2033, at which point incoming revenues will only be enough to pay 77 percent of scheduled benefits, bringing automatic benefit reductions or sudden, steep tax increases.

FACT: Disability insurance fails individuals and taxpayers because of its inefficiencies, lack of integrity, and poorly targeted benefit structure.

- Private disability insurance provides higher benefits at roughly half the cost of SSDI.
- Recently, up to half of all SSDI beneficiaries qualified for benefits based at least in part on the non-medical grid factors of age, education, and experience, which neither cause nor exacerbate disability but nevertheless facilitate entry into the program for those with marginal conditions that would not otherwise qualify them for benefits.
- Fewer than 3 percent of SSDI beneficiaries ever exit the program to return to work.

FACT: A rapidly growing senior population and growing costs threaten Medicare's future.

- Medicare enrollment is expected to increase from 69 million in 2025 to more than 82 million by 2036 as the baby boom generation moves fully into retirement.
- Total Medicare spending is expected to double between 2025 and 2036, from \$1.2 trillion to \$2.4 trillion.
- Medicare's 75-year unfunded obligation (long-term debt) is \$3.3 trillion on a present value basis.
- Medicare Part A, the Hospital Trust Fund, will be insolvent in 2033, leaving the program with the authority to pay only 89 percent of its scheduled hospital benefits.
- General fund revenue transfers for Medicare Part B, part of the Supplemental Medical Insurance program, will double as a percentage of GDP between 2025 and 2060—from 1.9 percent of GDP to 3.8 percent of GDP.

FACT: Medicaid faces demographic, structural, and fiscal challenges that threaten its future sustainability.

- It is estimated that one in four Americans (73 million) were enrolled in Medicaid in 2025, a significant increase from the one in 15 Americans (14 million) who were enrolled in 1970.
- By 2036, total annual spending on Medicaid is expected to reach nearly \$1.5 trillion (including \$877 billion in federal costs).
- Despite spending increases, Medicaid recipients continue to have difficulty finding doctors who accept Medicaid. In 2025, people with disabilities and the aged accounted for 21 percent of enrollment, but 51 percent of program costs, while children and adults accounted for 79 percent of enrollment and 49 percent of spending.
- The OBBBA included provisions to tighten up eligibility, including more frequent eligibility determinations, and eliminating techniques used by states to boost their effective federal match rate, but additional reforms will be necessary to sustain the program.

FACT: Obamacare has led to higher health care costs and fewer health care choices.

- Obamacare subsidies will cost federal taxpayers approximately \$1.2 trillion from 2026 to 2036.
- By 2036, almost 12 million Americans are expected to receive a subsidy for the purchase of coverage through the Obamacare exchanges with an average subsidy of \$11,050 per enrollee.
- After Obamacare's enactment, premiums in the individual market more than doubled (an increase of 129 percent) between 2013 and 2019.

Resources

Edmund F. Haislmaier, "How Congress Can Make Healthcare More Affordable," Heritage Foundation *Commentary*, April 29, 2026, <https://www.heritage.org/health-care-reform/commentary/how-congress-can-make-health-care-more-affordable>.

Robert E. Moffit, "Medicare Advantage: 14 Steps to a Better Program," Heritage Foundation *Backgrounder* No. 3952, March 5, 2026, <https://www.heritage.org/health-care-reform/report/medicare-advantage-14-steps-better-program>.

Social Security Administration, "A Summary of the 2025 Annual Reports: Social Security and Medicare Boards of Trustees," <https://www.ssa.gov/OACT/TRSUM/index.html> (accessed April 29, 2026).

Robert E. Moffit, "Medicare Trustees Sound Alarm, Again," Heritage Foundation *Factsheet* No. 274, June 28, 2024, <https://www.heritage.org/health-care-reform/report/medicare-trustees-sound-alarms-again>.

Edmund F. Haislmaier and Miles Pollard, "Bringing Much-Needed Transparency and Accountability to Indigent Care Programs," Heritage Foundation *Backgrounder* No. 3818, March 1, 2024, <https://www.heritage.org/health-care-reform/report/bringing-much-needed-transparency-and-accountability-indigent-care>.

Robert Emmet Moffit and Marie Fishpaw, eds., *Modernizing Medicare: Harnessing the Power of Consumer Choice and Market Competition* (Baltimore: Johns Hopkins University Press, 2023), https://www.press.jhu.edu/books/title/12839/modernizing-medicare?srsIid=AfmBOoqDWEksvKbAQ-h5B9S575pL_I9pVSTcJJbtixhnr3peg8Z4YX (accessed April 29, 2026).

Robert E. Moffit, "Preparing Medicare Advantage for Comprehensive Medicare Reform," Heritage Foundation *Special Report* No. 267, February 23, 2023, <https://www.heritage.org/health-care-reform/report/preparing-medicare-advantage-comprehensive-medicare-reform>.

Nina Owcharenko Schaefer, "Medicaid at 55: Understanding the Design, Trends and Reforms Needed to Improve the Health Care Safety Net," Heritage Foundation *Backgrounder* No. 3604, April 14, 2021, https://www.heritage.org/sites/default/files/2021-04/BG3604_0.pdf.

Edmund F. Haislmaier and Abigail Slagle, "Obamacare Has Doubled the Cost of Individual Health Insurance," Heritage Foundation *Issue Brief* No. 6068, March 21, 2021, <https://www.heritage.org/health-care-reform/report/obamacare-has-doubled-the-cost-individual-health-insurance>.

Robert E. Moffit, "Medicare's Next 50 Years: Preserving the Program for Future Retirees," Heritage Foundation *Special Report* No. 185, July 29, 2016, <https://www.heritage.org/health-care-reform/report/medicares-next-50-years-preserving-the-program-future-retirees>.

ENDNOTES

1. Social Security Administration, "A Summary of the 2025 Annual Reports: Social Security and Medicare Boards of Trustees," <https://www.ssa.gov/OACT/TRSUM/index.html> (accessed April 29, 2026).