

Washington again forecasts ruin for Medicare and Social Security

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In what has become virtually an annual ritual, the Social Security Board of Trustees issued a report Tuesday projecting a bleak future for the US government's two biggest benefit programs, Social Security and Medicare. The general projections of the board, all Bush administration members, were identical to last year's.

The report states that the programs are facing "enormous challenges." It estimates that resources in the Social Security trust fund will be depleted by 2041, and that reserves in the Medicare trust fund that pays hospital benefits are projected to be exhausted by 2019.

Social Security, enacted in 1935 under the Roosevelt administration, is a social insurance program providing benefits to retirees, survivors of beneficiaries and the disabled. Medicare, signed into law by President Lyndon Johnson, provides health insurance coverage to seniors and others meeting special criteria.

Together, the two programs cover almost 50 million Americans, and paid out benefits of \$627 billion in calendar year 2007, accounting for 23 percent of all federal spending. The first of the 76 million "baby boomers"—people born between 1945 and 1964—began collecting Social Security benefits this year.

Treasury Secretary Henry Paulson, one of the board's trustees, commented on the release of the report, "Without change, rising costs will drive government spending to unprecedented levels, consume nearly all projected federal revenues and threaten America's future prosperity."

The three remaining contenders for the White House in 2008—Democrats Barack Obama and Hillary Clinton, and Republican John McCain—had little to offer in the form of concrete steps for dealing with the financial challenge facing these entitlement programs, as any real solution would entail a significant redistribution of

wealth, beginning with the raising taxes on the wealthy and the corporations, something the Democrats as much as the Republicans are reluctant to propose.

Robert D. Reischauer, president of the Urban Institute public policy center, commented to the *Los Angeles Times*, "Everybody knows that there are a couple of 800-pound gorillas under the rug, but nobody wants to talk about them because that is not the route to the Oval Office."

In 2005, Bush seized on the unfavorable financial situation facing Social Security to push for privatization of the program. His plan—backed by McCain—called for allowing younger workers to divert their payroll tax contributions into private investment accounts. In February, Bush also proposed cuts in the Medicare program totaling more than \$180 billion over five years.

While both Obama and Clinton have put forward proposals they claim would provide health care for all Americans, they have had little to say about the projected Social Security and Medicare shortfalls. Neither is eager to publicly call for rationing care, cutting payments to providers or requiring beneficiaries to pay more.

In the course of the primary campaign, Both Clinton and Obama have proposed better coordinating care for the chronically ill, reducing prescription drug costs, and promoting preventative health care, sidestepping the issues of tax hikes or benefit cuts.

Senator Clinton had no immediate comment on Tuesday's report. She has claimed that her health-care proposal would save more than \$50 billion a year in "efficiency reforms."

Obama commented vaguely that the trustees' report "should give Americans confidence that we can keep Social Security strong for future generations if we come

together and address its real but manageable long-term cash flow issue.”

He said that as president he would “reduce costs in the Medicare program by enacting reforms to lower the price of prescription drugs, ending the subsidies for private insurers in the Medicare Advantage program and focusing resources on prevention and effective chronic disease management.”

John McCain, the presumptive Republican presidential nominee, who in the past has described the Medicare program as a “fiscal train wreck,” commented through a senior advisor that the report demonstrated the need to bring health care costs under control, i.e., to make cutbacks.

Bush’s proposed fiscal 2009 budget would hold the annual growth in Medicare spending to 5 percent, down from 7.2 percent, in large part by reducing payments to medical providers.

The conclusion of the Social Security Board of Trustees report states that if action is not taken soon to confront the fiscal crisis facing Social Security and Medicare when the combined trust funds become exhausted in 2041, drastic measures would need to be taken:

- * Starting in 2041, payroll taxes would need to be increased to 15.94 percent in 2041 and continue rising to 16.60 percent in 2082.

- * Or benefits could be reduced, beginning with a 22 percent cut at the point of trust fund exhaustion in 2041, with reductions reaching 25 percent in 2082.

The threat to the financial viability of the Medicare and Social Security programs is real. The Board of Trustees states that over the 75-year period considered by their report, the programs would require additional revenue equivalent to \$4.3 trillion in today’s dollars to pay all scheduled benefits.

But even the minimal measures needed to adequately finance the retirement and health-care needs of the population— a reversal of Bush’s tax cuts for the rich and a drastic increase in taxation on corporate profits and the income of the wealthy—are dismissed out of hand by this body.



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