US Medicare and Social Security forecasts prompt new calls for cutbacks

Kate Randall
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Annual reports by the Social Security and Medicare Boards of Trustees state that trust funds for the government programs are both on “unsustainable paths.” The reports released Monday project that the Medicare trust fund will be exhausted by 2024 and the Social Security fund will run out by 2033.

US Treasury Secretary Timothy Geithner, one of the funds’ trustees, stated on release of the new figures, “The projections in this year’s report are somewhat more pessimistic than last year’s report.”

About 50 million people are covered by Medicare, the medical insurance program for older Americans. More than 56 million retirees, disabled workers, spouses and children receive Social Security benefits. The programs are funded from revenue collected through payroll taxes.

As in previous years, the trustees’ reports have prompted calls from congressional Republicans to reduce benefits, raise the retirement age, or privatize the programs. Typical was a comment by Sen. Orrin Hatch of Utah, the senior Republican on the Senate Finance Committee, who stated, “Leaving Medicare and Social Security on autopilot and allowing them to continue to grow beyond their means is no longer an option.”

For its part, the Obama administration has seized on the data to stress the necessity of implementing the hundreds of billions of dollars in cuts to Medicare proposed as part of the health care reform legislation signed into law in 2010. White House officials had previously stated that without the health care overhaul, Medicare’s trust fund would be exhausted in 2016.

Specifically, the reports show that the Social Security trust fund will be depleted by 2033, three years earlier than forecast last year. After that, incoming taxes will cover only 75 percent of recipient benefits. Projections for Medicare, unchanged since last year’s report, show the Medicare Trust Fund operating in the red beginning in 2024.

The trustees point to rising energy prices, a slow economic recovery, and the temporary payroll tax cut as reasons for the worsened financial outlook for the programs’ trust funds. Rising energy prices led to a higher than expected increase in the cost-of-living adjustment to benefits, while entrenched unemployment has led to a decrease in revenue from payroll taxes. The trustees also point to the influx of baby-boomers into the programs.

The Obama-sponsored 2 percent payroll tax cut for 2011 and 2012 will result in the loss of an estimated $200 billion in revenues. While the tax cut, extended in February, decreases taxes for workers making $50,000 a year by a modest $1,000, it has drained resources from the Social Security fund, creating the conditions for cuts to the retirement program.

The bipartisan claims that cutbacks to Social Security and Medicare are necessary to “save” them are disingenuous at best. The calls for attacking the government-run programs that millions of elderly and disabled Americans depend on come as the chasm between rich and poor has never been greater. Any reduction in benefits will only deepen this social divide.

The share of the US national income that goes to workers in the form of wages has fallen to its lowest level since records began after World War II. Yet as workers’ wages have plummeted, profits in the corporate sector are 25-30 percent higher than they were before the financial crisis. In 2010, the first year of the economic “recovery” as defined by the White House, the top 1 percent of the population hauled in 93 percent of all increased income.

But for the average US retiree—after a lifetime of work, contributing from every paycheck to the Social Security program—benefits total less than $15,000 a year. These retirement benefits are well below those in other industrialized countries and leave millions either just above the poverty level, or in actual destitution.

According to the Center on Budget and Policy Priorities (CBPP), in 2010 the median income of elderly married couples from sources other than Social Security was only $23,000, while for non-married seniors it was only $3,000. And millions of beneficiaries enter retirement with no other income than their monthly Social Security check.

In advance of the November election, Obama has attempted to posture as a champion of ordinary Americans through promotion of the "Buffett Rule," a proposal to establish a minimum 30 percent income tax rate for those making $1 million or more a year. He knows this measure has no chance of passing in Congress.

Obama's real agenda was demonstrated earlier this year, in February, when the administration proposed an overhaul of corporate taxes that would lower the tax rate for companies from the present 35 percent to 28 percent, and down to 25 percent for US manufacturers. (See "Obama administration proposes corporate tax cut ")

Twice in the last two years, Congressional Republicans have pushed for legislation that would largely privatize Medicare, through providing vouchers, or "premium support" to seniors to purchase private health insurance. Such an approach is aimed at destroying Medicare as a government-run program, shifting the burden to the elderly while increasing the profits for private insurers.

Through the Affordable Care Act, the health legislation signed into law by Obama in 2010, the administration aims to slash an estimated $500 billion in Medicare costs. This process is already underway. Last month, the Centers for Medicare & Medicaid Services (CMS) began a process whereby doctors' pay under Medicare will be tied to performance and cost-cutting as judged through "resource use" reports. (See "Medicare begins linking doctor pay to costs")

The Social Security and Medicare trustee reports—followed by the obligatory media spin that drastic action is needed to rescue the programs—are setting the stage for the accelerated attack on social programs being prepared by both big-business parties following the November election.

The Senate Budget Committee, chaired by Democratic Senator Kent Conrad of North Dakota, has postponed any action on a 2013 budget resolution until after the election. Conrad has stated that a draft budget resolution will be based on the recommendations of the Bowles-Simpson plan, which proposed slashing $5.4 trillion from the deficit over 10 years.

Congress will also face a decision on the tax cuts enacted under the Bush administration, which were extended for two years at the end of 2010 and expire at the end of this year. The CBPP notes in its response to the Social Security Trustees' report: "The revenue loss over the next 75 years from making those tax cuts permanent would be about *two times* the entire Social Security shortfall over that period."