

[Sign in](#) | [Register](#)

Go to:

GuardianUnlimited **GuardianUnlimited**

Home	UK	Business	Online	World dispatch	The Wrap	Weblog	Talk	Search
The Guardian	World	News guide	Arts	Special reports	Columnists	Audio	Help	Quiz

**Breaking
news
International**

AP: Medicare Heading Toward Bankruptcy

Tuesday March 23, 2004 5:01 PM

By LEIGH STROPE

Associated Press Writer

[AP: U.S. Sets Up Base in Afghan Mountains](#)

[2:46 am](#)

[Nine Police Recruits Killed in Baghdad](#)

[2:46 am](#)

[Punched Attorney Is Allowed to Withdraw](#)

[2:46 am](#)

[Israel Threatens Entire Hamas Leadership](#)

[2:46 am](#)

[Official: Yassin Offered Israel a Truce](#)

[2:46 am](#)

[U.S. Issues Worldwide Advisory](#)

WASHINGTON (AP) - Medicare will go broke by 2019 without changes in a program that is swelling in cost because of a new prescription drug benefit, trustees were to report Tuesday.

A source familiar with the trustees' report, who spoke on condition of anonymity, said the go-broke date for Medicare has been moved up to 2019, seven years sooner than last year's estimate.

The existing surplus, built up by taxes on baby boomers, is dwindling just as they start retiring.

The Social Security trust fund was in better shape than Medicare's. The source said the retirement program would become insolvent in 2042 and that Social Security would begin paying out more in benefits than it collects in payroll taxes in 2018. That matched last year's estimates.

Government officials have been predicting for years that the retirement insurance and health care funds for the elderly - both financed through payroll taxes - will be pushed toward insolvency as more post-World War II baby boomers reach 65.

Last year, Medicare's insolvency date was moved up to 2026

[on Threats](#)

2:31 am

from 2030. The projected insolvency date for Social Security, on the other hand, was extended to 2042, one year later than what was forecast in 2002.

[Coast Guard: Over](#)

[14 Tons of Coke](#)

[Seized](#)

2:16 am

The 2003 report also projected that Medicare will have to begin dipping into its trust fund in 2013 to keep up with expenditures - three years sooner than what was predicted in 2002. The trustees said then that Social Security expenditures will start exceeding tax receipts for the program beginning in 2018.

[Interior's Flawed](#)

[Security Halts Web](#)

[Funds](#)

2:01 am

Republicans pressed for the overhaul of Medicare last year to give private insurers a much larger role in the program as a way, Bush and others said, to control long-term costs.

[Attackers Fire Rocket](#)

[at Baghdad Hotel](#)

2:01 am

But the government's own projections are that private managed care plans will cost taxpayers more than traditional Medicare for the foreseeable future.

[Costa Rica's Leader](#)

[Predicts OK on Trade](#)

2:01 am

A big reason for an earlier insolvency date ``will be a direct result of increased payments to private health plans," said Terri Shaw, an analyst with the liberal Center for American Progress.

From the Associated
Press

The trustees also are expected to employ a new expanded timeline for their projections - from 75 years to an ``infinite horizon." That approach takes into account ``not only people who are participating today, but all future generations who will pay taxes and draw benefits," said a report co-authored last fall by Thomas Saving, a trustee who teaches economics at Texas A&M University.



That report suggested shortfalls in Social Security and Medicare would be nearly \$50 trillion.

Several analysts and Democratic congressional aides said the longer timeframe was meant to create a sense of crisis by Republicans who want to reduce the government's role in the programs in favor of private, individual investments.

Small differences in assumptions can produce major swings in projections, they said, pointing to the \$139 billion difference over just 10 years in the estimated cost of the Medicare law between congressional budget analysts and Medicare's actuary.

The trustees' report is based on the estimates by Medicare actuary Richard Foster.

Democratic aides on Capitol Hill provided a mock timeline Monday that showed how the future colonization of Mars could bring with it new, greenish taxpayers who would alter the long-range projections.

^---

On the Net:

Social Security Administration: <http://www.ssa.gov>

Medicare: <http://www.medicare.gov>

Guardian Unlimited © Guardian Newspapers Limited 2004