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▶ Business Today

▶ National/World

▶ State

▶ National

▶ International

▶ Behind the Headlines

▶ Opinion

▶ Deaths

▶ Life & Arts

▶ Entertainment

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▶ NeXt (Wed.)

▶ Gusto (Fri.)

▶ TV Topics (Sun.)

▶ First Sunday



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BEHIND THE HEADLINES

Medicare trouble worse than Social Security's

The White House used a trustee report Wednesday to trumpet Social Security's fiscal woes. But two of the study's authors made clear that's not where the worry should stop.

By JONATHAN WEISMAN

Washington Post

3/24/2005

WASHINGTON - The two independent trustees overseeing Social Security and Medicare broke with the Bush administration's trustees Wednesday, saying Medicare's financial problems far exceed Social Security's and are in urgent need of attention.

Republican Thomas Saving and Democrat John Palmer said Social Security's condition has changed little since they joined the Social Security and Medicare boards of trustees in 2000. But in the trustees' report released Wednesday, they wrote that Medicare's prospects have "deteriorated dramatically" with rising medical costs and the addition in 2003 of a prescription drug benefit.

"The financial outlook for Social Security has improved marginally since 2000," wrote Saving and Palmer. "In sharp contrast, Medicare's financial outlook has deteriorated dramatically over the past five years and is now much worse than Social Security's."

The three trustees from the Bush Cabinet - Treasury Secretary John Snow, Health and Human Services Secretary Michael Leavitt, Labor Secretary Elaine Chao - chose to emphasize Social Security's problems almost exclusively at the report's release.

"The numbers leave nothing to doubt about the fundamental condition of the Social Security system," Snow said. "It's on an unsustainable course."

"The report speaks for itself," Leavitt said.

Unlike past years, though, neither Saving nor Palmer attended Wednesday's report release. Treasury spokesman Robert Nichols said any attendees of the trustees' meeting that preceded the release were free to attend the news conference. Saving did attend that meeting.

But in an interview, Saving said the public trustees were purposely left out of the presentation.

"They didn't particularly invite us," he said. "They're doing it differently, I guess. It's not our call."



The independent trustees are appointed by the president, subject to Senate confirmation, to five-year terms and must come from different parties. Both Saving, from Texas A&M University, and Palmer, from Syracuse University, were appointed by President Bill Clinton. Saving has emerged as a strong supporter of Bush's plan to add private investment accounts to Social Security.

In their closing message last year, Saving and Palmer also emphasized Medicare's problems, but Saving said that this year, he and Palmer wanted to use their final report as trustees to further flesh out the changes they have seen over their tenure on the board. In so doing, they joined a chorus of policymakers worried that the political attention being lavished on Social Security may have found the wrong target.

"The question in my mind is why are we talking about saving Social Security?" said Bruce Bartlett, a conservative commentator with the National Center for Policy Analysis.

While Social Security benefits are scheduled to exceed tax revenue by 2017, Medicare's trust fund that finances hospitalization of the elderly reached that juncture last year. The trustees project the Social Security trust fund will be exhausted by 2041, one year sooner than projected last year. But Medicare's trust will be depleted more than two decades earlier, in 2020. Last year's report projected the Medicare trust fund exhaustion date to be 2019.

By 2024, Medicare's cost will have roared past Social Security's, Saving and Palmer wrote.

The government would have to put aside \$11.1 trillion today to finance Social Security's promised benefits indefinitely, the trustees reported. But just the new Medicare prescription drug benefit included in the 2003 Medicare Modernization Act has an unfunded liability of \$18.2 trillion projected out infinitely.

"The problem is, they've got the cart before the horse," Bartlett said of the Bush administration. "They've made Medicare vastly worse, and now they're saying to be responsible, we have to take on Social Security. It's utterly illogical."

Saving briefed Republicans on Capitol Hill Wednesday, presenting data that showed Medicare's total unfunded liability at \$65.4 trillion, almost six times Social Security's. Saving strongly favors Bush's push to add private accounts to Social Security and said such accounts could be established to help young workers fund their health care in retirement, lessening the fiscal burden on Medicare. But he agreed with Bartlett that the administration had exacerbated Medicare's financial predicament with a drug benefit that was not paid for.

Snow and Leavitt said Wednesday that the administration is focusing on Social Security because the 2003 Medicare law had measures to increase competition and bring down costs. But when pushed, Leavitt said, "I would do nothing to minimize the dilemma we face in the future with Medicare."



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