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White House Turns Up Heat on Social Security Medicare in More Serious Danger, Warn Critics

by Abid Aslam

WASHINGTON -- The Bush administration and opponents of its plans to overhaul Social Security are intensifying efforts to drum up public and legislative support for their positions following the latest annual financial checkups of the pension system and Medicare, the healthcare program for the elderly and disabled.

The trustees who oversee the programs said in an annual report last week that Social Security will begin paying out more in benefits than it receives in payroll taxes in 2017. They further estimated that the \$1.6 trillion accumulated in trust accounts from payroll taxes in decades past will run out in 2041 if no changes are made to the system.

While trustees moved those projected dates up by a year compared to last year's assessment, they remained further in the future than projections made five years ago.

The date when Social Security would begin taking in less than it paid out has been pushed back to 2017, from 2015, the two independent trustees on the panel said in the report. Likewise, the date by which Social Security's trust fund is expected to run out has been pushed back from 2037 to 2041.

The independent trustees went further, breaking with the Bush administration's trustees and saying Medicare's financial problems far exceeded Social Security's and were in more urgent need of attention.

Thomas Saving, a Republican, and John Palmer, a Democrat, said Social Security's condition had changed little since they joined the Social Security and Medicare Boards of Trustees in 2000. But in last week's trustees' report, they wrote that Medicare's prospects had worsened. They attributed this to rising medical costs and the addition in 2003 of a prescription drug benefit.

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

Even so, the three Bush Cabinet trustees--Treasury Secretary and panel chairman John Snow, Health and Human Services Secretary Michael Leavitt, and Labor Secretary Elaine Chao--emphasized Social Security's problems almost exclusively at the report's release.

"The numbers leave nothing to doubt about the financial condition of the Social Security system," Snow told reporters. "The report underscores the fact that we need to do something."

Snow, Vice President Richard Cheney, and other senior administration officials followed up late in the week and over the weekend by telling audiences across the country that the trustees' report highlighted the urgency of President George W. Bush's calls to overhaul Social Security this year.

Bush's plan hinges on creating personal retirement investment accounts for younger workers, who would be allowed to divert up to 4 percent of their wages subject to Social Security taxes into these accounts in exchange for a reduced guaranteed benefit.

Senate Democratic leader Harry Reid of Nevada countered that the report undermined Bush's effort to portray Social Security as in immediate crisis. The report, he said, "confirms that the so-called Social Security crisis exists in only one place: the minds of Republicans."

Reid said the White House proposal would plunge Social Security's trust fund into insolvency in 2030, more than a decade earlier than the trustees had projected.

With Congress in recess through Friday, Apr. 1, the administration and its allies--chiefly, commercial advocacy groups including the Business Roundtable and Club for Growth--have taken their fight to states and Congressional districts.

So too have the White House's opponents--chiefly, labor unions and consumer and senior citizens' groups including the 35-million-member American Association of Retired Persons--all of whom have rallied members to lobby House and Senate members in their home constituencies.

Advocates on both sides also have dueled with opinion polls.

The Business Roundtable, armed with a poll conducted by a private contractor, said last week that while labor leaders opposed private retirement accounts, rank-and-file union members favored them by a 2-1 margin. The [AFL-CIO](#) labor federation said its own polls flatly rejected that finding.

Administration officials said polls consistently showed that the majority of Americans believed that Social Security was in long-term financial trouble and that younger Americans wanted the freedom to opt for personal retirement accounts.

Pollsters at the Pew Research for People and the Press said late last week that support for Bush's plan had fallen among 18-29 year-olds. Young adults had been the proposal's

strongest supporters but backing from this age group fell from seven in 10 last December to just under half this month, the poll said.

But is all the attention to Social Security misplaced? So said the independent trustees and a number of analysts and policymakers.

Social Security provides retirement, survivor, and disability income for 47.6 million Americans. Medicare provides healthcare for 41.7 million older and disabled people.

While Social Security benefits were expected to exceed tax revenue by 2017, Medicare's trust fund reached that point last year. The trustees projected the Social Security trust fund would be exhausted by 2041 but Medicare's trust will be depleted by 2020.

By 2024, Medicare's cost would have surpassed Social Security's and would have made the healthcare program the government's most expensive item outside the defense budget, said Palmer and Saving, a strong supporter of Bush's private investment accounts.

The government would have to put aside \$11.1 trillion today to finance Social Security's promised benefits indefinitely, they said. But just the new Medicare prescription drug benefit included in the 2003 Medicare Modernization Act carries \$18.2 trillion in new commitments with no matching funds and this overhang has been projected out infinitely.



Those numbers have energized groups ranging from the conservative National Center for Policy Analysis, which has assailed the White House for undermining Medicare with unfunded mandates only to go after Social Security, to the liberal Center for Economic and Policy Research ([CEPR](#)), which sounded its own alarm over Medicare in a recent report.

"Rising healthcare costs pose a much larger threat to living standards than any potential tax increases for supporting Social Security," CEPR said.

"While healthcare costs pose a problem everywhere, no other country has such a failed healthcare system," the Washington, D.C.-based think tank added. "The United States pays more than twice as much [per] person for healthcare as other wealthy countries, yet it has shorter life expectancies. Rising healthcare costs pose an enormous threat to the federal budget, as was illustrated in the new Medicare trustees' report, but more importantly they pose a threat to the economy and future living standards."

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