SCOA ***thinks you should know about . . .***

SOCIAL SECURITY AND MEDICARE

Social Security and Medicare, have been prominent in the deficit and debt ceiling debate. Unfortunately, there is much misunderstanding of how these programs work. Below are some key points to keep in mind about these important programs.

- ✓ Social Security (SS) is **NOT** broke and despite claims to the contrary, Social Security does NOT contribute to the debt or the deficit. By law, Social Security cannot borrow from the general fund. In 1983, to address the retirement of the baby boomers, President Reagan signed into law a bill raising the SS payroll tax and the retirement age. The result is a $2.6 Trillion **surplus** in the SS trust fund held in the form of special issue Treasury notes – this means that SS actually loans money to the US Treasury. When SS expenses exceed SS income, Treasury notes are called and the Treasury must come up with the funds to cover the call, but this is NOT deficit spending. When Treasury notes are redeemed, the government debt to the SS trust is decreased, not increased. Even if no changes are made to SS taxes or benefits (unlikely), full benefits are still payable until 2036, after which 75% of benefits will still be paid **without adding to the debt or the deficit**.
  - ➢ (http://budget.house.gov/UploadedFiles/Goss_Testimony.pdf)

- ✓ Similarly, Medicare's Hospital Insurance – Part "A" Trust Fund has a $344 Billion surplus in the form of special issue Treasury notes, but this Trust Fund is being exhausted at a more rapid rate than the SS Trust Fund. Two primary factors are driving Medicare expenditures to exceed income – increased enrollment and increased medical care expenses. The Affordable Care Act (ACA) is moderating the increase in medical care cost. However measured, the ACA brings about "sizable improvement in the financial outlook for Medicare compared to the law in effect prior to the Affordable Care Act". If the ACA is repealed or defunded, the effect will drive up expenditures from the Medicare Trust Fund and accelerate the date of exhaustion of the fund. While Medicare does face a shortfall, it is **NOT** going bankrupt. When the fund becomes exhausted, projected to occur in 2024, its income from Medicare payroll taxes and other sources will meet 90 percent of its projected obligations **without adding to the debt or the deficit**. Note that Medicare Parts “B” and “D” are self sustaining due to automatic income adjustments.

- (https://www.cms.gov/ReportsTrustFunds/downloads/tr2011.pdf)
- (http://www.cbo.gov/ftpdocs/110xx/doc11005/01-22-HI_Fund.pdf)

✓ Although Medicare expenditures are high, they “have grown more slowly than insurance premiums over the past 40 years”. "A private health insurance plan covering the standardized benefit would, CBO estimates, be more expensive currently than traditional Medicare. Both administrative costs (including profits) and payment rates to providers are higher for private plans than for Medicare." However, 12% of medical professionals are currently refusing to accept private insurance due to administrative burden and inadequate reimbursement rates. The corresponding Medicare refusal rate is 7%.

- http://www.cbo.gov/ftpdocs/121xx/doc12128/04-05-Ryan_Letter.pdf
- https://www.cms.gov/NationalHealthExpendData/downloads/tables.pdf
- http://www.cms.gov/ReportsTrustFunds/downloads/tr2011.pdf
- http://www.cms.gov/NationalHealthExpendData/downloads/tables. pdf
- http://www.kaiserhealthnews.org/daily-reports/2011/june/28/docs-and-insured-patients.aspx

✓ “Health care costs are the real deficit threat”. It is the rapidly escalating cost of medical care itself that drives the deficit threat. Some proposed changes to Medicare and Medicaid will only shift the cost burden to seniors and do nothing to reduce the primary cause of the problem. The CBO estimates that the most recent proposal for Medicare would increase the cost to seniors by more than 40%.

- (http://online.wsj.com/article/SB124234365947221489.html).
- http://www.kaiserhealthnews.org/Stories/2011/April/06/CBO-Seniors-Pay-More-Medicare-Ryan-Plan.aspx

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