



Budget Digest – Week of July 11th

Restoring the Trust for Americans at or Near Retirement

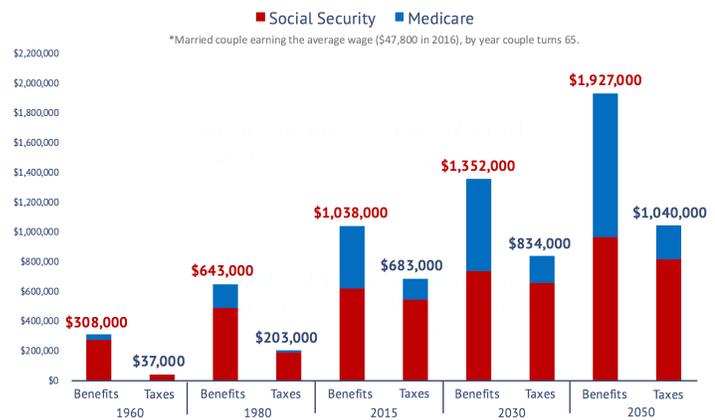
Restoring the Trust for America’s Seniors. Both Medicare and Social Security face insolvency within the next 15 years. As currently structured, neither program can fulfill the promise of retirement and health care security for America’s seniors. Once they become insolvent, Medicare will be able to support only 87-percent of expected health care costs for seniors, and Social Security recipients will face an immediate 21-percent reduction in benefits.

What’s the problem? Demographic changes, financial shortcomings, and structural flaws. Nearly 10,000 baby-boomers reach retirement age every day, and longer life expectancy leads to more generous benefits (see figure). At times, Medicare payment rules and regulations can encourage a shift in the delivery of care into less efficient settings, increasing costs for both seniors and the program without a corresponding improvement in quality or outcomes.

Social Security has not kept pace with an evolving workforce. In 1950, the program was supported by 16.5 workers for every retiree; that number is now 2.8 workers per retiree. Furthermore, the program encourages early retirement even though lifespans have dramatically increased.

AVERAGE RETIREE’S MEDICARE AND SOCIAL SECURITY BENEFITS VS. TAXES PAID IN*

(In 2015 Dollars)



Possible Solutions. Positive solutions can be discovered in both the private sector and other successful government programs. For Medicare, policymakers must look to solutions that reduce costs while maintaining access to high quality care through patient-centered ideas that foster competition and promote innovation. For Social Security, they should pursue solutions that expand choices for individuals to build their own savings, making their retirement income more secure. More important, without a robust economy, the long-term sustainability of these programs is not possible. Greater rates of employment, higher earnings, and a strong middle class are essential elements to sustaining the 80 million baby-boomers who will rely on these programs.