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CRFB Reacts to Social Security and Medicare Trustees Report May 12, 2009

Today, the Social Security and Medicare Trustees released their annual reports. According to the Trustees, Social Security will run small surpluses through 2015, after which it will face increasing deficits, rising to nearly 1.5 percent of taxable payroll by 2020 and 3.5 percent by 2030, before exhausting the trust fund in 2037 with annual deficits nearing 4 percent of taxable payroll. Compared to last year's report which projected \$87 billion in surpluses in 2009 and \$510 billion over ten years, this year's report projects only \$19 billion in surpluses for 2009 and \$25 billion over ten years. Medicare is in considerably worse shape, with the Hospital Insurance program already running deficits, and projected to exhaust its trust fund in 2017.

"This is nothing if not a wake-up call," said Marc Goldwein, policy director of the Committee for a Responsible Federal Budget. "The days of large Social Security surpluses are over, and time is running out to prevent the nation's entitlement programs – Medicare in particular – from driving long-term budget deficits to the brink."

CRFB urges policy makers to take on Social Security reform as soon as possible, especially in light of its worsened condition. We also believe that as policy makers undertake comprehensive health care reform, they must focus their efforts on policies to reduce Medicare's future costs, including slowing overall health care cost growth.

We are encouraged by Secretary Geithner's statement recognizing the need to take action on these issues in order to preserve the programs and improve the nation's long-term fiscal position.

"On Social Security, we know the options – reduce benefits, increase taxes, raise the retirement age, or find alternative sources of revenue. None of these will be easy, but they'll be necessary to make the system healthy again – and everybody knows it," explained Goldwein. "Medicare's problems are both bigger and more complicated, but just because we don't have all the answers doesn't mean we can't get started now. In both cases, the longer we wait the worse things get, and the less options we will have."