

Trustees rating health of Social Security, Medicare

July 22 2015, by Stephen Ohlemacher And Ricardo Alonso-Zaldivar



This Feb. 2, 2015, file photo, depicts a part of a U.S. \$100 bill. The federal government's two largest benefit programs face short- and long-term financial problems as they close in on milestone anniversaries. The magnitude of those problems will become clearer when the trustees for Social Security and Medicare issue their annual report cards. (AP Photo/Jon Elswick, File)

The federal government's two largest benefit programs face short- and

long-term financial problems as they close in on milestone anniversaries. The magnitude of those problems will become clearer when the trustees for Social Security and Medicare issue their annual report cards.

Last year, the trustees said the trust fund that supports Social Security's disability program would run dry in 2016. Unless Congress addresses the shortfall, it would trigger an automatic 19 percent cut in benefits right in the middle of a presidential election.

The trustees will also release Wednesday a new projection for Social Security's cost-of-living adjustment at the end of the year. The adjustment is based on a government measure of inflation.

As of June, consumer prices were lower than last year, meaning there would be no increase in benefits for only the third time since automatic adjustments were adopted in 1975.

Medicare's financial health got a boost last year as the rise in [health care costs](#) slowed. The trustees said Medicare's giant hospital trust fund won't be exhausted until 2030.

Medicare turns 50 at the end of the month and Social Security turns 80 two weeks later. Together, the programs accounted for more than 40 percent of federal spending last year. Both are feeling the strains of retiring baby boomers.

Last year, the trustees said Social Security's retirement fund would be exhausted in 2034. At that point, payroll taxes would cover 77 percent of benefits.

Social Security's disability program could be shored up in the short run by shifting tax revenue from the much larger retirement program, as Congress has done in the past. President Barack Obama has endorsed the

move, but Republicans in Congress want changes in the program to reduce fraud and to encourage disabled workers to re-enter the work force.

If the trust funds were combined, they would have enough money to pay full benefits until 2033, the trustees said last year.

Advocates for seniors say that gives Congress plenty of time to address Social Security's long-term problems, without cutting benefits. But some in Congress note that the longer lawmakers wait, the harder it gets to address the shortfall without making significant changes.

Medicare is adding 10,000 new beneficiaries a day as [baby boomers](#) reach age 65. But so far the demographic shift has not overwhelmed the program with costs because, for the most part, boomers are healthier than the older generations of Medicare beneficiaries. That has a positive impact on the bottom line, helping to hold down per-beneficiary costs.

Nonetheless, the Obama administration is in the midst of overhauling the way Medicare pays doctors and hospitals to emphasize quality results over the sheer volume of procedures, tests, and services.

The Department of Health and Human Services has set a goal of tying 30 percent of payments under traditional Medicare to new models of care by the end of 2016, and an increasing share thereafter. Among the initiatives is a proposal to change the way hospitals are paid for hip and knee replacement surgery.

In 2030, when the hospital trust fund is expected to be depleted, Medicare will collect enough payroll taxes to pay 85 percent of inpatient costs.

The Medicare and Social Security trustees are the secretaries of the

Treasury, Health and Human Services, and Labor departments, as well as the Social Security commissioner and two public trustees—a Democrat and a Republican.

Nearly 60 million people receive Social Security benefits, including 42 million retired workers and dependents, 11 million disabled workers and 6 million survivors of deceased workers.

About 55 million retirees and disabled people get Medicare. The hospital trust fund is only part of the program. Coverage for outpatient care and prescription drugs is covered by premiums and other government spending.

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