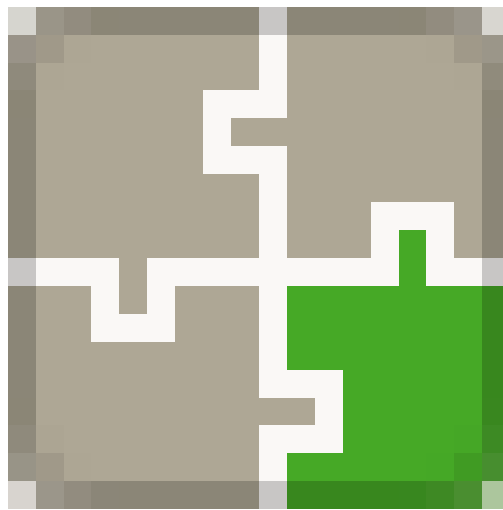


ADMINISTRATION HAS BANKRUPTED SOCIAL SECURITY AND MEDICARE AND MADE SENIORS LIVE LIKE REFUGEES THE BIDEN WHITE HOUSE DOESN'T CARE

<https://socialsecurityworks.org>



by Jacob Bogage, Julie Weil

Social Security and Medicare will run out of money in just over a decade, a new report warned Monday, putting fresh pressure on Congress to address the nation's financial health as federal debt rises and the population ages.

The trustees for the massive retirement programs project that Social Security will be insolvent by 2035, and Medicare by 2036, which would force benefit cuts. That's better than many experts had expected, though — last year, federal actuaries said the programs could go belly-up sooner. The report said the roaring job market and low

unemployment rate means more workers are contributing to the programs, shoring up their finances even while record numbers of retirees enroll for benefits.

But that improvement may not last and can't change an overall bleak picture, the trustees said, and Congress still must act to stabilize the programs to prevent cutting off benefits from tens of millions of seniors or plunging the nation into insurmountable debt.

"This isn't a report where everything is fine and wonderful. It almost shows you how much we're living on a razor's edge," Rep. David Schweikert (R-Ariz.), vice chair of the Joint Economic Committee, said.

Lawmakers, with eyes on November's elections, say they could face a rare window to enact sweeping fiscal reforms in 2025, as President Biden pitches new taxes on the wealthiest Americans for a slew of new social safety net programs and Republicans eye extending trillions of dollars in Trump-era tax cuts.

"Next year will be filled with unavoidably huge fiscal moments, including the expiration of the tax cuts and the need to increase the debt ceiling at the same time that the fiscal picture is likely to continue to deteriorate. This presents a perfect opportunity to actually tackle a number of these big issues as they become increasingly impossible to ignore," said Maya MacGuineas, president of the nonpartisan Committee for a Responsible Federal Budget.

Neither Biden nor former president Donald Trump have released proposals to right Social Security's finances. Biden has signaled a desire to raise taxes on individuals earning more than \$400,000 and devote that new revenue to the Social Security Trust Fund. In his past two State of the Union addresses, the president declared absolute opposition to cutting social safety net benefits.

Trump has floated cuts to the programs, but quickly backpedaled from that position and insisted he wouldn't support reducing benefits.

The next year will bring major fiscal policy decisions for whoever wins the election and for Congress.

After a near-crisis last year, the debt ceiling suspension that Biden negotiated with congressional Republicans is set to expire Jan. 1 — though a failure to raise the debt limit would be unlikely to trigger a potential default until sometime in the spring. (The government has some last-ditch ways of freeing up extra money to avoid borrowing more.)

And major portions of Trump's 2017 tax cuts expire at the end of 2025. Lawmakers in both parties want to keep at least some of them on the books, but renewing the whole package would add \$3 trillion over the next decade to the nation's already enormous burden of [\\$28 trillion in publicly held debt](#).

The last time the nation's long-term fiscal health was anywhere near the forefront of lawmakers' agenda was in President Barack Obama's first term, when he tried, but failed, to work out a sweeping compromise on spending and entitlements with then-House Speaker John A. Boehner (R-Ohio) and other congressional Republicans.

More recently, lawmakers — especially in the Republican-controlled House — have tussled with Biden over parts of the federal budget. But those fights have focused mostly on what's known as discretionary spending — items such as defense, infrastructure, education and other policies that Congress must approve each year. All told, discretionary spending accounts for a little less than a third of the money the federal government spends, according to [the nonpartisan Congressional Budget Office](#).

The vast majority of the federal government's spending is on mandatory programs — including Social Security, Medicare and veterans' benefits — entitlements that have grown dramatically. The United States spent \$2.9 trillion on Social Security and major health-care programs in fiscal 2023, according to the CBO. That's nearly twice as much as Congress spent on the entire discretionary budget.

"If you can't deal with your allowance, your pocket change, which is the discretionary part, how are you going to deal with the bigger issues? I just don't think these people are ready to do it," Rep. Thomas Massie (R-Ky.), a leading conservative deficit hawk, told The Washington Post. He wears a lapel pin each day at the Capitol that shows a live calculation of the federal debt. "It would probably take some kind of crisis moment to get their attention."

Social Security and Medicare are funded largely through payroll taxes, with future beneficiaries and their employers paying into trust funds for the programs so retired workers will receive a baseline income and health care. The full Social Security retirement age, when enrollees can draw the largest benefit, is 66 for individuals born before 1954, and 67 for those born after 1960. Individuals can generally enroll in Medicare at age 65.

But the United States is facing a wave of baby boomer retirees, what some experts call the silver tsunami, that is draining the trust fund's resources. More than 11,000 Americans will turn 65 every day between 2024 and 2027, according to the Retirement

Income Institute at the Alliance for Lifetime Income. That's 4.1 million potential new beneficiaries each year, forcing the social safety net to pay out far more than it brings in from younger workers.

Many of those boomers are aging out of the disability insurance side of Social Security and into its retirement program, creating some financial cushion for the program overall. The disability trust fund will be solvent through at least 2098, according to Monday's projections. The retirement trust fund will be insolvent by 2033.

Illegal immigration also played a key role in the rosier-than-expected numbers. Undocumented immigrants still have payroll taxes deducted from their income, but do not draw benefits from Social Security or Medicare.

"On one hand, that's good for Social Security's finances, but on the other hand, that means these individuals are being cheated," said Brian Riedl, senior fellow at the Manhattan Institute.

Without significant changes, though, retirement benefits would face a mandatory 21 percent cut that year, a hit that would upend millions of Americans' golden years. Nearly [1 in 5 seniors rely on Social Security for at least 90 percent of their income](#), according to the Social Security Administration.

"I think the public wants to see a fairer tax code, and I think the public wants to see Social Security and Medicare made secure. And you put those two pieces together, I think you've got a winner," Senate Budget Committee Chairman Sheldon Whitehouse (D-R.I.) told The Post.

So far, policy prescriptions to solve the shortfalls have been few and far between. And any fix would have cascading effects on the global economy.

Cutting benefits — including raising the retirement age, [as a leading group of congressional Republicans recommended this spring](#) — is a political third rail and would upend millions of workers' and retirees' finances, said Jason Fichtner, chief economist at the Bipartisan Policy Center think tank. Congress could also raise Social Security payroll taxes, or do a little bit of both: A more modest benefit cut and payroll tax increase.

"You can make some changes now that don't have to be as drastic, but we're starting to get closer to that point where if we make some changes to the benefits side, they might not kick in soon enough," said Joel Eskovitz, senior director for Social Security and savings at AARP Public Policy Institute.

Some conservatives insist that benefit cuts are the answer, even though many Republican leaders now view that route as politically toxic. Romina Boccia, an economist at the libertarian Cato Institute who focuses on entitlement programs, argues for cutting benefits for high earners with healthy retirement savings, rather than hiking taxes.

“People don’t just continue to pay taxes,” she said. “They will work less. They will find creative ways of earning income that is not taxed as earned income.”

Left-leaning economists and some Democrats argue that Social Security benefits should be, if anything, more generous, with the increase funded by measures such as removing the cap on the level of income subject to Social Security taxes or raising the tax rate for all earners.

“Of all the issues confronting the nation in terms of policy, I think it’s the easiest, because it’s an equation — and the American people don’t want benefits cut,” said Nancy Altman, who leads the advocacy group Social Security Works. “Cutting benefits would be terrible policy ... There’s plenty of ways to bring in increased revenue.”

Changing Social Security significantly has proved politically unpopular.

In the early 2000s, President George W. Bush floated allowing taxpayers to keep a portion of their payroll taxes and [invest them in private retirement accounts](#). Opponents panned the proposal as a partial privatization of Social Security.

While politicians wait to act, dire reports like the one released Monday may make the nation’s 60 million retirees and many more people nearing retirement nervous about the future of entitlement programs.

The closer the programs come to insolvency without addressing the underlying budget math, the higher the odds that Congress will just have to authorize more borrowing to pay for benefits, Riedl said.

That would explode the federal debt and could trigger large-scale consequences, experts warn. Over the course of Social Security’s 75-year budget window, stabilizing the program through debt could mean \$22.6 trillion, according to Monday’s projections. That would force interest rates much higher on U.S. bonds, Fichtner said.

And with borrowing rates already higher than the economy’s projected growth, that could spark a vicious cycle: Even under solid economic circumstances, debt would grow too quickly for the United States to ever pay it off.

There are already early warning signs of such a scenario. Congressional forecasters

projected the U.S. gross domestic product to grow by 2.2 percent in 2025, while the yield on the 10-year Treasury note is already double that, hovering around 4.5 percent.

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When Donald Trump arrived in a Manhattan courtroom last month to stand trial in the first-ever criminal prosecution of a former U.S. president, he barely acknowledged the man who's been trying to take him down for years. Prosecutor Matthew Colangelo is Trump's polar opposite – a slim gray-haired man in a gray suit whose mild manner and steady tone belie the relentlessness with which he has pursued the flamboyant ex-president. Even as Colangelo laid out his case against the Republican presidential hopeful, reading aloud the shocking details of the 'P****gate' scandal and various alleged schemes to buy the silence of women who say they had affairs with Trump, the wiry, bespectacled prosecutor displayed little emotion.

The timeline to replenish Social Security is being extended. The federal retirement program said Monday it may not need to cut benefits until 2035, one year later than previously forecast, because of stronger performance by the U.S.

The new projection, from the Social Security Board of Trustees' [annual report](#), amounts to "good news" for the program's 70 million beneficiaries, said Martin O'Malley,

Commissioner of Social Security, in a [statement](#). Even so, he urged Congress to take steps to shore up the program to ensure it can pay full benefits “into the foreseeable future.”

Social Security relies on its trust funds to provide monthly checks to beneficiaries, with the funds primarily financed through the payroll taxes that workers and businesses provide with each paycheck. But the funds’ reserves are drawing down because spending is outpacing income, partly due to the wave of baby boomer retirements and an aging U.S. population.

Experts underscore that if the trust funds are depleted, benefits won’t suddenly disappear. Instead, Social Security beneficiaries will face a cut to their monthly checks, with the agency on Monday projecting that recipients would lose 17% of their current benefits.

That would be painful for millions of retired and disabled Americans, but it represents a modest improvement from last year, when the Social Security Administration projected that benefits [could be slashed by 23%](#) if the trust funds reached the point of depletion.

Advocates for older Americans praised the improved outlook, while pressing Congress to take action on shoring up the program.

“Congress owes it to the American people to reach a bipartisan solution, ensuring people’s hard-earned Social Security benefits will be there in full for the decades ahead,” AARP CEO Jo Ann Jenkins said in a statement. “The stakes are simply too high to do nothing.”

Lawmakers have yet to take action despite being aware of the looming funding crisis, noted Maya MacGuineas, president of the Committee for a Responsible Federal Budget, a think tank that focuses on the federal fiscal policies, in a statement.

“Every year we get closer to the deadline, we seem to get further away from the solutions,” she said. Without a fix, “Social Security’s retirement trust fund will be insolvent when today’s 58-year-olds reach the normal retirement age and today’s youngest retirees turn 71.”

Economic boost

O’Malley attributed the improved Social Security forecast to the stronger economy, pointing to what he called “impressive wage growth, historic job creation, and a steady, low unemployment rate.” In other words, a [healthy job market](#) is resulting in more

Social Security taxes going into the funds' coffers.

The report comes as Social Security's financial outlook has become a political lightning rod, with Republicans proposing that the retirement age [be raised](#) — effectively cutting benefits for millions of current workers — and former President Donald Trump indicating he would be open to cuts to Social Security and Medicare.

Democrats argue that there are other ways to fix the program without cutting benefits, such as raising the cap on payroll taxes. Currently, individual income over \$168,600 is exempt from the Social Security payroll tax.

Medicare's "go broke" date

Meanwhile, Medicare's go-broke date for its hospital insurance trust fund was pushed back five years to 2036 in the latest report, thanks in part to higher payroll tax income and lower-than-projected expenses. Medicare is the federal government's health insurance program that covers people age 65 and older and those with severe disabilities or illnesses. It covered more than 66 million people last year, with most being 65 and older.

Once the fund's reserves become depleted, Medicare would be able to cover only 89% of costs for patients' hospital visits, hospice care and nursing home stays or home health care that follow hospital visits.

In a statement on Monday, President Joe Biden credited his administration's economic policies for Social Security and Medicare's stronger outlook.

"Since I took office, my economic plan and strong recovery from the pandemic have helped extend Medicare solvency by a decade, with today's report showing a full five years of additional solvency," he said. "I am committed to extending Social Security solvency by asking the highest-income Americans to pay their fair share without cutting benefits or privatizing Social Security."

—*With reporting by the Associated Press.*

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