



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

FACT SHEET

Fundamental Issues Facing Social Security and Medicare – The long-term funding challenges facing Social Security and Medicare are the result of a fundamental shift in the demographics of the U.S. population which results in fewer workers supporting our nation’s retirees.

- As the baby-boom generation begins to retire in 2010, the number of working Americans paying into both programs will be quickly outpaced by the growing number of beneficiaries drawing from the system.
- Additionally, life expectancy rates have risen, going up from 68 years of age in 1950 to 77 in 2001. Combined with the fact that families are having fewer children today, these changing demographics create a structural imbalance in these programs.

Rising Health Care Costs – The cost of health care has sky-rocketed in recent years, placing additional burden on the Medicare program with sharply increasing prices.

- From 1998 to 2002, health care costs rose 35 percent.
- Health care costs accounted for nearly 15 percent of our nation’s GDP in 2002. The U.S. expends more on health care as a percentage of GDP than any other industrialized country.
- Employer-sponsored health insurance premiums rose 14 percent last year alone.
- The negative impact of rising costs not only impacts programs such as Medicare, but also weighs down economic growth and job creation.

Securing Social Security for this and Future Generations – We must act to safeguard the commitment we’ve made to our seniors and to deliver the promise held out to our children and grandchildren. The time has come to move beyond the failed solutions of the past. The answer is not to raise taxes on American families or reduce benefits for those in or near retirement. This Administration embraces the need for new ideas. The creation of personal accounts is critical to ensure Social Security’s sustainability:

- In 2001, the President's bipartisan Social Security Commission, co-chaired by Dick Parsons and the late Senator Daniel P. Moynihan, reported comprehensive proposals for strengthening Social Security.
- These proposals can attain solvency without changing benefits for those now in or near retirement, and while permitting younger workers the chance to build a nest egg for their own retirement.
- CNN/USA/Today Gallup Poll, October 2003: 62% of adults favor allowing the opportunity for individuals to invest a part of their payroll taxes in personal accounts (34% oppose). Fox News January 2004: 67% of registered voters favor permitting such investments (24% oppose).

Bringing America's Seniors More Choices, Better Benefits and Real Savings - Legislation enacted last year guarantees America's seniors better choices and access to affordable prescription drug coverage. Reforms in the Medicare Act of 2003 better help put us on the path to long-term sustainability of the program:

- In June of 2004, beneficiaries will have access to Medicare-approved prescription drug discount cards, which will save them 10 to 25 percent off the retail price of most prescription drugs. It is important to note that the change in HI's financial condition was not caused in any way by the creation of the Medicare prescription drug program, which is separately financed.
- Low-income beneficiaries also will receive \$600 to help them purchase their medication.
- The legislation provides for better preventive care coverage to help beneficiaries avoid costly hospital stays.
- Millions of Americans will get help with their out-of-pocket medical expenses through health savings accounts (HSAs). The Medicare bill that President Bush signed into law establishes new tax-free savings accounts for individuals and groups who purchase low-premium, high-deductible health plans. Businesses and individuals who take advantage of these accounts will save substantial sums on health insurance premiums and gain more control over health care expenditures. The tax-free, portable accounts will help families pay their routine medical expenses and provide a tax-preferred means of saving for future health care needs.
- The legislation also includes provisions to promote competition and choice, bring generic drugs to market sooner, lower the costs of chronic illnesses through disease management and reduce costs and medical errors through e-prescription services.
- Reductions in fraud and abuse are expected to save \$35 billion.

But more reforms are needed to bring down the rising cost of health care - The Bush Administration is committed to an ongoing effort to help Americans obtain improved and more affordable health care coverage. The President has shown real leadership in working towards solutions to control health care costs without diminishing quality or access to care.

- Medical liability reform will help improve health care quality and reduce health care costs. President Bush believes these needed reforms will increase access to quality, affordable health care for all Americans, while reducing frivolous and time-consuming

legal proceedings against doctors and health care providers that are driving good providers out of local communities across the country.

- Association Health Plans (AHPs) will help small businesses provide affordable health insurance coverage to their workers. AHPs will give America's working families greater access to affordable health insurance. By allowing small businesses to band together and negotiate on behalf of their employees and their families, AHPs would help small businesses and employees have health insurance at an affordable price – the Congressional Budget Office estimates at least 600,000 workers would get health insurance under AHPs.
- New health insurance deductions will make coverage more affordable to millions of Americans whose employers don't provide health benefits. The President's proposal will allow individuals who establish HSAs to deduct the premiums they pay for their low-premium, high-deductible health insurance policies. This new deduction will be available to taxpayers whether or not they itemize. It will reduce the net cost of these policies and encourage the use of HSAs for saving for health care needs and making wise, cost-effective health care choices.
- Refundable tax credits will make health insurance more affordable to millions of low-income Americans. The President has proposed to establish refundable tax credits of up to \$1,000 for individuals and \$3,000 for families to help low-income workers buy health insurance coverage.
- There is more that can be done to help stop harmful costly medical errors and provide liability protection for doctors and nurses who report mistakes in good faith; and fully employ the efficiencies of information technology in the health care sector, such as physician order entry and electronic medical records.

Leading the Debate – The President has been a long-time leader in the debate on the need to reform Social Security and Medicare.

- When President Bush was Governor of Texas, he led an open and honest discussion of the serious issues facing America's entitlement programs. As President, he has moved the debate forward by engaging in a candid dialogue on the financial realities facing Social Security and Medicare.
- The President established a bipartisan Social Security Commission to report on comprehensive proposals to strengthen Social Security.
- In last year's annual budget, a chapter entitled "The Real Fiscal Danger," set out extensive analysis and data on the unfunded obligations Social Security and Medicare pose to our budget.
- Under the Bush Administration, the Trustees report is including additional measures to provide a more complete picture of the financial health of the programs.

The Clear Need for Action - Americans will not stand for a do-nothing plan in the face of the serious issues raised by the Trustees' Reports. Americans agree that we need to act to strengthen Social Security and Medicare.

- The issues raised in the Trustees' Reports demand responsible and thoughtful policy decision making.

- Americans are not well served by political attacks or partisan gamesmanship.
- The Bush Administration will continue its discussion of the issues facing Social Security and Medicare and will continue to work with Congress to secure the long-term strength of these vital programs.