THE HILL

We're the problem, and we have a responsibility to act

By Sen. Judd Gregg (R-N.H.)
May 03, 2007

A distinct alarm bell is sounding, and it's growing louder every year. That alarm represents millions of retiring baby boomers — a generation that includes me and nearly 60 percent of the U.S. Congress — and the trillions of dollars that government-promised retirement benefits will cost our children and grandchildren.

The numbers do not lie. The massive baby boom generation will begin to retire next year, and by 2035, the over-65 population will have doubled, reaching 75 million people. In the 1960s, there were 5.1 workers for each retiree, but that number will dwindle to a mere 2.1 workers for each retiree by 2035. The 2007 Social Security and Medicare Trustees' report released last week shows that this weakening ratio of retirees to workers is about to have disastrous consequences for future generations.

While we hear a lot about Social Security insolvency — the Social Security trustees confirmed this week that the program's assets will be exhausted by 2041, with an unfunded liability of nearly $5 trillion over the next 75 years — the larger problem is Medicare. Skyrocketing healthcare costs, combined with a huge number of people needing care in their final years, will produce a demographic and fiscal tsunami that we are unprepared to handle.

The Medicare trustees' report indicates that Medicare's obligations add up to nearly $34 trillion over the next 75 years, which is only slightly less than the combined net worth of every U.S. citizen today. According to the Government Accountability Office, covering Medicare and Medicaid obligations alone would cost $170,000 per American, or $440,000 per household.

Medicare's Hospital Insurance Trust Fund, the largest part of the program because it covers hospital costs for beneficiaries, is expected to be depleted by 2019, according to the trustees' report. The bankruptcy of that fund will impact not just beneficiaries, but everyone 52 or under today who will be financially responsible for those retirees.

Clearly, the insolvency of Medicare is a very serious problem, and a bit of good news is that there is a law on the books that forces the government to begin to address the situation. Under the Medicare Modernization Act of 2003, the Medicare trustees are required to issue an official warning if they conclude that Medicare will draw more than 45 percent of its total funding from the treasury's general revenues within the subsequent six years.

Due to the mounting obligations facing Medicare, the trustees issued that warning last year and again this year, which is the key fact. Under the Act, a warning for two consecutive years requires the President to propose legislation within 15 days of his next budget — the fiscal year 2009 budget, in this case — that will bring Medicare spending back under the 45 percent threshold. Congress would be required to consider the legislation in an expedited manner, although it is worth noting that a final vote is not guaranteed.

Knowing of the impending crisis in the Medicare program, the President submitted a reasonable plan in his fiscal year 2008 budget that would have little or no impact on Medicare beneficiaries, but would reduce the $34 trillion unfunded obligation by a whopping $8 trillion over the next 75 years. Under the President's plan, the reimbursement to Medicare providers would be adjusted to more accurately reflect their reduced costs. The plan also would require that high-income beneficiaries — those with $80,000 per year of individual income or $160,000 per year of joint income — would be required to pay a small portion of their Medicare Part D premiums. The remaining 95 percent of Medicare beneficiaries would not be impacted by the President's plan at all.

And what became of this plan? Unfortunately, the majority party flatly rejected it. They claim that Medicare is just fine, and that the trustees are playing politics with the numbers. Nothing is further from the truth. The trustees are required under the law to objectively report the facts, and economists of all political stripes have said repeatedly that the entitlement meltdown is a very real problem. The bottom line is that the government has made promises in the entitlement programs that add up to $69 trillion over the next 75 years, and there is no plan for how it will be paid.

For one generation to pass on to another generation a problem of this magnitude, without even attempting to put politics aside and address it, is utterly irresponsible. As public servants, as baby boomers, and as parents and grandparents, members of Congress have a responsibility to address this threat. Like the baby boomers themselves, it is a real issue which is not going away, and the longer we delay action, the more difficult the consequences will be for both the generation paying the costs and the generation receiving the benefits.

After the threat of terrorism, I believe the serious issue of unfunded entitlement obligations poses the single greatest challenge to the future of this country. This looming crisis has the potential to alter the lifestyle of the next generation more drastically than anything since the Great Depression. I hope that there are enough of my colleagues who share this concern, so that we can take reasonable steps now and leave our children a government and a lifestyle they can afford. The alarm bell has sounded, and we need to listen.

Gregg is the ranking member on the Senate Budget Committee and the former chairman of the Senate Health, Education, Labor and Pensions Committee.