



Politics

Medicare funds issue fuels budget fight

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By Glenn Somerville and Pedro da Costa

WASHINGTON (Reuters) - Two of the government's most popular programs for the elderly will run out of money sooner than previously thought, according to a report on Friday that heightens pressure for a long-term budget fix.

Trustees for the programs estimated the Medicare trust fund would be exhausted in 2024, not 2029 as estimated last year. The Social Security retirement program will run out of money a year earlier in 2036 and after that would have to reduce benefits.

The latest projections struck in the middle of an intense debate between the Obama administration and opposition Republicans about how to rein in the nation's runaway debt, set to hit the legal limit of \$14.3 trillion on Monday.

Republicans have been pushing for much deeper spending cuts than the administration prefers as a price for agreeing to raise the debt limit.

The administration has warned of financial catastrophe if the ceiling on the debt is not raised. It has said the nation would begin defaulting on obligations on August 2 absent action.

Republicans said the worsening finances of the two popular programs underscored the need for bold action on the budget.

"Today's report yet again highlights the urgent need to save and strengthen our critical health and retirement security programs," said House of Representatives Budget Committee Chairman Paul Ryan.

House of Representatives Speaker John Boehner, the top Republican in Congress, vowed retirees would be taken care of.

"But we all know that if nothing is changed, senior benefits are gonna get cut. Why? Because they're unaffordable," Boehner said in an excerpt of an interview to air on CBS' "Face the Nation" on Sunday. "That's why we have to deal with it. And we need to deal with it now."

PASS FOR SOCIAL SECURITY?

So far, Social Security appears to be off the table in the budget talks. But Republicans in the House of Representatives want to overhaul the Medicare healthcare program for future retirees. Their proposal would give the elderly a federal subsidy to purchase medical coverage from private insurers.

Republicans argue the change is needed because a recent analysis by the nonpartisan Congressional Budget Office shows the trust fund will be depleted in nine years -- even earlier than the plan's trustees forecast.

The budget debate is deeply entwined with the struggle by the Obama administration to persuade lawmakers to hike the legal limit on the nation's debt.

The current limit is expected to be hit on Monday but the Treasury Department is taking extraordinary actions to ensure it can keep meeting the nation's obligations, such as interest on the debt and other bill payments. But it has warned it will run out of maneuvering room by August 2.

Treasury Secretary Timothy Geithner urged Congress again on Friday to lift the limit, suggesting that a failure to do so could put Social Security and Medicare payments at risk.

PAY DEBTS AND OBLIGATIONS

"I want to again encourage Congress to move as quickly as possible, so that all Americans will remain confident that the United States will meet all of its obligations -- not just our interest payments but also our commitments to our seniors," he said at a news conference.

In a report to be released on Monday, the centrist think tank called Third Way warned that inaction in Washington forced a U.S. debt default -- something that has never happened in the

country's history -- it could plunge the economy back into recession.

But a survey conducted May 5 to 8 by Gallup showed 47 percent of Americans wanted their congressional representatives to oppose a rise in the debt ceiling -- suggesting the political battle to raise it may be a lengthy one.

Some 60 million Americans were receiving benefits under Social Security at the end of last year. According to the Kaiser Family Foundation, a health researcher, about 47 million people were receiving Medicare benefits last year.

A key lobby group of the elderly, AARP, said Medicare and Social Security were "critical lifelines for millions of older Americans" and said Congress' attention should be directed toward finding ways "to strengthen -- not undermine -- these pillars of financial and health security."

(Reporting by Glenn Somerville, Pedro Dacosta and Donna Smith; Editing by Peter Cooney)

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