



# NRLN Focus



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## ***The NRLN Clarion Call...NRLN's 'Grand Bargain' Proposal to Preserve Social Security and Medicare*** By Bill Kadereit, NRLN President



Officials in President Trump's administration announced on April 26, 2017 a proposal for what they touted as "the biggest tax cut" in the history of the United States. Among the tax reforms proposed to Congress for legislation is a corporate tax rate cut from 35% to 15%, a 20% reduction.

The proposal to reduce the corporate tax rate started me working on a proposal that in the past would have been referred to as a Congressional "Grand Bargain". An NRLN proposal to tie tax reform to a bigger plan that would preserve Social Security and Medicare was presented to key House and Senate committees and other D.C. based national advocacy organizations by Alyson Parker, NRLN Executive Director, and I during the first week of June. We are in the process of getting an appointment with Treasury Department.

There is not a way to briefly summarize the proposal in a few words. I urge you to read this entire column in order to understand the proposals importance to financially securing Social Security and Medicare. Also, read Alyson's "A View from Washington" column to gain insight into scheduling the meetings, general reaction to the proposal and our arguments we made as to why now is the time to take action to preserve these programs for current participants and for our children and grandchildren.

### **Why Social Security and Medicare Are At Risk**

Before I get into the specifics of the proposal, I want to shed some light on why Social Security and Medicare are at risk. The Social Security and Medicare Trustees Report data is published annually and covers both Social Security and Medicare in separate reports.

The Social Security data is published as the Old-Age Survivors and Disability Insurance and Federal Disability Insurance (OASDI). There are two trusts; the Old-Age Survivors Insurance (OASI) trust and the smaller Disability Insurance (DI) trust. The 2017 Trustees Report covers plan year 2016 and reported that OASI held \$2.8 trillion in reserves at the end of 2016. There has been a surplus of funds since 1982 and a surplus is projected through 2019. However, by 2020 Social Security begins paying out more than is coming in annually from the current 6.2% of payroll tax paid by employees on up to \$127,200 in earnings and the 6.2% matched by employers. By 2034, the Social Security Trust Fund reserve is expected to be completely depleted. After this point, the incoming tax revenue will only be enough to cover about three-fourths of promised benefits.

Medicare Program data is published as the Medicare Board of Trustees Report that reports on the Hospital Insurance Trust (HI) or Medicare A and the Supplementary Medical Insurance Trust Fund (SMI) which includes Medicare B and D plans. Medicare C is a separate alternative to Part A and Part B, Medicare Advantage and is private coverage.

Medicare's coverage for Part B, physician and outpatient costs, and Part D, prescription drugs, are funded through enrollee premiums and general government revenues, which each year are set high enough to cover costs. However, Medicare's Part A, hospital insurance, is under financial stress. Social Security and Medicare Trustees reported in 2017 that the trust fund providing Part A revenue would be sufficient to cover its costs through 2028. At that point, payroll taxes and other revenue would only be enough to pay 87% of Part A benefits.

### **Speaker Ryan Still Working to Privatize Medicare**

Speaker of the House, Paul Ryan, and his followers are working to convince the President to support privatizing Medicare, to pay insurance companies subsidies as incentives to make privatization work. This

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is called "Premium Support". On two recent occasions, the Congressional Budget Office (CBO) reported that "Premium Support" would save little, if any, money compared with traditional Medicare.

**Congress Has Kicked the Can Down the Road**

How did we get here? Actuaries proposed the funding needed to support Social Security and Medicare over the years. They analyzed changes in birth rates, mortality rates, population growth, inflation, cost changes etc. and made a funding recommendation every year. However, actuaries have been ignored by Congress when they proposed raising payroll taxes by 0.5% or any amount back when this amount would have solved the shortfall problem. Members of Congress kicked the can down the road, ignoring funding obligation year after year because they feared a tax increase would cause them to lose elections. And thus, they dug a big swamp hole. It's taken more than 30 years of poor congressional judgment to create the problems facing Social Security and Medicare and many of the culprits are still on Capitol Hill.

**Population Over Age 65 Is Growing**

The 2010 U.S. Census projected a 322 million population with 47.8 million of these to be over age 65 by 2015. It was projected that the number of Americans over age 65 will grow by 32 million, or 66%, from 2015 to 2035. In 2015, there were 80 million Baby Boomers, the generation of Americans born starting in 1943 and ending in 1965. There will be just 55 million Baby Boomers in 2035 and 9 million in 2050. Americans age 65 and over grow from 48 million in 2015 to 93 million by 2050, and to 98 million by 2060 - up over 100% from 2015. This is an inevitable American economic and social crisis!

Is the situation to preserve Social Security and Medicare insurmountable? No, not if Congress will listen to reason and pass the NRLN's "Grand Bargain" proposal.

The 2017 actuaries' analysis as reported in the 2017 Social Security and Medicare Trustees Report says that an equivalent of 2.83% for Social Security and 0.64% for Medicare in added payroll tax starting in 2017 fills the 75-year deficit gap, it solves the problem and secures both programs to 2090 and beyond, well beyond the addition of the 50 million more over age 65.

**NRLN's 'Grand Bargain' Proposal**

The NRLN will be using a members' petition to President Trump and letters to Congressional leaders to try to fashion a "Grand Bargain" that would take Social Security and Medicare off the table for 75 years. I believe that U.S. corporations, unions, retiree advocate organization and all retirees (seniors) would view such a deal as a win / win for them and their successors. I think most Americans would strongly encourage Congress to make it possible to set aside obstructive politics so that legislation could be passed to enable a "Grand Bargain" -- a bi-partisan win for the U.S.

As noted above, the Medicare 75-year actuarial deficit is 0.64% and the Social Security 75-year actuarial deficit is 2.83%. Actuaries say that if the tax on taxable payroll is increased by 3.47% starting in 2017 and left in place thereafter Social Security and Medicare would be rescued from certain political annihilation and the promises made by the creators of these programs will be kept sacred.

The 2017 Trustees Report for Social Security OASI and DI shows 2016 Non-Interest Income of \$869 billion. An additional 2.83% would increase income by \$24.6 billion. The Medicare HI and SMI Part B 2016 Non-Interest Income was \$700 billion, adding 0.64% would increase income by \$4.5 billion. In total, 3.47% would raise non-interest income by \$29.1 billion. The Trustees Report showed that Payroll Taxes were paid by 171 million taxpayer workers. Dividing \$29.1 billion by 171 million tells us that taxpayer would pay an added \$170 in 2017.

NRLN proposes negotiating a "Grand Bargain" that uses the tax reform opportunity to fix Medicare and Social Security that is simple and would accomplish the funding of the deficit gaps for both programs. Our proposal is:

- Individuals - Increase tax by no higher than 0.5% (expect net savings after tax restructure).
- Raise or eliminate the Taxable Maximum Earnings Limit - raise to no lower than \$300,000.
- Corporate and small businesses: Increase payroll taxes to a level that insures meeting the 3.47% deficit requirement (expect large net savings after tax restructure).
- Declare war of the cost of health care beyond elimination of fraud, waste and misuse; Congress and Federal Agencies must implement importation of safe and lower priced prescription drugs and allow Medicare competitive bidding for drugs and all other available health care goods and services purchased.



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### **Your Support Is Needed**

We believe the payroll tax and the maximum earnings limit tools are transparent and are best understood by most Americans, an important element to consider in trust building for a Congress with a 20% approval rating.

As tax reform legislation begins to take shape in Congress, we will need to call on you, our grassroots advocates, to make your voice heard on Capitol Hill so that retirees are not forgotten in the process.

These are not normal times in America. It is time for members of Congress to recommit to keeping America's promises to today's retirees and future generations who will need Social Security and Medicare for their wellbeing during their retirement years.



## **A View From Washington**

**The Time is NOW to Fix Social Security and Medicare**  
By Alyson Parker , NRLN Executive Director

Would you be willing to pay a little more to secure your medical and retirement benefits? Would you like to resolve one of the greatest financial challenges facing this country? These are the questions Bill Kadereit and I posed to Congressional staffers at the beginning of June when we presented the NRLN "Grand Bargain" - tying tax reform to ensuring that Social Security and Medicare are financially sound.

In order to get an accurate read of whether this proposal would ever stand a chance, we scheduled meetings with all the relevant committees with jurisdiction over tax and Social Security and Medicare. This included senior counsel for the majority and minority on Ways and Means, Senate Finance, and Senate and House Health, Education, Labor and Pensions (HELP) committees.

### **Timing Is Everything**

This is an opportunity that will not come around again anytime soon. The House, Senate and White House are all controlled by one party that is united to pass tax reform to include a significant tax break for corporations. As we all know, you negotiate before you hand over the prize so as we hand corporations this gift of significantly reducing their taxes, let's use this opportunity to fix Social Security and Medicare.

Further, the proposal asks individuals and small business owners to pay more into payroll tax, which should be palatable when it means they and their families and friends will not face reductions in their medical and retirement income benefits.

### **What Was Our Pitch**

To the Republicans, we pointed out that this presents the perfect opportunity to get (some) Democrats to support their tax proposal, the opportunity to show the American people that Congress is not broken by working together and if they received bipartisan support, they would not have to pass tax reform under the strict reconciliation process. Further, it would give them two significant wins - tax reform and saving Social Security and Medicare which will translate into votes during the mid-term election. Further, this simple solution would demonstrate that President Trump's campaign promises to not touch Social Security or Medicare were kept.

To the Democrats, we highlighted that this was an opportunity for them to accomplish one of their goals of protecting Medicare and Social Security benefits. More importantly, we pointed out that tax reform could happen without a single democratic vote so if it is going to pass with or without them, why not get something in exchange and possibly modify the tax reform proposal so it is a bipartisan effort. Likewise, it would give Democrats a big win to talk about during the mid-term elections.

### **Reaction**

On both sides of the aisle, we received positive feedback and were commended for the extensive thought and effort we put into our proposal. Only in one office, did we receive the "this will never work" response. Ironically, both the Republican and Democratic staffers both thought the idea was thought provoking but at the same time said "the other side will never agree to this." We were encouraged, however, we must continue to shop the idea because when the timing is right, you never know what can happen.

Thus, we will continue to talk about NRLN's "Grand Bargain" because retirees and the country will be better off once this financial dilemma of Social Security and Medicare is resolved.

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## Martha Deahl Ends Years of Service to NRLN

Martha Deahl, NRLN Vice President – Desert Southwest Region, NRLN Arizona Chapter President and NRLN Board Member representing NRLN Chapters, has resigned her three positions effective July 1, 2017 in order to spend more time with her family. The NRLN appreciates the service Martha has provided in these roles for the past six years.

The NRLN is working to identify a replacement for the NRLN Arizona Chapter President and the NRLN Vice President – Desert Southwest Region. Since Martha has also served as the editor of the newsletters for the Arizona and New Mexico Chapters, there will not be a summer newsletter for the two chapters. Her successor(s) will have input on the future of the newsletters.

## Fall Fly-In to Washington, DC Set for September 11-13, 2017

Members of Congress and their staffs will hear important retirement issues advocated by retirees during the NRLN Fall Fly-In set for September 11-13, 2017. The Holiday Inn Capitol Hotel, 550 C Street, SW, Washington, DC, will be the host hotel with a room rate of \$274 per day plus tax and fees.

The meeting will begin Monday afternoon, September 11, with presentations on NRLN issues and lobbying priorities. Attendees will spend the entire day of Tuesday and part of Wednesday, September 12 and 13, meeting with their Representatives, Senators and members of their staffs. Also, the NRLN will arrange for meetings with the staffs of Congressional committees who have legislative jurisdiction over retirement issues.

The Fall Fly-In is open to any NRLN grassroots advocate. Advocates who are affiliated with a retiree association or chapter should notify the president of their organization if they are interested in attending.

Presidents of retiree associations and chapters affiliated with the NRLN are encouraged to solicit as many of their Grassroots State and Congressional District leaders as possible to attend the conference. The sooner the NRLN is notified of intentions to attend the meetings the better it will be for the NRLN to make plans for the meeting. Email your intentions to attend and/or questions to [contact@nrln.org](mailto:contact@nrln.org).

### NRLN MEMBERSHIP CONTRIBUTION

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