



THE NRLN 2018 “Grand Bargain” PROPOSAL

There is Hope for our Kids and Grandkids

9/11/2018

Executive Summary

Seniors must become better informed about Social Security, Medicare, Medicaid and other federal and state programs like CHIP, Supplementary Security Income (SSI) and Unemployment Income and the risks that lie ahead. The goal of the NRLN’s paper is to make pertinent financial information about Social Security and Medicare available to seniors and to propose and advocate a nonpartisan view of how we can insure they both remain viable for at least the next 75 years by acting to implement easily understood proposals.

Our country needs a long-term rational path, not the current short-sighted let’s get reelected ideological path taken by many policy makers and political party leaders. It is critical to know that in 2015 there were 79 million baby boomers alive and that 48 million people or 14.9% of the population was over age 65. By 2035 all baby boomers will be over age 70 and with a total of 75 million Americans over age 65, 21.4% of our population. By 2055, 88 million will be over age 65 and by 2060, according to 2000 and 2010 US Census data, 98.2 million Americans will be over age 65. These data must become the basis for U.S. long-term social and economic policies.

Today, retirement savings are at very low levels, defined pension plans are waning, health care costs are out of control and health care insurance and pharmaceutical industry’s campaign contributions and lobbying control policy making. If Social Security benefits were to be cut and Medicare is privatized, what consequences will our kids and grandkids face? If Medicare were to be privatized as planned by many in Congress, many workers under age 65 and current retirees over age 65 could also be seriously affected.

There’s no need to resort to socialism or government-owned bricks and mortar solutions to preserve these programs nor should we tear down what other nations admire and U.S. employees and employers built! Social Security and Medicare are cornerstones of American infrastructure that to a large extent have been funded by payroll tax dollars, not good will. The cement that anchors these cornerstones is the over 80 years of funding derived from our payment of payroll and income taxes and the belief that 100 million Americans, our kids and grandkids soon to be over age 65 are important to us. We have the resources to fix what ails these programs if we get to work fixing them.

Social Security (SS) and Medicare Facts in Common:

14.5% of the U.S. population was over age- 65 in 2015, grows to 21% by 2035, 25% by 2060 (100 million); SS and Medicare reserves will be depleted and benefit cuts are highly probable especially for those under age 65 today.

Congress blocked payroll tax hikes from 1983 to 2018 (35 years), strangling the life out of the Social Security and Medicare programs. Kicking the can down the road, avoiding new taxes, allowed many politicians to be reelected.

Congress is subsidizing and privatizing Medicare and proposing SS benefit cuts and increased eligibility age; covering up for past inaction!

Social Security (SS) Unique Facts:

Workers and companies sustained SS by investing 12.4 % of salaries & wages; 99% of SS income. The over-age 65 population growth will deplete reserves by 2034. At that time 17-21% benefit cuts probable, according to SS Trustees in their 2018 report to Congress.

The SS Trustees 2018 report states that raising the payroll tax by **2.84%** or finding the equivalent cash starting in 2018 would fund SS for 75 years - to 2093.

Medicare, Medicaid and CHIP Unique Facts:

Federal income taxes covered \$1.3 billion (0.43%) of Medicare A, 2017 income of \$299.4 billion. Employees paid 1.45% in payroll taxes on all earned income and businesses matched it with 1.45%, equaling 2.9% of wages and salaries taxed paid or 99.57% of the Medicare A revenue.

Rising healthcare costs, extensive subsidies paid to Medicare Advantage plan insurance companies and rapid growth of the over-age 65 population will deplete HI reserves by 2026. Congress is privatizing Medicare by using Medicare Advantage (MA) HMO plans, which they will stop selling if Medicare A and B plans are privatized; open market regional exchanges will take over.

The Medicare Trustees 2018 report states that raising the payroll tax by .82% or finding the equivalent cash starting in 2018 would fund Medicare for 75 years - to 2093.

In 2017, federal income tax revenue paid in \$217.3 billion (71.1%) of Medicare B's \$305.6 billion in revenue and \$73.2 billion (73.1%) of Medicare D's \$100.2 billion in revenue and also paid \$375.0 billion (62%) for Medicaid and \$14.3 billion for the Children's Health Insurance Program (CHIP).

The NRLN 2018 "Grand Bargain" Proposal: Hope for our Kids and Grandkids!

The NRLN Grand Bargain proposal is to close the Social Security and Medicare HI 75-year combined deficit gaps of 3.66%, and help fund federal Medicare B and D, and possibly Medicaid and CHIP obligations by these actions:

- Apply 12.4% rate on earnings over \$250,000 in 2019 and tax all earnings once current tax maximum reaches \$250,000. Do not provide benefit credit for earnings taxed over \$250,000. **2.19%**
- Safely invest 40% of Old Age, Survivors and Disability Insurance (OASDI) reserves in equities (phased in 2018-2032) expecting 5.2% real-rate yield **.39%**
- Reduce the 2018 \$141 billion wrong and improper federal payments, cut pork barreling; stop appropriating funds to unauthorized programs; stop paying billions in subsidies to Medicare Advantage Plan health care insurers but protect Medicare C enrollees from higher open market pricing or loss of benefits if privatization takes effect. Apply the 1st \$70 billion of savings to close Medicare HI and Social Security deficits. **1.08%**
3.66%

Savings would be sequestered to protect them from being spent on other federal discretionary programs. Funds would be applied 1st to close the Medicare HI and Social Security combined deficit gaps totaling 3.66% and then be allocated to reduce the Medicare B and then the Medicare D, and then Medicaid and CHIP federal obligations.

The whitepaper researched and written for the American Retirees Education Foundation (AREF) is the source of information for this Executive Summary. The AREF expands the research and education reach of the NRLN.

The entire White Paper is at www.nrln.org, click on Legislative Agenda tab and select White Papers