

U.S. DEPARTMENT OF THE TREASURY

Press Center



Statement by Secretary Geithner on the Releases of Social Security and Medicare Trustees Reports

5/12/2009

TG-126

For the Social Security Report, visit link.
For the Medicare Report, visit link.
For the summaries of both Reports, visit link.

WASHINGTON – "The Social Security and Medicare Boards of Trustees met this afternoon to complete their annual financial review of the programs and to transmit their Reports to Congress. I welcome my fellow Trustees. I also want to acknowledge the hard work and dedication of the chief actuaries, Stephen Goss and Richard Foster.

"For generations, tens and tens of millions of Americans have been able to count on Social Security and Medicare as guarantees that they will be able to live out their senior years in economic dignity and with health security.

"This year's Trustees Reports once again reminds us that the longer we wait to address the long-term solvency of Medicare and Social Security the sooner those challenges will be upon us and the harder the options will be. The earlier we as a nation commit to working together to make the difficult but achievable changes needed to strengthen the solvency of Medicare and Social Security, the more we give the American people time to plan and adjust and the sooner we will be able to ensure that these vital programs will be as important for generations to come as they are now.

"That is why even as this President has focused on pulling our nation out of economic recession, he has made clear his commitment to working in a bipartisan way to address the long-term health of Medicare and Social Security. The President deeply understands that re-establishing fiscal responsibility as well as the strength of these two vital programs is essential to the economic and health security in our nation and to our generational responsibility to invest in our children and not simply pass on our debts.

"The Medicare Trustees Report makes clear today there is no more important long-term fiscal policy measure than gaining control of the growth of Medicare costs by delivering health care services more efficiently. These savings can only be achieved in the context of a larger effort to control health care costs and improve quality more generally. The most effective entitlement reform measure will be a major health reform that helps bring down the growth rate of national health care spending. The Administration is committed to working with Congress to find ways to control runaway growth in both public and private health care expenditures while helping to ensure that all Americans receive the high quality, affordable health care they deserve. The recent commitment of major health stakeholders to help lower the annual growth rate in costs by 1.5% represents a crucial step in that direction.

"The Trustees Reports come to the following conclusions.

- The Medicare program's financial challenges are larger and more imminent than those of Social Security. Medicare faces demographic challenges, rapidly growing health care costs and the short-term outlook has been hurt by the recession. Medicare's annual costs were 3.2 percent of GDP in 2008, or nearly three-quarters of Social Security's, but are projected to surpass Social Security expenditures in 2028 and to reach 11.4 percent of GDP in 2083, compared with 5.9 percent for Social Security.
- Medicare's Hospital Insurance Trust Fund is projected to become insolvent in 2017, two years earlier than projected in last year's Report.
- The cost of Medicare's Supplementary Medical Insurance (SMI) to the federal government is projected to increase rapidly. General revenue financing for SMI is expected to increase from about 1.3 percent of GDP in 2008 to over 4.7 percent in 2083, with continued increases beyond 75 years.
- This year's Social Security Report projects that the Trust Fund will be exhausted in 2037, four years earlier than the Trustees projected last year. This change is primarily due to the economic recession, recent data that prompted a small downward adjustment to the projected level of real GDP after the economy recovers and the fact that our citizens are on average projected to live longer lives. Nevertheless, Social Security can continue to pay full benefits for nearly 30 years, and cover approximately 75 percent of scheduled benefits thereafter.

"Despite projections that Social Security can continue to pay full benefits for nearly 30 years, the sooner action is taken the more options for reform will be available and the fairer reforms will be to our children and grandchildren.

"To ensure that these critical programs are there for future generations, the President and his Administration are taking the following steps.

"First, we are intently focused on bringing the current economic and financial crisis to an end and getting on with recovery. The return of robust growth will help solve some--but by no means all--of the financial problems of Social Security and Medicare.

"Second, we are reforming the health care system to get costs under control and improve quality, which will strengthen the Medicare program and improve the long-term fiscal position of the U.S. government. Just yesterday, the President worked with major health care providers to secure a commitment to reduce costs of care by more than \$2 trillion dollars. These voluntary efforts will complement the President's efforts to enact comprehensive reform to assure quality and affordable health care for every American. The Administration is committed to working with Congress to find ways to control runaway growth in both public and private health care expenditures while ensuring that all Americans receive the high quality, affordable health care they deserve.

"Finally, after we have passed health care reform that puts our nation on a path to lower growth in health care costs and expanded affordable coverage, this President will work to build a bipartisan consensus to ensure the long-term solvency of Social Security. The President explicitly rejects the notion that Social Security is an untouchable politically and instead believes there is opportunity for a new consensus on Social Security reform.

"The steps that the Administration is taking towards comprehensive health care reform, toward economy recovery and toward deficit reduction will all help preserve Social Security and Medicare for future generations. And they will help produce a more balanced and sustainable growth that improves the lives of all Americans, both working and retired."

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