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**CHANGES IN TRUST FUND BALANCES SHOULD NOT OVERSHADOW THE  
DRAMATIC IMPACT OF AGING AND HEALTH CARE INFLATION**

WASHINGTON -- The Concord Coalition said today that the new annual report from the Social Security and Medicare Trustees underscores the unsustainable nature of both programs in their current forms and further demonstrates the need for bipartisan cooperation on a comprehensive fiscal reform plan.

“With the aging of the population and the continuing rise in health care costs, we know that Medicare and Social Security will place increasing demands on the federal budget,” said Robert L. Bixby, Concord’s executive director. “These programs are of critical importance to Americans of all ages, but this year’s trustees report -- like its predecessors -- makes clear that significant changes in both programs need to be made. And the longer we wait, the more difficult those changes will be.”

Concord has long warned that the public and elected officials should focus on the cash flows in the programs rather than the trust-fund balances that are frequently cited as reassuring. Today’s report notes, for example, that Social Security’s negative cash flows add to the federal deficit despite the positive trust fund balance. Furthermore, Social Security and Medicare had a total cash deficit of \$403 billion in 2011, yet from a trust fund perspective they had a surplus of \$36 billion.

“The trust fund balances are simply an internal government bookkeeping mechanism,” Bixby said. “They say how much the government owes itself. But these balances, and the various projections about them, tell us nothing about where the government might find the additional money to pay for all of the entitlement programs’ commitments in the years ahead.”

With thousands of Baby Boomers retiring and signing up for Social Security and Medicare benefits every day, the number of beneficiaries is rapidly expanding and will continue to do so throughout the next decade and beyond. Just from 2011 to 2012, Social Security will add 1.5 million beneficiaries, while Medicare will add 2 million. As the trustees explain, aging and this

increase in beneficiaries “will be the largest single factor causing costs to grow more rapidly than GDP.”

Health care costs are also expected to grow more rapidly than the economy (GDP) even under the most optimistic assumptions about the success of health care reform. Thus, the combination of health care cost inflation and aging will put increasing strain on the budget in the years ahead. Yet, Washington has repeatedly tried to meet the challenge with rhetoric rather than action.

Some combination of spending reductions and revenue increases from projected levels is needed to prevent the increasing cost of Social Security and Medicare from swamping the rest of the budget. Simply boosting federal deficits to cover larger and larger cash shortages is not an option because it would eventually become impossible to borrow such escalating sums.

“Ideally, responsible changes in the entitlement programs should be done as part of a comprehensive program of fiscal reform that would also include cuts in other domestic programs, reductions in the defense budget, and sweeping changes in the federal tax system,” Bixby said. “Everyone may think that their cow is sacred but in fact there can be no sacred cows in the search for solutions.”

A bipartisan majority of the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles) suggested such a comprehensive plan in late 2010. Legislation based on that plan was recently introduced in the House by Rep. Jim Cooper (D-Tenn.) and Rep. Steven LaTourette (R-Ohio) -- and was the only budget plan in the House to receive bipartisan support. Senate Budget Committee Chairman Kent Conrad (D-N.D.) also unveiled a plan based on Simpson-Bowles earlier this month.

“The trustees report shows why comprehensive plans such as these are so important and deserve support from more members of Congress in both parties,” Bixby said. “Even in an election year, we need to move forward on budget plans that have demonstrated bipartisan appeal. Simply continuing the status quo, in the entitlement programs and in the rest of the federal budget, should not be an option.”

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The Concord Coalition is a nonpartisan, grassroots organization dedicated to fiscal responsibility.