

Benefit Programs in Jeopardy

Social Security and Medicare are fading even faster under the weight of the recession, heading for insolvency years sooner than previously expected, the government warned Tuesday.

Medicare already is paying out more money than it receives, something that happened for the first time last year. And Social Security will be by 2016, a year sooner than had been projected, the trustees' annual report said.

Unless changes in Social Security are enacted, the retirement fund will be depleted in 2037, four years sooner than projected last year. The Medicare trust fund is in even worse shape.

It is projected to become insolvent in 2017, two years earlier than expected.

The recession is hurting both funds, which are financed by payroll taxes. The U.S. has lost 5.7 million jobs since the recession began, meaning fewer payroll taxes are flowing into the funds. At the same time, aging baby boomers and rising health care costs are adding to expenditures.

The trust funds - which exist in paper form in a filing cabinet in Parkersburg, W.Va. - are bonds that are backed by the government's "full faith and credit" but not by any actual assets. That money has been spent over the years to fund other parts of government. To redeem the trust fund bonds, the government would have to borrow in public debt markets or raise taxes.

Treasury Secretary Timothy Geithner, the head of the trustees group, said reducing health care costs is the key to saving Medicare.

President Barack Obama and Congress have been working to overhaul the health care system with the goal of increasing coverage and lowering costs. But there is no consensus on how to pay for it.

"This report underscores the urgency of action on comprehensive health care reform this year," said Sen. Max Baucus, D-Mont., chairman of the Senate Finance Committee. "As costs continue to rise, the Medicare program so important to so many American families is put in jeopardy."

Republicans agreed that health care reform is urgent, but they warned against creating another government-run system.

"When we can't afford the public health plan we have already, does it make sense to add more?" asked Sen. Chuck Grassley of Iowa, the top Republican on the Finance Committee.

House Republican leader John Boehner said the trustees' report "confirms what we already knew: Our nation cannot afford to continue this reckless borrowing and spending spree."

Geithner said the Obama administration plans to tackle Social Security once health care is addressed. The options for fixing Social Security are simpler than for Medicare, though just as politically daunting: either raise revenues or cut benefits.

Workers fund Social Security by paying 6.2 percent payroll tax on the first \$106,800 of their earned income. Employers match the payment. Increasing the tax rate or increasing the amount of earnings that are taxed could accomplish increasing revenues.

Workers can currently retire with full benefits at age 66. The retirement age is scheduled to gradually rise to 67 for those born in 1960 or later. One option for cutting benefits would be to raise the retirement age even further.

A report projected that Social Security's annual surpluses would "fall sharply this year," then remain at a reduced level in 2010 and be lower in the following years than last year's projections.

The report said that the Social Security annual surplus would be eliminated entirely in 2016, reflecting increased demands from retiring baby boomers.

That means Social Security will have to turn to its trust fund to make up the difference between Social Security taxes and the benefits being paid out beginning in 2016. After the fund is depleted in 2037, annual Social Security taxes collected would be enough to pay for three-fourths of current benefits through 2083.

Disability Benefit Seekers to Wait Years

Because of an impending crisis in Social Security, The system is clogged with hundreds of thousands of disputed disability claims, a backlog so big that some people wait years for a hearing.

Social Security officials blame under-funding, under-staffing, a dramatic rise in cases and an increasing number of claims involving hard to prove ailments, such as back pain, depression and anxiety.

Even with a \$500 million infusion from the federal stimulus program, it could take years to clear the backlog. In the meantime, many of those who have applied for benefits struggle to make ends meet.

Social Security benefits are available to people who can no longer work because of a disability, regardless of whether it was suffered on the job or off. The monthly checks average \$1,063.

Someone seeking benefits must first send an application and wait an average of 106 days for a decision, according to the Social Security Administration. The agency denies nearly two-thirds of the applicants, who then can request a hearing to appeal.

Then the real wait begins. Those who received a hearing last fiscal year had waited nearly a year and half on average twice the wait time in 2000, according to the SSA. More than 765,000 people about double the number in 1998 are now waiting for a hearing.

Sixty-one percent of applicants who go through an appeal hearing are ultimately approved for disability benefits.

Since 1990, the number of Americans receiving Social Security disability has more than doubled, to 7.4 million, while the number of staffers to process the claims - and sort out the fakers from the truly disabled - has dropped by around 5 percent.

Workloads have gone up, resources did not go up proportionately, and the agency was too slow to embrace new technologies, It's a combination of all those things. At the start of the disability program in

1957, the vast majority of applicants were blue-collar workers, generally with a single disability from a traumatic accident. That is no longer the case.

Recipients receive benefits if they are deemed mentally or physically unable to work and the condition is expected to last at least a year or will lead to the person's death.

People injured on the job can often collect workers' compensation, though it generally runs out after a certain amount of time, while Social Security benefits continue as long as the disability persists. In many cases, some opted against workers' compensation by settling with their employer. But the settlement money is now long gone.

Bills have been introduced that would require a hearing be held no more than 75 days from the time it is requested, and a final verdict no more than 15 days after that.

Applicants increasingly have found they are unable to navigate the system on their own - 85 percent of them, and hire lawyers or obtain other representation to help prepare their paperwork, gather medical records and ready them for hearings.

One person filed for benefits in 2005 after a brain aneurysm and a series of mini-strokes, but two years later was still waiting. She agreed to give up a portion of her initial payout to someone who could expedite the process. The 53-year-old woman said the help was worth the price: Within 11 months of hiring a claims services company she was approved.

The Social Security Administration is approaching the problem from multiple angles, experimenting with electronic records to speed up medical reviews, hiring more judges and other staff, and adding offices, but the efforts only go as far as the funding.

The recently passed budget gave the Social Security Administration \$126.5 million more than President Barack Obama requested, and many see the increase, combined with the stimulus relief, as the best chance the agency has had to relieve the backlog.

Florida legislators pass \$66.5 billion budget

Florida lawmakers ended their extended session Friday, passing a \$66.5 billion state budget, endorsing a \$1-a-pack cigarette tax and allowing the Seminole Tribe to expand gambling in the state.

The 60-day session spilled over into a one-week overtime when lawmakers, confronting a \$6 billion budget shortfall, could not agree on a spending plan.

In the end, they endorsed more than \$2 billion in tax and fee increases to support a budget that takes effect July 1.

Gov. Charlie Crist, who successfully revived his Seminole gambling proposal in the extended session, praised legislative leaders for passing the potential agreement as well as the new budget during the "challenging" economic times.

Senate President Jeff Atwater, R-North Palm Beach, called passing the budget, which was also boosted by \$5.3 billion in federal stimulus funds, the "success story" of the session.

The final passage of the budget bill sparked some tense debate in the Senate, where some Democrats criticized the budget for cutting state services, including a community care program for the elderly, while raising numerous fees.

Sen. Eleanor Sobel, D-Hollywood, said "This is a sorry budget" also complained that lawmakers were shifting property tax decisions to local school officials and were cutting state employee pay as well as programs for the arts and historic preservation.

But Sen. Sobel's comments drew a strong rebuke from Republicans, who criticized the Democrats for opposing the budget while they had worked closely with Senate leaders on many of the budget decisions.

"Shame on you," said Sen. Jim King, R-Jacksonville. "It's amazing what has been done with the money that we had."

Senate budget chairman J.D. Alexander, R-Lake Wales, turned aside criticism that the Senate had taken too many of the House positions on the budget, citing numerous examples where the Senate had forced the House to back off plans for deeper budget cuts.

"It's as good a budget as we could possibly have developed with our partners down the hall," Alexander said. "And I believe in my heart of hearts that it will keep our state functioning and moving forward in this most challenging time."

In the end, seven of the 14 Senate Democrats opposed the bill (SB 2600) along with Republican Sen. Ronda Storms of Valrico.

In the House, the Democrats unanimously opposed to the bill.

"The bad outweighs the good in this budget. Too many Floridians will be hurt," said Rep. Franklin Sands, D-Weston, the leader of the Democratic caucus.

House Republican leader Adam Hasner of Delray Beach said lawmakers crafted "a budget that protects our most important priorities" and sets the state on the path to an economic recovery while dealing with "the worst budget environment in the state's history."

SEMINOLE GAMING

In another move, the House and Senate voted to let Gov. Crist negotiate a gambling agreement with the Seminole Tribe.

Gov. Crist had tried to negotiate his own deal but his proposal was overturned by the state Supreme Court, which ruled the governor needed legislative approval.

Under the agreement, which would bring the state a minimum of \$150 million a year, the Seminoles would be allowed to have blackjack and other card games at their three Broward County casinos and the Hard Rock in Tampa. They would be able to install Las Vegas-style slot machines at all seven of their casinos, which also include locations in Big Cypress, Immokalee and Brighton.

Gov. Crist has until the end of August to sign the deal with the tribe, which issued a statement "commending" lawmakers for taking the step.

SMOKERS TAX

And lawmakers also endorsed the first increase in the state cigarette tax in nearly two decades, voting to raise the 33.9-cents-a-pack tax by \$1. The new tax, which Gov. Crist is expected to sign into law, will raise about \$900 million a year that will be used for health care programs as well as providing up to \$50 million a year for cancer-related research.

Health care advocates who said raising the tax would result in fewer Floridians becoming smokers praised the decision.

Bruce Rueben of the Florida Hospital Association said Floridians absorb more than \$6.2 billion in tobacco-related costs each year.

"The biggest impact of the \$1 surcharge will be lowering smoking rates, which will lower those costs over the long term," Rueben said.

Health Industry Offers Cuts Of \$2 Trillion

President Barack Obama's plan to provide medical insurance for all Americans took a big step toward becoming reality on May 10th after leaders of the health care industry offered \$2 trillion in spending reductions over 10 years to help pay for the program.

Hospitals, insurance companies, drug makers and doctors plan to tell President Obama they'll voluntarily slow their rate increases in coming years in a move that government economists say would create breathing room to help provide health insurance to an estimated 50 million Americans who now go without it. The United States, unlike other developed countries, does not have universal healthcare.

With this move, President Obama picks up key private-sector allies that fought former President Bill Clinton's effort to overhaul health care. Although the offer from the industry groups doesn't resolve the details of a new health care system, it does offer the prospect of freeing a large amount of money to help pay for coverage. And it puts the private-sector groups in a good position to influence the bill Congress is writing.

Six major groups plan to deliver a letter to President Obama and pledge to cut the growth rate for health care by 1.5 percentage points each year, senior administration officials said. They spoke on the condition of anonymity in order to sketch the offer before full details are revealed at a White House event.

President Obama has offered an outline for overhauling the health care system, and he wants Congress to work out the details and pass legislation this year. His plan would build on the current system in which employers, government and individuals share responsibility for paying the cost and care is delivered privately.

The government would play a stronger role by subsidizing coverage for many more people and spelling out stronger consumer protections.

President Obama said "We cannot continue down the same dangerous road we've been traveling for so many years, with costs that are out of control, because reform is not a luxury that can be postponed, but a necessity that cannot wait, That is why these groups are voluntarily coming together to make an unprecedented commitment."

The industry groups are trying to get on the administration bandwagon for expanded coverage now in the hope they can steer Congress away from legislation that would restrict their profitability in future years.

Insurers, for example, want to avoid the creation of a government health plan that would directly compete with them to enroll middle-class workers and their families. Drug makers worry that in the future new medications might have to pass a cost-benefit test before they can win approval. And hospitals and doctors are concerned the government could dictate what they get paid to care for any patient, not only the elderly and the poor.

President Obama has courted industry and provider groups, inviting their representatives to the White House. There's a sense among some of the groups that now may be the best time to act before public opinion, fueled by anger over costs, turns against them.

It's unclear whether the proposed savings will prove decisive in pushing a health care overhaul through Congress. There's no detail on how the savings pledge would be enforced. And, critically, the promised savings in private health care costs would accrue to society as a whole, not just the federal government. That's a crucial distinction because specific federal savings are needed to help pay for the cost of expanding coverage.

Indeed, costs have emerged as the most serious obstacle to the plan. The estimated federal costs range from:

\$1.2 trillion to \$1.5 trillion over 10 years, and so far President Obama has only spelled out how to get about half of that. Administration officials would not say how much they think the plan will ultimately cost, but they indicated they were confident it could be paid for.

A reduction of 1.5 percentage points a year in the rate of increase in costs may not sound like much, but administration officials said it amounts to slowing the current 7 percent annual increase in costs by about one-fifth. That's significant when health care spending keeps running far ahead of inflation year after year.

They estimated, for instance, that five years from now, such private cost curbs could save a family of four an average of \$2,500 per year in health care costs.

Administration officials said they didn't expect all the saving strategies to be announced soon nor did they have access to specifics on how the groups reached their estimates and analysis. The initial reaction was positive.

Low Cost Health Care Enrollment Low

When Cover Florida took effect in January, Gov. Charlie Crist said it could extend coverage to nearly 4 million of the state's uninsured. Yet many months into the program, less than 2,500 people have enrolled statewide. Cover Florida, is a low-cost, unsubsidized health insurance for adults.

It's certainly easy to qualify for the insurance - you need to be between the ages of 19 and 64, have been laid off from your job or have not had health insurance for six months. Those with pre-existing health conditions will not be denied enrollment to Cover Florida, but plans can exclude payment for treatment of certain pre-existing conditions for one year.

The average monthly premium for the program is \$155. Some policies cover only the basics such as office visits, screenings, and emergency room care and prescription drugs. Others will offer hospitalization and catastrophic coverage, but they cost more; children and seniors are not covered because there are other state plans available to them. Premiums vary according to age, gender, geography and options, such as deductibles, that consumers can choose.

Many Floridians simply aren't aware of Cover Florida, adding that lawmakers didn't set aside any money to advertise or market the program.

No Social Security COLA Increase Until 2013

For the 37 million Americans aged 65 and over who receive a Social Security check each month are forecast to receive no increase in their Social Security checks until 2013.

Seniors have never failed to receive an annual increase of less than 1.3 percent since automatic Cost of Living Adjustments (COLA) went into effect in 1975, and have never received less than 5.9 percent over a three-year period.

The Congressional Budget Office (CBO) issued the forecast in its March 2009 publication, A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook.

The analysis reads, "No COLAs are currently projected for [Social Security] from 2010 through 2012; the COLA would amount to less than 2 percent in all future years."

As our seniors have to make choices between the things they have to purchase such as food, prescription drugs and utilities this loss of COLA will now be another problem that many will not be able to handle.

Supporters of a zero COLA increase will likely argue that a zero COLA during deflationary times is fair. However, they do not mention that the way the COLA is calculated fails to accurately track senior costs, since it is based on the spending habits of young, urban workers. As a result, senior costs may go up during periods of deflation, reducing their buying power even further.

The Consumer Price Index for Elderly Consumers, or CPI-E, more accurately reflects senior costs. By tying the annual increase in the COLA to the CPI-E instead of the CPI-W, or Consumer Price Index for Urban Wage Earners and Clerical Workers, seniors would see much needed relief in their monthly checks during most years.

For example, a senior who retired with a benefit of \$460 in 1984 would have received almost \$12,014 more over the past 26 years with the CPI-E.

