



Government Report: Medicare and Social Security Insolvency Looming on Horizon

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On Tuesday, a government report from program trustees announced that Medicare will run out of money sooner than originally projected, with Social Security following suit just a few short years later. Unfortunately, the report is predicated on the false premise that there exist "trust funds" for each of these entitlement reports, enabling Americans to look past the true fiscal crisis these programs have helped to create.

Each year, the trustees of Medicare and Social Security release their annual reports on the financial health of their programs. According to this year's report, Medicare will become insolvent in 2026, three years earlier than predicted, meaning it will no longer be able to fully cover the cost of projected medical bills beginning at that time. Social Security continues to be projected to become insolvent in 2034, just eight years after Medicare.

Of course, the sobering report has a lot of people nervous. After all, as reported by the *Los Angeles Times*, more than 62 million retirees, disabled workers, spouses, and surviving children receive Social Security benefits at an average monthly payment of \$1,294. Medicare covers health insurance for approximately 60 million people. To learn that these "trust funds" will be running out of money and endangering those individuals who count on them must be frightening.

Here's the problem. There are no such "trust funds." In a 2006 blog post entitled "Sometimes, Governments Lie," the CATO Institute's Michael Cannon observed that both Social Security and Medicare have always been one big unfunded liability. He wrote, "If the government knows that there are no assets in the Social Security and Medicare 'trust funds,' and yet projects the interest earned on those non-assets and the date on which those non-assets will be exhausted, then the government is lying."

The lie has been perpetuated by both parties and has been told so often that most, perhaps even the liars themselves believe it is true. But why? The answer is simple. If Americans understood that there were no "trust funds" and that the programs are merely unfunded liabilities, they would understand that the true national debt is approaching a staggering \$100 trillion.

So the lie continues to be perpetuated. Cue Treasury Secretary Steve Mnuchin. "The programs remain secure," Mnuchin said in response to the report. Medicare "is on track to meet its obligations to beneficiaries well into the next decade."

"However, certain long-term issues persist," the statement added. "Lackluster economic growth in previous years, coupled with an aging population, has contributed to the projected shortages for both Social Security and Medicare."

Unfortunately, politicians have long avoided difficult discussions on making changes to these programs, often considered the "third rail" of American politics because of the immediate backlash politicians face any time they foray into that territory. Entitlement programs create an entitled public.

Instead, lawmakers offer impotent solutions to the crisis. Democrats insist that the programs would remain solvent as long as the rich pay their "fair share," while Republicans claim that they simply need to eliminate "waste, fraud, and abuse" in the federal budget. In reality, neither of those solutions could ever come close to closing the gap created by these programs.

The only real solution to America's debt crisis is radical reform to the entitlement programs. Social Security, Medicare, and Medicaid account for 62 percent of all federal spending, according to the financial experts at The Balance.

Cato scholars have proposed reforms to Medicare that include individual vouchers, personal savings, and consumer choice for healthcare. As for Social Security, proposed reform includes slowing the program's growth by determining benefits based on prices rather than wages and making significant cuts to the Social Security Disability Insurance and Supplemental Security Income program, which is plagued with fraud. Privatization has also been offered as a viable solution to the problems related to these programs; however, despite the global success of privatization, the federal government has been largely resistant to the notion, as has the American public.

Until the government is brave enough to tell Americans the truth, we can expect to continue to see annual reports projecting the solvency of programs that have been insolvent since their inception, and offering solutions that equate to using sandbags to stop a tidal wave.