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**TRUSTEES' REPORT AGAIN SHOWS NO SOCIAL SECURITY CRISIS
BUT CHALLENGES FOR MEDICARE**

Social Security/Medicare Shortfalls Roughly Equal to Cost of Making Bush Tax Cuts Permanent

Washington, D.C. – The Social Security and Medicare Trustees released their annual report today, which, like last year's report, shows that Social Security does not face a funding crisis anytime in the near future, but the challenges facing Medicare are more immediate.

“Social Security will be able to pay full benefits until at least 2040 and modest changes would shore up the program well beyond that. But Medicare's solvency is much less predictable due to spiraling health costs and the added burden of the President's poorly designed prescription drug benefit,” said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee**.

“The so-called 45-percent general revenue trigger for Medicare is a misleading sideshow. It is an arbitrary threshold designed to take revenue increases, such as scaling back the President's tax cuts, off the table in addressing Medicare's solvency problems,” said Reed. “Clearly, this approach is meant to force deep cuts in Medicare, which will hurt seniors.”

“The budget deficit outside of Social Security is a growing problem that leaves us ill-prepared for the retirement of the baby boom generation. Instead of renewing his calls for private accounts and making his irresponsible tax cuts permanent, the President should be focusing on erasing the deficit and reining in health care costs,” said Reed.

To put the Social Security shortfall in perspective, if Congress permanently extends all of the Bush tax cuts and enacts corresponding reforms to the Alternative Minimum Tax, the cumulative revenue shortfall will equal 2.0 percent of GDP over a 75-year period – nearly three times the 75-year imbalance of Social Security and almost as much as the imbalance in Social Security and Medicare combined.

Social Security surpluses have been used to finance President Bush's large tax cuts, thus increasing the federal debt and adding to the financial burden that will be passed on to future generations. Under the Bush budget, every dollar of the Social Security surplus will be used to meet general government expenditures over the next 10 years. Current interest payments on the debt were \$184 billion in 2005 and will rise to \$300 billion a year by 2016, according to the Congressional Budget Office.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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