



AMERICAN ACADEMY
of ACTUARIES

Immediate Release

NEWS RELEASE

Contact: Doug Abrahms
Phone: 202.785.7886
Email: abrahms@actuary.org

Actuaries: Candidates Should Fully Address Plans to Solve Medicare, Social Security Funding Issues

WASHINGTON – 1 Oct. 2012 – President Barack Obama and Gov. Mitt Romney are expected to discuss their plans to address Medicare’s financial challenges, rising health care spending and access to health care at a presidential debate on Wednesday evening. But will their plans do enough and will candidates even provide adequate details so that the electorate can assess the implications of their plans?

The non-partisan American Academy of Actuaries encourages candidates to specify how they will address the financial risks to Social Security and Medicare and is working to ensure that policymakers and the American electorate have the objective, actuarial information needed to best guide their decision-making processes. The American Academy of Actuaries has created [voter guides](#) on health care reform, Medicare and Social Security for the media and general public to provide objective information on major issues that will confront the next president.

Health Care Reform

The American Academy of Actuaries believes curbing health care spending growth, reducing the number of uninsured, increasing access to affordable health coverage and improving health care quality are fundamental to providing health security to all Americans. The Affordable Care Act is intended to meet these goals, yet additional steps may be needed to ensure that health insurance markets enroll a broad cross section of risk and that health spending growth is brought under control. Any alternative approach to reforming the health care system should also align with these goals.

(more)

Medicare

This year's political candidates have focused attention on the financial challenges facing Medicare, which is unsustainable under its current funding and benefit structure. The payroll tax revenues funding Medicare inpatient hospital services are inadequate to pay the benefits, and the trust fund that has accumulated past surpluses is scheduled to run out of assets in 2024. At that time, payroll tax revenues would cover only 87 percent of program costs – and the shortfall would have to be met by some combination of increasing taxes or other revenues, and reducing health care spending that could include benefit cuts to Medicare recipients.

Medicare physician and outpatient hospital services are funded through general tax revenues and beneficiary premiums. These revenues are increased annually to meet funding needs, thereby increasing the financial demands on both beneficiary household budgets and the federal budget.

While the Affordable Care Act did take steps designed to reduce Medicare spending and increase its revenues, the law did not go far enough to put the program back on a sound financial footing. Premium support approaches endorsed by Gov. Romney and others present an alternative to address Medicare's financial challenges, but many of the important details have yet to be worked out. Such details are necessary for assessing the impact on Medicare beneficiaries and on the program's long-term sustainability.

Social Security

Social Security has not arisen as a major issue in this year's campaign, despite the fact that it faces long-term solvency risks. Social Security provides benefits to nearly 55 million Americans through Disability Insurance and Old Age and Survivors Insurance, and the number of beneficiaries will grow as more Baby Boomers retire.

Without changes, full Social Security benefits only can be out paid out until 2032 under current projections, and then shortfalls would have to be made up by cutting benefits or raising taxes. To mitigate this, Congress could raise the normal retirement age — as the Academy has recommended. Other options include raising or removing the cap on payroll taxes for Social Security, or reducing benefits to high-income seniors.

(more)

“Social Security is not running out of money now, and many options exist to maintain the long-term solvency of the program,” said Donald Fuerst, Senior Pension Fellow at the Academy. “But waiting too long to make these fixes will cause greater hardship to retirees and taxpayers.”

The American Academy of Actuaries believes that curbing health care spending growth, increasing access to affordable high-quality health coverage and shoring up the nation’s retirement systems are fundamental to securing the financial and health security of all Americans. The longer policymakers wait to tackle these major financial challenges facing the United States, the more onerous the solutions can become and the narrower the list of policy options are available.

For more information or to arrange an interview with an actuary, contact Doug Abrahms at 202-785-7886. For more information on the Academy, please visit: www.actuary.org.

###

The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.