

Retiree Advocate

A State Affiliate of the National Alliance for Retired Americans

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President's Corner

Jean Friday, President of PARA

The 2011 Social Security Trust Fund Holds Its Own

On May 15, 2011 the Trustees of the Social Security Trust Fund released their annual report on the current financial condition of the Fund, reporting on the solvency and costs associated with Social Security, Medicare and the Disability Insurance Funds.

Looking at Social Security first, 56 million people- retirees, spouses, widows, disabled workers and children will depend on these benefits in 2011. The good news is that the Trust Fund balance was \$2.6 trillion at the end of 2010 while the projected balance at the end of 2011 will be \$2.7 trillion. Social Security's income (FICA taxes, income taxes and interest on the Treasury bonds in the Fund) is estimated to be \$808 billion while operating costs and benefit costs will be \$738 billion, leaving a surplus of \$69 billion. The downside is that the Trust Fund will be exhausted in 2036. That's a year sooner than last year's report, reflecting the ongoing high levels of unemployment in this extended economic downturn. If no changes are made before then, the Fund will still pay 77% of regular benefits in 2036. Despite negative reports by many news sources who didn't include the \$108 billion from the interest on the fund plus the income taxes paid on benefits, the Fund has weathered the recession and is still increasing its bottom line. Simply raising the cap on income to 90% of the average wages back to where it was originally set in 1983, instead of the 83% figure used today, would enhance payments and add significantly to the Funds solvency. Raising the cap completely would be even more beneficial. But the best thing for these Funds would be returning the 15 million unemployed Americans back to work paying their taxes into the Social Security, Medicare and Disability Funds. Some incidental welcome news was the announcement that beneficiaries will receive a COLA of 0.7% in 2012- not much but a start.

The Medicare Hospital Insurance Trust Fund will be exhausted in 2024 (5 years earlier than last year), but efficiencies in the Affordable Care Act are anticipated to reduce costs by 25% because of the new law and save nearly \$120 billion for Medicare over the next 5 years. This setback was due to the weak economy with less worker tax contributions due to the high unemployment situation as well as by ever escalating healthcare costs. In 2024, the Actuaries project payroll taxes alone will be sufficient to cover 90 percent of hospital costs.

The Disability Insurance program has been struggling with financial problems since 2005 and trust fund exhaustion is projected for 2018. Again, getting our unemployed Americans workers back to work would help all three funds.

While demographics play a role in Medicare's cost increases over the next two decades, it represents only part of the equation. It is critical that we successfully implement reforms in the Affordable Health Care Act that contain costs and promote access to quality health care. These provisions are necessary to prevent Medicare costs from becoming unsustainable for both beneficiaries and the federal government.

Good News/Bad News on the State Budget

Adam Swope, ARA Staff

Recently, Pennsylvania received great news! As we struggle through a very difficult budget season, the Department of Revenue gave us reason to hope that we will reach a positive solution. As the Governor, Legislature and countless outside groups all debate how to cut costs and raise revenues to balance next year's budget, anyone would welcome the news that an extra half-billion dollars will be available – everyone except Governor Corbett and the House Majority, of course!

Despite the fact that this money could be used to offset cuts to important priorities like K-12 and Higher Education or environmental protection, the Governor has inexplicably stated that he will not approve a budget that spends more than his original proposal. His majority in the State House then followed suit by passing a budget without using the extra revenue. (All GOP Reps voted for the budget except for 2, while all Democrats opposed it.) This head-in-the-sand approach to budgeting really makes one wonder whether the Governor or Legislative Leaders understand how these budget cuts would impact average Pennsylvanians. If they understood, how could they take the position that we should make these cuts while hundreds of millions of dollars sit in the state's coffers?

Seniors in Pennsylvania have much to lose in Governor Corbett's budget. First of all, seniors on fixed incomes will struggle to stay in their homes as his proposed cuts to public schools force local school boards to raise property taxes. With the housing market as it is, many seniors will find themselves living in a home that they can't afford but also can't sell. This is all in addition to the fact that many seniors have neighbors, grandchildren and great nieces and nephews who attend these schools, who will see their education suffer as a result of these cuts. The House budget restores a small part of the Governor's education cuts, but not enough to avoid property taxes hikes.

Furthermore, the Governor's budget makes cuts to Medicaid that will hurt seniors in nursing homes. After all, a majority of Medicaid enrollees are seniors. For example, seniors on Medicaid will no longer receive coverage for dentures, and they will also be restricted in the number of prescriptions they can order per month. Seniors in nursing homes ought to get dentures when they need them, and be able to take all the prescriptions that their doctor recommends. The House budget makes even deeper cuts to services like these.

Finally, seniors care about the communities where they live. Cuts to environmental protection, conservation and agriculture will hurt all Pennsylvanians if they result in water, air and recreational spaces that are less clean.

Seniors need to call upon our State Legislators to adopt a budget that spends all the money available to offset proposed cuts that would force seniors from their homes, damage seniors' health care and hurt the communities in which seniors live. Furthermore, we should call upon them to explore other options to increase revenue, such as taxing gas drilling and closing of corporate tax loopholes. Combined with waste-cutting measures, we can arrive at a balanced state budget that doesn't raise sales or income taxes, but also doesn't harm seniors. It's now up to the State Senate to do the right thing and pass a responsible budget!

Congress Passes Budget That Would End Medicare As We Know It For Future Retirees

Adam Swope, ARA Staff

On April 15, the U.S. House of Representatives passed a 2012 budget plan, authored by Rep. Paul Ryan (R-WI), that puts a privatized Medicare system in the hands of health insurance companies, uses “block grants” to let states control Medicaid support for nursing home care, and opens the door to cuts in Social Security benefits and increases in the retirement age. Each of Pennsylvania’s Republican Members of Congress voted for the plan, while all of our Democratic Members voted against it. The bill passed on a 235-193 vote.

The 2012 budget plan authored by Rep. Paul Ryan (R-WI) cuts Social Security benefits while raising the retirement age, turns Medicare into a voucher program with private insurance companies, while raising the eligibility age for Medicare to 67 and drastically increasing out-of-pocket costs. Recent reports by the bi-partisan Joint Economic Committee and the non-partisan Congressional Budget Office both tell the same story about the Ryan plan. Whether or not you call his “premium support” a voucher, the fact is that it is indexed to inflation, rather than the cost of health care insurance – which rises much faster. As a result, the “premium support” will pay for less and less of seniors’ insurance coverage. On average, the next generation will spend over 75% of their Social Security benefits on out-of-pocket medical costs under the Ryan plan.

The Ryan Budget will also deny many children with pre-existing conditions their coverage, remove 22-26-aged young adults from their parents’ insurance, enlarge the Medicare prescription drug “donut hole”, nullify the 50% discount seniors are getting on brand-named drugs within the “donut hole” and cancel free preventive testing and wellness visits for seniors. Imagine the disappointment of the many people who will be hurt by this plan!

Luckily, the Senate rejected the Ryan Budget on May 25th. Senator Toomey voted for this anti-senior budget, while Senator Casey (along with all Democrats and several Republicans) opposed it.

Social Security and Medicare are two great American success stories, helping generations of retirees stay healthy and out of poverty while also keeping more retirees in the middle class, to the benefit of our economy. Medicaid helps many seniors afford nursing home and long term care. Our country is NOT going bankrupt because of a senior at a doctor’s office. Therefore, we should not balance the budget on the backs of our nation’s seniors. Instead, we should address the root causes of our deficit – the badly-unnecessary tax breaks for wealthy individuals and tax loopholes for large corporations and oil companies. It’s time for them to pay their fair share. We must make sure to protect and strengthen Social Security and Medicare by enacting a sensible budget that reduces the deficit without hurting seniors.

Selling the Wine and Spirits Stores: Another Assault on Common Sense

By Wendell Young

In Harrisburg this year, the Governor wants to balance his budget on the backs of working families and senior citizens. And now, we have another assault on common sense – a proposal led by State Rep. Mike Turzai to privatize the PA Wine and Spirits stores – putting our communities at risk and endangering more than \$500 million a year that the stores generate to benefit all state taxpayers.

The Governor has hired a consulting firm to study how much one-time revenue the sale of the stores would bring. It remains to be seen if the study will consider how to replace the \$400 million in tax dollars and the \$100 million in profit that the Wine and Spirits stores contribute to fund all the programs in the general budget – including housing, public safety, schools, transportation and health care.

Few people would disagree that public safety is a core function of government. This concept alone makes Turzai’s plan to privatize the PA Wine and Spirits shops a potential disaster for our communities. The overwhelming evidence clearly shows the risks:

- Nuisance stores on many corners;
- More drinking by minors;
- More drunk driving; and,
- More social problems linked to alcohol abuse – including crime, domestic abuse and child abuse.

Just last month, the U.S. Centers for Disease (CDC) Control’s Task Force on Community Preventive Services added to this evidence with a call for no further privatization of alcohol sales. The CDC stated:

“Based on its charge to identify effective disease and injury prevention measures, the Task Force on Community Preventive Services recommends against the further privatization of alcohol sales in settings with current government control of retail sales, based on strong evidence that privatization results in increased per capita alcohol consumption, a well-established proxy for excessive consumption.”

The men and women who operate the Wine and Spirits stores conduct more than one million ID checks every year. Employees are trained to spot phony IDs, and their record of preventing sales to minors and inebriated persons is unmatched anywhere in the nation. At the same time, the stores carry more than 30,000 product listings, and they average 2,000 to 6,000 items in stock. Independent customer satisfaction surveys show customers are much more satisfied with the service, price and selections at PA’s Wine and Spirits stores than they are with any other retailers.

Finally, the Governor says his top three priorities are “jobs, jobs and jobs.” But privatization would destroy 4,500 family-sustaining, middle class jobs with good benefits. Those jobs won’t exist as liquor sales shift to Walmarts and other existing establishments. To protect Pennsylvania’s economy, our public health and our State Budget, the State Legislature must reject this misguided and dangerous proposal.

Mr. Young is President of United Food and Commercial Workers Local 1776, and Chair of the UFCW PA Wine and Spirits Council – a coalition of the three UFCW locals that represent the men and women who work in the PA Wine and Spirits shops.

REGISTER TODAY FOR THE ARA’S 10TH ANNIVERSARY LEGISLATIVE CONFERENCE:
September 6th to 9th in Washington DC - visit www.retiredamericans.org for more information!



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