

# Social Security Reform and Medicare Modernization Proposals

January 2013



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## Table of Contents

I.	Social Security Reform Proposal.....	1
II.	Medicare Modernization Proposal.....	3

## Social Security Reform Proposal

### ***Social Security Financial Problems***

The April 2012 Social Security Trustees Report reaffirmed that the financial condition of the Social Security Old Age, Survivor, and Disability Insurance (OASDI) programs continues to deteriorate, with the combined OASDI Trust Funds expected to be exhausted by 2033, and the DI Trust Fund now projected to be depleted in 2016.

### ***Essential Elements of a Social Security Reform Proposal***

Social Security's long-term finances must be stabilized to ensure that the program can be maintained as a safety net from poverty for those individuals who have contributed to the program during their working years. Any reforms should include the following elements:

- ***Protect Retirees and Those Approaching Retirement:*** Initial benefits of those age 55 or older today should be protected.
- ***Increase Retirement Age:*** The Social Security retirement age should be raised from age 67 to age 70. The unique needs of individuals in physically demanding occupations should be accommodated and the Social Security Disability Insurance Program should be modernized.
- ***Change Benefit Formulas to Increase Progressivity:*** Benefit growth should be restricted through gradually phased-in adjustments in the calculation of future Social Security benefits. These adjustments should increase progressivity by adding a new minimum benefit that ensures that the benefits of a full-career worker would be above the poverty line and means-testing benefits eligibility for individuals with high income.
- ***Update Method for Calculating Cost of Living Adjustments (COLAs):*** Future Social Security benefit COLAs should be based on the more accurate Chained Consumer Price Index (C-CPI-U), which takes into account the changes that people make in the composition of purchases in response to price changes and is seen as a more accurate cost-of-living indicator.
- ***Include Newly Hired State and Local Workers in Social Security:*** Employees currently exempt from Social Security coverage should be brought into the Social Security system.

*"Medicare and Social Security were not designed to cope with America's new demographic realities. CEOs are calling for gradual changes that will modernize these programs and preserve the safety net for future generations of retirees."*

- Gary W. Loveman, Ph.D., Chairman, CEO & President, Caesars Entertainment Corporation, and Chair of BRT's Health and Retirement Committee

- ***Encourage More Private Savings:*** The Social Security system must remain the bedrock safety net, but true retirement security will only be achieved if Americans save more. Current incentives that encourage workers to save and employers to maintain retirement plans should be maintained and strengthened. Any reforms should carefully consider the successful elements of public and private retirement savings systems abroad.

# Medicare Modernization Proposal

## *Medicare's Financial Problems*

The April 2012 Status of the Social Security and Medicare Programs Trustee Report confirmed that the Medicare HI Trust fund (Part A) faces depletion in 2024, earlier than the combined Social Security Trust Funds. Medicare costs will grow substantially from approximately 3.7 percent of the GDP in 2011 to 5.7 percent of GDP by 2035. Medicare spending will jump from \$560 billion in 2012 to \$1.0041 trillion in 2022. The number of beneficiaries enrolled has doubled in the past 35 years and are expected to double again in the next 35 years. The average Medicare enrollee cost in 2011 was \$12,042.

## *Essential Elements of a Medicare Modernization Proposal*

Strengthening and modernizing U.S. entitlement programs, including Medicare, is essential to maintaining a dependable social safety net for future generations and addressing America's long-term fiscal imbalance. Changes must be made that adopt the innovations in the private sector, protect the federal budget, and offer a safety net to protect the poor and disabled. This can be done by converting Medicare into a more efficient model of health care delivery for all Americans, whether through public or private plans that improve the quality of health care services. A proposal should include the following major elements:

- ***Protect Medicare for Those Approaching Retirement:*** Medicare's age of eligibility should be moved to age 70. However, this will not affect those age 55 or older today.
- ***Expand Competitive Models of Care:*** By 2015, Medicare should offer seniors the opportunity to choose among competing and comprehensive private plans and traditional Medicare. The private plans would offer a benefit similar to the existing Medicare program with the flexibility to innovate, sell across state lines, and create greater value strategies. Plans would be required to accept all applicants and would risk adjust the premium to take into account age and health status. The traditional fee-for-service program would compete for enrollment with private plans on cost, quality and a more innovative benefit structure. We believe that competition in the provision of health care to America's seniors will bring substantial benefits, as it has to most all other categories of personal expenditure. The recent experience of competition in the Medicare Part D program serves as a persuasive indication of the potential savings and improvement in care available through the provision of choice to well-informed seniors.

*"Entitlement modernization is an essential component of any successful economic growth and debt-stabilization plan. The time to act is now."*

**- Randall L. Stephenson,  
Chairman & CEO, AT&T  
Inc., and Vice Chair of  
BRT's Health and  
Retirement Committee**

- ***Reduce Taxpayer Costs for Upper-Income Beneficiaries:*** Today, the Part B premium (physician services) and the Part D premium are means-tested and other types of means testing should be explored. By 2015, additional means testing for Medicare services should be considered.
- ***Protect the Safety Net for Low-Income Americans:*** Low-income beneficiaries should retain the existing financial support received today. Improvements should be made in care-coordination and a focus on wellness and chronic care management.



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**300 New Jersey Avenue, NW**  
**Suite 800**  
**Washington, DC 20001**

**Telephone 202.872.1260**  
**Facsimile 202.466.3509**  
**Website [businessroundtable.org](http://businessroundtable.org)**