**Here’s a First Draft of the GOP’s Plan to Overhaul Social Security**

*The Fiscal Times* - By [Eric Pianin](http://www.thefiscaltimes.com/Authors/P/Eric-Pianin) - December 11, 2016

A senior Republican House chairman has begun circulating [a proposal](http://samjohnson.house.gov/news/documentsingle.aspx?DocumentID=398516) that would make major cuts and changes to the Social Security system in the coming decades, a move to contravene in President-elect Donald Trump’s repeated vow to leave the retirement program for 61 million retirees and their families unscathed.

The comprehensive proposal -- already generating Democratic outrage – would put in place a series of highly controversial measures long debated by the two parties.

Those measures include gradually raising the retirement age for receiving full benefits from 67 to 69 and adopting a less generous cost of living index than the current one. The proposal would also inaugurate means testing by changing the benefits formula to reduce payments to wealthier retirees. It would also eliminate the annual COLA adjustments for wealthier individuals and their families.

The plan – drafted by veteran Rep. Sam Johnson (R-TX), chair of the House Ways and Means subcommittee on Social Security -- includes some measures that might attract Democratic interest. One would increase retirement benefits for lower-income workers and another would increase the minimum benefit for low-income earners who worked full careers.

However, Johnson’s call late last week for the start of a “fact-based conversation” about ways to fix Social Security and assure its long-term solvency drew immediate fire from House Democratic Leader Nancy Pelosi of California, who warned that Johnson’s approach, if adopted, would cut current benefits by a third or more.

“Slashing Social Security and ending Medicare are absolutely not what the American people voted for in November,” Pelosi said in a statement. “Democrats will not stand by while Republicans dismantle the promise of a healthy and dignified retirement for working people in America.”

Johnson’s proposal, formally introduced as a bill last Thursday, is little more than an opening bid in a much larger conversation about entitlement reform in the coming year. However, the announcement was jarring to many Democrats coming on the heels of the Republicans vow to move swiftly next month to repeal the Affordable Care Act but without a replacement plan in hand.

House Speaker Paul Ryan (R-WI) and House Budget Committee Chair Tom Price (R-GA), who was tapped by Trump as the next secretary of health and human service, have also signaled interest in pursuing major changes to Medicare and Medicaid, the two federal health programs for seniors and low-income families.

While many fiscal conservatives and deficit hawks may applaud the Republicans coming to terms with major entitlement programs that will contribute to the long-term debt, Democratic critics see the emerging GOP plans as a frontal assault on the nation’s social safety net.

The Social Security trust fund -- which spends about $918 billion a year in benefits to retirees and their families, as well as disabled workers – is not in any imminent danger. However, the Trustees Report in March warned that the fund will begin running out of money in 2034 when beneficiaries will begin to face a 21 percent benefit cut.

Trump told supporters during the campaign that it wouldn’t be fair to Americans to cut Social Security or Medicare when so many of them have paid into the system for years. He seemingly ruled out any far-ranging overhaul of the retirement program, other than to crack down on “waste, fraud and abuse.”

Democrats including presidential nominee Hillary Clinton and Sen. Bernie Sander of Vermont, meanwhile, advocated changes in the law that would greatly expand retirement benefits, especially for widows and others struggling to make ends meet, by raising the cap on the federal payroll tax that goes to fund Social Security.

Late last week, Rep. Tom Cole of Oklahoma, an influential House Republican, and Rep. John Delaney of Maryland, a moderate Democrat, renewed their support for a plan to create a bipartisan, 13-member panel to recommend to Congress ways to prevent the massive trust fund from running out of money and extending its solvency for another 75 years.

The new commission would operate along the lines of one created 35 years ago, early in the Reagan administration, that helped pave the way for congressional agreement that extended the life of the New Deal era retirement program by a half century.

But tampering with the highly popular Social Security system is highly risky, as politicians including former Republican president George W. Bush ruefully learned in the past. And any serious proposals, such as raising the retirement age, increasing federal payroll tax revenues or altering the cost of living adjustments to save money invariably triggers strong opposition from the AARP, progressive activists and Democratic lawmakers.

However, Johnson contends that his plan, the Social Security Reform Act would put Social Security “back on a sustainable path” by modernizing the program, adequately rewarding retirees and the disabled for their years of work, and improving retirement security. Johnson’s proposal was first reported by The *Washington Examiner*.

Social Security was created in 1935 to help provide an economic safety net for retirees in the midst of the Great Depression. Throughout the years, Social Security was gradually expanded to help those who are unable to work due to a disability or who experienced a death of the primary wage earner in the family. Nearly 60 million Americans in all benefit from the program financed by a payroll tax.

“For years I've talked about the need to fix Social Security so that our children and grandchildren can count on it to be there for them just like it’s there for today’s seniors and individuals with disabilities,” Johnson said in a statement. “My common-sense plan is the start of a fact-based conversation about how we do just that.”

**A New Plan to Save Social Security for Another 75 Years**

*The Fiscal Times* - By [Eric Pianin](http://www.thefiscaltimes.com/Authors/P/Eric-Pianin) - December 7, 2016

Amid turmoil over the future of Obamacare, Medicare and Medicaid, a bipartisan coalition on Capitol Hill is renewing its call for creation of a blue-ribbon commission to recommend changes in Social Security to avert a long-term financial crisis.

It has been 35 years since a bipartisan Social Security commission led by Republican Alan Greenspan helped pave the way for a congressional agreement that extended the life of the retirement system by a half century.

Now, Rep. Tom Cole of Oklahoma, an influential and well-regarded House Republican, and Rep. John Delaney of Maryland, a moderate Democrat, have teamed up again behind a plan to create a similar 13-member panel. They will propose changes to prevent the massive trust fund from running out of money as early as 2034, the time today’s 49-year-olds reach normal retirement.

The Social Security crisis of the early 1980s during the Reagan administration was far more serious than the current financial challenges facing the system, and officials fearful the system would go belly up within two years. Today’s problems are less serious, as more and more baby boomers retire while fewer younger Americans are paying into the system.

According to the most recent trustees report issued in March, Social Security’s revenue shortfalls are continuing to mount and will total $1.4 trillion over the coming decade.

But tampering with the Social Security system is a high risk venture at best. Any serious proposals in recent years – such as raising the retirement age, slightly increasing the federal payroll tax, and altering the cost of living adjustments to save money -- have been met with fiery opposition from seniors’ organization like AARP and Democratic activists and lawmakers.

One of former Republican President George W. Bush’s worst political blunders was championing an idea in 2004 to partially privatize the system by creating individual savings accounts. Other Republicans who have advanced similar ideas since then did so at their own political peril.

What’s more, Republican President-elect Donald Trump campaigned on the promise that he wouldn’t consider cutting Social Security or Medicare in addressing the nation’s long-term debt, a sentiment shared by House Democratic Leader Nancy Pelosi of California and Senate Democratic Leader Chuck Schumer of New York.

But proponents of a new bipartisan commission insist it would create an “environment of compromise” where Democrats and Republicans could set aside their partisan differences and craft a new long-term plan for 60 million Americans that would avoid a 21 percent across the board cuts in benefits down the road if nothing is done to stabilize the system.

The commission plan is gaining backing form a number of fiscal conservatives groups, government watchdog organization and a smattering of moderate activists who are alarmed about Social Security and its impact on the long-term debt.

They are considering offering their plan again in March or April, when Congress and the new Republican president must face up to raising the debt ceiling – one of the most unpopular tasks that befall the party in power. By adopting the commission idea, lawmakers could demonstrate their concern about the retirement program and the mounting debt, but without having to take any action for at least another year.

Cole and Delaney stressed that their bill, which they first proposed in 2014, would not prescribe solutions to address the trust funds looming insolvency problem, and that the new panel’s charter would almost certainly steer clear of fundamental changes in the program. Cole said that they are only looking for fixes “around the edges” that would guarantee that future demands for retirement benefits don’t seriously outpace incoming payroll tax revenue.

“At the end of the day, if you don’t do entitlement reform, you’re not doing anything at all” to address the nation’s long term budget and economic problems, Cole said on Wednesday morning during a conference on Social Security on Capitol Hill sponsored by the Committee for a Responsible Federal Budget.

“I’m more interested in process than I am in the various proposals,” he said. “There’s a lot of different ways, particularly with Social Security. It’s a pretty easy problem to solve because it’s basically a math problem. We know how many people are turning 65, we know about what their life expectancy is, we know about what they paid in, you can predict the revenue flow pretty easily.”

“So as long as you’re not trying to make a huge philosophical point, like ‘I want private accounts’ or ‘I want an end to this,’ if you just want to fix the system, it’s a pretty easy way to get there,” Cole said, adding that the commission would have a year in which to reach agreement and submit its plan to Congress. “And frankly, it shouldn’t take them a year. We have enough proposals to really look at it and bargain it out. It should take a long weekend, to tell you the truth.”

Delaney campaigned for reelection in his western Maryland district this year advocating changes in the system to assure its long-term solvency, such as raising the income cap on the federal payroll tax and enhancing benefits for retirees and the very elderly, and Cole has advanced more conservative reform ideas of his own. “But we’re focusing on the process,” Delaney said.

Delaney said that he and Cole are attempting to replicate the success of the Greenspan commission in coming up with an approach that would extend the solvency of Social Security for another 75 years. “I’m incredibly confident that if this process is put in place, that well intentioned people who understand the program and are armed with the actuarial data that they need can put forth a program that actually strengthens the program and extends its life.”

The Cole-Delaney measure would create a bipartisan “Commission on Long-Term Social Security Solvency” with 13 members – including three each appointed by Republican and Democratic party leaders in the House and Senate and a chair appointed by the president. The commission would have one year in which to produce a report, and at least nine members would have to sign onto the recommendations before Congress could hold an expedited up-or-down vote.

Since Trump and the GOP swept to victory in the Nov. 8 election, Republicans have vowed an unprecedented shakeup of federal entitlement programs, including repealing the Affordable Care Act and pressing for major changes and cuts in the Medicare and Medicaid health care programs for seniors and the poor. But during his campaign, Trump had promised not to touch Medicare or Social Security.

Cole’s and Delaney’s timing in renewing their call for a Social Security reform commission might prove to be overkill. Cole acknowledged that unless Trump has a change of heart, nothing is likely to be done about Social Security in the near term. “Frankly, we need presidential leadership,” he said. But Social Security has long been known as the “Third Rail of Politics” – touch it and you die.

**Medicare and Social Security Worse than They Look: Trustees**

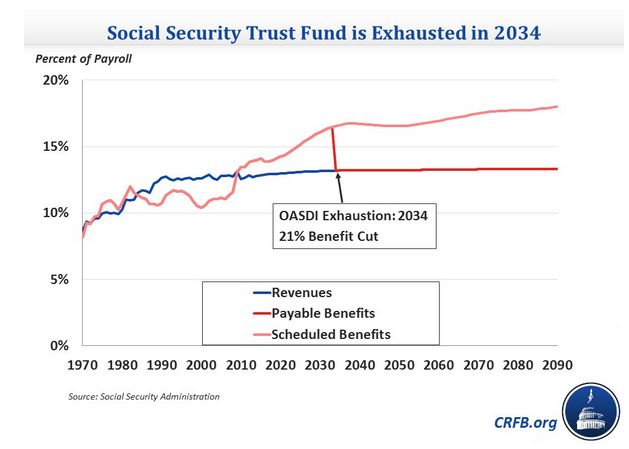
*The Fiscal Times* - By [Rob Garver](http://www.thefiscaltimes.com/Authors/G/Rob-Garver) - July 22, 2015

The Medicare and Social Security trust fund trustees reported on the long-term solvency of the country’s two largest entitlement programs on Wednesday, and as usual, provided projected insolvency dates for the various funds under their supervision. Then, they asked everyone to try not to pay very much attention to those insolvency dates.

The dates have become a sort of touchstone for how people think about the programs. Medicare, it turns out, has enough in its Hospital Insurance Trust Fund to continue paying benefits at current levels until 2030, when it will run dry. After that, dedicated tax revenues under current law would allow the program to pay out only 86 percent of scheduled benefits. Its other major funds, which cover Part B and Part D, are projected to remain solvent indefinitely because they are funded automatically, but they are becoming increasingly costly.

Social Security, by contrast, faces a more immediate threat. The program has two trust funds, one for its Disability Insurance benefit and one for retirement benefits. Combined, they have enough money to guarantee benefit payments until 2034, but they are drastically out of balance. The DI fund will run out of money in 2016, unless Congress OKs a transfer of money between the two funds, and will be forced to cut benefits to 81 percent of what beneficiaries are due under current law.

But again, with the possible exception of the looming threat to the SSDI program, the trustees said they would prefer that the public not focus too much on the insolvency dates.



Trustee Charles Blahous, of Stanford University’s Hoover Institution tried to explain why. Imagine, he said, that the goal of fixing Social Security’s finances is to be achieved by maintaining benefit levels for current retirees, but constraining the growth of benefits going to new enrollees.

“If you employed that strategy, you would have to reduce benefits by roughly 19.6 percent for everyone becoming newly eligible,” Blahous said. “But if instead we delayed action, and applied that same strategy when the combined trust funds were nearly depleted in 2034, by then even a complete cutoff in benefits – 100 percent to those newly eligible – would not be enough to avoid trust fund depletion.

[**Related: Major Welfare Reform Effort Flying Under the Radar**](http://www.thefiscaltimes.com/2015/07/21/Major-Welfare-Reform-Effort-Flying-Under-Radar)

“We can see that the last thing we need is continued delay,” he said, calling for “prompt enactment of legislation to address Security’s imbalances before they grow too large to fix.”

Trustee Robert Reischauer, the president of the Urban Institute and former head of the Congressional Budget Office, reinforced Blahous’ point. “Don’t focus on the date of trust fund depletion,” he said. “Focus on a more nuanced analysis of these reports.”

The bottom line, he said, is that “under current law both of these vitally important programs are on a fiscally unsustainable path if one looks out several decades.

“The sooner lawmakers act, the less disruptive these unavoidable policy changes will be. Similarly, the sooner that lawmakers act, the broader will be the array of policy options that can be considered.”

If the prescriptions and pleas for legislative attention sounded familiar Wednesday, it’s because they were.

“All that has really changed is that it’s one year since the last trustees report,” said Kathy Ruffing, a senior fellow at the Center on Budget and Policy Priorities who studies the Social Security Program. “Nothing else is much different.”

The trustees report identifies a problem that is “challenging but manageable,” she said, “…if policymakers crafted a sensible policy package reasonably soon.”

The longer they wait, the more challenging, and less manageable it will become, especially if [an idea to increase benefits](http://www.thefiscaltimes.com/2015/07/13/Democrats-Call-Major-Change-Social-Security), currently making the rounds of Democratic lawmakers, including presidential candidate Bernie Sanders, were to find legislative purchase. However, that might require a Democratic takeover of both Houses of Congress, and the trust funds could both be bankrupt by the time that happens, anyway.