

Time to Strengthen, Not Cut, Social Security, Medicare and Medicaid

San Jose, Calif., October 18, 2011 CARA -- Paul Kleyman

Thank you ...

Let me tell you a story. It's about the ancient roots of what we call the social contract between the generations, a contract that could be broken by the Super Committee in Congress we've all been hearing about.

This traditional German story, "The Old Man and His Grandson," was recorded by the Brothers Grimm.

There was once a very old man, whose eyes had become dim, his ears dull of hearing. His knees trembled, and when he sat at the table he could hardly hold the spoon -- and spilt the broth upon the tablecloth, or let it run out of his mouth.

His son and his son's wife were disgusted. So they made the old grandfather sit in the corner behind the stove, and gave him his food in an earthenware bowl -- and not even enough of it. And he used to look towards the table with his eyes full of tears.

Once his trembling hands could not hold the bowl, and it fell and broke. The young wife scolded her father-in-law, but he said nothing and only sighed. Then they gave him a wooden bowl for his meager meals.

One evening they were sitting thus when the little grandson of four years old began to gather bits of wood on the ground. "What are you doing?" asked his father. "I am making a little trough," answered the child, "for father and mother to eat out of -- when I am big."

*The man and his wife looked at each other for a long time, and presently began to cry. Then they took the grandfather to the table, and henceforth, they always ate together -- and said nothing, if he **did** spill a bit.*

This is a story told round the world in many variations in cultures as far afield as Korea, Ireland, Mexico and even, I was told me not long ago, in my own Yiddish culture.

In America today, this story might be a tale of health care austerity measures that would withhold treatments until Grandfather and Grandmother are 67 instead of 65—or maybe 69 as Texas Sen. Kay Bailey Hutchinson proposed two weeks ago for Medicare--regardless of whether they've had a life of hard labor or a prosperous life style.

Or today, the Brothers Grimm might tell a story about a bowl that gets smaller every year because the unwise man and woman give granddad a new bowl that shrinks every year. This would happen if it were dipped in a special formula called the "Chained CPI" that our bipartisan leaders say is only fair because they think older people and the poor can manage with a little less -- better than the wealthy can handle a few more tax dollars.

But this part is no fairy tale. How many of you have heard about this tricky new thing called the “Chained CPI”? Conservatives want to use it to slow the growing cost of all federal programs. That’s not just coming from Republicans, but also from Wall Street Democrats. Even Pres. Obama and congressional Democrats have said they might consider measures like it as part of their Grand Bargain, their strange idea of compromise with the GOP.

The Chained CPI is the kind of measure that would place Social Security, Medicare and Medicaid in genuine danger – **mainly** affecting our children and grandchildren as **they** age.

I will come back to this Chained CPI later, to show you the kind of political cynicism imbedded in some of these bureaucratic ideas. But let me mention another important issue before the Super Committee, and a proposal where we can give credit where it’s due.

I’ll hand it to the Democratic Governors Association. A couple of weeks ago they called for a far better way to save money in Medicare and Medicaid (called MediCal in California) than the cuts-only approach pushed by the GOP.

What the Democratic governors said – and Jerry Brown should listen hard, because he still seems to be channeling his inner Schwarzenegger on long-term care for seniors – is that the health care system should save money through better care coordination for the small percentage of people who cost the system the most.

That includes low-income people with multiple chronic conditions. They cost so much because they are shuffled around our badly managed, fragmented – and let me add – inhumane system of care.

For instance, lousy discharge planning that bounces people back to a hospital within 30 days costs taxpayers about \$18-20 billion a year.

And guess what – the Obamacare plan – a plan that has a lot of problems – actually includes numerous provisions for improving exactly the kind of home and community care services that would create better continuity of care for those difficult cases, but also for the rest of us.

For them to work, though, we need to **invest** in those programs, which is what the Democratic governors told the Super Committee. But will they listen?

For now, though, we can’t be sure what they are considering. That’s because the Super Committee decided to do their powerful deliberations behind closed doors.

Let me briefly tell you about the committee—and why we should be very worried about what’s being called the SuperSecret Committee.

The panel is officially known as the Joint Committee on Deficit Reduction. It consists of 12 of the most influential members of Congress, half from each party. They have been given extraordinary powers to devise a “bipartisan” plan to slash the National Debt by \$1.5 trillion over the next 10 years and do it by 3 weeks from today.

If a simple majority of only seven can agree on a plan, their proposal will go to Congress for an up-or-down-vote. But Congress wouldn't be able to debate provisions that will decide our national priorities for perhaps decades to come in everything from Social Security to education to health care to military spending.

And if the Super Committee can't get the seven votes, the budget cuts would become automatic, across the board for that amount. Some experts think that might actually be preferable.

For one thing the cuts would not go into effect until 2013. And some think they'd never happen. If they did, though, the law protects most benefits under Social Security, and much under Medicare and Medicaid from the automatic reductions. Also, significant amounts would come from military spending.

But as Robert Borosage of *The Nation* noted, "In some ways, that's less of a threat, although it's a totally wrongheaded policy."

One area of secrecy to open up is whether the SuperCuts Committee will go after Social Security.

Just to be clear, Social Security is a closely contained program that doesn't contribute a dime to the National Debt. That's because we -- and our kids and grandkids who work -- pay into it. Then the program provides us income when we are old, disabled, widowed or orphaned. It's our money, and it's our security against the vicissitudes of life.

Social Security is held in trust, just like a corporate pension, except that it's backed by the full faith and credit of the U.S. government.

And Social Security is not in crisis. It now has a fat surplus account of \$2.7 trillion that is growing. It can pay all promised benefits for the next 25 years if we do nothing at all. Then it will be able to pay about 78 cents on the dollar for the next 50 years until 2086 -- again, if we put nothing more into it.

And anyone who tells you -- as the *Washington Post* did last Saturday -- that the program went into the red last year taking in less in payroll taxes than it paid out in benefits -- please know that this is a half truth. Yes, the program paid out more than it received in payroll tax. But that was because of the recession. Unemployed people aren't able to pay into the system. Even the Social Security actuaries say that is temporary and will change soon. The answer is not cutting Social Security for the future -- the answer is jobs, jobs, jobs, today.

Also the claim that Social Security ended up in the red last year is flat out false. Last year's shortfall was offset mostly by \$120 billion in interest that the federal government credited to the program on money it had borrowed from the Trust Fund. Rick Perry might call it interest on a Ponzi scheme, but I think the rest of us know better.

Now there are long-term problems with the Social Security's funding, but there are also many smart ways to do that without cutting the modest income support it provides older and disabled people.

For retirees, keep in mind that average Social Security benefits are not all that generous. With the 3.6% raise in the COLA (or cost of living adjustment) announced last week, the average month benefit will be only \$1,229 a month, or less than \$15,000 a year.

And if you're a woman or from a minority, the amount is on average much less. For Black or Hispanic women, for example, the monthly check is around \$900. What's more, the older they get, the more they will depend on Social Security for at least 90% of their total income.

Some political proposals – again, from both Republicans and Democrats – recommend making up Social Security's 75-year funding shortfall by raising the age of full retirement to 69 or 70, or by nicking people's benefits by using this new Chained CPI.

In the last two years, polls across the political spectrum show that no one, including a majority of people who identify as libertarian or Tea Party supporters, likes the idea of cutting the Social Security benefits in order to cut the long-term debt. So raising the age probably will be politically unfeasible, and rightly so in my view.

But what about jiggling the formula for cost of living increases or your COLA. So let me explain how this Chained CPI – or Consumer Price Index – would work.

Some clever conservatives came up with the idea that the method of calculating the COLA is too generous. They say as prices rise, many tend to substitute cheaper items. So they jury-rigged a new formula that sounds to most like no big deal.

But according to Social Security's own data an average worker who retired at age 65 would lose \$1,000 a year by age 85.

And a disabled veteran who started receiving VA disability benefits at age 30 would have his or her benefits reduced by nearly \$2,300 at age 65. Just think of all those courageous young Americans returning from Iraq or Afghanistan without limbs or with brain injuries from IED explosions. Thanks a lot, Washington.

So, what do political movers and shakers have to say about this chained CPI? I mean, who are these people?

This past summer some experts testified before the House Ways and Means Committee. One speaker was a man named Sylvester Schieber, a financial bigwig, who fought to partially privatize Social Security on the presidential commission back in 1996.

Schieber told the committee that the Chained CPI is more accurate than the plain old CPI. He gave this example: "If the price of a Mercedes goes up, then maybe you don't buy a Mercedes, you switch and buy an Audi or something."

[How many of you have traded in your Mercedes for a cheaper luxury automobile – raise your hands? If I missed seeing someone, I hope you got a good deal.]

But listen to what another witness had to say at the same hearing, Joan Entmacher of the National Women's Law Center. She offered another notion of the daily choices seniors have to make. She quoted an 84-year old widow in Medford, Ore., who gets virtually all of her income from Social Security. This senior explained, "I can't afford meat anymore, but every once in awhile if I see a great bargain, I'll splurge on a small piece of meat. There's a special discount cheese that I like. I make very thin slices."

Again, this Chained CPI is only one example of the gimmicks coming at us in the name of fair compromise.

I'm sure many of you share the disappointment about the weak performance of the President, who generated so much excitement only three years ago. On top of that, last week Democratic leaders came up with another Grand Bargain idea. They offered Republicans a deal to double down on the deficit by \$3.2 Trillion not \$1.5 trillion, with half from program savings and half from new revenue.

If you missed it, yesterday's *New York Times* included an editorial headlined, "Tales From the Super Committee: Democrats were willing to cut – too much – but Republicans won't give an inch on taxes."

Of that \$3.2 trillion, the Democrats want to cut almost \$400 million over 10 years from Medicare, with half of that amount to come from benefits, and another \$86 billion from Medicaid. I have to wonder aloud, with Democrats like these, who needs Republicans?

These issues can no longer be dominated strictly by budgetary projection. Our leaders need to refocus at this time of crisis on what the money is for. That is, what are our national priorities? Yes, we do need economists in the discussion. But where's the human factor? Today's power brokers sound as if undercutting national health and economic security is a necessary "austerity" measures, when they actually would harm families -- while also impeding American stability and productivity in the global economy. Demoralized and jobless people simply aren't able to contribute as much as they'd like to.

In the short run, now is a critical time for making your voices heard and to support groups such as CARA and the Gray Panthers. Young people are finally raising their voice through Occupy Wall Street, and their persistence has already shifted the national discussion somewhat from the Debt Ceiling and such to jobs and real needs.

But in the longer run, how can we counter our leaders' gross obsession with budgets? I'd like to end by quoting a dear friend and mentor of mine, who died this summer, the author Theodore Roszak. Back in 1969, Ted published his bestseller, *The Making of a Counter Culture*." Then two years ago, he came out with *The Making of an Elder Culture*, about the positive side of having an aging population.

Ted called for the creation of a National Life Expectancy or NLE quotient to bring a dose of reality to those enthralled only with the Gross Domestic Product. Ted's NLE would be a simple number showing whether policies in a given year were improving American life – actual health and longevity – or not.

In the book, Ted wrote, "When we debate social institutions and programs, almost inevitably we get caught up in administrative technicalities and budgetary minutiae. How will the program be run? How much will it cost? Who will pay? Distracted by these details, it is easy to overlook the fact that every system has a moral core -- a soul that animates its daily life. Even when we devise institutions by way of confused debate, somewhere inside that debate there are ethical commitments that derive, not from research or statistical analysis, but from living experience."

Ted Roszak reminded anyone who would listen that bottom lines are soulless unless they give us lifelines. Now is the time to bring our politicians back to the human impact of the decisions that they make.

Thank you.