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**CRFB Reacts to Trustees Reports
August 5, 2010**

Today, the Social Security and Medicare Trustees released their annual reports on the financial status of the two programs. The Trustees are projecting that Social Security will face a cash flow deficit of \$41 billion (excluding interest) this year, a cash flow deficit of \$7 billion next year, will then run small surpluses from 2012 to 2014, and will again return to deficits thereafter. Deficits will reach 0.4 percent of GDP in 2020 and 1.2 percent by 2030. The Medicare deficit in the Hospital Insurance program is projected to reach \$33 billion this year, before running small surpluses by mid-decade. But deficits will resume an upward path by 2020.

The report states “The projected trust fund shortfalls should be addressed in a timely way so that necessary changes can be phased in gradually and workers can be given time to plan for them. Implementing changes sooner will allow the needed revenue increases or benefit reductions to be spread over more generations.”

“When the programs’ own Trustees tell the nation reforms need to be made sooner rather than later, we ought to listen,” said Maya MacGuineas, president of the Committee for a Responsible Federal Budget. “The clock is ticking; our ongoing delay has already made strengthening the program much more difficult. Do we really want to tell participants down the road – sorry for the abrupt benefit cuts and tax increases—the Trustees warned us year after year, but we chose to delay taking action? It just doesn’t make sense that when it comes to Social Security, one of the nation’s most successful programs, we are unwilling to make the necessary changes to avoid insolvency even in the face of repeated warnings.”

CRFB will provide more detailed analyses shortly on both the Social Security and Medicare reports.