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New prescription drug plan means Medicare will run out of money by 2019

By William E. Gibson
Washington Bureau Chief
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WASHINGTON -- Medicare will run out of money by 2019, seven years sooner than expected, partly because of a new prescription drug plan that raises doubts about the health-care program's fiscal future, federal trustees reported on Tuesday.

The report will put more pressure on Congress to raise taxes or cut benefits to keep Medicare solvent for future retirees. Its gloomy outlook added another blow to the Bush administration's attempts to overhaul the program while implementing the controversial, new drug benefit amid record deficits.

Provisions of the drug law "raise serious doubt about the sustainability of Medicare under current financing arrangements," the Medicare and Social Security board of trustees reported. They said the drug benefit, along with rising hospital costs and lower-than-expected tax revenue, will force Medicare to begin dipping into its trust fund this year.

Medicare's deepening fiscal problems form the backdrop for several controversies swirling around the program this week.

In today's expected showdown, Richard S. Foster, Medicare's chief actuary, is prepared to testify before the House Ways and Means Committee about his past warnings that the drug benefit would cost far more than the administration had forecast.

Foster has said his boss threatened to fire him if he revealed these projections while Congress was considering the drug bill.

Congress, after a cliffhanger vote in the House, approved the bill in December based on estimates of \$395 billion over 10 years. But the administration stunned both critics and supporters in January by disclosing projections that the drug law actually would cost an additional \$139 billion.

The turnabout prompted grumbling from conservatives in Congress who had grudgingly voted for the bill. Democratic leaders, including presumptive presidential nominee John Kerry, pounced on Tuesday's trustees' report to accuse the administration of fiscal irresponsibility.

"Unless we make a change, if you are 50 years old or younger, Medicare will be broke by the time you reach retirement," Kerry said. "In just one year, George Bush's reckless policies have sped Medicare seven years closer to bankruptcy."

But some health-care advocates, fearful of potential cutbacks to Medicare, said the trustees had altered the way the program's finances are figured and in effect exaggerated its financial troubles.

"We're really concerned that the report is going to scare older people and people on disability who are dependent on Medicare," said Vicki Gottlich, an attorney for the Center for Medicare Advocacy, a nonpartisan group that promotes greater access to health care. "We'd like to see an overhaul of the whole program, but we're not going to see an overhaul this year. That's not politically possible."

The White House blamed rising health costs -- not the drug plan, the

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sluggish economy or tax cuts pushed by President Bush.

"It's health-care costs -- over 70 percent -- not prescription drugs," said White House spokesman Trent Duffy.

Without mentioning the trustees' report, Bush said after a Cabinet meeting on Tuesday: "We've got to work to control the cost of health care. It makes it awfully difficult for many small businesses to provide health care for their employees."

To critics in South Florida and elsewhere, the trustees' report showed the need to scrap or drastically revise the drug law before it takes full effect in 2006. Opinion polls have shown that most Medicare recipients are confused about the law and highly skeptical about whether the benefits are worth the cost to them or the government.

"The government wasted the taxpayers' money by passing this bill," asserted Claire Hartford Hornstein of Pompano Beach, past president of the Older Women's League of Southeast Florida and vice president of the Women's Public Forum. "This bill is not going to help people at all, and very few seniors are going to sign up for it. The only ones it will help will be the very poor. Instead of taking this money from Medicare, the government should just negotiate with drug companies and set reasonable prices."

The trustees last year projected an insolvency date for Medicare of 2026. This year, its projected insolvency date for Social Security remained at 2042.

Budget analysts said the projected shortfalls pose no immediate threat to beneficiaries but show the need to make adjustments as soon as possible to keep the programs going. Much of the problem, they say, stems from the loss of jobs over the past few years, which reduced the payroll taxes that pay for Social Security and Medicare.

"They [administration officials] were unduly optimistic about the economy coming back and the jobs created," said Stuart Altman, professor of health-care policy at Brandeis University. "The big significance is that sooner rather than later we are going to have to find a long-term funding source that's adequate for Medicare or talk seriously about whether it should be cut back. The longer we put off that debate, the more this problem is going to be right on top of us."

William E. Gibson can be reached at wgibson@sun-sentinel.com or 202-824-8256 in Washington.

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