

### Rise in Entitlement Spending Draws New Focus

By David Harrison, CQ Staff

Government payments for Social Security and Medicare combined will outstrip all discretionary spending in fiscal 2013, according to forecasts made in President Obama's budget request earlier this month, a stark reminder of the inexorable growth in entitlements even as other programs are constrained.

The projections released Feb. 13 by the Office of Management and Budget (OMB) were not unexpected, and this would not be the first time that the costs of the two big entitlement programs exceeded discretionary spending. Still, the story is different this time.

The Spending Trend Is Set:[Click Here to View Chart](#)

In the 1990s, entitlement outlays surpassed discretionary spending temporarily, largely because of a cutback in defense operations at the end of the Cold War. This time, Medicare and Social Security outlays are expected to keep climbing, as caps set by the August debt limit law (PL 112-25) constrain the discretionary side of the budget for the next decade.

Such a change in the relationship between discretionary and the two entitlement programs would not only dilute the effect of the spending caps agreed to in August, it also would mean that congressional appropriators would have jurisdiction over an increasingly smaller share of government spending. It would bring into stark relief the fact that more government money is spent on seniors and retirees than on all discretionary programs combined. And it might serve as an impetus to overhaul Social Security and Medicare.

The cost of the two big entitlements will be Topic A this week in a series of hearings on Capitol Hill. On Tuesday, the House Budget Committee will hear from Stephen Goss and Richard Foster, the chief actuaries for Social Security and Medicare, respectively. The next day, the Senate Budget Committee will discuss how to limit the growth rate of the government's health care costs.

Also this week, Health and Human Services Secretary Kathleen Sebelius will testify before the House Ways and Means Committee and a House Energy and Commerce subcommittee about her department's proposed budget. She may be asked about the president's plan to find \$364 billion in savings from Medicare and Medicaid.

### Entitlements in the Spotlight

Economists have warned for years that entitlements — particularly those aimed at seniors and retirees — will demand an increasingly larger share of government resources. And some lawmakers have seized upon the issue as evidence that the country is not facing up to its long-term obligations.

"What these statistics show is that often what you think the government is doing — helping poor children, building bridges — is not where most of the government's effort and money is going," said Andrew Biggs, a resident scholar at the American Enterprise Institute. "Most of what government does now is take money from young people and give it to old people."

But, although it may "look bad" to direct so much government money to one population, said Richard Johnson, a senior fellow at the Urban Institute, such spending can be regarded as a return on the investment that today's retirees made when they were younger.

"It's a little bit misleading because people have paid taxes throughout their lives for these benefits that they collect at older ages," Johnson said. "So in some sense, the government is forcing us to save for retirement, and now people are collecting these benefits as they get old." Congressional Republicans have complained that Obama's budget request did not adequately address the rising costs of Social Security and Medicare. House Budget Chairman Paul D. Ryan, R-Wis., called the president's plan "reckless," in part because of its projections for entitlement spending, which Ryan said is unsustainable.

At a hearing this month, Ryan said the budget "represents a very clear threat to the health and retirement security for American seniors."

Ryan has said he plans to offer a budget resolution similar to his plan from last year, which would have transformed Medicare into a voucher program for future seniors by providing them with an annual stipend to buy private health insurance.

That plan spurred a number of other proposals to overhaul Medicare and address its growing cost, even though most agree that such legislation is unlikely to be considered in an election year.

For instance, Ryan has joined with Democratic Sen. Ron Wyden of Oregon to propose the creation of a new Medicare marketplace beginning in 2022 that would allow seniors to choose between traditional Medicare and approved private plans.

And Republican Sens. Tom Coburn of Oklahoma and Richard M. Burr of North Carolina offered a plan this month that would make Medicare compete with private insurers, increase the eligibility age and raise premiums for some seniors.

Social Security and Medicare together previously exceeded discretionary outlays in four of the five fiscal years from 1996 through 2000 following a decline in military spending.

But that was a short-lived event, as Congress increased discretionary outlays both to finance the wars in Iraq and Afghanistan and in response to the financial crisis at the end of the last decade.

Now, the debt limit's spending caps are likely to mean that the cost of entitlements will soon surpass that of the government's discretionary programs. The law set a ceiling for both defense and nondefense discretionary spending in exchange for an increase in the ceiling on government borrowing, but it imposed no significant restraints on entitlements.

"We can't continue on that kind of a track and not address it," said Senate appropriator Kay Bailey Hutchison, R-Texas, who has been a vocal proponent of curbing Social Security

spending. "If the president provides any leadership at all, it should be in that area."

The president's budget does call for a series of Medicare cuts culled from deficit-reduction proposals offered last year on both sides of the aisle. Those cuts would primarily affect providers and drug manufacturers, and would do little to slow the rapid growth in Medicare costs.

Once Social Security and Medicare overtake discretionary spending, they will rapidly leave it far behind. That is due both to the wave of baby boomers reaching retirement age and to medical advances that allow people to live longer and collect benefits for many more years.

Lawmakers have been talking about curbing the growth in entitlement spending for years without success. Because these are mandatory programs, they aren't affected by the annual appropriations process. That, says Biggs, limits the power of lawmakers.

"We play the same games with discretionary spending that we used to. We just play it on a smaller scale," he said. "We used to be major leagues, now we're minor league."

Johnson agrees. "The question is: Should the federal government be solely in the business of paying annuities and being a health insurer? Probably not."  
Emily Ethridge contributed to this story.

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