

Risky Business

Reforming Social Security and Medicare

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Just a year ago, newspapers and television news programs were running headline stories about the need for major changes in Social Security and Medicare. Politicians from both parties filled the airwaves with proposals to restructure these programs, making them more financially solvent and offering more private choices within them.

A year later, the silence on these issues among party leaders is striking. With the exception of using part of the budget surplus to help these programs, proposals for reform have largely disappeared from the nation's decision-making agenda.

Clearly, a substantial proportion of elected political leaders has concluded that making major changes in these programs is still a "third rail" to be avoided, at least during the time of an upcoming national election. Is their diagnosis correct?

Data from the 1996 and 1998 Voter News Service (VNS) exit polls indicate that one-half or more of those who base their presidential and congressional votes on Social Security and Medicare are age 60 or over, double that age group's proportion among voters (see Table

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1). In the 1996 presidential election, half (50%) of those who said Medicare/Social Security was the deciding issue in their vote were age 60 or over, while only 25% were ages 18 to 44. It was the top voting issue (named by 29%) for voters age 60 or over, but ranked only fifth of seven issues (named by 7%) among voters ages 18 to 44. In the 1998 congressional elections, more than half (56%) of those who said Social Security was the deciding issue in their vote were age 60 or over. Only 15% were ages 18 to 44. It was the top voting issue (named by 25%) among voters age 60 or over, but tied for last among seven issues (named by 4%) among voters ages 18 to 44.

According to a 1998 post-election study by the Kaiser Family Foundation, the Harvard School of Public Health, and Princeton Survey Research Associates (PSRA), 40% of those who said Social Security was one of the two deciding issues in their congressional vote were age 65 or over. Again, this is double that age group's proportion of the adult population. Similarly, 39% of those who named Medicare as one of two deciding issues were seniors. In both cases, 27% were ages 50 to 64. Fewer than one-third of those who named Social Security (31%) or Medicare (32%) were under the age of 50.

The fact that seniors make up such a large proportion of those who vote based on Social Security and Medicare issues makes it important to consider where this age group stands on the programs and the various reform proposals. Several recent polls shed light on how the attitudes of seniors compare to those of the rest of the public on these government entitlement programs.

To begin with, seniors are less likely than those under age 65 to see Social Security and Medicare as being in crisis or needing immediate, major change. A March 1999 survey by NPR, the Kaiser Foundation, and Harvard's Kennedy School of Government shows that only 11% of seniors believe the Social Security program is in crisis, compared with 34% of adults under age 65. Similarly, a May 1998 Kaiser/Harvard poll shows that only 14% of seniors think the Social Security program should be redesigned completely, compared with 32% of adults under age 65.

A majority (63%) of adults under age 65 thinks we need to make major changes to Medicare soon, to keep costs from rising too quickly when the baby boom generation retires. Only one-third (34%) of seniors shares that view. As to privatizing Medicare, a plurality (46%) of adults under age 65

in an August 1998 Kaiser/Harvard/PSRA survey trusts private insurance plans more than the current Medicare program to provide health insurance to seniors. In contrast, 60% of seniors trust Medicare more, while only 14% place more trust in private health insurance plans.

As Table 2 shows, between 52% and 76% of the public favors individual investment of *some* part of Social Security funds, depending on how they are asked. However, support for individual investment is 15 to 33 percentage points lower among seniors than it is among adults under age 65. In only two of seven instances does a majority of seniors favor individual investment of some Social Security funds.

More importantly, in the Kaiser/Harvard post-election survey, those who said Social Security was a deciding issue in their 1998 congressional vote were significantly less likely (42%) than the public as a whole (52%) to favor allowing people to invest some of their Social Security payroll contributions in the stock market.

When it comes to some proposed changes, it is not only seniors who are opposed. A majority of the public is against allowing workers to take *all* of their Social Security taxes out of the system to invest on their own, a proposal favored by only one in four seniors (25%) in the March 1999 NPR poll. A majority of Americans also opposes government investment of Social Security funds in the stock market. Again, seniors are less likely than those under age 65 to favor such options, but a majority of those under age 65 opposes government investment, too, as shown by the NPR poll, a January 1999 Yankelovich Partners poll for *Time/CNN*, and a December 1998 Gallup poll for *CNN/USA Today*.

According to these polls, as well as a May 1999 PSRA poll and an April 1998 poll by Yankelovich Partners for *Time/CNN*, a majority of Americans are opposed to three other major types of Social Security reform—limiting cost-of-living increases, reducing Social Security benefits, and raising taxes—and there is little difference by age.

Not surprisingly, since most seniors are already retired or beyond the age when a rise in the retirement age could affect them, support for proposals to raise the retirement age is substantially higher among seniors than adults under age 65. Even so, a majority of seniors still opposes raising the retirement age.

Still to consider are a number of other Social Security reforms that would be relatively painless for most beneficiaries. According to the May 1999 PSRA survey, a majority of Americans favors using part of the budget surplus and raising the limit on taxable income, and a number of the

other surveys already mentioned indicate public support for most proposals reducing benefits for higher-income seniors or having them pay more in taxes on the benefits they receive. On all of these options, attitudes differ little by age.

Public support is particularly strong (74% to 95%) across all age groups for the creation of a lock-box on the use of tax funds raised for Social Security purposes, according to surveys conducted by Fox News/Opinion Dynamics, Rasmussen Research, and NBC News/*Wall Street Journal*, all in March 1999. This reflects the widely held view that money is being diverted from the Social Security trust fund. In a March 1997 *Washington Post*/Kaiser/Harvard poll, two-thirds (67%) of Americans said a major reason for the program's financial problems was the spending of money in the trust fund on programs other than Social Security.

As for remedying Medicare, a July 1999 PSRA survey for the Pew Research Center indicates that majorities of both seniors and adults under age 65 favor using part of the budget surplus to help fund the program. The

Table 1
Social Security and Medicare as Voting Issues for Various Age Groups

Percent of those who say Social Security/Medicare was the deciding issue in their vote:

Age	1996 vote for President	1998 vote for Congress*
18-29	10%	3%
30-44	15	12
45-59	25	30
60+	50	56

*This survey asked only about Social Security.

Source: Surveys by Voter News Service, November 5, 1996 and November 3, 1998.

Percent of those who say this was the deciding issue in their 1998 vote for Congress:

Age	Social Security	Medicare
18-29	3%	13%
30-49	28	19
50-64	27	27
65+	40	39

Source: Survey by the Kaiser Family Foundation/Harvard School of Public Health/PSRA, November 4-December 6, 1998.

Kaiser/Harvard/PSRA surveys show similar majorities in favor of having higher-income seniors pay more for benefits, and reducing payments to doctors and hospitals for treating people covered by Medicare. Support for reducing payments to doctors and hospitals drops below 50% for both age groups if the question mentions the possibility that this change might

cause the quality of care to go down or that many doctors might stop accepting Medicare patients.

Over the past few years, several proposals have been introduced that would give Medicare recipients a fixed amount of money they could use to choose among competing health

Table 2

Social Security Reforms: Investment Options by Age

	<i>All</i>	<i><65</i>	<i>65+</i>	<i>Difference</i>
<i>Individual Investment of Social Security Funds</i>				
Allow Americans to put a portion of their Social Security taxes into a personal savings account to be used for retirement ^a	76%	78%	63%	-15%
Allow individuals to invest a portion of their Social Security taxes in the US stock market ^b	66	68	52	-16
People having individual accounts and making their own investments with a portion of their Social Security payments ^c	65	68	44	-24
Allow individuals to invest a portion of their Social Security savings in the stock market ^d	64	71	38*	-33
Allow Americans to invest a portion of their Social Security taxes in investments like the stock market, getting more money if investments do well, less if they do poorly ^c	57	62	31	-31
Allow people to invest some of their Social Security payroll contributions in stock market, with benefits higher or lower than expected depending on stock market's performance	58 52	62 56	37 31	-25 ^e -25 ^f
Allow workers to take all of their Social Security taxes out of the Social Security system and invest them on their own ^c	42	46	25	-21
<i>Government Investment of Social Security Funds</i>				
Have government invest in the private stock market a portion of Social Security reserve funds, currently invested in government bonds ^c	38	41	21	-20
Allow the federal government to invest a portion of the Social Security trust fund in the stock market	33 33	35 36	22* 17	-13 ^d -19 ^b

*responses for age 60+

^aTime/CNN/Yankelovich Partners, April 8-9, 1998

^bTime/CNN/Yankelovich Partners, January 20-21, 1999

^cNPR/Kaiser/Kennedy School, March 4-24, 1999

^dGallup/CNN/USA Today, December 4-6, 1998

^eWashington Post/Kaiser/Harvard, July 29-August 18, 1998

^fKaiser/Harvard School of Public Health/PSRA, November 4-December 6, 1998

plans. The August 1998 Kaiser/Harvard/PSRA survey tested public attitudes about a defined contribution proposal. Majorities of both seniors and those under age 65 opposed fixed Medicare contributions for health coverage.

Other alternatives considered in the same poll indicate that a majority of Americans opposes efforts to encourage more seniors to enroll in HMOs and other managed care plans. Seniors are most resistant to this option. A majority of Americans also opposes raising the age of eligibility from 65 to 67 for future retirees. Once again, support for raising the eligibility age is slightly higher among seniors, but still less than a majority. According to the 1998 Kaiser/Harvard post-election poll, raising the eligibility age was favored by only 26% of those who said Medicare was a deciding issue in their 1998 congressional vote.

According to the July 1999 Pew survey, majorities of both seniors and those under age 65 oppose increasing office visit deductibles to reflect growing cost of living allowances, increasing payroll taxes, or making seniors pay a larger share of Medicare costs out of pocket. About half (51%) of those in the Kaiser/Harvard post-election poll who said Medicare was a deciding issue in their 1998 congressional vote favored increasing the payroll tax, but only 10% of this group favored requiring seniors to pay a larger share out of pocket.

Not only do most Americans oppose decreased benefits to make Medicare more financially solvent, a majority favors expanding the support offered by the financially strained program. The July 1999 Pew survey and the March 1999 NPR survey, as well as a September 1999 Harris poll, find two-thirds or more of Americans favoring expanding Medicare to cover prescription drugs (68% to 86%); 69% in the NPR poll favor long-term nursing home care, too, even though both might mean higher costs for the Medicare program or an increase in taxes or premiums. Surprisingly, seniors in the August 1998 Kaiser/Harvard and July 1999 Pew polls express less support than those under 65 for adding a prescription drug benefit, although a majority are still in favor of such an expansion.

Even when it comes to a small Medicare expansion to cover other age groups, seniors are more opposed than the public as a whole. While the Kaiser/Harvard and Pew polls find that 51% to 60% of Americans favor expanding Medicare so that people ages 62 to 64 can buy into the program, seniors are 17 to 26 percentage points less likely than those under age 65 to favor such a change.

Regardless of the level of public opposition toward a particular policy, an issue becomes a “third rail” only when people say they will vote against candidates on the basis of their position on the issue. Making major changes

in Social Security and Medicare meet this criterion for being “third rails.”

More than one-third of Americans say they feel so strongly about three proposed major changes in Social Security—reducing benefits (47%), raising the retirement age (41%), and raising payroll taxes (37%)—that they would vote against their representative in Congress if he or she voted for it. In addition, the March 1999 NPR survey shows that the age group most likely to vote on the issue contains a substantial number of people who would vote against representatives who voted to allow government investment (43%) or individual investment (34%) of Social Security funds in the stock market.

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In a 1996 Kaiser/Harvard post-election survey, only about half (53%) of seniors favored making major reductions in future Medicare spending even to prevent the program from going bankrupt in five years. The proportion favoring future spending reductions dropped even lower when the stated purpose was to balance the federal budget (36%) or to pay for a tax cut (21%).

The diagnosis of many political leaders—that major changes in these two programs is something to be avoided during the run-up to a national election—is correct. Most Americans do not vote on the basis of a candidate’s stand on Social Security and Medicare. However, those who do are likely to vote against candidates who propose major changes that appear detrimental to older Americans. Candidates who are from safe districts or who have wide leads can afford to take strong stands without fear of electoral retribution. But for candidates involved in close races, Social Security and Medicare voters do, in fact, represent a “third-rail” threat to their electoral prospects. ●