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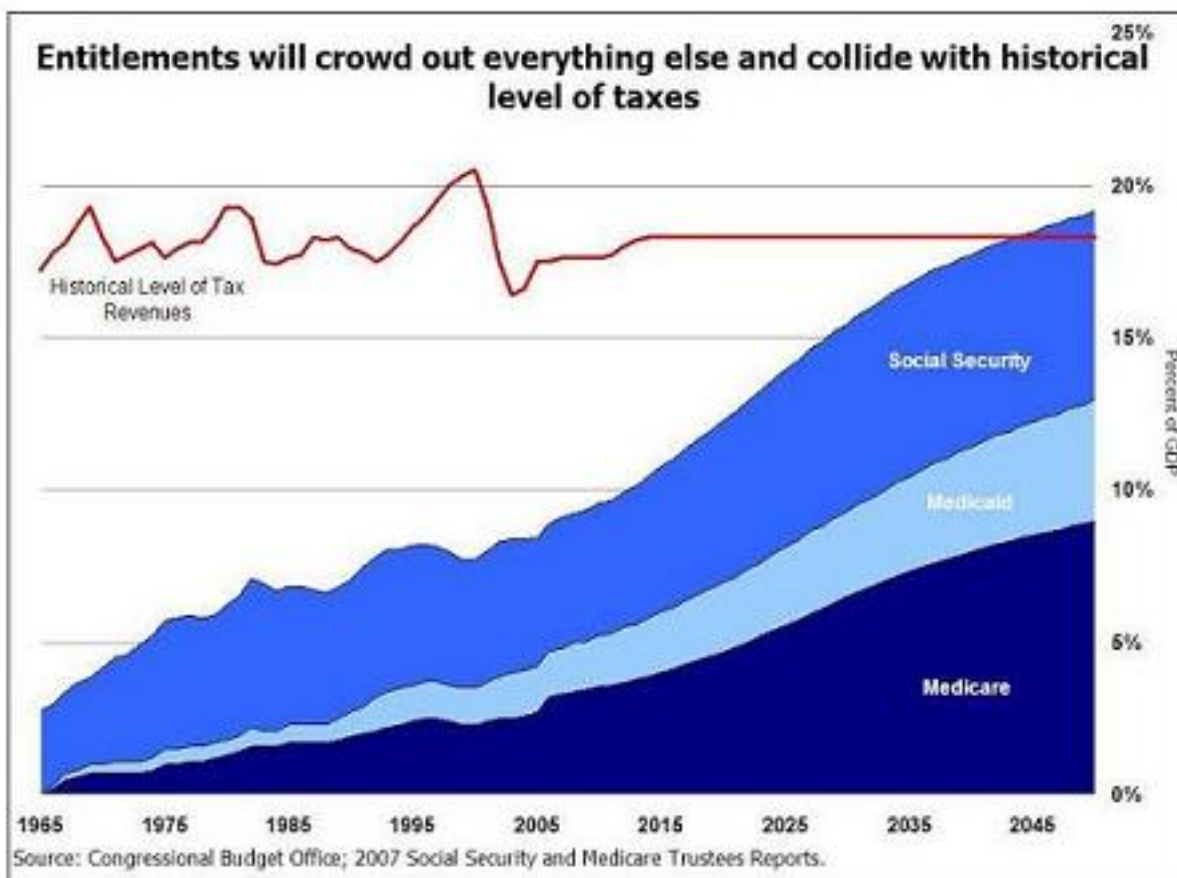
*"Continuing on this unsustainable fiscal path will gradually erode, if not suddenly damage, our economy, our standard of living, and ultimately our national security."* David Walker, Comptroller General, testimony before the Senate Budget Committee, October 31, 2007.

As this quote from the former Comptroller General starkly highlights, our entitlement programs – Social Security, Medicare, and Medicaid – are growing at an unsustainable rate and need fundamental reform. The following numbers illustrate the scope of the challenge we face:

o At current trends, mandatory spending (Social Security, Medicare, Medicaid, and net interest) will exceed federal revenues by 2030 and will approach 30% of GDP by 2040. In other words, long-term projections show that by 2030 Social Security, Medicare and Medicaid will absorb most of the available revenues within the federal budget, leaving nothing for other national priorities like defense, homeland security and transportation.

o The cost of our unfunded liabilities comes out to \$455,000 per household. In other words, a child born today in America automatically inherits a debt of almost \$200,000 as she takes her first breath.

Only real reform will fix this funding gap and protect the next generation from crippling debt and massive tax increases. But we cannot continue to postpone action. As the saying goes, 'Facts are stubborn things', and those facts facing us today tell us that waiting on entitlement reform costs us **\$2 trillion** per year.



As the principal supporter of the Social Security and Medicare "Lock Box" legislation, I led efforts to stop the raid on the Social Security surplus and raise public awareness regarding the entitlement crisis. In addition we desperately need the following reforms:

o **Social Security reform that allows Americans to save for their future.** Social Security is a good deal for today's seniors and those nearing retirement, but it's a bad deal for younger workers. Without reform, many Americans entering the workforce today will earn a negative return on the money they pay into Social Security. We must find a way to offer younger workers more freedom to secure their own retirement while guaranteeing the current levels of Social Security for seniors and workers approaching retirement today.

o **Bold structural Medicare reform that is fair and ensures the program will be available to future generations of Americans.** We need reforms that move beyond the traditional Medicare short-term fixes and fundamentally update an aging program into one that will meet the needs of today's seniors but also the needs of the next generation of Americans. Specifically, we need reforms that:

o Maintain the current program for those 55 and older (those who have long planned on the existing program);

- o Change how Medicare pays health care providers so payments are based on actual health outcomes, not just the number of tests ordered or drugs prescribed;

- o Fundamentally restructure the Medicare program for future retirees, so that these beneficiaries will have a choice of coverage options for high quality health care;

- o Provide incentives for younger workers to begin saving now for their post-retirement health care needs.

America has reached the tipping point on the entitlement crisis. Unless we act, our generation stands to be the first that will leave our children with a lower standard of living than we currently enjoy. That's why I intend to continue calling on leaders in Congress to address this challenge to our economic future.