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United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510-6100

May 19, 2009

The Honorable Barack Obama
President
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

As you know, our nation's fiscal situation is dire. The news from the Medicare and Social Security Trustees on May 12 provided ample evidence to support that assertion. Medicare is already cashing in securities from its trust fund to pay benefits, and the program will go broke in 2017, just 8 years away. As Ranking Members of the House and Senate Budget Committees, we are writing to express disappointment that the administration has chosen not to send a legislative proposal to Congress to address the Medicare Funding Warning that was declared in the *2008 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds* and to encourage your support for common sense solutions we have developed to address this issue.

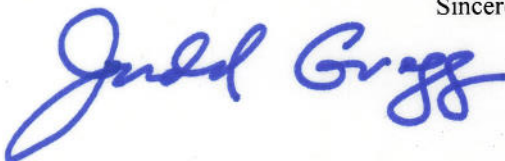
The Medicare Funding Warning raises a red flag to remind us that for two consecutive years, projections have shown that more than 45 percent of Medicare outlays will be financed by the general fund and that remedial legislative action is needed. Last year was the second year in which a Warning had been issued. In the first case, President Bush submitted legislation to reduce Medicare spending below the threshold. Unfortunately, the FY 2010 Budget included language stating the Administration would not send a similar proposal.

It is also worth noting that the size of the reduction necessary in 2014 to eliminate the excess funding is just \$5.4 billion, less than 1 percent of total Medicare outlays. It seems reasonable to expect that Democrats and Republicans could work together to take this small first step. In fact, the FY 2010 Budget included good policy ideas that we support, such as expanding Medicare's Part B income relation policy to Part D and aligning Medicare's payment incentives to enhance quality.

There are many options for you to pursue to address this funding shortfall, such as the bipartisan Task Force Senator Gregg has proposed with Senator Conrad, which would examine proposals such as these and ensure that Congress addresses these critical issues by guaranteeing an up-or-down vote, or ideas from the Roadmap for America's Future introduced by Mr. Ryan.

Our situation is serious, and we are hopeful that we can work together to begin to address the fiscal difficulties we face.

Sincerely,



Judd Gregg
U.S. Senator
Ranking Member
Senate Budget Committee



Paul Ryan
Member of Congress
Ranking Member
House Budget Committee