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Social Security, Medicare burning through funds

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The United States is burning through its health care and retirement fund pools faster than planned, with the Medicare trust fund to be exhausted by 2024, five years earlier than expected, officials said Friday.

A combination of higher costs and lower-than-expected revenues has worsened the outlook for Medicare as well as for Social Security, which will use up its huge trust fund in 2036, one year earlier than was projected last year, plan trustees said in their annual reports.

They emphasized that the forecasts point to dates when the level of payouts to beneficiaries to match incoming funds -- mostly payroll deductions and investment earnings -- will have to be reduced.

Medicare, which offers health care to retired and disabled Americans, would only be able to offset 90 percent of the costs of care, while Social Security would pay out only 75 percent of scheduled benefits, after the respective dates.

The Medicare report stressed that the program had gained a "sizable improvement" in its financial outlook due to the controversial Affordable Care Act of the administration of President Barack Obama.

But it noted the Act was still being implemented and its consequences still uncertain, with some parts of it requiring further reform.

The reports came as the White House was locked in negotiations with

Congress over addressing the country's long term budget deficit, with opposition Republicans eyeing possible cuts in the two entitlement programs' benefit plans.

"Today's reports make clear that while both Social Security and Medicare have sufficient resources to meet their obligations for at least the next decade, it is important that we put in place reforms to strengthen these programs," said Treasury Secretary Timothy Geithner, who is the managing trustee of both of the funds.

"Fundamentally, Social Security and Medicare benefits are secure today, but reform will be needed so that they will be there for current and future retirees."

Both plans are facing sharply rising costs from the onset of the "baby boomer" generation born between 1946 and 1963 -- a huge demographic bubble just beginning to retire.

Their wages have funded the trust funds, but the generation behind them is not adding enough to keep up with the expected rise in payouts -- especially with health care costs rocketing.

The change in the forecasts reflect lower estimates for death rates for the elderly, higher costs in Medicare's case, as well as lower-than expected income in the past year due to the sluggish economic recover.

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