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COMPARISON OF ACTUAL EXPERIENCE UNDER OASDHI SYSTEM WITH SHORT-RANGE COST ESTIMATES

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This is the fifth in a series of notes comparing actual experience under the Old-Age, Survivors, Disability, and Health Insurance system with the short-range cost estimates (for both fiscal and calendar years), which are contained in the annual Trustees Reports. These short-range estimates are based on the assumptions that no legislative changes will be made in the period under consideration and that economic activity will expand, with increases occurring in employment and in earnings rates. Therefore, it should be recognized that these estimates may vary from actual experience to some extent, because of changing economic conditions. Statutory changes, changes in reporting and appropriating procedures, and over- or under-appropriation of taxes to the trust funds (which are adjusted subsequently) also may account for some of the differences between actual and estimated experience.

Table 1 presents comparisons of actual experience for fiscal year 1967 with the estimates shown in the 1966 and 1967 Trustees Reports. The comparison with 1967 estimates shows that, for the OASI Trust Fund, the estimates of the income items were \$329 million lower than the actual experience, and the estimates of the outgo items were somewhat higher than the actual experience (by \$116 million), with the result that the assets at the end of the fiscal year exceeded the estimate by \$444 million. For the DI Trust Fund, income was \$24 million higher than the estimate, and outgo was \$16 million

higher than the estimate, so that the fund at the end of the fiscal year was \$10 million higher than the estimate.

For the HI Trust Fund, income in fiscal year 1967 (the first full year of operation of the Medicare program) was only \$17 million higher than the estimate in the 1967 Trustees Report, while outgo was \$106 million higher, so that the actual balance in the fund at the end of the fiscal year was \$101 million less than estimated. For the SMI Trust Fund, income was \$30 million higher than the estimate in the 1967 Trustees Report, and outgo was \$197 million less than estimated (probably due to the greater lag in filing claims and in adjudicating them than had been estimated), so that the balance in the fund at the end of the fiscal year was \$226 million higher than the estimate.

The comparison of the Medicare experience for fiscal year 1967 with the estimates in the 1966 Trustees Reports shows a much wider variance (because those estimates were prepared before the program went into operation and before actual operating experience was available). For the HI Trust Fund, income was \$365 million higher than the estimate and outgo was \$171 million higher, so that the actual increase in the fund during the year was \$194 million more than estimated. For the SMI Trust Fund, income was \$182 million more than estimated (due to the greater participation than

assumed), while outgo was \$99 million less than estimated (due to the greater lag in filing and adjudicating claims than estimated, which more than offset the effect of greater participation than assumed); as a result, the actual balance in the fund at the end of the year was \$281 million higher than estimated.

Table 2 presents a comparison of the balances in the trust funds at the end of fiscal years 1960-67 with the estimates made *during* each of the same years. In each year, the OASDI estimates have been very close to the actual experience, with the greatest variation being for fiscal year 1966—due to the actual income being so much higher than the estimate (largely because an Internal Revenue Service regulation went into effect which speeded up the collection of taxes). However, it is to be expected that these estimates should be relatively close to the actual experience, since they are made in the middle of each fiscal year and thus project only about 6 months into the future.

Table 3 presents a comparison of actual experience for calendar year 1967 with the estimates shown in the 1967 Trustees Reports. For the OASI Trust Fund, the estimates of the income items were only \$30 million lower than the actual experience, while the estimates of the outgo items were higher than the actual experience by \$187 million, with the result that the assets at the end of the calendar year exceeded the estimate by \$217 million. For the DI Trust Fund,

income was \$6 million less than the estimate, and outgo was \$35 million higher than the estimate, so that the fund at the end of the calendar year was \$41 million less than the estimate. For the SMI Trust Fund, income was \$333 million higher than the estimate, and outgo was \$107 million higher than the estimate, so that the balance in the fund at the end of the calendar year was \$124 million higher than estimated; the great difference in income was due to \$322 million in government contributions, which was transferred to the fund in January 1967, but which represented matching contributions for calendar year 1966. For the HI Trust Fund, the estimates did not include transactions relating to the uninsured persons who would be covered for the benefits of this program, the cost for whom is borne out of the General Fund of the Treasury. Therefore, since the HI Trust Fund was not totally reimbursed during the calendar year, the HI estimates cannot rightfully be compared with the actual calendar year 1967 experience.

Table 4 presents a comparison of the balances in the trust funds at the end of calendar years 1960-67 with the estimates made at about the beginning of each of the same years. In each year, the OASDI estimates have been very close to the actual experience, with the greatest variation being for calendar year 1966. Since these estimates are generally made at the beginning of each calendar year, it is to be expected that there would be greater variation than in the fiscal-year comparison (where the estimates project only about 6 months into the future).

Table 1
COMPARISON OF PROGRESS OF OASDHI TRUST FUNDS,
FISCAL YEAR 1967
(Amounts in millions)

Item	Actual	Estimates Shown in 1967 Trustees Reports		Estimates Shown in 1966 Trustees Reports	
		Estimate	Estimate as Percent of Actual	Estimate	Estimate as Percent of Actual
OASI Trust Fund					
Contributions*	\$22,645	\$22,329	99%	\$20,436	90%
Benefit Payments	18,886	18,964	100	19,065	101
Administrative Expenses	334	348	104	292	87
Interest Income	726	713	98	586	81
Transfer to Railroad Retirement	508	532	105	520	102
Fund at End of Year	23,515	23,071	98	19,893	85
DI Trust Fund					
Contributions*	\$ 2,265	\$ 2,242	99%	\$ 2,045	90%
Benefit Payments	1,861	1,845	99	1,782	96
Administrative Expenses	99	94	95	120	121
Interest Income	67	66	99	57	85
Transfer to Railroad Retirement	31	28	90	27	87
Payments for Vocational Rehabilitation Services	7	15	214	13	186
Fund at End of Year	2,022	2,012	100	1,751	87
HI Trust Fund					
Contributions*	\$ 2,700	\$ 2,668	99%	\$ 2,385	88%
Benefit Payments	2,508	2,395	95	2,338	93
Administrative Expenses	89	96	108	88	99
Interest Income	46	62	135	40	87
Transfer from Railroad Retirement	16	16	100	16	100
Reimbursement for Uninsured Persons	327	326	100	283	87
Fund at End of Year	1,343	1,444	108	1,095	82
SMI Trust Fund					
Premiums	\$ 647	\$ 623	96%	\$ 550	85%
Government Contributions	623	623	100	550	88
Benefit Payments	664	861	130	765	115
Administrative Expenses	134	134	100	132	99
Interest Income	14	9	64	2	14
Fund at End of Year	486	260	53	205	42

* Includes transfer from General Fund for military service credits (\$78 million to OASI, \$16 million to DI, and \$11 million to HI).

Table 2
COMPARISON OF BALANCES IN FUND AT
END OF FISCAL YEAR, 1960-67

<u>Fiscal Year</u>	<u>Amount (in millions)</u>		<u>Estimate as Percent of Actual</u>
	<u>Actual</u>	<u>Estimate</u>	
OASI Trust Fund			
1960	\$20,829	\$20,524	98.5%
1961	20,900	20,772	99.4
1962	19,626	19,825	101.0
1963	18,939	18,889	99.7
1964	19,699	19,426	98.6
1965	20,180	19,922	98.7
1966	19,872	18,748	94.3
1967	23,515	23,071	98.1
DI Trust Fund			
1960	\$ 2,167	\$ 2,167	100.0%
1961	2,504	2,486	99.3
1962	2,507	2,544	101.5
1963	2,394	2,401	100.3
1964	2,264	2,247	99.2
1965	2,007	1,968	98.1
1966	1,686	1,591	94.4
1967	2,022	2,012	99.5
HI Trust Fund			
1966	\$ 851	\$ 797	93.7%
1967	1,343	1,444	107.5
SMI Trust Fund			
1967	\$ 486	\$ 260	53.5%

Table 3
COMPARISON OF PROGRESS OF OASDHI
TRUST FUNDS, CALENDAR YEAR 1967

Item	Amount (in millions)		Estimate as Percent of Actual
	Actual	Estimate	
OASI Trust Fund			
Contributions ¹	\$23,216	\$23,210	100%
Benefit Payments	19,468	19,644	101
Administrative Expenses	406	393	97
Interest Income	818	794	97
Transfer to Railroad Retirement	508	532	105
Fund at End of Year	24,222	24,005	99
DI Trust Fund			
Contributions ¹	\$ 2,302	\$ 2,313	100%
Benefit Payments	1,939	1,905	98
Administrative Expenses	109	107	98
Interest Income	78	73	94
Transfer to Railroad Retirement	31	28	90
Payments for Vocational Rehabilitation Services	11	15	136
Fund at End of Year	2,029	2,070	102
SMI Trust Fund ²			
Premiums	\$ 640	\$ 627	98%
Government Contributions	933	627	67
Benefit Payments	1,197	1,100	92
Administrative Expenses	110	100	91
Interest Income	24	10	42
Fund at End of Year	412	288	70

¹ Includes transfer from General Fund for military service credits (\$78 million to OASI and \$16 million to DI).

² Estimates are averages of high-cost and low-cost estimates, using a 90% participation rate.

Table 4

COMPARISON OF BALANCES IN FUND AT
END OF CALENDAR YEAR, 1960-67

Calendar Year	Amount (in millions)		Estimate as Percent of Actual
	Actual	Estimate	
OASI Trust Fund			
1960	\$20,324	\$20,203	99.4%
1961	19,725	20,001	101.4
1962	18,337	18,713	102.1
1963	18,480	18,426	99.7
1964	19,125	18,615	97.3
1965	18,235	17,936	98.4
1966	20,570	18,787	91.3
1967	24,222	24,005	99.1
DI Trust Fund			
1960	\$ 2,289	\$ 2,303	100.6%
1961	2,437	2,494	102.3
1962	2,368	2,466	104.1
1963	2,235	2,232	99.9
1964	2,047	2,038	99.6
1965	1,606	1,576	98.1
1966	1,739	1,617	93.0
1967	2,029	2,070	102.0
HI Trust Fund			
1966	\$ 944	\$ 618	65.5%
1967	1,073	*	*
SMI Trust Fund			
1966	\$ 122	\$ 223	182.8%
1967	412	288	69.9

* No comparable estimate was made for the HI Trust Fund for calendar year 1967.

Note: Estimate for 1961 contained in actuarial cost report dated July 10, 1961; estimate for 1965 contained in actuarial cost report dated July 30, 1965; estimates for other years contained in annual Trustees Reports.