Actuarial Status of the HI and SMI Trust Funds

by Barbara Klees and Carter Warfield*

This article is adapted from the 1987 Annual Reports of the Medicare Board of Trustees. It presents a summary of the current financial and actuarial status of the Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) Trust Funds. The Board found that the present financing schedule for the HI program is sufficient to ensure the payment of benefits over the next 12-14 years if the intermediate (II-A and II-B) assumptions underlying the estimates are realized. Although steps have been undertaken to reduce the rate of growth in payments to hospitals, the Board urges Congress to take remedial measures to bring future HI program costs and financing into balance. The Board found the SMI program to be actuarially sound but recommends that Congress take action to curtail the rapid growth in that part of Medicare.

This summary presents an overview of the information contained in the Annual Reports of the Trustees[1] required under title XVIII of the Social Security Act, Health Insurance for the Aged and Disabled, commonly known as Medicare. There are two basic programs under Medicare:

(1) Hospital Insurance (HI), which pays for inpatient hospital care and other related care of those aged 65 or older and of the long-term disabled; and
(2) Supplementary Medical Insurance (SMI), which pays for physicians' services, outpatient hospital services, and other medical expenses of those aged 65 or older and of the long-term disabled.

The HI program is financed primarily by payroll taxes, with the taxes paid by current workers used primarily to pay benefits to current beneficiaries. However, the HI program maintains a trust fund to provide a small reserve against fluctuations and to anticipate changes in the demographic makeup of the population. The SMI program is financed on an accrual basis with a contingency margin. This means that the SMI Trust Fund should always be somewhat greater than the claims that have been incurred by enrollees but not yet paid by the program. The trust funds hold all of the income not currently needed to pay benefits and related expenses. The assets of the funds may not be used for any other purpose; however, they are invested in certain interest-bearing obligations of the U.S. Government.

The Secretaries of Treasury, Labor, Health and Human Services, and two public members serve as trustees of the HI and SMI Trust Funds. The Secretary of Treasury is the managing trustee. The Administrator of the Health Care Financing Administration, the agency charged with administering the Medicare program, is the Secretary of the Board of Trustees.

Operations of the HI Program

The Hospital Insurance (HI) program pays for inpatient hospital care and other related care of those aged 65 or older and of the long-term disabled. In calendar year 1986, about 28 million persons aged 65 or older and about 3 million disabled persons under age 65 were covered under HI, financed primarily by the contributions of 127 million workers through payroll taxes. Payroll taxes during 1986 amounted to $54.6 billion, accounting for 92.1 percent of all HI income. Interest payments to the HI fund amounted

*Division of Medicare Cost Estimtes, Office of the Actuary, Health Care Financing Administration.

[1] **1987 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund** and **1987 Annual Report of the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund**, March 30, 1987. Copies of the reports may be obtained from the Office of the Actuary, Health Care Financing Administration, Room 100, Equitable Building, 1705 Whitehead Road, Baltimore, Maryland 21207.

to 6.1 percent of all HI income for 1986. The remaining 1.8 percent of calendar year 1986 income consisted primarily of transfers from the Railroad Retirement Account and the general fund of the Treasury (in accordance with provisions for the collection of taxes from railroad workers, the collection of taxes on deemed military-service wage credits, and reimbursement to the fund for benefits for certain uninsured persons), and premiums paid by voluntary enrollees. Of the $50.4 billion in HI disbursements, $49.8 billion was for benefit payments, while the remaining $0.7 billion was spent for administrative expenses. HI administrative expenses were 1.3 percent of total disbursements. In calendar year 1986, the HI Trust Fund was credited with an additional $10.6 billion, representing the final repayment of the interfund loans made to the Federal Old-Age and Survivors Insurance Trust Fund in December 1982.

As mentioned above, the HI program is financed primarily by payroll taxes, with the taxes paid by current workers used primarily to pay benefits to current beneficiaries. However, the HI program maintains a trust fund to provide a small reserve against fluctuations in program experience, such as those occurring in hospital admissions or inflation. The HI program should also build a reserve to anticipate changes in the demographic composition of the population. However, the projected reserves are inadequate for this purpose. The trust fund holds all of the income not currently needed to pay benefits and related expenses. The assets of the fund may not be used for any other purpose; however, they are invested in certain interest-bearing obligations of the U.S. Government.

The HI contribution rates applicable to taxable earnings in each of the calendar years 1983 and later are shown in table 1. The maximum taxable amounts of annual earnings are shown for 1983 through 1987. After 1987, the automatic-increase provisions in section 230 of the Social Security Act set the amount.

Table 1.—Contribution rates and maximum taxable amount on annual earnings

Calendar year	Maximum taxable amount of annual earnings	Contribution rate (percent of taxable earnings)	
		Employees and employers, each	Self-employed
1983	$35,700	1.30	1.30
1984	37,800	1.30	2.60
1985	39,600	1.35	2.70
1986	42,000	1.45	2.90
1987	43,800	1.45	2.90
Changes scheduled in present law:			
1988 and later	(1)	1.45	2.90

[1] Subject to automatic increase.

Actuarial Status of the Trust Fund

The Board of Trustees has adopted the general financing principle that annual income to the Hospital Insurance program should be at least equal to annual outlays of the program plus an amount to maintain a balance in the trust fund equal to a minimum of one-half year's disbursements. At the beginning of 1987, the trust fund was above the minimum desired level.

Projections were made under four alternative sets of assumptions: optimistic, two intermediate sets (alternatives II-A and II-B), and pessimistic. Under both sets of intermediate assumptions, the trust fund ratio, defined as the ratio of assets at the beginning of the year to disbursements during the year, is projected to increase until about 1992 and then decline steadily until the fund is completely exhausted just after the turn of the century. Under the more opimistic set of assumptions (alternative I), the trust fund is projected to remain solvent throughout the first two 25-year projection periods. Under the more pessimistic set of assumptions (alternative III), the trust fund is projected to increase to a level of about 98 percent in 1989 and then decrease rapidly until the fund is exhausted in 1996.

Table 2 summarizes the estimated operations of the HI Trust Fund under the four alternative sets of assumptions. Chart 1 shows historical trust fund ratios for recent years and projected ratios under the four sets of assumptions.

The adequacy of the financing of the HI program on a long-range basis is measured by comparing on a year-by-year basis the actual tax rates specified by law with the corresponding total costs of the program, expressed as percentages of taxable payroll. The actuarial balance is defined to be the excess of the average tax rate for the valuation period over the average cost of the program expressed as a percent of taxable payroll. Table 3 compares the actuarial balance under each of the four sets of assumptions for the 75-year projection period 1987-2061. Chart 2 shows the year-by-year costs as a percentage of taxable payroll for each of the four sets of assumptions, as well as the scheduled tax rates. The cost figures in table 3 and chart 2 include amounts for maintaining the trust fund at the level of at least a half-year's disbursements, as recommended by the Board of Trustees. Under alternative I, maintenance amounts are included only in the last 25-year projection period.

Chart 2 emphasizes the inadequacy of the financing of the HI program by illustrating the divergence of the program costs and scheduled tax rates under each set of assumptions.

Table 4 presents a comparison of the projected experience in the 1986 and 1987 Trustees' Reports. As table 4 indicates, the projections in the 1987 report

Table 2.—Estimated operations of the Hospital Insurance Trust Fund during calendar years 1986-2010, under alternative sets of assumptions

[Dollar amounts in billions]

Calendar year	Total income	Total disbursements	Interfund borrowing transfers[1]	Net increase in fund	Fund at end of year	Ratio of assets to disbursements[2] (percent)
Alternative I (optimistic)						
1986[3]	$59.3	$50.4	$10.6	$19.5	$40.0	41
1987	63.9	49.1	. . .	14.8	54.8	81
1988	68.5	55.9	. . .	12.6	67.4	98
1989	73.7	60.8	. . .	12.9	80.3	111
1990	79.0	66.1	. . .	12.9	93.2	121
1991	84.1	71.1	. . .	13.0	106.2	131
1992	89.0	75.7	. . .	13.3	119.5	140
1993	93.7	80.2	. . .	13.5	133.0	149
1994	98.4	84.7	. . .	13.7	146.7	157
1995	103.3	89.3	. . .	14.0	160.7	164
2000	135.7	116.0	. . .	19.8	246.3	195
2005	179.0	148.2	. . .	30.8	375.7	233
2010	233.6	187.5	. . .	46.1	573.4	281
Alternative II-A (intermediate)						
1986[3]	59.3	50.4	10.6	19.5	40.0	41
1987	63.7	49.1	. . .	14.6	54.5	81
1988	68.0	56.0	. . .	12.1	66.6	97
1989	73.0	61.5	. . .	11.5	78.1	108
1990	78.2	67.8	. . .	10.4	88.5	115
1991	83.3	74.1	. . .	9.2	97.8	120
1992	88.4	80.5	. . .	7.8	105.6	121
1993	93.2	87.2	. . .	6.1	111.7	121
1994	98.2	94.2	. . .	4.0	115.7	119
1995	103.2	101.6	. . .	1.6	117.3	114
1996	108.5	109.1	. . .	-.6	116.7	107
1997	114.1	116.9	. . .	-2.8	113.8	100
1998	120.0	125.3	. . .	-5.3	108.5	91
1999	126.2	134.3	. . .	-8.1	100.4	81
2000	132.6	144.0	. . .	-11.4	89.0	70
2001	139.1	154.1	. . .	-15.0	73.9	58
2002	145.7	164.9	. . .	-19.2	54.8	45
2003	152.5	176.5	. . .	-24.0	30.8	31
2004	159.5	188.8	. . .	-29.3	1.5	16
2005	166.7	201.9	. . .	-35.3	([4])	1
Alternative II-B (intermediate)						
1986[3]	59.3	50.4	10.6	19.5	40.0	41
1987	63.3	49.1	. . .	14.2	54.1	81
1988	67.4	56.0	. . .	11.4	65.5	97
1989	72.7	61.6	. . .	10.4	75.9	106
1990	77.3	68.4	. . .	8.9	84.8	111
1991	82.7	75.4	. . .	7.4	92.1	112
1992	88.3	82.6	. . .	5.7	97.8	112
1993	93.7	90.1	. . .	3.7	101.5	109
1994	99.3	98.0	. . .	1.2	102.7	103
1995	104.9	106.5	. . .	-1.6	101.1	96
1996	110.7	115.2	. . .	-4.5	96.6	88
1997	116.7	124.3	. . .	-7.7	88.9	78
1998	122.8	134.2	. . .	-11.4	77.5	66
1999	129.2	144.9	. . .	-15.7	61.8	53
2000	135.8	156.4	. . .	-20.6	41.2	40
2001	142.5	168.5	. . .	-26.1	15.2	24
2002	149.3	181.4	. . .	-32.1	([5])	8
Alternative III (pessimistic)						
1986[3]	59.3	50.4	10.6	19.5	40.0	41
1987	62.0	49.1	. . .	12.9	52.8	81
1988	64.5	56.1	. . .	8.4	61.2	94
1989	68.9	62.6	. . .	6.4	67.6	98
1990	72.3	69.8	. . .	2.6	70.2	97
1991	77.4	78.4	. . .	-1.0	69.1	90
1992	82.4	88.0	. . .	-5.6	63.6	79
1993	87.5	98.5	. . .	-11.1	52.5	65
1994	92.4	110.1	. . .	-17.7	34.9	48
1995	97.2	122.7	. . .	-25.5	9.4	28
1996	101.9	136.1	. . .	-34.2	([6])	7

[1] Loans totaling $12.4 billion were made to the OASI Trust Fund in 1982. This amount was still an asset of the HI Trust Fund; however, since these assets were not immediately available for payment of HI benefits, they were subtracted from the HI fund balance. The positive amounts shown represent repayments of principal to the HI Trust Fund.

[2] Ratio of assets in the trust fund at the beginning of the year to disbursements during the year.

[3] Figures for 1986 represent actual experience.

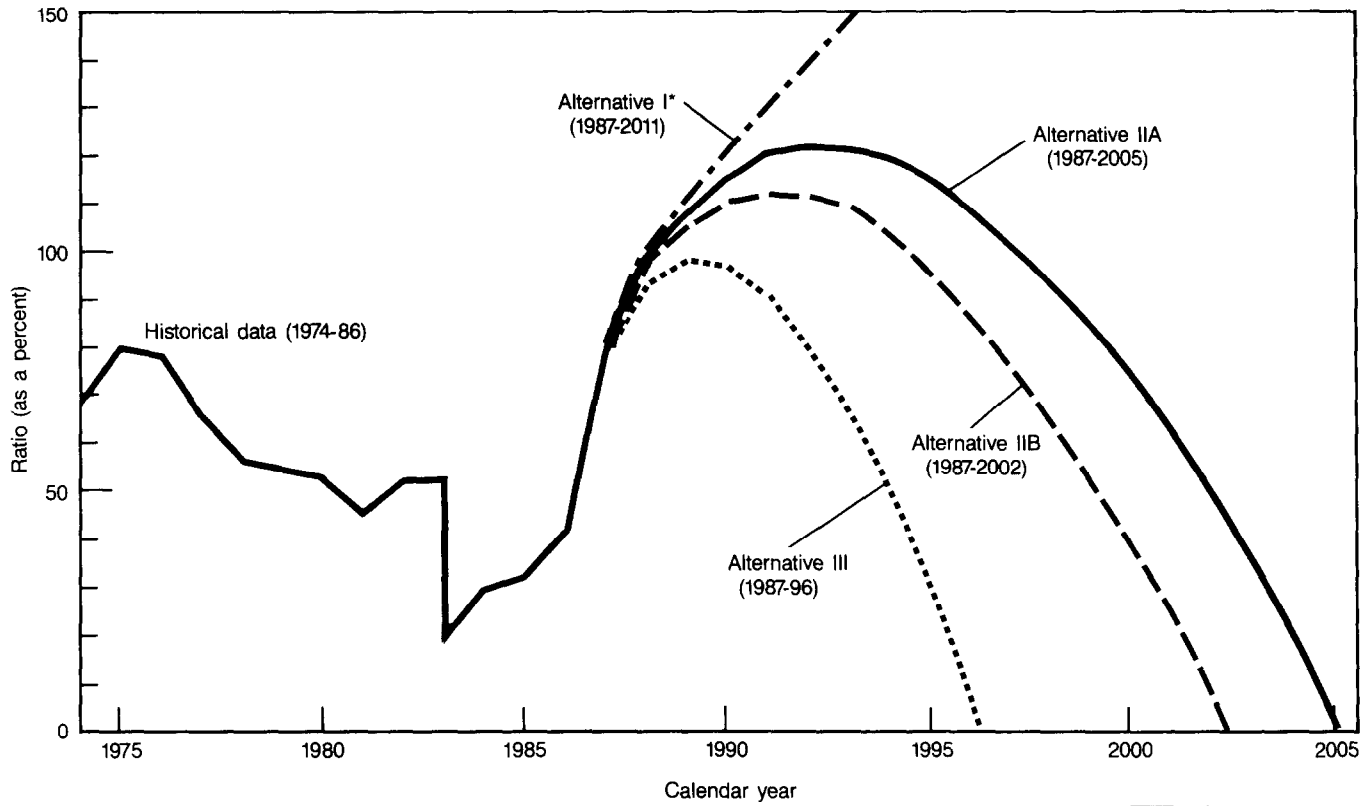
[4] Trust fund depleted in calendar year 2005.

[5] Trust fund depleted in calendar year 2002.

[6] Trust fund depleted in calendar year 1996.

Note: Totals do not necessarily equal the sums of rounded components.

Chart 1. — Short-term HI Trust Fund ratios



*The trust fund remains solvent under alternative I during this 25-year projection period.
Note: The trust fund ratio is defined as the ratio of assets at the beginning of the year to disbursements during the year.

Table 3.—Seventy-five year actuarial balance of the Hospital Insurance program under alternative sets of assumptions

[Figures in percents]

Alternative assumption	Contribution rate[1]	Cost rate[2]	Actuarial balance
1987-2011:			
I (optimistic)	2.90	2.71	+0.19
II-A (intermediate)	2.90	3.21	-.31
II-B (intermediate)	2.90	3.34	-.44
III (pessimistic)	2.90	4.41	-1.51
2012-2036:			
I (optimistic)	2.90	2.97	-.07
II-A (intermediate)	2.90	5.16	-2.26
II-B (intermediate)	2.90	5.49	-2.59
III (pessimistic)	2.90	10.47	-7.57
2037-2061:			
I (optimistic)	2.90	3.43	-.53
II-A (intermediate)	2.90	6.36	-3.46
II-B (intermediate)	2.90	6.77	-3.87
III (pessimistic)	2.90	13.78	-10.88
1987-2061:			
I (optimistic)	2.90	3.04	-.14
II-A (intermediate)	2.90	4.91	-2.01
II-B (intermediate)	2.90	5.20	-2.30
III (pessimistic)	2.90	9.55	-6.65

[1]As scheduled under present law.
[2]Expressed as a percent of taxable payroll. Includes amounts for trust fund maintenance. Under alternative I, maintenance amounts are included only in the last 25-year projection period.
Note: Taxable payroll is adjusted to take into account the lower contribution rates on tips and on multiple-employer "excess wages," as compared with the combined employer-employee rate.

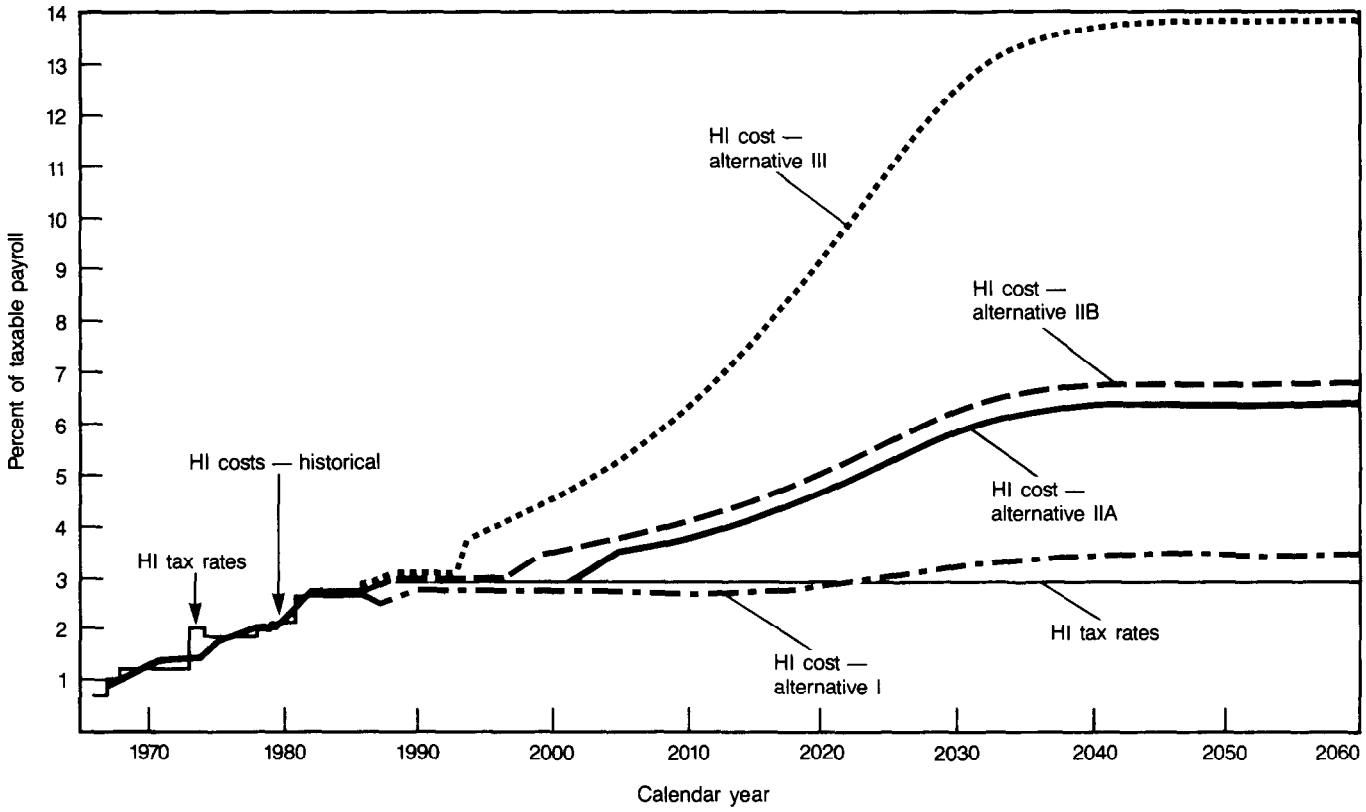
Table 4.—Status of the Hospital Insurance Trust Fund from the 1987 Trustees' Reports

Alternative assumptions	Year trust fund exhausted		75-year actuarial balance of the HI program (percent)[1]	
	1986 report	1987 report	1986 report	1987 report
I (optimistic)	([2])	([3])	-0.52	-0.14
II-A (intermediate)	1998	2005	-2.65	-2.01
II-B (intermediate)	1996	2002	-3.02	-2.30
III (pessimistic)	1993	1996	-8.03	-6.65

[1]The actuarial balance of the Hospital Insurance program is defined to be the excess of the average tax rate for the valuation period over the average cost of the program, expressed as a percentage of taxable payroll, for the same period.
[2]The trust fund is solvent at least through the end of the first 25-year projection period.
[3]The trust fund is solvent at least through the end of the second 25-year projection period.

show that the fund will be depleted several years later than was shown in the 1986 report under all alternative projections. This change is primarily due to legislation passed since the 1986 report was issued and to the more optimistic economic assumptions underlying the projections in the 1987 report. The following tabulation shows the major reasons for the change in the 75-year actuarial balance of the HI program from the 1986 report.

Chart 2. — Estimated HI cost and tax rates



Note: HI projected cost includes an allowance for maintaining the trust fund balance at the level of at least a half-year's outgo after accounting for the offsetting effect of interest earnings. Under alternative I, maintenance amounts are included only in the last 25-year projection period.

1. Actual balance, alternative II-B, 1986 report	-3.02%
2. Changes:	
a. Valuation period	-0.07
b. Base estimate	+0.05
c. Legislation since the 1986 report	
1. Consolidated Omnibus Budget Reconciliation Act of 1985	+0.30
2. Omnibus Budget Reconciliation Act of 1986	-0.06
d. Economic and demographic assumptions	+0.34
e. Hospital assumptions	+0.16
f. Net effect, all changes	+0.72
3. Actuarial balance, alternative II-B, 1987 report	-2.30

Conclusion

The present financing schedule for the Hospital Insurance program is sufficient to ensure the payment of benefits and maintain the fund at a level of at least one-half year's disbursements over the next 12 to 14 years if the assumptions underlying the estimates are realized. The trust fund is exhausted just after the turn of the century under both alternatives II-A and II-B. Under the more pessimistic alternative III, the fund is exhausted in 1996. Under the more optimistic alternative I, the trust fund is solvent at least through the first two 25-year projection periods.

There are currently over four covered workers supporting each HI enrollee. This ratio will begin to decline rapidly early in the next century. By the middle of that century, there will be only slightly more than two covered workers supporting each enrollee. Not only are the anticipated reserves and financing of the HI program inadequate to offset this demographic change, but under all but the most optimistic assumptions, the trust fund is projected to become exhausted even before the major demographic shift begins to occur. Exhaustion is projected to occur just after the turn of the century under the intermediate assumptions, and could occur as early as 1996 if the pessimistic assumptions are realized.

The Board notes that promising steps to begin reducing the rate of growth in payments to hospitals have already been taken. Initial experience under the prospective payment system for hospitals suggests that this payment mechanism is an effective means of constraining the growth in hospital payments and improving the efficiency of the hospital industry. Efforts focused on improving the efficiency and reducing the costs of the health care delivery system need to be continued, in close combination with mechanisms that will assure that the quality of health care is not adversely affected.

Because of the magnitude of the projected actuarial deficit in the HI program and the probability that the HI Trust Fund will be exhausted shortly after the end of this century, the Board believes that early corrective action is essential in order to avoid the need for later, potentially precipitous changes. The Board, therefore, urges that the Congress take early remedial measures to bring future HI program costs and financing into balance.

SMI Trust Fund

The Supplementary Medical Insurance (SMI) program pays for physicians' services, outpatient hospital services, and other medical expenses for both those aged 65 or older and for the long-term disabled. In calendar year 1986, 30.5 million persons were covered under SMI. General revenue contributions during 1986 amounted to $17.8 billion, accounting for 72.2 percent of all SMI income. About 23.2 percent of all income resulted from the premiums paid by the participants, with interest payments to the SMI fund accounting for the remaining 4.6 percent. Of the $27.3 billion in SMI disbursements, $26.2 billion was for benefit payments, while the remaining $1.1 billion was spent for administrative expenses. SMI administrative expenses were 3.9 percent of total disbursements.

The SMI program is financed on an accrual basis with a contingency margin. This means that the SMI Trust Fund should always be somewhat greater than the claims that have been incurred by enrollees but not yet paid by the program. The trust fund holds all of the income not currently needed to pay benefits and related expenses. The assets of the fund may not be used for any other purpose; however, they are invested in certain interest-bearing obligations of the U.S. Government.

Financing for the SMI program is established annually on the basis of standard monthly premium rates (paid by or on behalf of all participants) and monthly actuarial rates determined separately for aged and disabled beneficiaries (on which general revenue contributions are based). Prior to the 6-month transition period (July 1, 1983, through December 31, 1983), these rates were applicable in the 12-month periods ending June 30. Beginning January 1, 1984, the period for which rates were applicable was changed to calendar years. Monthly actuarial rates are equal to one-half the monthly amounts necessary to finance the SMI program. These rates determine the amount to be contributed from general revenues on behalf of each enrollee. Based on the formula in the law, the Government contribution effectively makes up the difference between twice the monthly actuarial rates and the standard monthly premium rate. Chart 3 presents these values for financing periods since 1974. The extent to which general revenue financing is becoming the major source of income for the program is clearly indicated in this chart.

Operations of the SMI Program

Historical and projected operations of the fund through 1989 are shown in tables 5 and 6. As can be seen, income has exceeded disbursements for most of the historical years. However, at the time that financing was being established for calendar year 1987, assets appeared to be more than sufficient to cover the incurred costs and an appropriate contingency. Therefore, the financing was established to reduce the assets to the level necessary to maintain the actuarial soundness of the program. As a result, in calendar year 1987 disbursements are projected to exceed income, and the trust fund balance is projected to decrease through calendar year 1987. The financial status of the program depends on both the total net assets and liabilities. It is, therefore, necessary to examine the incurred experience of the program, since it is this experience that is used to determine the actuarial rates discussed above and which forms the basis of the concept of actuarial soundness as it relates to the SMI program.

Actuarial Soundness of the SMI Program

The concept of actuarial soundness, as it applies to the SMI program, is closely related to the concept as it applies to private group insurance. The SMI program is essentially yearly renewable term insurance financed from premium income paid by the enrollees, from income contributed from general revenue in proportion to premium payments, and from interest payments on the trust fund assets.

In testing the actuarial soundness of the SMI program, it is not appropriate to look beyond the period for which the enrollee premium rate and level of general revenue financing have been established. The primary tests of actuarial soundness, then, are that (1) assets for years for which financing has been established be sufficient to meet the projected benefits and associated administrative expenses incurred for that period and (2) assets be sufficient to cover projected liabilities that will have been incurred by the end of that time but will not yet have been paid. Even if these tests of actuarial soundness are not met, the program can continue to operate if the trust fund remains at a level adequate to permit the payment of claims as presented. However, to protect against the possibility that cost increases under the program will be higher than assumed, assets should be sufficient to cover the impact of a moderate degree of projection error.

The primary tests for actuarial soundness and trust fund adequacy can be viewed by direct examination of absolute dollar levels. In providing an appropriate contingency or margin for error, however, there must

also be some relative measure. The relative measure or ratio used for this purpose is the ratio of the assets less liabilities to the following year's incurred expenditures. Chart 4 shows this ratio for historical years and for projected years under the intermediate assumptions (alternative II-B), as well as high (pessimistic) and low (optimistic) cost sensitivity scenarios.

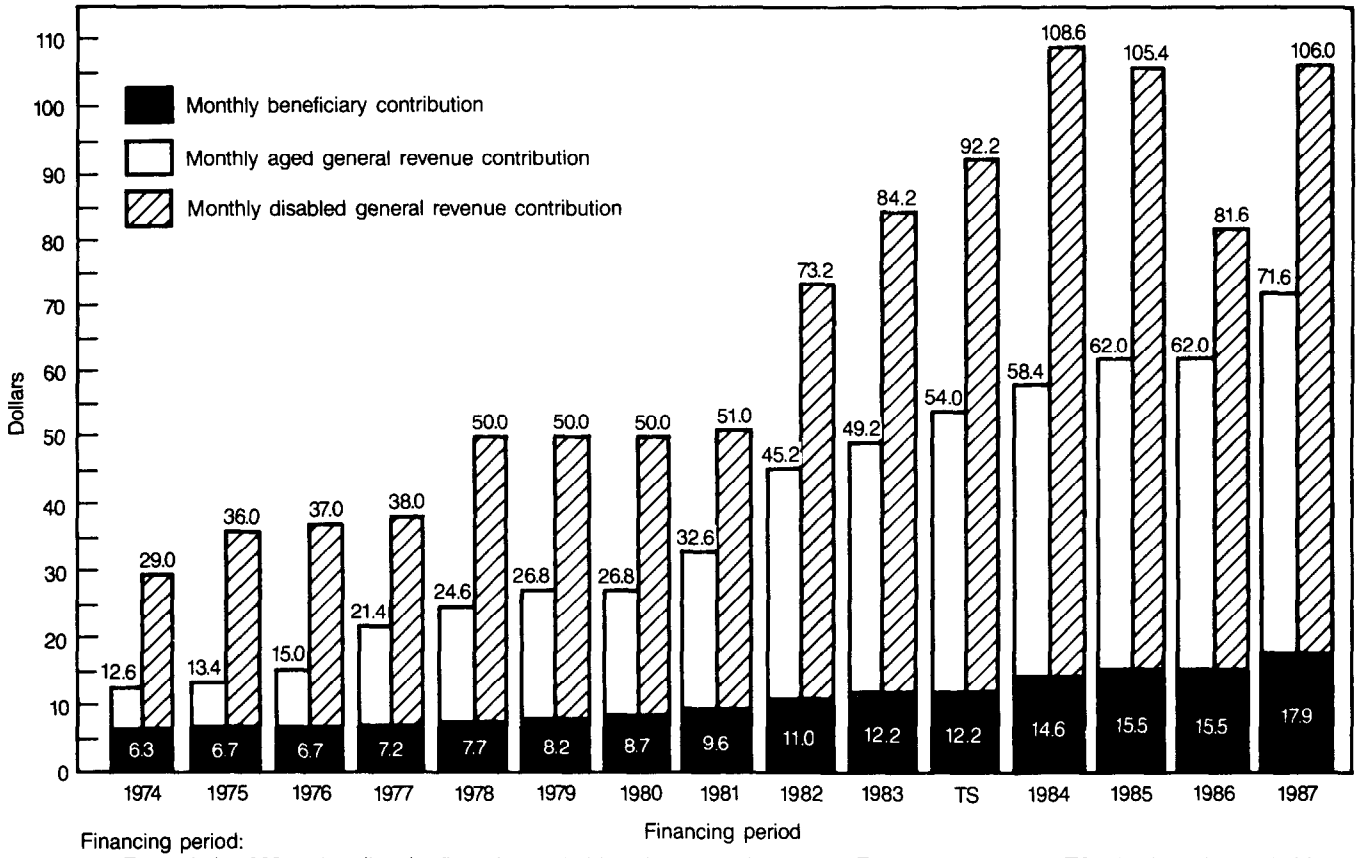
Financing for calendar year 1987 was established to reduce the excess of assets over liabilities to the appropriate level to maintain the actuarial soundness of the trust fund. As a result, the excess of assets over liabilities is expected to decrease by December 31, 1987.

Conclusion

The financing established through December 1987 is sufficient to cover projected benefits and administrative costs incurred through that time period, and to maintain a level of trust fund assets that is adequate to cover the impact of a small degree of projection error. The SMI program can thus be said to be actuarially sound.

Although the SMI program is financially sound, the Board notes with concern the rapid growth in the cost of the program. Growth rates have been so rapid that outlays of the program have doubled every 5 to 6 years, and this growth rate shows no sign of abating despite recent efforts to control the cost of the program. The Board recommends that Congress continue to work to curtail the rapid growth in the SMI program.

Chart 3. — SMI monthly per capita income



Financing period:
For periods 1983 and earlier, the financing period is July 1 through June 30. Transitional semester (TS), the financing period is July 1, 1983 through December 31, 1983.

Table 5.—Estimated progress of Supplementary Medical Insurance Trust Fund (cash basis) for fiscal years 1987-89 and actual data for 1967-86

[In millions]

Fiscal year[1]	Income				Disbursements			Balance in fund at end of year[4]
	Total income	Premiums from participants	Government contributions[2]	Interest and other income[3]	Total disbursements	Benefit payments	Administrative expenses	
Historical:								
1967	$1,285	$647	$623	$15	$799	$664	[5]$135	$486
1968	1,353	698	634	21	1,532	1,390	142	307
1969	1,911	903	984	24	1,840	1,645	195	378
1970	1,876	936	928	12	2,196	1,979	217	57
1971	2,516	1,253	1,245	18	2,283	2,035	248	290
1972	2,734	1,340	1,365	29	2,544	2,255	289	481
1973	2,902	1,427	1,430	45	2,637	2,391	246	746
1974	3,809	1,704	2,029	76	3,283	2,874	409	1,272
1975	4,322	1,887	2,330	105	4,170	3,765	405	1,424
1976	4,994	1,951	2,939	104	5,200	4,672	528	1,219
T.Q.	1,421	539	878	4	1,401	1,269	132	1,239
1977	7,383	2,193	5,053	137	6,342	5,867	475	2,279
1978	9,045	2,431	6,386	228	7,356	6,852	504	3,968
1979	9,839	2,635	6,841	363	8,814	8,259	555	4,994
1980	10,275	2,928	6,932	415	10,737	10,144	593	4,532
1981	12,439	3,320	8,747	372	13,228	12,345	883	3,743
1982	17,627	3,831	13,323	473	15,560	14,806	754	5,810
1983	19,147	4,227	14,238	682	18,311	17,487	824	6,646
1984	22,525	4,907	16,811	807	20,372	19,473	899	8,799
1985	24,577	5,524	17,898	1,155	22,730	21,808	922	10,646
1986	25,004	5,699	18,076	1,228	26,217	25,169	1,049	9,432
Projected:								
Alternative II-A:								
1987	27,609	6,418	20,251	940	30,547	29,487	1,060	6,494
1988	34,226	8,536	25,152	540	35,191	34,079	1,112	5,531
1989	42,738	9,522	32,665	551	40,199	39,029	1,170	8,070
Alternative II-B:								
1987	27,609	6,418	20,251	940	30,543	29,488	1,055	6,498
1988	34,228	8,536	25,152	540	35,193	34,089	1,104	5,533
1989	42,804	9,551	32,697	556	40,250	39,091	1,159	8,087

[1]Fiscal years 1967 through 1976 cover the interval from July 1 through June 30; the 3-month interval from July 1, 1976, through September 30, 1976, is labeled "T.Q.," the transition quarter; fiscal years 1977-89 cover the interval from October 1 through September 30.

[2]The payments shown as being from the general fund of the Treasury include certain interest-adjustment items.

[3]Other income includes recoveries of amounts reimbursed from the trust fund that are not obligations of the trust fund and other miscellaneous income.

[4]The financial status of the program depends on both the total net assets and the liabilities of the program.

[5]Includes expenses paid in fiscal years 1966 and 1967.

Table 6.—Estimated progress of Supplementary Medical Insurance Trust Fund (cash basis) for calendar years 1987-89 and actual data for 1966-86

[In millions]

Calendar year	Income				Disbursements			Balance in fund at end of year[3]
	Total income	Premiums from participants	Government contributions[1]	Interest and other income[2]	Total disbursements	Benefit payments	Administrative expenses	
Historical:								
1966	$324	$322	$0	$2	$203	$128	$75	$122
1967	1,597	640	933	24	1,307	1,197	110	412
1968	1,711	832	858	21	1,702	1,518	184	421
1969	1,839	914	907	18	2,061	1,865	196	199
1970	2,201	1,096	1,093	12	2,212	1,975	237	188
1971	2,639	1,302	1,313	24	2,377	2,117	260	450
1972	2,808	1,382	1,389	37	2,614	2,325	289	643
1973	3,312	1,550	1,705	57	2,844	2,526	318	1,111
1974	4,124	1,804	2,225	95	3,728	3,318	410	1,506
1975	4,673	1,918	2,648	107	4,735	4,273	462	1,444
1976	5,977	2,060	3,810	107	5,622	5,080	542	1,799
1977	7,805	2,247	5,386	172	6,505	6,038	467	3,099
1978	9,056	2,470	6,287	299	7,755	7,252	503	4,400
1979	9,768	2,719	6,645	404	9,265	8,708	557	4,902
1980	10,874	3,011	7,455	408	11,245	10,635	610	4,530
1981	15,374	[4]3,722	[4]11,291	361	14,028	13,113	915	5,877
1982	16,580	[4]3,697	[4]12,284	599	16,227	15,455	772	6,230
1983	19,824	4,236	14,861	727	18,984	18,106	878	7,070
1984	23,180	5,167	17,054	959	20,552	19,661	891	9,698
1985	25,106	5,613	18,250	1,243	23,880	22,947	933	10,924
1986	24,665	5,722	17,802	1,141	27,299	26,239	1,060	8,291
Projected:								
Alternative II-A:								
1987	28,476	6,668	21,122	686	31,677	30,605	1,072	5,090
1988	37,697	9,159	28,043	495	36,437	35,312	1,125	6,350
1989	42,938	9,643	32,658	637	41,460	40,276	1,184	7,828
Alternative II-B:								
1987	28,476	6,668	21,122	686	31,672	30,607	1,065	5,095
1988	37,700	9,159	28,045	496	36,449	35,332	1,117	6,346
1989	43,029	9,682	32,697	650	41,537	40,364	1,173	7,838

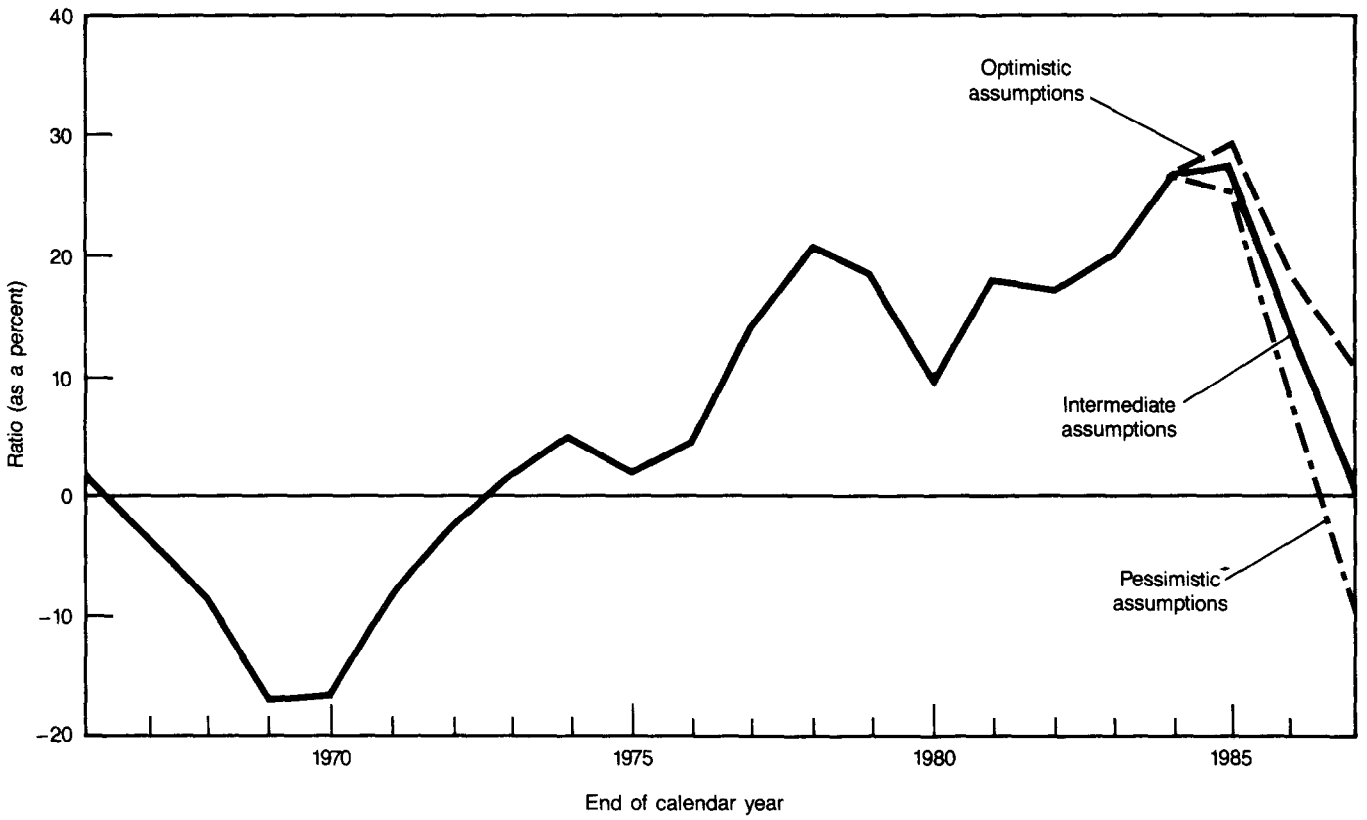
[1]The payments shown as being from the general fund of the Treasury include cretain interest-adjustment items.

[2]Other income includes recoveries of amounts reimbursed from the trust fund that are not obligations of the trust fund and other miscellaneous income.

[3]The financial status of the program depends on both the total net assets and the liabilities of the program.

[4]Section 708 of title VII of the Social Security Act modifies the provisions for the delivery of Social Security benefit checks when regularly designated delivery day falls on a Saturday, Sunday, or legal public holiday. Delivery of benefit checks normallly due January 1982 occurred on December 31, 1981. Consequently, the SMI premiums withheld from the checks ($264 million) and the general revenue matching contributions ($883 million) were added to the SMI Trust Fund on December 31, 1981. For purposes of making comparisons, these amounts are excluded from the premium income and general revenue income for calendar year 1982.

Chart 4. — Actuarial status of the SMI Trust Fund



Note: The actuarial status of the SMI Trust Fund is measured by the ratio of the end of year assets less liabilities to the following year incurred expenditures.