

# **Status of the Social Security and Medicare Programs**

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**A SUMMARY OF THE  
1999 ANNUAL REPORTS**

**Washington, D.C.  
March 1999**

**Social Security and Medicare  
Boards of Trustees**

Hypertext versions of the Social Security and Medicare Trustees Reports as well as this document are available on the Internet at the following addresses:

**Social Security (OASDI):** <http://www.ssa.gov/OACT/TR/TR99/index.html>  
**Medicare (HI and SMI):** <http://www.hcfa.gov/pubforms/tr/>  
**Summary:** <http://www.ssa.gov/OACT/TRSUM/trsummary.html>

*A MESSAGE TO THE PUBLIC:*

*Each year we, the Trustees of the Social Security and Medicare trust funds, report in detail on their financial condition. The reports describe their current and projected financial condition, within the next ten years (the “short term”) and over the next 75 years (the “long term”). This document is a summary of the 1999 reports.*

*The most significant new information in this year’s report is that the continued strong performance of the U.S. economy and improved prospects for future performance have improved the financial status of both the Social Security and Medicare Hospital Insurance trust funds and delayed the dates when the funds are projected, under current law, to run short of money to pay full benefits.*

*The Hospital Insurance (HI) Trust Fund, which pays inpatient hospital expenses, is projected to be able to pay full benefits until 2015, seven years longer than projected in last year’s report. Income exceeded expectations as a result of robust economic growth and expenditures declined due to implementation of the Balanced Budget Act of 1997, low increases in health care costs generally, and continuing efforts to combat fraud and abuse.*

*The Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor’s bills and other outpatient expenses, is expected to remain adequately financed into the indefinite future, but only because current law sets financing each year to meet the next year’s expected costs. Although the rate of growth of SMI costs has moderated in recent years, outlays have still increased 41 percent over the past five years, or about 9 percent faster than the economy as a whole.*

*The Social Security trust funds are projected to be adequately financed until 2034, two years later than projected last year. At that time, annual tax income to the combined trust funds is projected to equal about 71 percent of the cost of benefits. The Old-Age and Survivors Insurance (“OASI”) Trust Fund, which pays retirement and survivors benefits, is projected to be able to pay full benefits on time until 2036. The Disability Insurance (“DI”) Trust Fund, which pays disability benefits, is projected to be able to pay full benefits until 2020.*

*Despite the improvement in the financial outlook of Medicare, the projected increases in medical care costs still make solutions to Medicare's financing problems more complex than those for Social Security. But the longer run financing problems of both Social Security and Medicare need to be addressed soon to allow time for phasing in any necessary changes and for workers to adjust their retirement plans to take account of those changes.*

*In this regard, we are encouraged by the high priority the President and the Congress are giving to the resolution of the Social Security program's projected long-range financing shortfall. We strongly recommend that similar urgency be attached to the task of addressing Medicare's long-term financial situation.*

*With proper public discussion and timely legislative action, Social Security and Medicare will continue to play their critical role in the lives of virtually all Americans.*

*By the Trustees:*

*Robert E. Rubin,  
Secretary of the Treasury,  
and Managing Trustee*

*Alexis M. Herman,  
Secretary of Labor,  
and Trustee*

*Donna E. Shalala,  
Secretary of Health  
and Human Services,  
and Trustee*

*Kenneth S. Apfel,  
Commissioner of  
Social Security,  
and Trustee*

*Stephen G. Kellison,  
Trustee*

*Marilyn Moon,  
Trustee*

A SUMMARY OF THE 1999 ANNUAL SOCIAL SECURITY  
AND MEDICARE TRUST FUND REPORTS

**Who Are the Trustees?** There are six Trustees: the Secretary of the Treasury, the Secretary of Labor, the Secretary of Health and Human Services, the Commissioner of Social Security and two members appointed by the President and confirmed by the Senate to represent the public. Currently, the Public Trustees are Marilyn Moon, an economist who has written extensively on Medicare, and Stephen G. Kellison, an actuary who has taught and consulted widely on social insurance. All trustees serve on the Boards of all of the trust funds described below.

**What Are the Trust Funds?** The trust funds are financial accounts in the U.S. Treasury. Social Security and Medicare taxes, premiums and other income are deposited in these accounts, and Social Security and Medicare benefits are paid from them. The only purposes for which these trust funds can be used are to pay benefits and program administrative costs.

The trust funds hold money not needed in the current year to pay benefits and administrative costs and, by law, invest it in special Treasury bonds that are guaranteed by the U. S. Government. A market rate of interest is paid to the trust funds on the bonds they hold, and when those bonds reach maturity or are needed to pay benefits, the Treasury redeems them.

There are four separate trust funds. For Social Security, the Old-Age and Survivors Insurance (OASI) Trust Fund pays retirement and survivors benefits, and the Disability Insurance (DI) Trust Fund pays disability benefits. (The two trust funds are described together as OASDI.)

For Medicare, the Hospital Insurance (HI) Trust Fund pays for inpatient hospital and related care, and the Supplementary Medical Insurance (SMI) Trust Fund pays for physician and outpatient services. Medicare benefits are provided to most people age 65 and over and to workers who are receiving Social Security disability benefits.

**What Were the Trust Fund Results in 1998?** In December 1998, almost 38 million people were receiving OASI benefits, just over 6.3 million were receiving DI benefits, and about 39 million people were covered under Medicare. Trust fund operations, in billions of dollars, are shown below (totals may not add due to rounding).

	OASI	DI	HI	SMI
Assets (end of 1997) . . . . .	\$589.1	\$66.4	\$115.6	\$36.1
Income during 1998 . . . . .	424.8	64.4	140.5	87.7
Outgo during 1998 . . . . .	332.3	49.9	135.8	77.6
Net increase in assets . . . . .	92.5	14.4	4.8	10.1
Assets (end of 1998) . . . . .	681.6	80.8	120.4	46.2

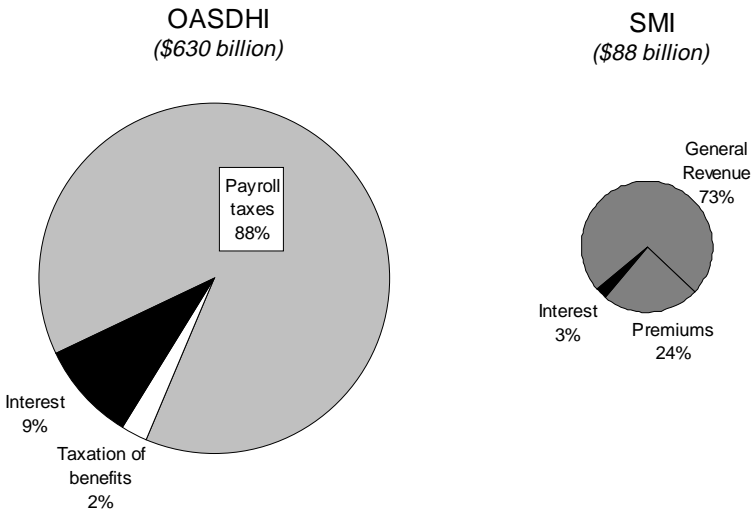
**How Are Social Security and Medicare Paid for?** For Social Security and the Hospital Insurance part of Medicare, the major source of financing is payroll taxes on earnings that are paid by employees and their employers, and by the self employed. People who are self employed are charged the equivalent of the combined employer and employee tax rates. In 1998, \$557 billion (88 percent) of total OASI, DI and HI income came from payroll taxes and small HI miscellaneous sources. The remainder was provided by interest earnings (\$58 billion or 9 percent) and revenue from taxation of OASDI benefits (\$15 billion or 2 percent).

The payroll tax rates are set by law and for OASI and DI apply to earnings up to a certain annual amount. This amount, called the earnings base, rises as average wages increase. In 1999, the earnings base for OASDI is \$72,600. HI taxes are paid on total earnings. The tax rates for employees and employers each under current law are:

Year	OASI	DI	OASDI	HI	Total
1999 . . . . .	5.35	0.85	6.20	1.45	7.65
2000 and later . .	5.30	0.90	6.20	1.45	7.65

The Supplementary Medical Insurance part of Medicare is financed by monthly premiums charged beneficiaries (\$45.50 in 1999) and by payments from Federal general revenues. In 1998, premiums accounted for \$21 billion (24 percent) of SMI income and interest income was about \$3 billion (3 percent). The remainder, \$64 billion (73 percent), consisted of general revenue payments. Chart A shows sources of income in 1998 for OASDI and HI combined and for SMI.

**Chart A—Sources of Income to Trust Funds in 1998**



Note: Totals may not add to 100% due to rounding

**What Were the Administrative Expenses in 1998?** Administrative expenses, as a percentage of benefit payments, were:

	<u>OASI</u>	<u>DI</u>	<u>HI</u>	<u>SMI</u>
Administrative Expenses 1998 . . . . .	0.6	3.3	1.3	2.0

**How Are Estimates of the Trust Funds’ Future Status Made?**

Short-range (10-year) and long-range (75-year) estimates are reported for all funds. These estimates are based on assumptions about all of the factors that affect the income and outgo of each trust fund. They include economic growth, wage growth, inflation, unemployment, fertility, immigration, and mortality, as well as specific factors relating to disability incidence and the cost of hospital and medical services.

*Because the future cannot be predicted with certainty, three alternative sets of economic and demographic assumptions are used to show a range of possibilities.* The intermediate assumptions (alternative II) reflect the Trustees’ best estimate of future experience. The low-cost alternative I is more optimistic for trust fund financing, and the high-cost alternative III is more pessimistic; they show trust fund projections if economic and demographic conditions are more or less favorable than the best estimate.

The assumptions are reexamined each year in light of recent experience and new information about future trends, and are revised if warranted. In general, greater confidence can be placed in the assumptions and estimates for earlier projection years than for later years. While estimates of income and expenditures usually have been close to actual experience, any estimates for as long as 75 years into the future are inherently uncertain. Nonetheless, careful review and updating on an annual basis provides an indication of the range of future possibilities.

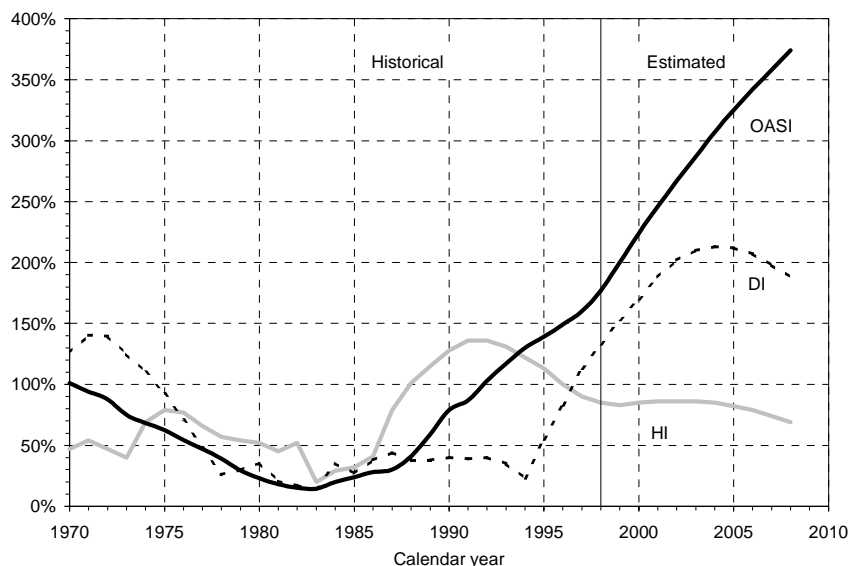
**What is the Short-Range Outlook (1999-2008) for the Trust Funds?**

For the short range, we measure the adequacy of the trust funds by comparing their assets at the beginning of a year to projected benefit payments for that year (the “trust fund ratio”). A trust fund ratio of 100 percent—that is, assets at the beginning of a year at least equal to projected benefit payments for that year—is considered a good test of a trust fund’s short-term adequacy. This level of assets means that even if no income were received for a year, the trust fund could pay full benefits, thereby allowing time for legislative action to restore financial adequacy.

By this measure, the OASI and DI funds are considered financially adequate throughout the short range because assets of both funds are over the 100 percent level through the year 2008. However, the trust fund ratio for HI is 83 percent in 1999, remains basically level through 2004, and then

declines steadily. Under the intermediate assumptions, the HI Trust Fund is exhausted in 2015. Chart B shows the OASI, DI and HI “trust fund ratios” under the intermediate assumptions.

**Chart B—OASI, DI, and HI Trust Fund Ratios**  
*[Assets as a percentage of annual expenditures]*



A less stringent “contingency reserve” asset test applies to SMI, but only because its financing—provided by beneficiary premiums and Federal general revenue payments—is automatically adjusted each year to meet expected costs.

The table below shows, in dollars, the projected income and outgo, and the change in the balance of each trust fund over the next 10 years.

**ESTIMATED OPERATIONS OF TRUST FUNDS**  
*(In billions of dollars—totals may not add due to rounding)*

Year	Income				Expenditures				Change in fund			
	OASI	DI	HI	SMI	OASI	DI	HI	SMI	OASI	DI	HI	SMI
1999	450	68	146	80	341	53	145	85	109	16	0	-5
2000	463	75	151	94	352	57	143	97	111	18	8	-3
2001	486	79	157	102	366	61	151	103	119	18	7	-1
2002	509	83	164	112	382	66	157	112	127	17	7	0
2003	535	87	171	122	399	71	166	121	135	16	5	1
2004	563	91	179	130	419	77	174	130	145	14	4	1
2005	596	96	187	139	440	84	185	139	156	11	3	1
2006	630	101	196	151	463	92	196	149	167	9	0	2
2007	668	106	206	164	488	100	208	161	180	5	-2	3
2008	707	111	216	178	516	109	221	174	191	2	-5	3



### What is the Long-Range (1999-2073) Outlook for the Trust Funds?

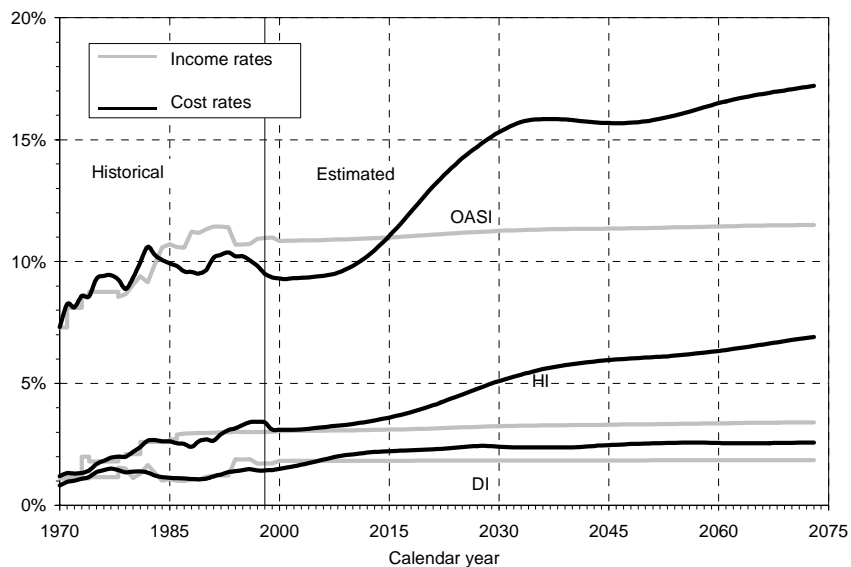
Over the long term neither the OASI, the DI nor the HI Trust Fund is projected to be in balance. Chart C compares, under the intermediate assumptions, the trends over the next 75 years in income and costs of these funds.

In Chart C the long-range income and cost of OASI, DI and HI are measured in percentage of taxable payroll rather than in dollars because the value of a dollar changes over time. (Taxable payroll is the portion of total wages and self-employment earnings that is taxed under the OASDI and HI programs.) Over the 75-year period, the income rates for OASI, DI and HI remain relatively constant, while the cost rates rise substantially.

For OASI, the income rate is projected to remain above the cost rate for 16 years. Starting in about 2010, however, the OASI cost rate will begin increasing rapidly as the leading edge of the “baby-boom” generation reaches retirement age. In 2015 and later, the cost rate for OASI will exceed the income rate by generally growing amounts—by the end of the 75-year projection period the cost rate for OASI will be 1½ times as large as the income rate.

The income rate for DI is higher than the cost rate only through 2005, after which the annual shortfall of tax income is projected to increase slowly over the 75-year period.

**Chart C—Income and Cost Rates**  
*[Percentage of taxable payroll]*



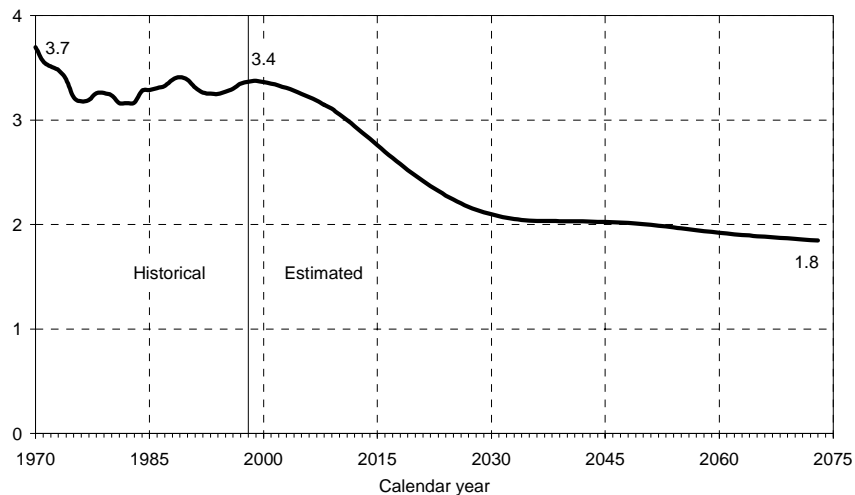
The cost rate for HI is higher than the income rate by growing amounts throughout the projection period—by 2073, the HI cost rate is projected to be 2 times as large as the HI income rate.

The income rates for OASI, DI and HI remain relatively constant in Chart C because the payroll tax rates for the programs are not scheduled to change (except for a small shift from OASI to DI in 2000). Income from taxation of benefits will rise gradually, primarily because a greater proportion of beneficiaries will become subject to taxation in future years, and this accounts for the slight upward trend in the income lines.

The cost rates increase much more rapidly, especially for OASI and HI. The cost rate for OASI rises slowly until 2010, increases rapidly for about the next 20 years, and then grows more moderately. The cost rate for HI increases throughout the 75-year period.

**Why Do Costs Rise Faster Than Income?** The primary reason that the OASI cost rate increases more steeply after 2010 is that the number of people receiving benefits will increase rapidly as the “baby-boom” generation retires, while the number of workers paying payroll taxes grows more slowly. The HI cost rate increases not only because of growth in the number of beneficiaries per worker, but also because of increases in both the use and cost of health care per person. Chart D shows the number of workers per OASDI beneficiary over the 75-year period. (The ratio of workers to HI beneficiaries is similar.)

**Chart D—Number of Workers per OASDI Beneficiary**



In addition to demographic changes, the other major factor in the long-range financing of OASDI and HI is the rate of increase in the wages on which workers pay Social Security and Medicare taxes. The rate of increase in workers' wages in turn depends on how workers are able to combine their skills and work tools to increase the amount they can produce. Thus, increases in workers' productivity can help offset some of the decline in the number of workers per beneficiary.

**What is the Long-Range Actuarial Balance of Each Trust Fund?**

Another useful way to view the outlook of the trust funds is in terms of their long-range actuarial balances over the whole 75-year valuation period. The actuarial balance of a fund is the difference between annual income and costs, expressed as a percentage of taxable payroll, summarized over the 75-year projection period. The OASI, DI and HI Trust Funds each have an actuarial deficit under the intermediate assumptions, as shown below. These actuarial deficit amounts can be interpreted as the percentage that would have to be added to the current law income rate in each of the next 75 years, or subtracted from the cost rate in each year, to bring the funds into actuarial balance.

**ACTUARIAL DEFICIT OF THE OASI, DI AND HI TRUST FUNDS**  
*(Deficit as a percent of taxable payroll—total does not add due to rounding)*

	OASI	DI	OASDI	HI
Actuarial Deficit . . . . .	1.70	0.36	2.07	1.46

**What Are Key Dates in Long-Range OASI, DI and HI Financing?** For the next 15 years (through 2013) annual tax income to the OASI and DI Trust Funds is projected, under the intermediate assumptions, to exceed outgo. HI outgo exceeds tax income in every year. As the “baby-boom” generation reaches retirement age over the period from 2010 to 2030, several important points will occur, as shown below.

- 2014 - First year OASDI outgo exceeds tax income
- 2015 - Year HI trust fund assets are exhausted
- 2020 - Year DI trust fund assets are exhausted
- 2022 - First year OASDI outgo exceeds tax plus interest income
- 2034 - Year combined OASDI trust funds' assets are exhausted
- 2036 - Year OASI trust fund assets are exhausted

These key dates are 1 to 7 years later than those shown in the 1998 report, due in large part to better actual and expected economic performance, and lower 1998 actual and projected future increases in HI expenditures.

Trust fund exhaustion means that its accumulated assets are depleted. Payroll tax and other income will continue to flow into the fund, however. For example, in 2034, tax income to the combined OASI and DI funds is estimated to be sufficient to pay 71 percent of program costs; that ratio is projected to decline to about  $\frac{2}{3}$  by the end of the projection period.

Before a trust fund is exhausted, the cash flow of the fund changes in stages. HI expenditures already exceed tax income and annual interest income helps cover the shortfall. When combined OASDI expenditures exceed current tax income beginning in 2014, a portion of annual interest income will be needed to meet expenditures in 2014 through 2021. Beginning in 2022 and continuing through exhaustion of the combined OASDI Trust Funds in 2034, a portion of the principal balance in the trust funds will also be needed to pay benefits.

As noted earlier, the future cannot be predicted with certainty, and three sets of assumptions are used to project the range of possibilities. The year in which the trust funds are projected to be exhausted varies significantly under the three sets of assumptions. The table below shows this range.

**YEAR OF TRUST FUND EXHAUSTION**

Set of Assumptions	OASI	DI	OASDI	HI
Alternative I (Low Cost) . . . . .	Never	Never	Never	Never
Alternative II (Best Estimate). . . . .	2036	2020	2034	2015
Alternative III (High Cost). . . . .	2028	2011	2024	2007

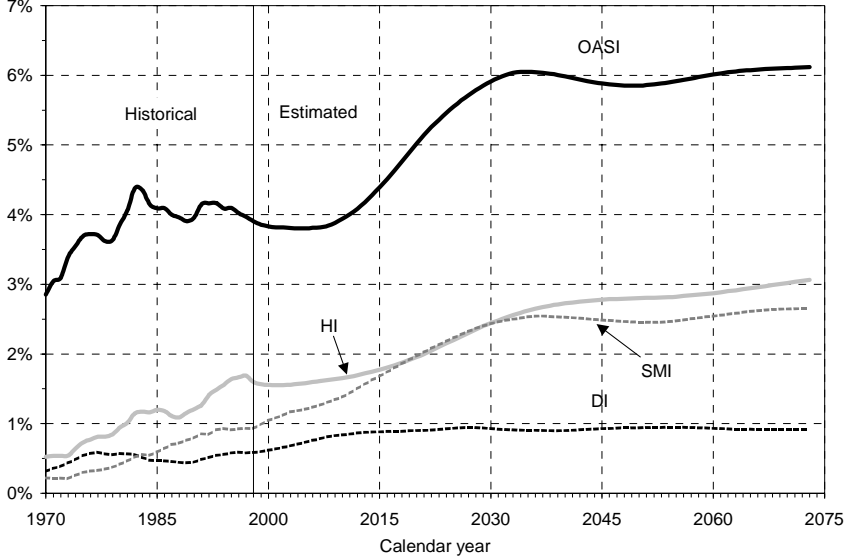
**How Large Are Social Security and Medicare Compared to the Whole Economy?** An additional way to view the outlook for the trust funds is in relation to the economy as a whole. The table below shows the estimated outgo from each trust fund as a percentage of estimated gross domestic product (GDP) from 1999 to 2073.

**OASI, DI, HI AND SMI OUTGO AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT**

Trust Fund	1999	2025	2050	2073	% Increase
OASI . . . . .	3.86	5.56	5.85	6.12	59
DI . . . . .	0.60	0.93	0.94	0.92	53
HI . . . . .	1.56	2.20	2.80	3.06	96
SMI . . . . .	0.98	2.23	2.46	2.65	170

Chart E shows in graphic form the growth in the outgo as a percentage of GDP. OASI and DI outgo increases by over 50 percent over the full long-range period, while the increase in HI outgo is almost 100 percent and the increase in SMI outgo is an even larger 170 percent.

**Chart E—OASI, DI, HI, and SMI Cost as a Percentage of GDP**



**Conclusions**

Based on the Trustees’ best estimates (alternative II):

The financial outlook for the Hospital Insurance (HI) Trust Fund, which pays inpatient hospital expenses, has improved substantially over the last 2 years. Nonetheless, the HI fund will be depleted in about 16 years and remains seriously out of financial balance in the long range even though the HI deficit is only one-third as large as it was prior to the Balanced Budget Act of 1997. The Supplementary Medical Insurance (SMI) Trust Fund, which pays doctor bills and other outpatient expenses, is financed on a year-by-year basis and trust fund income is projected to equal expenditures for all future years, but only because beneficiary premiums and Government general revenue contributions are automatically set to meet expected costs each year.

Finding good solutions to providing medical care for the elderly and disabled will be a continuing and difficult challenge as our population ages

and medical care evolves. The legislative action taken in 1997 was a significant first step in meeting that challenge. It reaffirms the Trustees' strong belief that even though periodic adjustments will likely be necessary, good solutions to Medicare's financing problems can be found.

The combined OASI and DI Trust Funds are projected to be adequately financed until 2034. At that time, annual tax income to the combined funds is projected to equal 71 percent of program costs. The Board of Trustees believes that the long-range financing problem facing Social Security should be addressed in a timely way. Extensive public discussion and analysis of the practical implications of alternatives is essential to developing the broad support needed to enact any Social Security reform legislation. Thus, the Trustees are encouraged by the high priority that the President and the Congress are giving to the resolution of the program's long-range financing problems.

#### *A MESSAGE FROM THE PUBLIC TRUSTEES:*

*We are privileged to take part in the thorough and careful process by which the Annual Reports are prepared to provide this vital public accounting. Our goal as Public Trustees is to ensure the integrity of the process by which these Reports are prepared and the credibility of the information they contain. Further, although we are of different political parties, we approach our work as Public Trustees on a bipartisan basis because this is the only way through which financial problems facing Medicare and Social Security can be solved.*

#### *1998: Strong Economic Performance Boosts the Trust Funds*

*Continued strong economic growth in 1998 caused income to the Social Security and Medicare trust funds to be higher than expected, strengthening the current financial condition of both programs. In addition, for Medicare the growth of benefits was lower than projected. The long-run financial outlook for both programs also has improved for the second consecutive year. The Social Security trust funds now are projected to run short of money to pay full benefits in 2034, rather than 2032 as projected last year, while the Medicare Hospital Insurance trust fund is projected to have insufficient funds in 2015, rather than 2008 as previously projected.*

*After many years of watching the outlook for both programs worsen without legislative action, two successive years of improvement is significant. Further, this reminds us that the demography of an increasingly older population with its resulting declining number of workers per retiree is not the only issue—that continued strong economic growth could make promised benefits more affordable in the future. We say “could” rather than “will” because we cannot prudently rely on economic growth continuing at this rate. Instead, it is essential to make the best projections possible based on the best available data and methods and to update those projections each year.*

#### *Projections Are Always Uncertain*

*One lesson we have come to fully appreciate is that projections are expert “guesses” about the future and not predictions of what will actually happen. Uncertainty is unavoidable because projections depend upon almost everything that happens in our society (marriage and divorce rates, birth rates, immigration rates, death rates, disability and recovery rates, retirement age patterns) and in our economy (the number of people working, their productivity and wages, inflation rates).*

*Accurately predicting any one of these factors even for one year is difficult; projecting all of them for 75 years is mind-boggling.*

*Then why undertake such projections, especially for 75 years into the future? As the reports note, a 75-year period spans the working and retirement years of the vast majority of people now covered by these programs. And, the effects of demographic changes, such as the sharp increase in the birth rate after World War II that led to the “baby boom” generation, can be fully taken into account.*

*One way we as trustees deal with the inherent uncertainty in long range projections is each year to reexamine in light of recent experience all our assumptions about the factors that underlie Social Security and Medicare financing projections. During 1998 we met with a variety of economic experts to undertake a comprehensive review of the economic assumptions in these reports. We were gratified that outside reviewers were generally supportive of the assumptions we use. But even when modifications are needed, assumptions for a period as long as 75 years into the future should change only slowly over time. For example, two or three or even five years of poor or strong economic growth do not mean that we should assume such performance for 75 years.*

#### *Uncertainty, Politics and Reform of Social Security and Medicare*

*In each of our previous statements regarding the annual trustees reports, we have indicated the need for reforms in both Medicare and Social Security and the benefits of acting sooner rather than later. Like our predecessors in this job, we believe it is important to indicate that even with the uncertainty that exists in projections, changes will be needed to keep these programs on a solid financial footing. Last year an important national debate on Social Security was begun and a greater awareness of the problems facing that program was achieved. The National Bipartisan Commission on the Future of Medicare also worked over the past year to find a set of recommendations to send to the Congress for action but was unable to reach agreement on proposals for change. Thus, despite wide agreement that reforms should be made sooner rather than later, it is not at all certain that major changes in either program will be forthcoming in the near term.*

*Why is reaching agreement on change in these programs so difficult? Fear of change is instinctive, but it should be reassuring that Social Security and Medicare have been adjusted many times since they were enacted. And, there is no reason for us to think now that Social Security or Medicare should be frozen in place for the decades ahead. The eco-*



*conomic and social factors that determine the financial health of Social Security and Medicare will change in the future as they have in the past. Thus, as citizens, we have to expect and accept the need to periodically adjust eligibility, benefits and financing for these programs.*

*How much of the reluctance to act is due to legitimate concerns about the inherent uncertainty of the financial projections, and how much to an inability to reach political consensus on what will be hard choices, is not clear. But the Bipartisan Medicare Commission's difficulty in reaching consensus raises the issue of whether it is wise to focus on finding one overarching solution to the problems these programs face, or whether to seek instead incremental changes on which agreement might be reached.*

### Medicare

*Medicare costs are increasing both because new, more expensive (and effective) medical technology is being developed every year and because an aging U.S. population has greater medical care needs. As the slowing of spending in response to recent legislative changes indicates, more efficient health care delivery systems can moderate Medicare's cost growth. Even with these improvements, however, the system still faces major financial shortfalls because program costs are increasing much faster than the rest of the economy. A lack of consensus on sweeping reforms should not preclude measured changes to make Medicare a more streamlined and effective program. Additional substantial legislation needs to be enacted no later than 2007, the year that HI annual expenditures are projected to again exceed annual income. Once deficits begin, the financial outlook for the HI trust fund will dramatically worsen. The extension of the trust fund exhaustion date to 2015 should be welcomed as an opportunity to take the time to evaluate what options may mitigate the financing problem but also preserve the strengths of the program.*

### Social Security

*The long-term financing problem facing Social Security is significant but could be solved by small gradual changes IF those changes are enacted soon. The public discussion of the last year has advanced the reform debate by bringing into sharper focus the limitations and administrative difficulties of replacing a major part of Social Security with individual savings accounts. One way not discussed in recent years to deal with uncertainty and political gridlock could be to enact modest changes in benefits or eligibility that would be triggered by changes in*

*key indicators. For example, tying the age of eligibility to life expectancy changes, or tying benefits to the growth in wages rather than prices, would help stabilize program financing. We are not proposing such indexing: a reasoned political debate reaching consensus would be the preferred solution. But we do note that a major step in the direction of indexing was taken in 1972 when automatic cost-of-living adjustments and automatic earnings-base indexing were added to replace ad hoc legislative adjustments made haphazardly, and that these changes have come to be valued as integral parts of the program.*

*Conclusion*

*We strongly believe that these Reports serve as an early warning of the need for changes to ensure continuation of Social Security and Medicare and not as evidence of their failure to protect future generations. Working cooperatively, with informed public debate, solutions can be found to the financing problems facing America as our population ages. It is time to begin that undertaking.*

*Stephen G. Kellison  
Trustee*

*Marilyn Moon  
Trustee*



