

**Aldona Robbins Presentation at the CSTR Meeting on May 23, 2006  
Concerning Social Security Financing**

**When Do Problems Arise for Social Security and Hospital Insurance (Part A)?**

Financial Measure	Intermediate		Low Cost		High Cost	
	OASDI	HI	OASDI	HI	OASDI	HI
Trust fund exhausts	2040	2018	--	2041	2030	2013
Costs exceed Income	2017	2006	2022	2021	2013	2006

**How Bad Is It?**

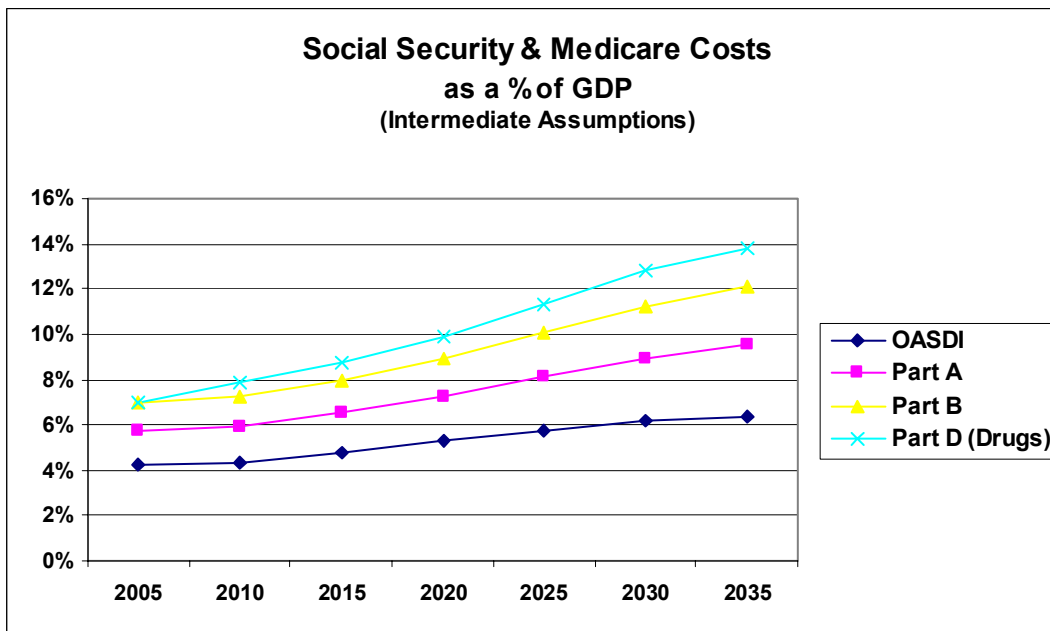
Income, Costs, and Differences as % Taxable Payroll						
Year	Social Security (OASDI)			Hospital Insurance (Part A)		
	Income excluding interest	Cost	Difference	Income excluding interest	Cost	Difference
<b>Intermediate:</b>						
2006	12.7%	11.2%	1.5%	3.8%	3.9%	-0.1%
2010	12.8%	11.3%	1.5%	3.9%	4.1%	-0.3%
2015	12.9%	12.5%	0.4%	4.0%	4.6%	-0.7%
2020	13.0%	14.0%	-1.0%	4.0%	5.3%	-1.3%
2025	13.1%	15.5%	-2.4%	4.1%	6.3%	-2.2%
2035	13.2%	17.4%	-4.2%	4.2%	8.6%	-4.5%
2045	13.2%	17.5%	-4.3%	4.2%	10.4%	-6.2%
2055	13.3%	17.7%	-4.4%	4.2%	11.7%	-7.5%
2065	13.3%	18.1%	-4.8%	4.2%	12.9%	-8.7%
2075	13.3%	18.5%	-5.2%	4.3%	14.0%	-9.8%
<b>Low Cost:</b>						
2006	12.7%	11.1%	1.6%	3.8%	3.8%	0.0%
2010	12.7%	10.9%	1.9%	3.8%	3.7%	0.1%
2015	12.9%	11.4%	1.5%	3.9%	3.8%	0.1%
2020	12.9%	12.6%	0.4%	4.0%	3.9%	0.0%
2025	13.0%	13.8%	-0.7%	4.0%	4.3%	-0.2%
2035	13.1%	14.9%	-1.8%	4.1%	4.8%	-0.7%
2045	13.1%	14.4%	-1.3%	4.1%	5.1%	-1.1%
2055	13.1%	14.0%	-0.9%	4.1%	5.5%	-1.5%
2065	13.1%	13.7%	-0.7%	4.1%	6.1%	-2.0%
2075	13.1%	13.5%	-0.4%	4.1%	6.6%	-2.6%
<b>High Cost:</b>						
2006	12.8%	11.5%	1.3%	3.8%	4.1%	-0.2%
2010	12.8%	12.2%	0.6%	3.9%	4.7%	-0.8%
2015	12.9%	13.9%	-0.9%	4.1%	5.8%	-1.8%
2020	13.1%	15.6%	-2.6%	4.1%	7.4%	-3.2%
2025	13.2%	17.4%	-4.2%	4.2%	9.6%	-5.4%
2035	13.3%	20.1%	-6.8%	4.3%	15.9%	-11.5%
2045	13.4%	21.3%	-7.9%	4.4%	21.6%	-17.2%
2055	13.5%	22.6%	-9.1%	4.4%	25.2%	-20.7%
2065	13.6%	24.2%	-10.6%	4.5%	27.8%	-23.3%
2075	13.7%	26.0%	-12.3%	4.6%	30.3%	-25.7%

Derived using *The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance (OASDI) Trust Fund*, Tables VI.F6 and VI.F9.

**Social Security and Medicare Costs as a Percent of GDP for Selected Years  
(Intermediate Case)**

Year	Social Security (OASDI)	Medicare				Social Security & Medicare
		Part A (Hospital)	Part B (Outpatient)	Part D (Drug)	Parts A, B, & D	
2005	4.28%	1.47%	1.25%	0.01%	2.73%	7.01%
2010	4.32%	1.58%	1.36%	0.59%	3.53%	7.85%
2015	4.74%	1.77%	1.48%	0.76%	4.01%	8.75%
2020	5.27%	2.01%	1.68%	0.98%	4.67%	9.94%
2025	5.78%	2.36%	1.96%	1.23%	5.55%	11.33%
2030	6.18%	2.77%	2.28%	1.59%	6.64%	12.82%

Derived from *The 2006 OASDI Trustees' Report*, Tables VI.F4 and III.A2.



**How the Economy & Demographics Affect Social Security**

Variable	Trustee's Report <sup>1</sup>	Comments
Real wage growth rate <sup>2</sup>	Helps a lot	
Inflation rate (CPI) <sup>3</sup>	Helps	Hurts if prices go up faster than wages
Death rate <sup>4</sup>	Helps some	Depends on age-related mortality
Fertility rate <sup>5</sup>	Helps some	
Net Immigration <sup>6</sup>	Helps some	Also depends on immigrant skill mix

<sup>1</sup> *The 2006 OASDI Report*, pp. 149-155.

<sup>2</sup> Each 0.5 percentage point increase in growth of wages less inflation (CPI) improves long-run health of system by 0.55% of taxable payroll (TP).

<sup>3</sup> Each 1 percentage point increase improves long-run health of system by 0.21% of TP.

<sup>4</sup> Each 0.1 percentage point decrease reduces long-run health of system by 0.14% of TP.

<sup>5</sup> Each .01 increase improves long-run health of system by 0.12% of TP.

<sup>6</sup> Each 100,000 increase improves long-run health of system by 0.07% of TP.

### Key Economic and Demographic Assumptions, Selected Years

Year	Annual Percent Change in:			Taxable Payroll as % GDP	Fertility Rate	Net Immigration	
	Real GDP	Real Wages	CPI			Legal 3	Other 4
<b>Intermediate</b>							
2006	3.4%	1.2%	2.9%	38.1%	2.03	675,000	400,000
2007	3.3%	2.2%	2.3%	38.2%		675,000	400,000
2008	3.0%	1.8%	2.6%	38.2%		675,000	400,000
2009	2.6%	1.6%	2.8%	38.2%		675,000	400,000
2010	2.6%	1.5%	2.8%	38.2%	2.03	600,000	400,000
2011	2.5%	1.4%	2.8%	38.2%		600,000	400,000
2012	2.3%	1.4%	2.8%	38.2%		600,000	400,000
2013	2.0%	1.1%	2.8%	38.1%		600,000	400,000
2014	2.0%	1.0%	2.8%	38.1%		600,000	400,000
2015	2.2%	1.1%	2.8%	38.0%	2.02	600,000	400,000
2020	2.1%	1.0%	2.8%	37.7%	2.01	600,000	350,000
2025	1.9%	1.1%	2.8%	37.3%	2.01	600,000	350,000
2030	1.9%	1.1%	2.8%	37.0%	2.00	600,000	300,000
2035	2.0%	1.1%	2.8%	36.6%	2.00	600,000	300,000
<b>Low Cost</b>							
2006	3.8%	1.4%	2.7%	38.1%			
2007	3.5%	2.3%	1.9%	38.3%			
2008	3.5%	2.1%	1.8%	38.3%			
2009	3.3%	2.1%	1.8%	38.4%			
2010	3.2%	2.0%	1.8%	38.5%	2.11	850,000	550,000
2011	3.3%	2.0%	1.8%	38.5%		850,000	550,000
2012	3.2%	2.0%	1.8%	38.5%		850,000	550,000
2013	2.9%	1.7%	1.8%	38.5%		850,000	550,000
2014	2.9%	1.7%	1.8%	38.5%		850,000	550,000
2015	2.8%	1.6%	1.8%	38.5%	2.15	850,000	550,000
2020	2.6%	1.5%	1.8%	38.4%	2.20	850,000	500,000
2025	2.5%	1.6%	1.8%	38.2%	2.25	850,000	500,000
2030	2.5%	1.6%	1.8%	38.0%	2.30	850,000	450,000
2035	2.5%	1.6%	1.8%	37.8%	2.30	850,000	450,000
<b>High Cost</b>							
2006	0.3%	-1.2%	2.2%	38.3%			
2007	2.8%	2.2%	4.8%	38.2%			
2008	3.1%	1.8%	4.5%	38.0%			
2009	0.2%	-0.6%	3.8%	38.1%			
2010	1.6%	1.1%	6.7%	37.9%	1.95	472,500	250,000
2011	3.6%	1.9%	7.3%	37.4%		472,500	250,000
2012	2.1%	0.9%	5.6%	37.4%		472,500	250,000
2013	1.6%	0.5%	4.5%	37.4%		472,500	250,000
2014	1.7%	0.5%	4.3%	37.4%		472,500	250,000
2015	1.8%	0.5%	4.3%	37.2%	1.89	472,500	250,000
2020	1.7%	0.5%	4.3%	36.7%	1.82	472,500	200,000
2025	1.5%	0.6%	4.4%	36.3%	1.76	472,500	200,000
2030	1.4%	0.6%	4.4%	35.8%	1.70	472,500	200,000
2035	1.4%	0.6%	4.4%	35.3%	1.70	472,500	200,000

Derived from *The 2006 OASDI Trustees' Report*, Tables V.A.1, V.B.1, V.B.2, and VI.F6.