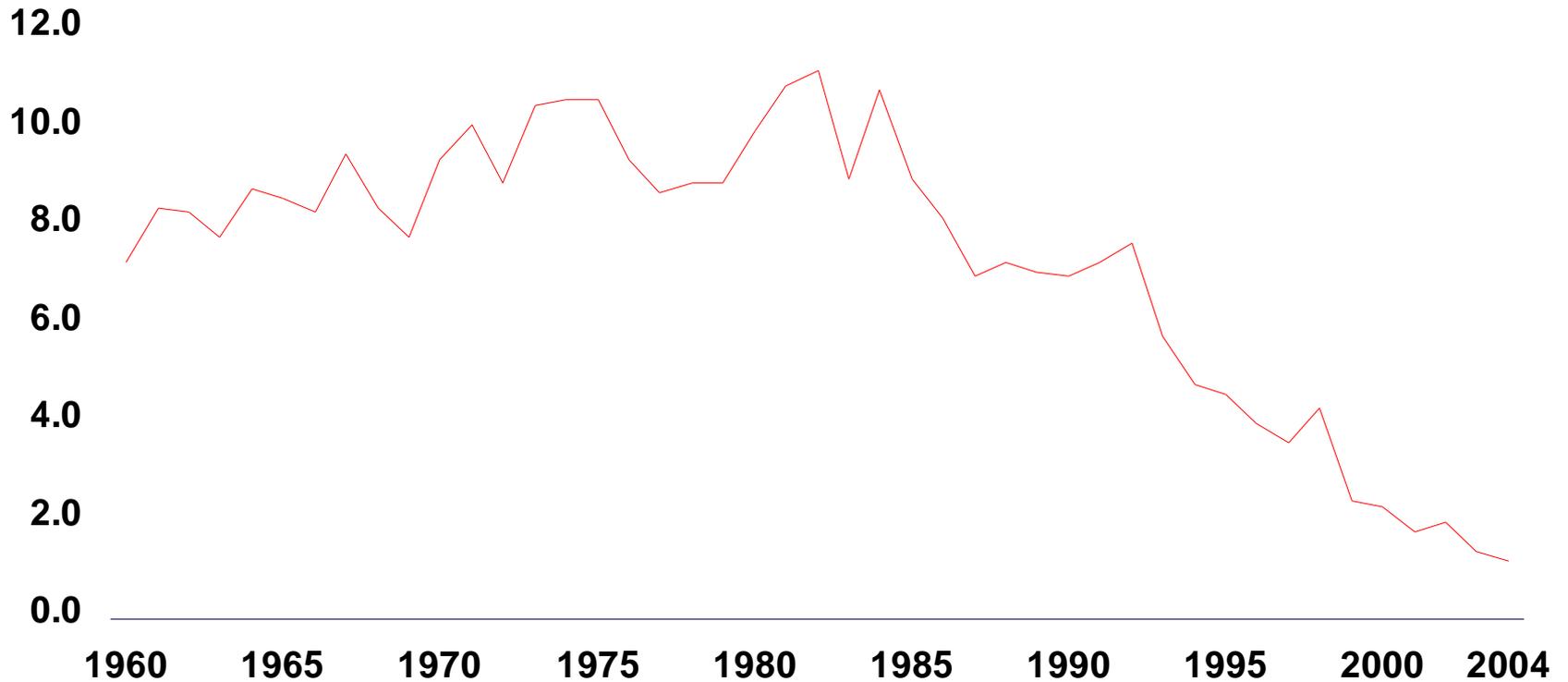


Personal Saving Rate Has Declined

Percent of disposable personal income



Source: Bureau of Economic Analysis, Department of Commerce.

Estimated Fiscal Exposures

(in \$ trillions)

	2000	2002	2004
• Explicit liabilities	\$6.9	\$7.8	\$9.1
– Publicly held debt			
– Military & civilian pensions & retiree health			
– Other			
• Commitments & Contingencies	0.5	0.8	0.9
– E.g., PBGC, undelivered orders			
• Implicit exposures	13.0	17.8	33.3
– Future Social Security benefits	3.8	4.6	5.2
– Future Medicare Part A benefits	2.7	5.1	8.5
– Medicare Part B benefits	6.5	8.1	11.4
– Medicare Part D benefits	--	--	8.1
Total	\$20.4	\$26.4	\$43.3

Note: Estimates for Social Security and Medicare are PV as of January 1 of each year as reported in the Consolidated Financial Statements and all other data are as of September 30. The 2005 Trustees Reports issued in March of this year show that the Social Security and Medicare exposures have increased as follows: Social Security increased to \$5.7 trillion, Medicare Part A increased to \$8.8 trillion, Medicare Part B increased to \$12.4 trillion and Part D increased to \$8.7 trillion. Totals may not add due to rounding.

Sources: Consolidated Financial Statements.

Composition of Spending as a Share of GDP

Under Baseline Extended

Percent of GDP

50

40

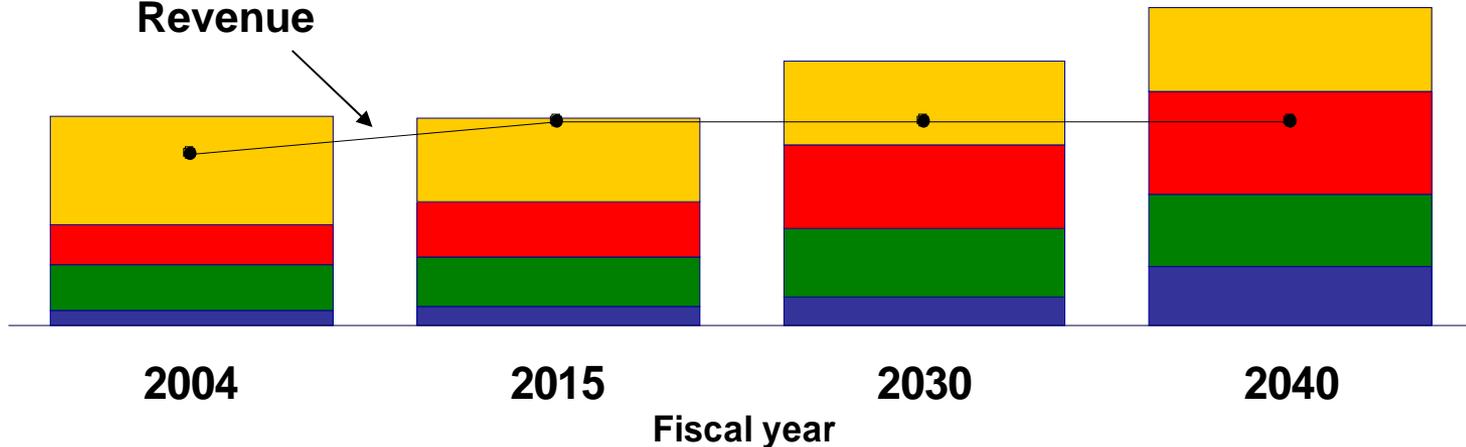
30

20

10

0

Revenue



■ Net interest

■ Social Security

■ Medicare & Medicaid

■ All other spending

Notes: In addition to the expiration of tax cuts, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

Source: GAO's August 2005 analysis.

Composition of Spending as a Share of GDP

Assuming Discretionary Spending Grows with GDP After 2005 and All Expiring Tax Provisions are Extended

Percent of GDP

50

40

Revenue

30

20

10

0

2004

2015

2030

2040

Fiscal year

■ Net interest

■ Social Security

■ Medicare & Medicaid

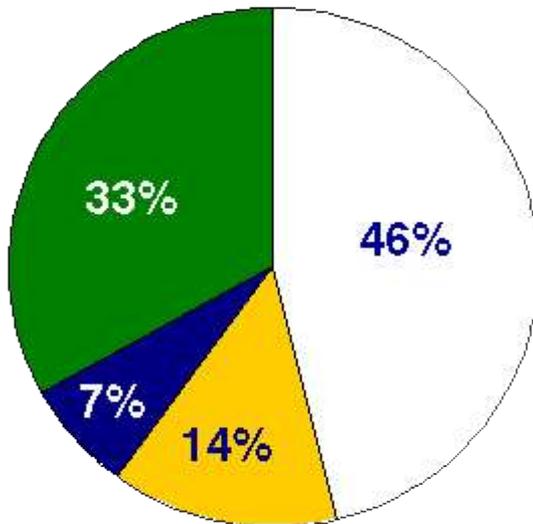
■ All other spending

Notes: Although expiring tax provisions are extended, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

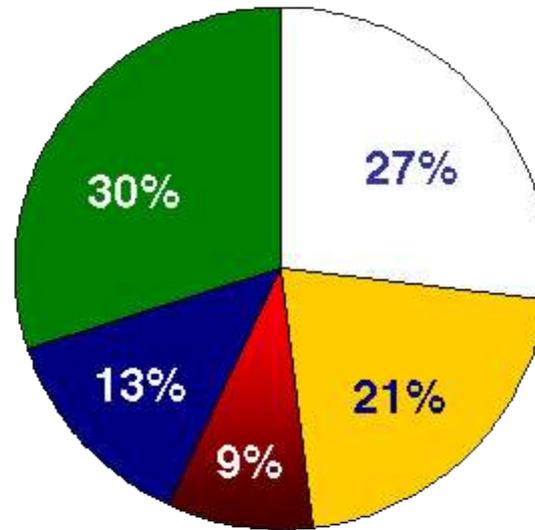
Source: GAO's August 2005 analysis.

Composition of Federal Spending

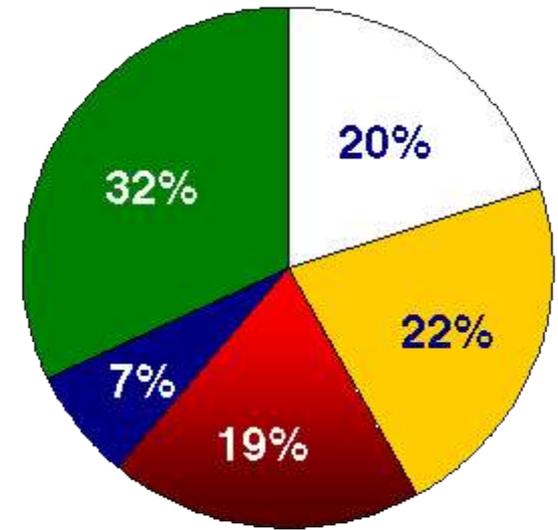
1964



1984



2004



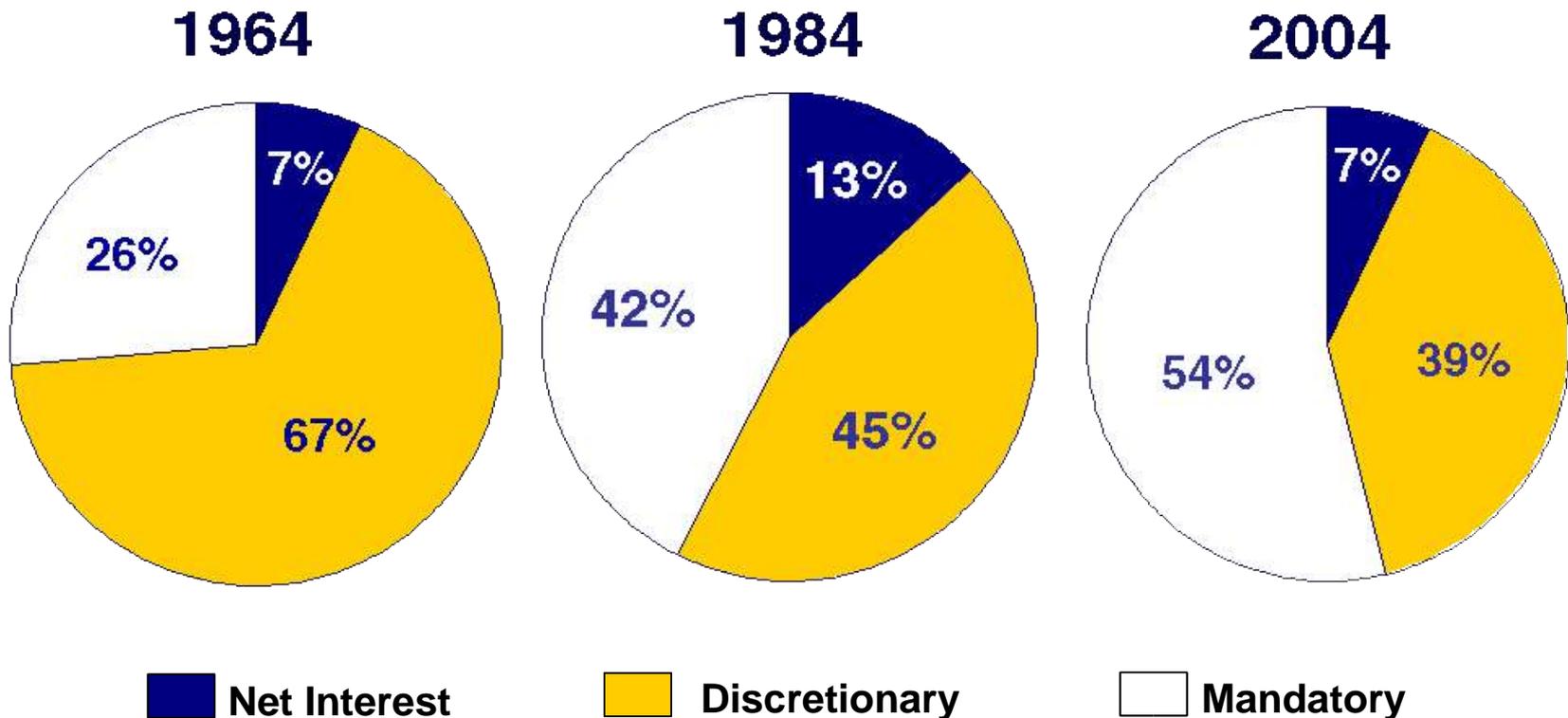
Defense
Net interest

Social Security
All other spending

Medicare & Medicaid

Source: Office of Management and Budget.

Federal Spending for Mandatory and Discretionary Programs



Source: Office of Management and Budget.

Health Care Is the Nation's Top Tax Expenditure in Fiscal Year 2004 (estimated)

Dollars in billions

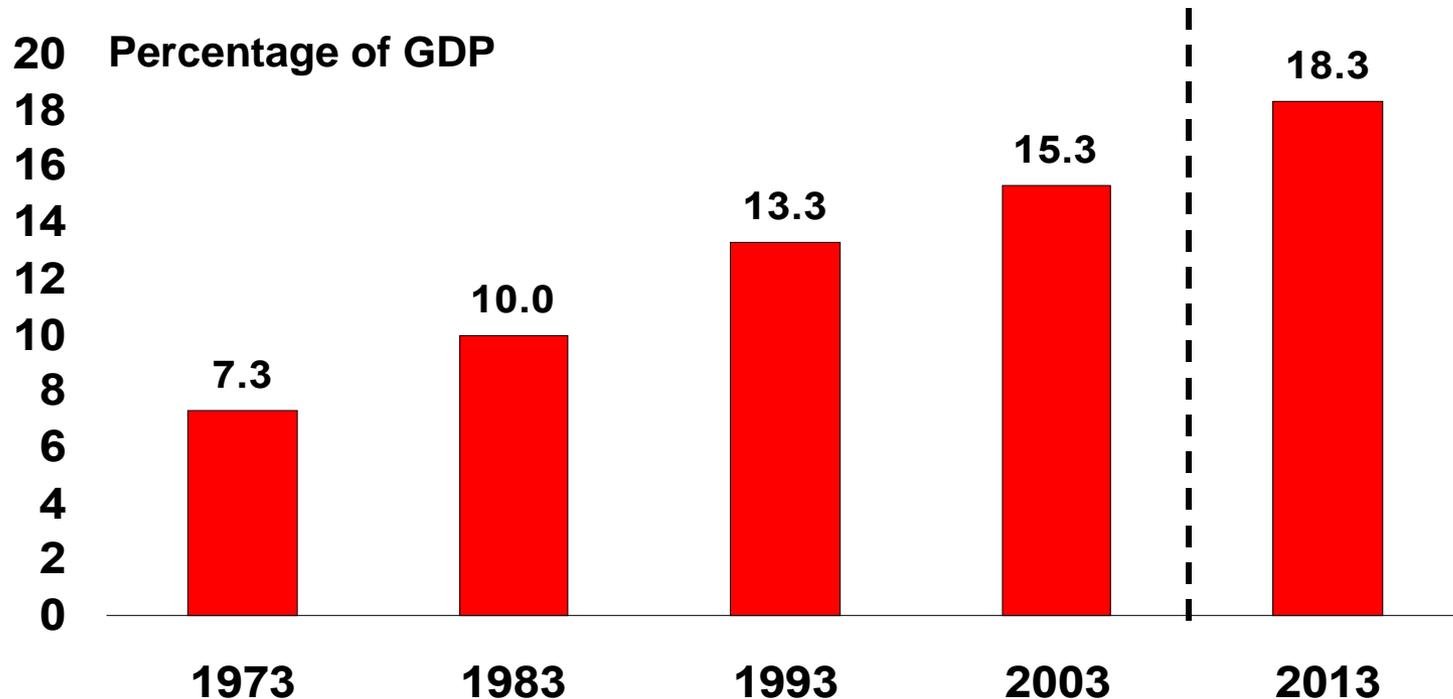


- Exclusion of employer contributions for insurance premiums and medical care
- Deductibility of mortgage interest on owner-occupied dwellings
- Exclusion of pension contributions and earnings: employer-sponsored 401(K) plans
- Exclusion of pension contributions and earnings: employer-sponsored defined benefit plans
- Deductibility of nonbusiness state and local taxes (other than on owner-occupied dwellings)

Note: "Tax expenditures" refers to the special tax provisions that are contained in the federal income taxes on individuals and corporations. OMB does not include forgone revenue from other federal taxes such as Social Security and Medicare payroll taxes.
* If the payroll tax exclusion were also counted here, the total tax expenditure for employer contributions for health insurance premiums would be about 50 percent higher or \$153.5 billion.

Source: Office of Management and Budget (OMB), *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2006*

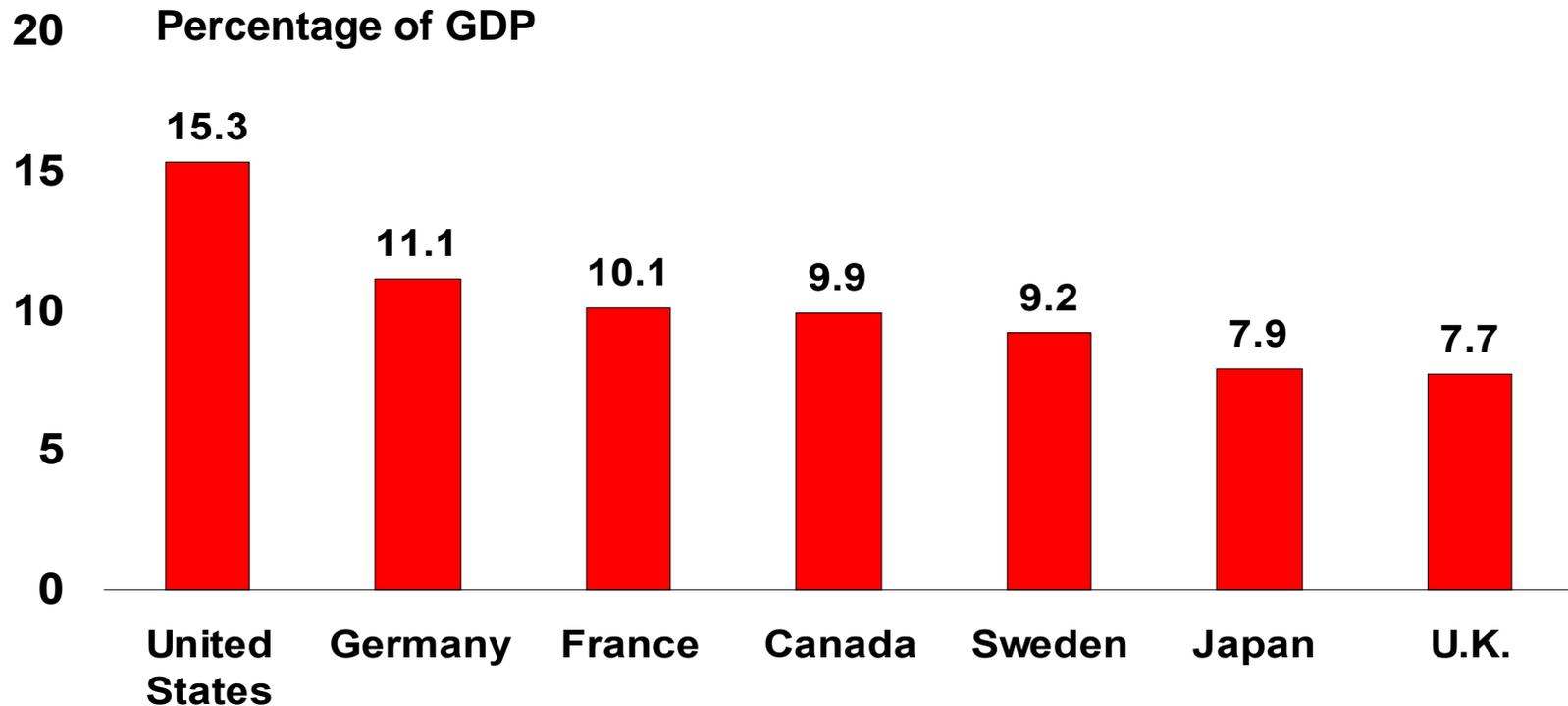
Health Expenditures Will Continue to Absorb an Increasing Share of GDP



Note: The figure for 2013 is projected.

Source: The Centers for Medicare & Medicaid Services, Office of the Actuary.

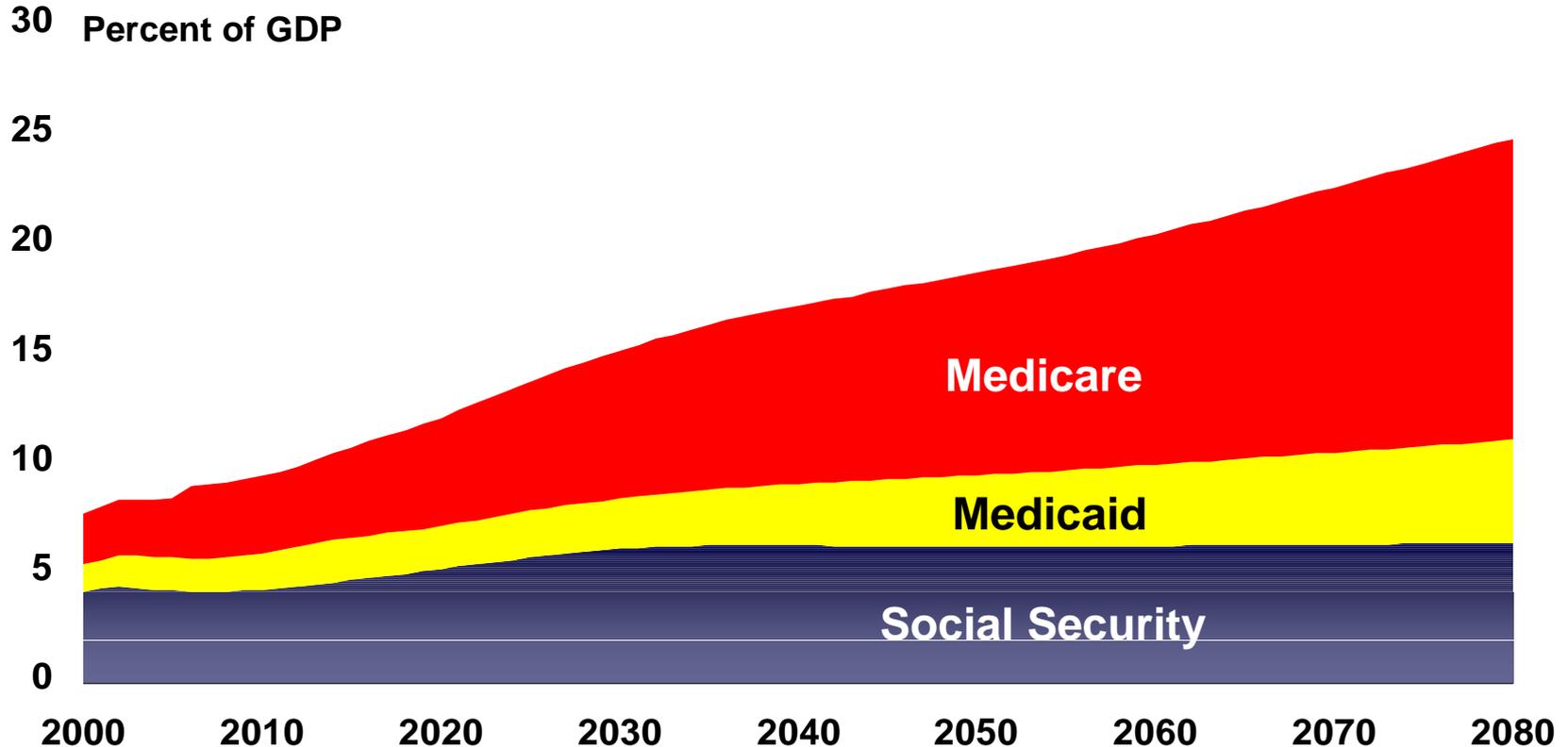
The United States Exceeds Other Industrialized Nations in Total Health Spending as a Percentage of GDP



Note: Data for Sweden, Japan, and the United Kingdom are from 2002. All other data are for 2003.

Source: Organization for Economic Cooperation and Development (OECD) Health Data 2005.

Social Security, Medicare, and Medicaid Spending as a Percent of GDP

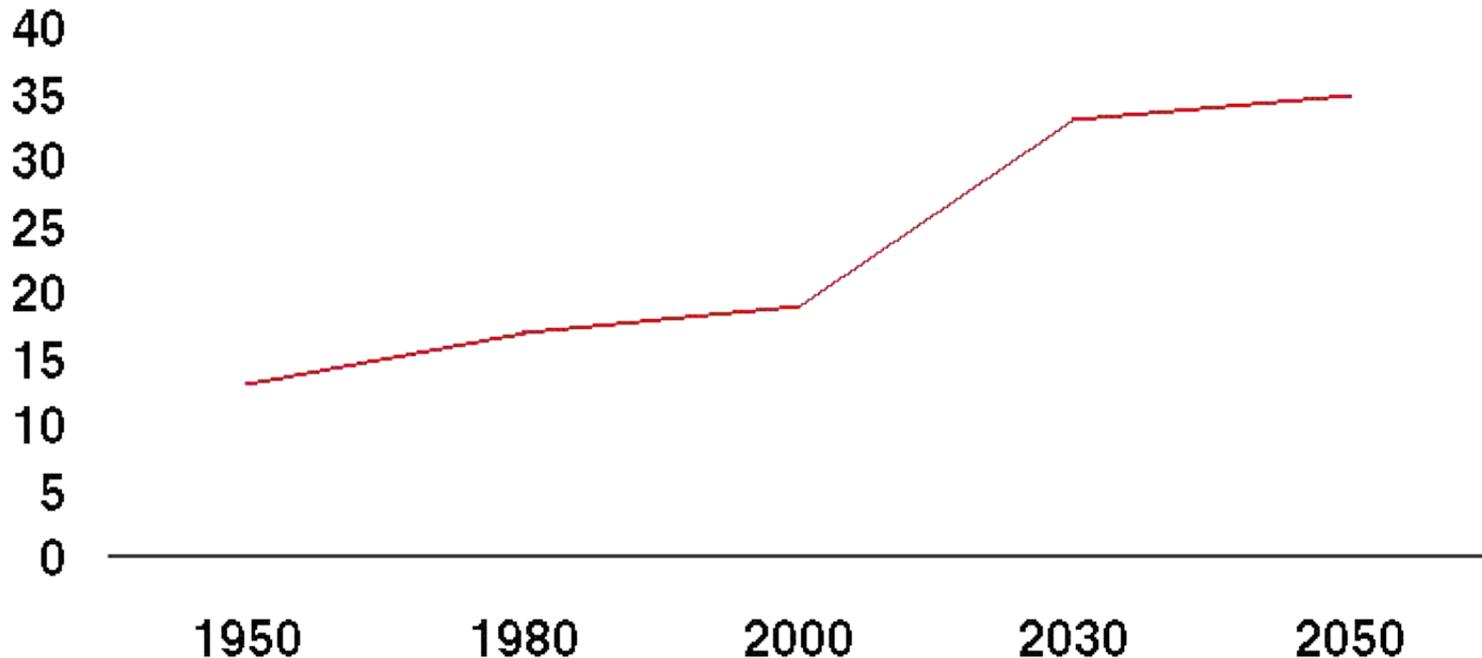


Note: Social Security and Medicare projections based on the intermediate assumptions of the 2005 Trustees' Reports. Medicaid projections based on CBO's January 2005 short-term Medicaid estimates and CBO's December 2003 long-term Medicaid projections under mid-range assumptions.

Source: GAO analysis based on data from the Office of the Chief Actuary, Social Security Administration, Office of the Actuary, Centers for Medicare and Medicaid Services, and the Congressional Budget Office.

U.S. Elderly Dependency Ratio Expected to Continue to Increase

Elderly Dependency Ratio (in percent)



Population over 65 as share of working age population

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: 2000 Revision and World Urbanization Prospects: 2001 Revision.