

The following pages replace pages 179-180 of the 2011 Financial Report of the United States Government. Corrections were made to certain unaudited amounts in Table 6 and the related narrative. Changed amounts and text are highlighted in yellow.

March 15, 2012

accounts, an amount that, from a budget perspective, will be needed to keep the SMI program solvent for the next 75 years. From the trust fund perspective, however, the present values of total revenues and total expenditures for the SMI Program are roughly equal due to the annual adjustment of revenue from other Government accounts to meet program costs.⁷ For OASDI, projected revenues from the public fall short of total expenditures by \$9,157 billion in present value dollars, and, from the trust fund perspective, by \$6,548 billion.

From the Governmentwide perspective, the present value of the total resources needed for the Social Security and Medicare Programs over and above current-law funding sources (payroll taxes, benefit taxes, and premium payments from the public) is \$33,729 billion. From the trust fund perspective, which counts the trust funds (\$2,953 billion in present value) and the general revenue transfers to the SMI Program (\$21,320 billion in present value) as dedicated funding sources, additional resources needed to fund the programs are \$9,456 billion in present value.

Table 5
Present Values of Costs Less Revenues of 75-Year Open-Group Obligations
HI, SMI, and OASDI

(In billions of dollars, as of January 1, 2011)

	HI	SMI		OASDI	Total
		Part B	Part D		
Revenues from the public:					
Taxes.....	15,104	-	-	41,603	56,707
Premiums, State transfers.....	-	5,086	2,484	-	7,570
Total.....	15,104	5,086	2,484	41,603	64,277
Total costs to the public.....	18,356	18,940	9,950	50,760	98,006
Net results — budget perspective*					
.....	3,252	13,854	7,466	9,157	33,729
Revenues from other					
Government accounts.....	-	13,854	7,466	-	21,320
Trust fund balance as of 1/1/2010.....	272	71	1	2,609	2,953
Net results — trust fund perspective*	2,980	(71)	(1)	6,548	9,456

*Net results are computed as costs less revenues.

Note: Details may not add to totals due to rounding.

Source: 2011 OASDI and Medicare Trustees' Reports.

⁷ The SMI Trust Fund has \$72 billion of existing assets.

Infinite Horizon

The 75-year horizon represented in Table 5 is consistent with the primary focus of the Social Security and Medicare Trustees' Reports. For the OASDI Program, for example, an additional \$9.2 trillion in present value will be needed above currently scheduled taxes to pay for scheduled benefits (\$6.5 trillion from the trust fund perspective). Yet, a 75-year projection is not a complete representation of all future financial flows through the infinite horizon. For example, when calculating unfunded obligations, a 75-year horizon includes revenue from some future workers but only a fraction of their future benefits. In order to provide a more complete estimate of the long-run unfunded obligations of the programs, estimates can be extended to the infinite horizon. The open-group infinite horizon net obligation is the present value of all expected future program outlays less the present value of all expected future program tax and premium revenues. Such a measure is provided in Table 6 for the three trust funds represented in Table 5.

From the budget or Governmentwide perspective, the values in line 1 plus the values in line 4 of Table 6 represent the value of resources needed to finance each of the programs into the infinite future. The sums are shown in the last line of the table (also equivalent to adding the values in the second and fifth lines). The total resources needed for all the programs sums to \$59.3 trillion in present value terms. This need can be satisfied only through increased borrowing, higher taxes, reduced program spending, or some combination.

The second line shows the value of the trust fund at the beginning of 2011. For the HI and OASDI Programs this represents, from the trust fund perspective, the extent to which the programs are funded. From that perspective, when the trust fund is subtracted, an additional \$17.9 trillion is needed to sustain the OASDI program into the infinite future, while no additional financing, beyond that already scheduled, is needed to sustain the HI program, which is close to breakeven on an infinite horizon basis. However, looking just at present values ignores timing differences in the underlying projected cashflows; the HI Trust Fund is projected to remain solvent only until 2024. As described above, from the trust fund perspective, the SMI Program is fully funded; from a Governmentwide basis, the substantial gap that exists between premiums and State transfer revenue and program expenditures in the SMI Program (\$22.4 trillion and \$16.2 trillion) represents future general revenue obligations of the Federal budget.

In comparison to the analogous 75-year number in Table 5, extending the calculations beyond 2085, captures the full lifetime benefits, and taxes and premiums of all current and future participants. The shorter horizon understates the total financial needs by capturing relatively more of the revenues from current and future workers and not capturing all of the benefits that are scheduled to be paid to them.

Table 6
Present Values of Costs Less Tax, Premium and State Transfer Revenue
through the Infinite Horizon, HI, SMI, OASDI

(In trillions of dollars as of January 1, 2011)

	HI	SMI		OASDI	Total
		Part B	Part D		
Present value of future costs less future taxes, premiums, and State transfers for current participants	8.0	11.5	5.4	21.4	46.3
Less current trust fund balance	0.3	0.1	-	2.6	3.0
Equals net obligations for past and current participants	7.7	11.4	5.4	18.8	43.3
Plus net obligations for future participants	(7.8)	10.9	10.8	(0.9)	13.0
Equals net obligations through the infinite future for all participants	(0.1)	22.3	16.2	17.9	56.3
Present values of future costs less the present values of future income over the infinite horizon	0.2	22.4	16.2	20.5	59.3

Details may not add to totals due to rounding.

Source: 2011 OASDI and Medicare Trustees' Reports.