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1986 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND

COMMUNICATION

FROM

THE BOARD OF TRUSTEES, FEDERAL HOSPITAL INSURANCE TRUST FUND

TRANSMITTING

THE 1986 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND, PURSUANT TO 42 U.S.C. 401(c)(2), 1395i(b)(2), 1395t(b)(2)

APRIL 8, 1986.—Referred to the Committee on Ways and Means and ordered to be printed

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LETTER OF TRANSMITTAL

Board of Trustees of the
Federal Hospital Insurance Trust Fund
Washington, D.C., March 31, 1986

HONORABLE THOMAS P. O'NEILL, JR.
Speaker of the House of Representatives
Washington, D.C.

HONORABLE GEORGE BUSH
President of the Senate
Washington, D.C.

GENTLEMEN:

We have the honor of transmitting to you the 1986 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund (the 21st such report), in compliance with the provisions of section 1817(b) of the Social Security Act.

Respectfully,

James A. Baker III

JAMES A. BAKER, III,
Secretary of the Treasury, and
Managing Trustee of the Trust Fund

William E. Brock

WILLIAM E. BROCK,
Secretary of Labor,
and Trustee

Otis R. Bowen M.D.

OTIS R. BOWEN, M.D.,
Secretary of Health and
Human Services, and Trustee

Mary Falvey Fuller

MARY FALVEY FULLER,
Trustee

Suzanne Denbo Jaffe

SUZANNE DENBO JAFFE,
Trustee

Henry R. Desmarais

HENRY R. DESMARAIS, M.D.,
Acting Administrator of the Health Care Financing
Administration, and Secretary,
Board of Trustees

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1986 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND

THE BOARD OF TRUSTEES

The Federal Hospital Insurance Trust Fund, established on July 30, 1965, is held by the Board of Trustees under the authority of section 1817(b) of the Social Security Act, as amended. The Board has five members. Three serve in an ex officio capacity. These members are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health and Human Services. Two public members, Mary Falvey Fuller and Suzanne Denbo Jaffe, are provided for by the Social Security Amendments of 1983 (Public Law 98-21, enacted into law on April 20, 1983). The two public members were nominated by the President for a term of four years, and were confirmed by the Senate.

By law, the Secretary of the Treasury is designated as the Managing Trustee and the Administrator of the Health Care Financing Administration is designated as Secretary of the Board. The Board of Trustees reports to the Congress each year on the operation and status of the trust fund, in compliance with section 1817(b)(2) of the Social Security Act. This is the 1986 annual report, the twenty-first such report.

EXECUTIVE SUMMARY

The Hospital Insurance (HI) Program pays for inpatient hospital care and other related care of those aged 65 and over and of the long-term disabled. In calendar year 1985, over 27 million people over age 65 and about 3 million disabled people under age 65 were covered under HI, financed primarily by the contributions of 122 million workers through payroll taxes. Payroll taxes during 1985 amounted to $47.6 billion, accounting for 92.6 percent of all HI income. Interest payments to the HI fund amounted to 6.5 percent of all HI income for 1985. The remaining 0.9 percent of calendar year 1985 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 $48.4 billion in HI disbursements, $47.6 billion was for benefit payments while the remaining $0.8 billion was spent for administrative expenses. HI administrative expenses were 1.7 percent of total disbursements. In calendar year 1985, the HI trust fund was credited with an additional $1.8 billion, representing a partial repayment of the interfund loan 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 and to anticipate changes in the demographic composition of the population. 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 I. The maximum taxable amounts of annual earnings are shown for 1983 through 1986. After 1986, the automatic increase provisions in section 230 of the Social Security Act determine the maximum taxable amount.

TABLE I.—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
Changes scheduled in present law:			
1987 & later	Subject to automatic increase	1.45	2.90

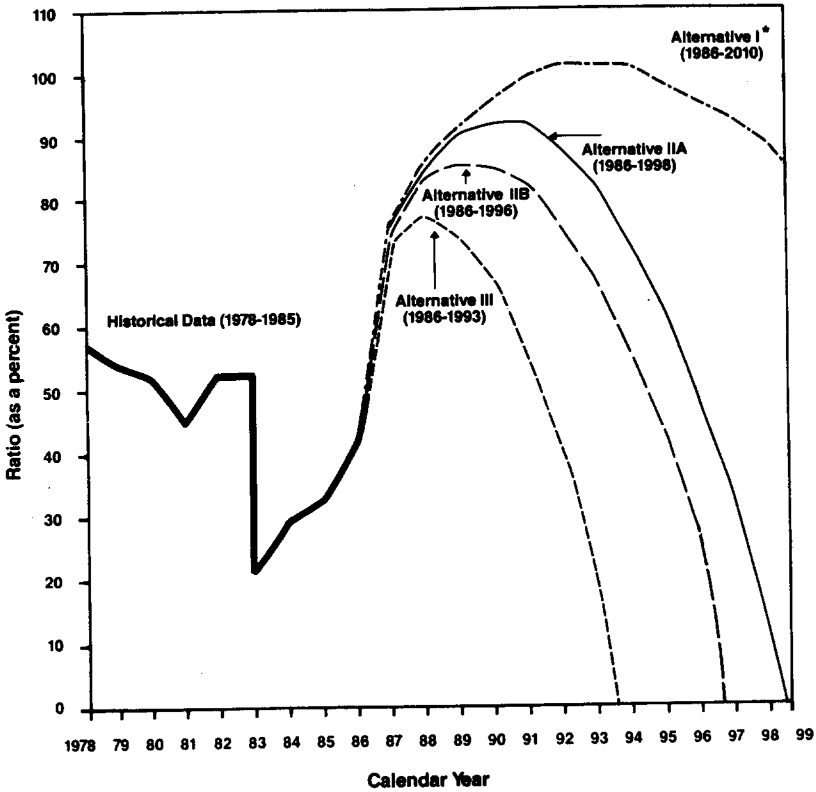
Actuarial Status of the Trust Fund

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 1986, the trust fund was below this desired level. However, on January 31, 1986, the outstanding balance of the loan made to the Federal Old-Age and Survivors Insurance Trust Fund in December 1982 was repaid, creating a balance in the HI trust fund estimated to be greater than the 50 percent 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 is projected to increase until about 1989 and then decline steadily until the fund is completely exhausted in the late 1990's. Under the more optimistic set of assumptions (alternative I), the trust fund is projected to remain solvent throughout the first 25-year projection period. Under the more pessimistic set of assumptions (alternative III), the trust fund is projected to increase to a level of about 76 percent in 1988 and then decrease rapidly until the fund is exhausted in 1993.

Table 11 in this report summarizes the estimated operations of the HI trust fund under the four alternative sets of assumptions. Figure I shows historic trust fund ratios for recent years and projected ratios under the four sets of assumptions.

Figure 1
Short Term HI Trust Fund Ratios



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

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 II compares the actuarial balance under each of the four sets of assumptions for the 75-year projection period 1986-2060. Figure 2 shows the year-by-year costs as a percent of taxable payroll for each of the four sets of assumptions, as well as the scheduled tax rates. The cost figures in Table II and Figure 2 include amounts for maintaining the trust fund at the level of a half-year's disbursements as recommended by the Board of Trustees.

Figure 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 III presents a comparison of the projected experience in the 1985 and 1986 reports. Table IV shows the major reasons for the change in the 75-year actuarial balance of the HI program from the 1985 report.

TABLE II.--SEVENTY-FIVE YEAR ACTUARIAL BALANCE OF THE HOSPITAL INSURANCE PROGRAM UNDER ALTERNATIVE SETS OF ASSUMPTIONS

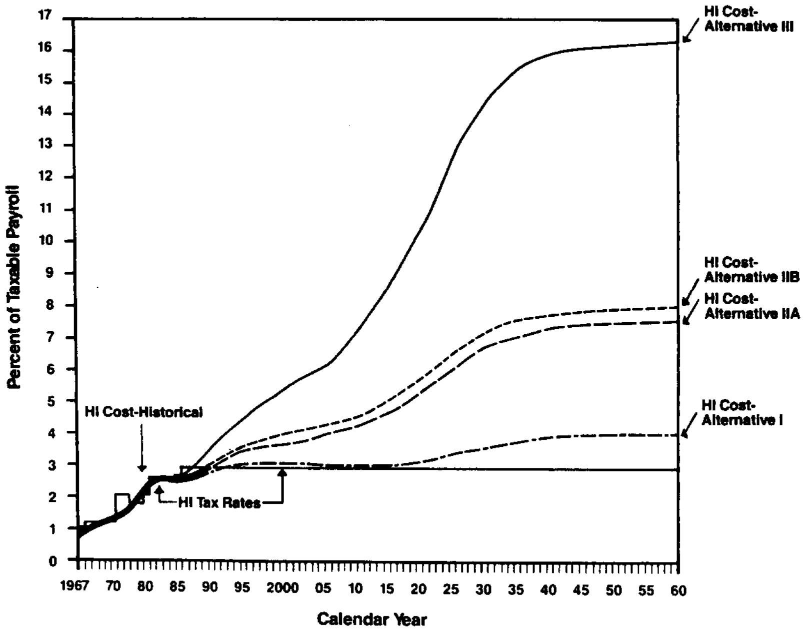
	Alternative			
	I	II-A	II-B	III
1986-2010:				
Average contribution rate 1/	2.90%	2.90%	2.90%	2.90%
Average cost of the program 2/	2.96	3.56	3.72	4.87
Actuarial balance	-0.06	-0.66	-0.82	-1.97
2011-2035:				
Average contribution rate 1/	2.90	2.90	2.90	2.90
Average cost of the program 2/	3.34	5.76	6.18	11.85
Actuarial balance	-0.44	-2.86	-3.28	-8.95
2036-2060:				
Average contribution rate 1/	2.90	2.90	2.90	2.90
Average cost of the program 2/	3.96	7.33	7.86	16.06
Actuarial balance	-1.06	-4.43	-4.96	-13.16
1986-2060:				
Average contribution rate 1/	2.90	2.90	2.90	2.90
Average cost of the program 2/	3.42	5.55	5.92	10.93
Actuarial balance	-0.52	-2.65	-3.02	-8.03

1/ As scheduled under present law.

2/ Expressed as a percent of taxable payroll. Includes amounts for trust fund building and maintenance.

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.

Figure 2
Estimated HI Cost and Tax Rates



Note: HI projected cost includes an allowance for maintaining the trust fund balance at a level of a half-year's outgo after accounting for the offsetting effect of interest earnings.

TABLE III.—STATUS OF THE HOSPITAL INSURANCE TRUST FUND

Alternative Assumptions	Year in which the trust fund is exhausted as published in the 1985 Report	Year in which the trust fund is exhausted as published in the 1986 Report	75-year actuarial balance 1/ of the HI program as published in the 1985 Report	75-year actuarial balance 1/ of the HI program as published in the 1986 Report
I (Optimistic)	2/	2/	0.38%	-0.52%
II-A (Intermediate)	2000	1998	-2.40	-2.65
II-B (Intermediate)	1998	1996	-2.79	-3.02
III (Pessimistic)	1992	1993	-7.97	-8.03

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 percent 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.

Table IV.—CHANGE IN THE 75-YEAR ACTUARIAL BALANCE SINCE THE 1985 TRUSTEES REPORT

1. Actuarial Balance, Alternative II-B, 1985 Report	-2.79%
2. Changes:	
a Valuation period	-0.07
b. Base estimate	+0.14
c. Change in prospective payment rates	+0.06
d. Economic and demographic assumptions	-0.22
e. Hospital assumptions	-0.14
f. Net effect, all changes	-0.23
3. Actuarial Balance, Alternative II-B, 1986 Report	-3.02

Conclusion of the Board of Trustees

The present financing schedule for the hospital insurance program is barely sufficient to ensure the payment of benefits and maintain the fund at a level of one half year's disbursements over the next 7 to 9 years if the assumptions underlying the estimates are realized. The trust fund is exhausted in the late 1990's under both alternatives II-A and II-B. Under the more pessimistic assumptions, the fund is exhausted in 1993. Under the more optimistic alternative I, the trust fund is solvent at least through the first 25-year projection period.

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 HI Trust Fund is projected to become exhausted even before the major demographic shift begins to occur. Exhaustion is projected to occur during the late 1990's under the intermediate assumptions, and could occur as early as 1993 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 before the end of the 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.

SOCIAL SECURITY AMENDMENTS SINCE THE 1985 TRUSTEES REPORT

Public Laws 99-107, 99-155, 99-181, 99-189, and 99-201 extended the freeze on hospital payment rates until November 14, 1985, December 14, 1985, December 18, 1985, December 19, 1985, and March 14, 1986, respectively. Each was effective upon enactment.

Public Law 99-177, the "Balanced Budget and Emergency Deficit Control Act of 1985," which was enacted December 12, 1985, provided for a one percent reduction in Medicare benefit payments for fiscal year 1986, effective March 1, 1986. The reduction would be up to two percent in each ensuing fiscal year if a sequestration order is required. Certain provisions of this Act, also known as the Gramm - Rudman - Hollings initiative, have been declared unconstitutional in the United States District Court for the District of Columbia. The court, however, ruled that the provisions of the Act can go into effect while it is in the appeals process. Thus, the estimated operations of the hospital insurance trust fund that are displayed in this report are based on the assumption that the provisions of the Act are effective from March 1, 1986 until the close of fiscal year 1986 (September 30, 1986) only.

The Consolidated Omnibus Budget Reconciliation Act of 1986 has been passed by the Congress but has not yet become law. Thus, the impact of the provisions of that legislation are not reflected in this report.

NATURE OF THE TRUST FUND

The Federal Hospital Insurance Trust Fund was established on July 30, 1965, as a separate account in the United States Treasury. All the financial operations of the hospital insurance program are handled through this fund.

The major sources of receipts of the trust fund are (1) amounts appropriated to it under permanent appropriation on the basis of contributions paid by workers and their employers, and by individuals with self-employment income, in work covered by the hospital insurance program and (2) amounts deposited in it representing contributions paid by workers employed by State and local Governments and by such employers with respect to work covered by the program. The coverage of the hospital insurance program includes workers covered under the old-age, survivors, and disability insurance program, those covered under the railroad retirement program, and Federal employees.

All employees, and their employers, in employment covered by the program are required to pay contributions with respect to the wages of individual workers. Cash tips, covered as wages beginning in 1966 under the 1965 amendments, are an exception. Employees pay contributions with respect to cash tips but, prior to 1978, employers did not. Since 1978, under the 1977 amendments, employers have been required to pay contributions on that part of the tip income deemed to be wages under the Federal minimum wage law. All covered self-employed persons are required to pay contributions with respect to their self-employment income.

In general, an individual's contributions are computed on annual wages or self-employment income, or both wages and self-employment income combined, up to a specified maximum annual amount, with the contributions being determined first on the wages and then on any self-employment income up to the maximum annual amount.

The hospital insurance contribution rates applicable to taxable earnings in each of the calendar years 1966 and later are shown in table 1. For 1986 and later, the contribution rates shown are the rates scheduled in the provisions of present law. The maximum amount of annual earnings taxable in each year 1966-85 are also shown. For 1975-78, the contribution and benefit bases were determined under the automatic increase provisions in section 230 of the Social Security Act. In 1979, 1980, and 1981, the bases increased to the specified amounts as provided under the 1977 amendments. After 1981, the automatic increase provisions are again applicable.

Except for amounts received under State agreements (to effectuate coverage under the program for State and local Government employees) and deposited directly in the trust fund, all contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury as internal revenue collections. The contributions received are automatically appropriated to the trust fund, on an estimated basis. The exact amount of contributions received is not known initially since hospital insurance contributions, old-age, survivors, and disability insurance contributions, and individual income taxes are not separately identified in collection reports received by the Treasury Department. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable on the basis of reported earnings.

Prior to May 1983 and after June 1984, the internal revenue collections were transferred to the trust funds immediately upon receipt. For May 1983 through June 1984, estimated total collections for each month were credited to the trust funds on the first day of the month. As the actual collections were received during the month, they were deposited in the general fund of the Treasury and remained there. The trust funds paid interest to the general fund to reimburse it for the interest lost because of this provision.

An employee who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum can receive a refund of the contributions he paid on such excess wages. The amount of contributions subject to refund for any period is a charge against the trust fund.

Another source of trust fund income is interest received on investments held by the fund. The investment procedures of the fund are described later in this section.

The income and expenditures of the trust fund are also affected by the provisions of the Railroad Retirement Act which provide for a system of coordination and financial interchange between the railroad retirement program and the hospital insurance program.

Sections 217(g) and 229(b) of the Social Security Act, prior to modification by the Social Security Amendments of 1983, authorized annual reimbursement from the general fund of the Treasury to the hospital insurance trust fund for costs arising from the granting of deemed wage credits for military service prior to 1957, according to quinquennial determinations made by the Secretary of Health and Human Services. These sections, as modified by the Social Security Amendments of 1983, provided for a lump sum transfer in 1983 for costs arising from such wage credits. In addition, the lump sum transfer included combined employer-employee HI taxes on the noncontributory wage credits for military service after 1965 and before 1984. After 1983, HI taxes on military wage credits are credited to the fund on July 1 of each year. The Social Security Amendments of 1983 also provided for (1) quinquennial adjustments to the lump sum amount transferred in 1983 for costs arising from pre-1957 deemed wage credits and (2) adjustments as deemed necessary to any previously transferred amounts representing HI taxes on noncontributory wage credits.

Section 231 of the Social Security Act authorizes reimbursement from the general fund of the Treasury to the hospital insurance trust fund for any costs arising from the granting of deemed wage credits to individuals who were interned during World War II at a place within the United States operated by the Federal Government for the internment of persons of Japanese ancestry.

Under section 103 of the Social Security Amendments of 1965, hospit insurance benefits are provided to certain uninsured persons aged 65 and ove Such payments are made initially from the hospital insurance trust fund, wi reimbursement from the general fund of the Treasury for the costs, includi administrative expenses, of the payments. The reimbursements so made are o provisional basis and are subject to adjustment, with appropriate inter allowances, as the actual experience develops and is analyzed.

Section 1818 of the Social Security Act provides that certain persons not eligible for hospital insurance protection either on an insured basis or on the uninsured basis described in the previous paragraph may obtain protection by enrolling in the program and paying a monthly premium.

Section 201(i) of the Social Security Act authorizes the Managing Trustee to accept and deposit in the trust fund unconditional money gifts or bequests made for the benefit of the fund or any activity financed through the fund.

Expenditures for benefit payments and administrative expenses under the hospital insurance program are paid from the trust fund. All expenses incurred by the Department of Health and Human Services and by the Treasury Department in carrying out the provisions of title XVIII of the Social Security Act pertaining to the hospital insurance program and of the Internal Revenue Code relating to the collection of contributions are charged to the trust fund. The Secretary of Health and Human Services certifies benefit payments to the Managing Trustee, who makes the payments from the trust fund in accordance therewith.

Prior to fiscal year 1984, hospitals, at their option, were permitted to combine their billing for both hospital and physician components of radiology and pathology services rendered hospital inpatients by hospital-based physicians. Where hospitals elected this billing procedure, payments were made initially from the hospital insurance trust fund. The reimbursements so made were on a provisional basis and are subject to adjustment, with appropriate interest allowance, as the actual experience develops and is analyzed.

The Social Security Amendments of 1967 and 1972 authorize the Secretary of Health and Human Services to develop and conduct a broad range of experiments and demonstration projects designed to determine various methods of increasing efficiency and economy in providing health care services, while maintaining the quality of such services, under the hospital insurance and supplementary medical insurance programs. A sizable portion of the costs of such experiments and demonstration projects is paid from the hospital insurance and supplementary medical insurance trust funds.

Congress has authorized expenditures from the trust funds for construction, rental, and lease or purchase contracts of office buildings and related facilities for use in connection with the administration of the hospital insurance program. Both the capital costs of construction financed directly through the trust funds and the rental, lease, or purchase contract costs of acquiring facilities are included in trust fund expenditures. In 1972-75, construction of several large facilities was authorized under purchase contract authority, wherein initial capital costs were borne by the private sector. Under this method of facilities acquisition, trust fund expenditures for use and ultimate Government ownership of a facility are made over periods of from 10 to 30 years. Whatever the manner of acquisition, the net worth of facilities and other fixed capital assets is not carried in the statement of the assets of the trust fund presented in this report. This is because the value of fixed capital assets does not represent funds available for benefit or administrative expenditures and, therefore, is not viewed as being a consideration in assessing the actuarial status of the funds.

That portion of the trust fund which, in the judgment of the Managing Trustee, is not required to meet current expenditures for benefits and administration, is invested, on a daily basis, in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below), in obligations guaranteed as to both principal and interest by the United States, or in certain federally sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. These obligations may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price.

The Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust fund. The law requires that such special public-debt obligations shall bear interest at a rate based on the average market yield (computed on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such month.

The Social Security Act authorizes borrowing among the OASI, DI, and HI trust funds when necessary "to best meet the need for financing the benefit payments" from the three funds. The timing and amounts of the loans are largely at the discretion of the Managing Trustee, although no loans can be made after 1987. Loans may not be made from a trust fund if its assets (excluding any amounts borrowed) represent less than 10 percent of its current annual rate of expenditures.

The law also specifies that interest on borrowed amounts will be paid monthly at a rate "equal to the rate which the lending trust fund would earn on the amount involved if the loan were an investment."

In this report, the assets of a trust fund include any amounts owed to other trust funds. The assets of a trust fund to which amounts are owed do not include such amounts. This procedure is followed because borrowed amounts are available for the payment of benefits or other obligations of the borrowing fund, while such amounts are not readily available to the lending fund.

At the end of each year through 1988, if the combined assets of the OASI and DI trust funds exceed 15 percent of the estimated outgo in the next year, such excess over 15 percent must be used to repay any amounts owed to the HI trust fund. The same rule applies to loans from the OASI and DI trust funds to the HI trust fund, although no such loans are anticipated. In any case, all interfund loans must be completely repaid before 1990.

TABLE 1.—CONTRIBUTION RATES AND MAXIMUM TAXABLE AMOUNT OF ANNUAL EARNINGS

Calendar Years	Maximum taxable amount of annual earnings	Contribution rate (Percent of taxable earnings)	
		Employees and employers, each	Self-employed
Past experience:			
1966	$ 6,600	0.35	0.35
1967	6,600	0.50	0.50
1968-71	7,800	0.60	0.60
1972	9,000	0.60	0.60
1973	10,800	1.00	1.00
1974	13,200	0.90	0.90
1975	14,100	0.90	0.90
1976	15,300	0.90	0.90
1977	16,500	0.90	0.90
1978	17,700	1.00	1.00
1979	22,900	1.05	1.05
1980	25,900	1.05	1.05
1981	29,700	1.30	1.30
1982	32,400	1.30	1.30
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
Changes scheduled in present law:			
1987 & later	Subject to automatic increase	1.45	2.90

SUMMARY OF THE OPERATIONS OF THE TRUST FUND, FISCAL YEAR 1985

A statement of the income and disbursements of the Federal Hospital Insurance Trust Fund in fiscal year 1985, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table 2.

The total assets of the trust fund amounted to $17,174 million on September 30, 1984. During fiscal year 1985, total receipts amounted to $52,757 million,[1/] and total disbursements were $48,654 million. The assets of the trust fund thus increased $4,103 million during the year to a total of $21,277 million on September 30, 1985.

Included in total receipts during fiscal year 1985 were $42,416 million representing contributions appropriated to the trust fund and $4,202 million representing amounts received in accordance with State agreements for coverage of State and local Government employees and deposited in the trust fund. As an offset, $129 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base.

1/ Includes a loan repayment of $1,824 million from the Federal Old-Age and Survivors Insurance Trust Fund.

Net contributions amounted to $46,490 million, representing an increase of 12.4 percent over the amount of $41,364 million for the preceding 12-month period. This growth in contribution income resulted primarily from (1) the higher level of earnings in covered employment; (2) the two increases in the maximum annual amount of earnings taxable from $35,700 to $37,800 and from $37,800 to $39,600 that became effective on January 1, 1984, and January 1, 1985, respectively; and (3) the increase in the combined tax rate from 2.6 percent to 2.7 percent effective January 1, 1985.

The section entitled "Nature of the Trust Fund" referred to provisions of the Social Security Act under which certain persons aged 65 and over but not otherwise eligible for hospital insurance protection may obtain such protection by enrolling in the program and paying a monthly premium. Premiums collected from such voluntary participants in fiscal year 1985 amounted to about $38 million.

In accordance with the provisions of the Railroad Retirement Act which coordinate the railroad retirement and the hospital insurance programs and which govern the financial interchange arising from the allocation of costs between the two systems, the Railroad Retirement Board and the Secretary of Health and Human Services determined that a transfer of $346 million from the railroad retirement account to the hospital insurance trust fund would place this fund in the same position, as of September 30, 1984, in which it would have been if railroad employment had always been covered under the Social Security Act. This amount, together with interest to the date of transfer amounting to $25 million, was transferred to the trust fund in June 1985.

In accordance with provisions for the appropriation to the trust fund of HI taxes on noncontributory military wage credits as discussed in the section entitled "Nature of the Trust Fund," the trust fund was credited on July 1, 1985 with $86 million for calendar year 1985 taxes on wage credits.

The section entitled "Nature of the Trust Fund" referred to provisions under which the hospital insurance trust fund is to be reimbursed from the general fund of the Treasury for costs of paying benefits under this program on behalf of certain uninsured persons. The reimbursement in fiscal year 1985 amounted to $766 million, consisting of $754 million for benefit payments, $8 million for administrative expenses, and $4 million for interest on adjustments to costs in prior fiscal years.

The remaining $3,182 million of receipts consisted almost entirely of interest on the investments of the trust fund and interest on interfund borrowing.

Of the $48,654 million in total disbursements, $47,841 million represented benefits paid directly from the trust fund for health services covered under Title XVIII of the Social Security Act. Benefit payments increased 15.3 percent in fiscal year 1985 over the corresponding amount of $41,476 million paid during the preceding 12 months.

The remaining $813 million of disbursements was for net administrative expenses. Administrative expenses are allocated and charged directly to each of the four trust funds—old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance—on the basis of provisional estimates. Similarly the expenses of administering other programs of the Health Care Financing Administration are also allocated and charged directly to the general fund of the Treasury on a provisional basis. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses and costs of construction for prior periods are affected by interfund transfers, including transfers between the hospital insurance and supplementary medical insurance trust funds and the program management general fund account, with appropriate interest allowances.

Table 3 compares the actual experience in fiscal year 1985 with the estimates presented in the 1984 and 1985 annual reports. The section entitled "Nature of the Trust Fund" referred to the appropriation of contributions to the trust funds on an estimated basis, with subsequent periodic adjustments to account for differences from the amounts of contributions actually payable on the basis of reported earnings. In interpreting the figures in table 3, it should be noted that the "actual" amount of contributions in fiscal year 1985 reflects the aforementioned type of adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions for fiscal year 1985 does not reflect adjustments to contributions for fiscal year 1985 that were to be made after September 30, 1985.

The assets of the hospital insurance trust fund at the end of fiscal year 1984 totaled $17,174 million, consisting of $16,919 million in the form of obligations and an undisbursed balance of $255 million. The assets of the hospital insurance trust fund at the end of fiscal year 1985 totaled $21,277 million, consisting of $21,131 million in the form of obligations of the U.S. Government or of federally-sponsored agency obligations and an undisbursed balance of $146 million. Table 4 shows the total assets of the fund and their distribution at the end of fiscal years 1984 and 1985.

The net increase in the par value of the investments held by the fund during fiscal year 1985 amounted to $4,194 million. New securities at a total par value of $58,984 million were acquired during the fiscal year through the investment of receipts and the reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the fiscal year was $54,789 million.

The effective annual rate of interest earned by the assets of the hospital insurance trust fund during the 12 months ending on June 30, 1985, was 12.2 percent. (This period is used because interest on special issues is paid semiannually on June 30 and December 31.) The interest rate on public-debt obligations issued for purchase by the trust fund in June 1985 was 10.375 percent, payable semiannually.

TABLE 2.—STATEMENT OF OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND DURING FISCAL YEAR 1985
(In thousands of dollars)

Total assets of the trust fund, beginning of period	$17,174,173
Receipts:	
Appropriation of employment taxes	$42,416,037
Refunds of employment taxes	(128,700)
Deposits arising from State agreements	4,202,470
Interest on investments:	
Collected	1,977,543
Paid to general fund-normalized tax crediting	(13,358)
Amortization of premium and discount net	18,267
Other	
Interest on interfund borrowing	1,206,738
Premiums collected from voluntary participants	37,754
Transfer from railroad retirement account	346,300
Transitional uninsured coverage	766,000
Military service credits	86,000
Interest on reimbursements, SSA 1/	(636)
Interest on reimbursements, HCFA 1/	(6,536)
Interest on reimbursements, railroad	25,090
Total receipts	$50,932,969
Interfund loan transfer 1/	1,824,000
Expenditures:	
Benefit payments	47,841,276
Administrative expenses:	
Treasury administrative expenses	27,120
Salaries and expenses, SSA	300,603
Salaries and expenses, HCFA 2/	416,244
Salaries and expenses, Office of Secretary	6,067
Construction	10,332
Professional Standard Review Organization	19,935
Reimbursement of SSA expenses 3/	0
Reimbursement of HCFA expenses 3/	30,283
Payment Assessment Committee	2,060
Public Health Service	0
Other	(20)
Total expenditures	48,653,900
Total assets of the trust fund, end of period	21,277,241

1/ A positive figure represents a transfer to the hospital insurance trust fund from the other trust funds. A negative figure represents a transfer from the hospital insurance trust fund to the other trust funds.
2/ Includes administrative expenses of the intermediaries.
3/ A positive figure represents a transfer from the hospital insurance trust fund to the other trust funds. A negative figure represents a transfer to the hospital insurance trust fund from the other trust funds.

NOTE: Totals do not necessarily equal the sum of rounded components.

TABLE 3.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND, FISCAL YEAR 1985
(Dollar amounts in millions)

		Comparison of actual experience with estimates for fiscal year 1985 published in--			
		1985 Report 1/		1984 Report 1/	
Item	Actual Amount	Estimated Amount	Actual as percentage of estimate	Estimated Amount	Actual as percentage of estimate
Net contributions	$46,490	$46,424	100	$47,183	99
Benefit payments	$47,841	$48,030	100	$51,126	94

1/ Alternative II-B.

TABLE 4.—ASSETS OF THE HOSPITAL INSURANCE TRUST FUND BY TYPE
AT THE END OF FISCAL YEARS 1984 and 1985 1/

	September 30, 1984	September 30, 1985
Investments in public-debt obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
12 3/4-percent, 1985	$1,516,618,000.00	-----
10 3/8-percent, 1986	-----	822,475,000.00
10 5/8 percent, 1986	-----	1,248,147,000.00
Bonds:		
8 1/4-percent, 1993	622,286,000.00	622,286,000.00
8 3/4-percent, 1993	123,297,000.00	123,297,000.00
8 3/4-percent, 1994	849,460,000.00	849,460,000.00
9 3/4-percent, 1993	130,210,000.00	130,210,000.00
9 3/4-percent, 1994	130,210,000.00	130,210,000.00
9 3/4-percent, 1995	979,670,000.00	979,670,000.00
10 3/8-percent, 1987	-----	427,022,000.00
10 3/8-percent, 1988	-----	427,022,000.00
10 3/8-percent, 1989	-----	427,022,000.00
10 3/8-percent, 1990	-----	427,022,000.00
10 3/8-percnet, 1991	-----	427,023,000.00
10 3/8-percent, 1992	-----	427,023,000.00
10 3/8-percent, 1998	-----	427,022,000.00
10 3/8-percent, 1999	-----	427,022,000.00
10 3/8-percent, 2000	-----	1,277,566,000.00
10 3/4-percent, 1986	271,006,000.00	-----
10 3/4-percent, 1987	588,410,000.00	588,410,000.00
10 3/4-percent, 1988	588,410,000.00	588,410,000.00
10 3/4-percent, 1989	588,410,000.00	588,410,000.00
10 3/4-percent, 1990	588,410,000.00	588,410,000.00
10 3/4-percent, 1991	588,410,000.00	588,410,000.00
10 3/4-percent, 1992	588,410,000.00	588,410,000.00
10 3/4-percent, 1998	588,410,000.00	588,410,000.00
13 -percent, 1993	197,606,000.00	197,606,000.00
13 -percent, 1994	197,606,000.00	197,606,000.00
13 -percent, 1995	197,606,000.00	197,606,000.00
13 -percent, 1996	1,177,276,000.00	1,177,276,000.00
13 1/4-percent, 1993	272,853,000.00	272,853,000.00
13 1/4-percent, 1994	272,853,000.00	272,853,000.00
13 1/4-percent, 1995	272,853,000.00	272,853,000.00
13 1/4-percent, 1996	272,853,000.00	272,853,000.00
13 1/4-percent, 1997	1,450,129,000.00	1,450,129,000.00
13 3/4-percent, 1985	208,505,000.00	-----
13 3/4-percent, 1986	579,539,000.00	5,652,000.00
13 3/4-percent, 1987	262,135,000.00	262,135,000.00
13 3/4-percent, 1988	262,135,000.00	262,135,000.00
13 3/4-percent, 1989	262,135,000.00	262,135,000.00
13 3/4 percent, 1990	262,135,000.00	262,135,000.00
13 3/4-percent, 1991	262,134,000.00	262,134,000.00
13 3/4-percent, 1992	262,134,000.00	262,134,000.00
13 3/4-percent, 1998	262,134,000.00	262,134,000.00
13 3/4-percent, 1999	850,544,000.00	850,544,000.00
Total public-debt obligations sold only to this fund (special issues)	$16,526,792,000.00	$20,721,142,000.00
Investments in federally-sponsored agency obligations:		
Participation certificates: Federal Assets Liquidation Trust-Government National Mortgage Association:		
5.10-percent, 1987.............	50,000,000.00	50,000,000.00
6.40-percent, 1987.............	75,000,000.00	75,000,000.00
6.05-percent, 1988.............	65,000,000.00	65,000,000.00
6.45-percent, 1988.............	35,000,000.00	35,000,000.00
6.20-percent, 1988.............	230,000,000.00	230,000,000.00
Unamortized Premium & Discount Net	(63,013,527.90)	(44,746,342.50)
Total Investments	$16,918,778,472.10	$21,131,395,657.50
Undisbursed Balance	255,394,489.68	145,845,581.01
Total Assets	$17,174,172,961.78	$21,277,241,238.51

1/ The assets are carried at par value, which is the same as book value.

EXPECTED OPERATIONS AND STATUS OF THE TRUST FUND DURING THE PERIOD OCTOBER 1, 1985 TO DECEMBER 31, 1988

The expected operations of the trust fund during fiscal years 1986-88 are shown in table 5, together with the past experience of the program. The projection shown in table 5—and the entirety of this section--is based on two intermediate sets of projection assumptions labeled alternative II-A and alternative II-B, which are presented in detail in Appendix A. The economic assumptions underlying these two alternative sets of assumptions are described in detail in the 1986 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds.

Income received through the financial interchange between the railroad retirement account and the trust fund under the provisions of the Railroad Retirement Act is estimated on the same basis as income from hospital insurance contributions. Estimates of the corresponding outgo are included in the disbursement items.

Estimated income to the trust fund which is appropriated from general revenues to reimburse the program for the cost of coverage of noninsured persons is the same as the estimates of disbursements for such persons, net of corrections for differences between costs and amounts transferred for previous years. Premium income and disbursements for other noninsured persons over age 65 who may enroll in the hospital insurance program on a voluntary basis are based on an estimated enrollment of 22,000 in fiscal year 1986.

The transfer from general revenues for military wage credits was $86 million in fiscal year 1985 and is projected to be $91 million in fiscal year 1986. In addition, a transfer of $805 million from the hospital insurance trust fund to the general fund of the Treasury was made in fiscal year 1986. This transfer is an adjustment to the lump sum transfer made in fiscal year 1983, and was determined in the 1985 quinquennial Military Service Determination. These military transfers are based on provisions of the Social Security Amendments of 1983, as described in the "Nature of the Trust Fund" section.

The investment of new assets received during fiscal years 1986-88 is assumed to be in the form of special public-debt obligations bearing interest rates ranging from 7.5 percent to 8.125 percent, payable semiannually. The average effective annual rate of interest on the assets held by the hospital insurance trust fund on September 30, 1985, was 11.5 percent.

Disbursements for benefits are projected to increase in fiscal years 1986-88, primarily as a result of the increase in hospital payment rates and hospital admissions under the program. The expenditures for benefit payments shown in table 5 differ from those shown in the 1987 Federal Budget. These estimates are based on more recent demographic and economic projections, and they do not reflect the implementation of proposed changes in regulations which were included in the budget. However, the expenditures for benefit payments shown in this section anticipate that the Secretary of Health and Human Services will exercise his discretionary authority and set the prospective payment rates to participating hospitals in fiscal year 1987 two percent higher than the rates in fiscal year 1986, thereby limiting the rate of increase in hospital payments under the program.

The interfund loan to the old-age and survivors insurance trust fund from the hospital insurance trust fund as provided for by the interfund borrowing provisions of Public Law 97-123 is shown in table 5. The loan, when made, was technically still considered an asset of the hospital insurance trust fund. However, since these assets were not immediately available for payment of hospital insurance benefits, they were subtracted from the fund in the year made. Repayments of principal were added back into the fund in the year each repayment was made. Interest payments on the outstanding loan balance were payable monthly and are included in the interest on investments and other income column. The outstanding loan balance was repaid in full in January 1986.

The actual operations of the hospital insurance program are organized, in general, on a calendar year basis. Earnings subject to taxation and the applicable tax rates are established by calendar year, as are the inpatient deductible and other cost-sharing amounts. The projected operations of the trust fund on a calendar year basis are shown in table 6, according to the same assumptions as used in table 5. The ratios of assets in the trust fund at the beginning of each calendar year to total disbursements during that year are shown in table 7 for past years and as projected through 1988.

TABLE 5.--OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND DURING FISCAL YEARS 1967-88
(In millions)

	Income							Disbursements				Trust Fund	
Fiscal Year 1/	Payroll taxes	Transfers from railroad retirement account	Reimbursement for uninsured persons	Premiums from voluntary enrollees	Payments for military wage credits	Interest on investments and other income 2/	Total income	Benefits payments 3/	Administrative expenses 4/	Total disbursements	Interfund borrowing transfers 5/	Net increase fund	Fund at end of year
Historical Data:													
1967	$ 2,689	$ 16	$327		$ 11	$ 46	$ 3,089	$ 2,508	$ 89	$ 2,597		$ 492	$ 1,343
1968	3,514	44	273		11	61	3,902	3,736	79	3,815		88	1,431
1969	4,423	54	749		22	96	5,344	4,654	104	4,758		586	2,017
1970	4,785	64	617		11	137	5,614	4,804	149	4,953		661	2,677
1971	4,898	66	863		11	180	6,018	5,442	150	5,592		426	3,103
1972	5,226	66	503		48	188	6,031	6,108	167	6,276		-245	2,859
1973	7,663	63	381		48	196	8,352	6,648	194	6,842		1,510	4,369
1974	10,602	99	451	$ 4	48	405	11,610	7,806	259	8,065		3,545	7,914
1975	11,291	132	481	6	48	609	12,568	10,353	259	10,612		1,956	9,870
1976	12,031	138	610	8	48	709	13,544	12,267	312	12,579		966	10,836
T.Q.	3,366	143	0 6/	2	0	5	3,516	3,315	89	3,404		112	10,948
1977	13,649	0 7/	803 6/	11	141	770	15,374	14,906	301	15,207		167	11,115
1978	16,677	214 7/	688	12	143 8/	809	18,543	17,411	451	17,862		681	11,796
1979	19,927	191	734	17	141	901	21,910	19,891	452	20,343		1,567	13,363
1980	23,244	244	697	17	141	1,072	25,415	23,790	497	24,288		1,127	14,490
1981	30,425	276	659	21	141	1,341	32,863	28,907	353	29,260		3,603	18,093
1982	34,390	351	808	25	207	1,829	37,611	34,343	521	34,864		2,747	20,840
1983	36,387	358	878	26	3,663 9/	2,629	43,940	38,102	522	38,624	$-12,437	-7,121	13,719
1984	41,364	351	752	35	250	2,812	45,563	41,476	633	42,108		3,455	17,174
1985	46,490	371	766	38	86	3,182	50,933	47,841	813	48,654	1,824	4,103	21,277
Alternative II-A													
1986	52,814	352	566	53	-714 10/	3,262	56,333	48,591	756	49,347	10,613	17,599	38,876
1987	57,382	369	447	65	93	3,924	62,280	52,506	807	53,313		8,967	47,843
1988	61,765	379	529	73	94	4,579	67,419	58,097	866	58,963		8,456	56,299
Alternative II-B													
1986	52,674	352	566	53	-714 10/	3,259	56,190	48,591	756	49,347	10,613	17,456	38,733
1987	56,916	368	447	65	93	3,905	61,794	52,513	807	53,320		8,474	47,207
1988	60,853	376	530	73	94	4,537	66,463	58,132	866	58,998		7,465	54,672

1/ For 1967 through 1976, fiscal years cover the interval from July 1 through June 30; the three-month interval from July 1, 1976, through September 30, 1976, is labeled "T.Q.," the transition quarter; fiscal years 1977-84 cover the interval from October 1 through September 30.
2/ Other income includes recoveries of amounts reimbursed from the trust fund which are not obligations of the trust fund and other miscellaneous income.
3/ Includes costs of Peer Review Organizations (beginning with the implementation of the Prospective Payment System on October 1, 1983).
4/ Includes costs of experiments and demonstration projects.
5/ A loan to the OASI trust fund would still be an asset of the HI trust fund. However, since these assets are not immediately available for payment of HI benefits, they are subtracted out of the HI fund in the year the loan is made. A negative amount is a loan to the OASI trust fund. Repayments of principal are added back into the fund in the year repayment is made. A positive amount is a repayment of principal to the HI trust fund.
6/ The 1977 transfer is for benefits and administrative expenses during the five-quarter period covering the transition quarter and fiscal year 1977.
7/ The 1978 transfer is for contributions during the five-quarter period covering the transition quarter and fiscal year 1977.
8/ Includes $2 million in reimbursement from general revenues for costs arising from the granting of deemed wage credits to persons of Japanese ancestry who were interned during World War II.
9/ Includes the lump sum general revenue transfer of $3,456 million as provided for by Section 151 of P.L. 98-21.
10/ Includes the lump sum general revenue transfer of -$805 million as provided for by Section 151 of P.L. 98-21.

NOTE: Totals do not necessarily equal the sum of rounded components.

TABLE 6.—OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND DURING CALENDAR YEARS 1966-88
(In millions)

	Income							Disbursements				Trust Fund	
Calendar Year	Payroll taxes	Transfers from railroad retirement account	Reimbursement for uninsured persons	Premiums from voluntary enrollees	Payments for military wage credits	Interest on investments and other income 1/	Total income	Benefits payments 2/	Administrative expenses 3/	Total disbursements	Interfund borrowing transfers 4/	Net increase fund	Fund at end of year
Historical Data:													
1966	$ 1,858	$ 16	$ 26		$ 11	$ 32	$ 1,943	$ 891	$108	$ 999		$ 944	$ 944
1967	3,152	44	301		11	51	3,559	3,353	77	3,430		129	1,073
1968	4,116	54	1,022		22	74	5,287	4,179	99	4,277		1,010	2,083
1969	4,473	64	617		11	113	5,279	4,739	118	4,857		422	2,505
1970	4,881	66	863		11	158	5,979	5,124	157	5,281		698	3,202
1971	4,921	66	503		48	193	5,732	5,751	150	5,900		-168	3,034
1972	5,731	63	381		48	180	6,403	6,318	185	6,503		-99	2,935
1973	9,944	99	451	$ 2	48	278	10,821	7,057	232	7,289		3,532	6,467
1974	10,844	132	471	5	48	523	12,024	9,099	272	9,372		2,652	9,119
1975	11,502	138	621	7	48	664	12,980	11,315	266	11,581		1,399	10,517
1976	12,727	143	0 5/	9	141	746	13,766	13,340	339	13,679		88	10,605
1977	14,114	0 6/	803 5/	12	143 7/	784	15,856	15,737	283	16,019		-163	10,442
1978	17,324	214 6/	688	13	141	834	19,213	17,682	496	18,178		1,035	11,477
1979	20,768	191	734	16	141	975	22,825	20,623	450	21,073		1,751	13,228
1980	23,848	244	697	18	141	1,149	26,097	25,064	512	25,577		521	13,749
1981	32,959	276	659	22	207	1,603	35,725	30,342	384	30,726		4,999	18,748
1982	34,586	351	808	24	207	2,022	37,998	35,631	513	36,144	$-12,437	-10,583	8,164
1983	37,259	358	878	27	3,456 8/	2,593	44,570	39,337	540	39,877		4,693	12,858
1984	42,288	351	752	33	250	3,046	46,720	43,257	629	43,887		2,834	15,691
1985	47,576	371.	766	41	-719 9/	3,362	51,397	47,580	834	48,414	1,824	4,808	20,499
Projection:													
Alternative II-A													
1986	54,435	352	566	56	91	4,288	59,788	49,315	759	50,074	10,613	20,327	40,826
1987	58,380	369	447	68	93	4,214	63,571	53,643	820	54,463		9,108	49,934
1988	62,248	379	529	74	94	4,833	68,157	59,472	881	60,353		7,804	57,738
Alternative II-B													
1986	54,227	352	566	56	91	4,280	59,572	49,315	759	50,074	10,613	20,111	40,610
1987	57,782	368	447	68	93	4,180	62,938	53,656	820	54,476		8,462	49,072
1988	61,305	376	530	74	94	4,759	67,138	59,603	882	60,485		6,653	55,725

1/ Other income includes recoveries of amounts reimbursed from the trust fund which are not obligations of the trust fund and other miscellaneous income.
2/ Includes costs of Peer Review Organizations (beginning with the implementation of the Prospective Payment System on October 1, 1983).
3/ Includes costs of experiments and demonstration projects.
4/ A loan to the OASI trust fund would still be an asset of the HI trust fund. However, since these assets are not immediately available for payment of HI benefits, they are subtracted out of the HI fund in the year the loan is made. A negative amount is a loan to the OASI trust fund. Repayments of principal are added back into the fund in the year repayment is made. A positive amount is a repayment of principal to the HI trust fund.
5/ No transfer is made in 1976 because of the change in transfer dates from December to March. The 1977 transfer is for benefits and administrative expenses during the 15-month period beginning July 1976 and ending September 1977.
6/ No transfer is made in 1977 because of the change in transfer dates from August to June. The 1978 transfer is for contributions during the five-quarter period covering the transition quarter and fiscal year 1977.
7/ Includes $2 million in reimbursement form general revenues for costs arising from the granting of deemed wage credits to persons of Japanese ancestry who were interned during World War II.
8/ Includes the lump sum general revenue transfer of $3,456 million as provided for by Section 151 of P.L. 98-21.
9/ Includes the lump sum general revenue transfer of -$805 million as provided for by Section 151 of P.L. 98-21.

NOTE: Totals do not necessarily equal the sum of rounded components.

TABLE 7.--RATIO OF ASSETS IN THE FUND AT THE BEGINNING OF THE YEAR TO DISBURSEMENTS DURING THE YEAR FOR THE HOSPITAL INSURANCE TRUST FUND
(In percent)

Calendar Year	Ratio
Historical Data:	
1967	28%
1968	25
1969	43
1970	47
1971	54
1972	47
1973	40
1974	69
1975	79
1976	77
1977	66
1978	57
1979	54
1980	52
1981	45
1982	52
1983	20
1984	29
1985	32
Projection:	
Alternative II-A	
1986	41
1987	75
1988	83
Alternative II-B	
1986	41
1987	75
1988	81