

# Notes and Brief Reports

## Private Social Welfare Expenditures, 1972-84\*

In calendar year 1984, private social welfare expenditures totaled \$386.8 billion—36.5 percent of the Nation's social welfare expenditures, public and private. Private expenditures were 10.3 percent of the 1984 gross national product (GNP), and public expenditures comprised 18.2 percent (table 1).

This note resumes the private social welfare expenditures series, in which estimates were last made for fiscal year 1978. These estimates were presented in the article "Social Welfare Expenditures, Fiscal Year 1978."<sup>1</sup> Estimates for three of the four components of the series—education, income maintenance, and welfare and other services—were discontinued after fiscal year 1978 because of data-source and methodology limitations. Annual estimates of health and medical care expenditures from public and private

\*By Milton P. Glanz, of the Office of the Actuary, and Wilmer L. Kerns and Jack Schmulowitz, of the Division of Statistics Analysis, Office of Research and Statistics, Office of Policy, Social Security Administration.

<sup>1</sup>See *Social Security Bulletin*, May 1980, pages 3-17.

sources have continued to be prepared by the Health Care Financing Administration. These estimates are published in the *Health Care Financing Review* and in the social welfare expenditures articles in the *Social Security Bulletin*.<sup>2</sup>

The social welfare expenditures series was developed in 1951 by the Social Security Administration to meet a need for comprehensive data comparable to that prepared by other countries. The October 1951 *Social Security Bulletin* contained the first estimates for the series; they covered the data for fiscal year 1950. Private social welfare expenditures were included in the series beginning with the article in the October 1955 *Social Security Bulletin*.<sup>3</sup>

Private expenditures are grouped in four categories: health and medical care, welfare and other services, education, and income maintenance. Of these, health expenditures accounted for the highest

<sup>2</sup>For the most recent report in this series, see Ann Kallman Bixby, "Social Welfare Expenditures, 1963-83," *Social Security Bulletin*, February 1986, pages 12-21.

<sup>3</sup>Ida C. Merriam and Alfred M. Skolnik, *Social Welfare Expenditures Under Public Programs in the United States, 1929-66* (Research Report No. 25), U.S. Department of Health, Education, and Welfare, Social Security Administration, 1968, pages 9-10.

**Table 1.**—Private social welfare expenditures, by category, and public and private social welfare expenditures as a percent of gross national product, 1973-84

[Amounts in millions]

Year	Public, total <sup>1</sup>	Private <sup>2</sup>					Percent of gross national product		
		Total	Health	Income maintenance	Education	Welfare services	Total <sup>3</sup>	Public	Private
1972.....	\$191,357	\$93,622	\$58,500	\$15,955	\$11,710	\$7,457	23.8	16.6	7.7
1973.....	213,942	102,942	64,000	17,087	13,610	8,245	23.7	16.6	7.6
1974.....	239,397	112,762	69,100	19,753	15,003	8,906	24.1	16.9	7.7
1975.....	290,080	124,926	76,400	21,910	16,626	9,990	26.3	19.0	7.8
1976.....	331,956	142,781	88,000	25,004	18,120	11,657	26.9	19.5	8.0
1977.....	360,925	164,113	100,100	30,662	19,927	13,424	26.2	18.6	8.2
1978.....	394,377	184,390	110,100	36,743	21,379	16,168	25.8	18.1	8.2
1979.....	430,280	208,906	124,200	42,628	23,361	18,717	25.0	17.6	8.3
1980.....	492,797	242,610	142,900	51,504	26,751	21,455	26.4	18.5	8.9
1981.....	550,324	278,784	165,800	59,095	30,062	23,827	26.5	18.4	9.1
1982.....	594,785	314,547	188,400	68,088	32,697	25,362	27.7	18.9	9.9
1983.....	642,077	352,480	209,700	79,245	35,911	27,624	28.5	19.3	10.3
1984.....	671,977	386,804	230,700	87,075	38,722	30,307	27.4	18.2	10.3

<sup>1</sup>Fiscal year basis.

<sup>2</sup>Calendar year basis.

<sup>3</sup>Total adjusted to eliminate overlap that occurs when payments

received under public or private income-maintenance programs are used to purchase medical care, educational services, or residential care.

amount—\$230.7 billion in 1984, 60 percent of the overall total—of private social welfare expenditures.

The category “welfare and other services” includes individual and family social services, residential care, recreation and group work, and job training and vocational rehabilitation services. Expenditures for these items were \$30.3 billion in 1984—7.8 percent of the year’s private social welfare funding.

Private expenditures for education in 1984 were \$38.7 billion, 10 percent of all private social welfare expenditures in that year. Of this amount, \$24.5 billion was for higher education and \$12.9 billion went for elementary and secondary schools.

Private income-maintenance expenditures cover payments under private employee benefit plans. Included here are private pension plans, group life insurance, cash disability insurance, paid sick leave, and supplemental unemployment plans. In 1984, private income-maintenance expenditures were \$87.1 billion (22.5 percent of the private expenditures total). Of this amount, private pension payments totaled \$70.4 billion.

The remainder of this note describes the derivation of the estimates for each of these four categories and provides detailed information on the expenditure components.

## Health and Medical Care

As noted above, estimates of health and medical care expenditures from public and private sources are prepared annually by the Health Care Financing Administration. These estimates are available through 1985, with selected historical data extending back to

1929.<sup>4</sup> This series of annual reports, first prepared in 1964, is a further development and consolidation of two earlier health care series.<sup>5</sup>

The estimates for health and medical care expenditures are based on the National Health Accounts, which provide a framework to help understand the nature of spending for health care. The accounts employ a classification matrix with a consistent set of definitions to categorize health care goods and services and the manner in which their purchase is financed.

In 1985, public and private expenditures for health and medical care totaled \$425.0 billion—10.6 percent of the GNP (table 2). Of this amount, private expenditures accounted for \$250.2 billion (6.3 percent of the GNP) and public expenditures were \$174.8 billion (4.4 percent of the GNP).<sup>6</sup>

From 1972 to 1984, the latest year for which data are available for all four categories of private expenditures, private health spending increased from 4.8 percent of the GNP to 6.1 percent. During this 12-year period, all private social welfare expenditures

<sup>4</sup>For the most recent article in this series, see Daniel R. Waldo, Helen Lazenby, and Katherine Levit, “National Health Expenditures, 1985,” *Health Care Financing Review*, Fall 1986, pages 1-21.

<sup>5</sup>Louis S. Reed and Dorothy P. Rice, “National Health Expenditures: Object of Expenditures and Source of Funds, 1962,” *Social Security Bulletin*, August 1964, pages 11-24. Prior to 1962, these data were published in two series: (1) total public and private health expenditures as part of national expenditures for social welfare and (2) private consumer expenditures and data on voluntary health insurance by object of expenditure.

<sup>6</sup>Payments by Federal, State, and local governments for health insurance expenditures are included with other private health insurance expenditures rather than as public expenditures.

**Table 2.—Health and medical care: Expenditures under private and public programs, by source of expenditure and percent of Gross National Product, 1972-85**

[Amount in billions]

Expenditures	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>Source:</b>														
Total .....	\$94.0	\$103.4	\$116.1	\$132.7	\$150.8	\$169	\$189.7	\$214.7	\$248.1	\$287.0	\$323.6	\$357.2	\$390.2	\$425.0
Private expenditures...	58.5	64.0	69.1	76.4	88.0	100.1	110.1	124.2	142.9	165.8	188.4	209.7	230.7	250.2
Health services and supplies.....	55.3	60.7	65.8	73.0	84.5	96.7	106.6	120.4	138.7	160.6	182.2	202.8	224.1	244.3
Noncommercial medical research...	.2	.2	.3	.3	.3	.3	.3	.3	.3	.3	.3	.4	.4	.4
Medical facilities construction.....	3.0	3.0	3.1	3.1	3.2	3.2	3.3	3.5	4.0	4.8	5.8	6.5	6.2	5.5
Public expenditures....	35.4	39.4	47.0	56.3	62.8	69.7	79.6	90.5	105.2	121.2	135.3	147.5	159.5	174.8
<b>Percent of gross national product:</b>														
Total .....	7.8	7.6	7.9	8.3	8.5	8.5	8.4	8.6	9.1	9.4	10.2	10.5	10.4	10.6
Private expenditures...	4.8	4.7	4.7	4.8	4.9	5.0	4.9	5.0	5.2	5.4	6.0	6.2	6.1	6.3
Public expenditures....	2.9	2.9	3.2	3.5	3.5	3.5	3.5	3.6	3.9	4.0	4.3	4.3	4.2	4.4

**Table 3.—Health and medical care: Expenditures under private and public programs, by source of expenditure and of funds. 1985**

[Amounts in billions]

Type of expenditure	Total	Private	Public
Total .....	\$425.0	\$250.2	\$174
Health services and supplies.....	409.5	244.3	165.2
Personal health care.....	371.4	224.0	147.0
Hospital care.....	166.7	76.9	89.8
Physician services.....	82.8	58.7	24.1
Dentist services.....	27.1	26.5	0.6
Other professional services.....	12.6	9.0	3.6
Drugs and medical sundries.....	28.5	25.8	2.7
Eyeglasses and appliances.....	7.5	6.1	1.5
Nursing home care.....	35.2	18.7	16.5
Other personal health care.....	11.0	2.3	8.6
Program administration and net cost of health insurance.....	26.2	20.4	5.8
Government public health activity.....	11.9	...	11.9
Research and construction.....	15.4	5.9	9.6
Noncommercial research.....	7.4	0.4	7.0
Construction of medical facilities.....	8.1	5.5	2.6

Source: "National Health Expenditures, 1985," *Health Care Financing Review*, Fall 1986, table 3, page 15.

as a percentage of the GNP followed an approximately parallel line, increasing from 7.7 percent of the GNP in 1972 to 10.3 percent in 1984.

Private health expenditures comprised 58.9 percent of overall disbursements for health and medical care in 1985, compared with 62.2 percent in 1972. The share has ranged between 58 percent and 59 percent since 1975.

In table 3, data are presented for several components of the health services and supplies category of expenses. The table provides information on the amount of total expenditures for each component in 1985 and indicates the portion of the total that was from the private sector and the portion that constituted public expenditures.

## Welfare and Other Services

In 1986, private expenditures for welfare and other services totaled \$36.7 billion. Expenditures for 1984 were \$30.3 billion, 7.8 percent of total private social welfare funding (table 4). These estimates are based on data prepared by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce, for the National Income and Product Accounts (NIPA)—Personal Consumption Expenditures. The BEA series presents data for religious and welfare activities as a major component, and social welfare is the largest subgroup within this category; it accounts for nearly 60 percent of the total reported expenditures.

**Table 4.—Welfare and other services: Private expenditures, Social Security Administration series data, 1960-78, and Department of Commerce National Income and Product Accounts data, 1960-86**

[Amounts in millions]

Year	Social Security Administration		Department of Commerce NIPA series
	Fiscal year <sup>1</sup>	Calendar year <sup>2</sup>	
1960.....	\$1,088	\$1,126	\$1,293
1965.....	1,375	1,438	2,753
1966.....	1,500	1,550	3,310
1967.....	1,600	1,680	3,878
1968.....	1,750	1,825	4,341
1969.....	1,900	1,950	4,922
1970.....	2,000	2,050	5,444
1971.....	2,100	2,200	6,310
1972.....	2,300	2,450	7,457
1973.....	2,600	2,750	8,245
1974.....	2,900	2,950	8,906
1975.....	3,000	3,200	9,990
1976.....	3,400	3,625	11,657
1977.....	3,850	4,188	13,424
1978.....	4,300	...	16,168
1979.....	...	...	18,717
1980.....	...	...	21,455
1981.....	...	...	23,827
1982.....	...	...	25,362
1983.....	...	...	27,624
1984.....	...	...	30,307
1985.....	...	...	33,460
1986.....	...	...	36,716

<sup>1</sup>Fiscal year estimates published in the *Social Security Bulletin* before discontinuation of the series in 1978.

<sup>2</sup>Fiscal year estimates in column 1 converted to calendar year estimates.

The private social welfare estimate includes:

- Individual and family social services—counseling and referral services to families and children, family service agencies, adoption services, emergency and disaster services, adult day-care centers, and senior citizens centers;
- Residential care—group foster homes, halfway homes, and shelters for the homeless;
- Recreation and group work—YMCA, YWCA, Boy Scouts, and Girl Scouts; and
- Job training and vocational rehabilitation—sheltered workshops, vocational rehabilitation agencies, and skill training centers.

A methodology for estimating private expenditures for welfare and other services was published in the *Social Security Bulletin*.<sup>7</sup> Although this article presented a one-time estimate of philanthropic giving, it did not provide a standardized data system for updating the estimate on an ongoing basis. In subse-

<sup>7</sup>See Thomas Karter, "Voluntary Agency Expenditures for Health and Welfare From Philanthropic Contributions, 1930-55," *Social Security Bulletin*, February 1958, pages 14-18.

quent years, the data published in the Social Security Administration (SSA) private social welfare expenditures series were estimated by adjusting the 1955 data base, assuming a constant ratio between private welfare expenditures and the gross national product. This method appears to have resulted in a serious underestimate of private expenditures for social welfare. In 1960, the Karter and NIPA estimates were in general agreement but, over time, they grew apart.

Alternate approaches for the resumption of this series were considered. The National Income and Product Accounts (NIPA) series appears to provide the best information on private expenditures for social welfare. The principal data source for the BEA series on social welfare is the **Census of Service Industries**, which is part of the Economic Census conducted every 5 years. The latest census in this series was conducted in 1982. Between census years, data are extrapolated, generally on the basis of wage indexes.

## Education

Private expenditures for education in 1985 are estimated to have reached \$41.7 billion, of which \$26.6 billion was for higher education, \$13.7 billion for elementary and secondary, schools and \$1.5 billion for construction (tables 5 and 6).

The methodology for estimating private expenditures for education in the SSA social welfare expenditures series was developed in the 1960s. It combines data from two sources: the National Center for Educational Statistics (NCES), U.S. Department of Education, and the Bureau of Economic Analysis, National Income and Product Accounts.

The components and data sources for the SSA series for 1980 are described below:

[Amounts in millions]

1980 private expenditures for education .....	\$26,751
Current operations .....	25,576
Elementary and secondary .....	9,534
Higher education .....	16,042
Construction .....	1,175

The amount for elementary and secondary schools (\$9,534 million) represents two subcategories:

- (1) \$9,534 million are from the NIPA—private education and research, elementary and secondary schools; and
- (2) \$200 million was added from the NCES data base, representing an estimate of expenditures for student tuition and fees paid to public institutions, and for private transportation costs.

The amount for higher education (\$16,042 million) includes:

- (1) \$9,783 million from the NIPA—private expenditures for education and research, higher education;
- (2) \$5,215 million for student tuition and fees paid to public institutions of higher education, regardless of whether these expenditures were a primary or a secondary source of income (NCES series); and
- (3) \$1,044 million for private gifts and grants to public institutions (NCES series).

The construction figure—\$1,175 million—is from the NIPA—Purchases of Structures, by Type.

The NIPA—personal consumption expenditures: private education and research, offers an alternative approach. The 1980 figures for this series were:

[Amounts in millions]

Private education and research .....	\$27,179
Higher education .....	9,783
Elementary and secondary schools .....	9,334
Other .....	8,062

Historically, the aggregates for both the SSA-private social welfare expenditures series and the BEA-NIPA series have been close, even though some of the expenditure items differ. The BEA estimate does not include student tuition and fees in public institutions, private gifts and grants, or construction; SSA's estimate includes these items.

However, SSA does not include fees paid to business, trade, and correspondence schools; miscellaneous educational services; current expenditures by nonprofit research and educational organizations; and foundation operating expenses allocated to education, which BEA includes under the category "Other." Approximately 30 percent of the total private social welfare outlays in 1980 went for items in this category.

The data in table 5 show private expenditures for education in 1970-86, based on both the SSA social welfare expenditures series and the NIPA series. Fiscal-year data for 1970-78, previously published in the **Social Security Bulletin**, are shown in the first column. These amounts are converted to calendar-year data in the second column. The new estimates for the private social welfare expenditures series appear in the third column, followed by the NIPA series data for private education and research in 1970-86.

**Table 5.—Private expenditures for education: Estimated outlays under SSA social welfare expenditures series compared with personal consumption expenditures for education and research (National Income and Product Accounts series), and published data, SSA series, 1970-1986**

[Amounts in millions]

Year	Social Security Administration			Department of Commerce NIPA series <sup>4</sup>
	Fiscal year <sup>1</sup>	Calendar year <sup>2</sup>	New estimates <sup>3</sup>	
1970.....	\$9,883	\$10,338	\$10,506	\$10,102
1971.....	10,793	11,286	11,588	10,900
1972.....	11,778	12,217	11,710	11,931
1973.....	12,655	13,044	13,610	13,088
1974.....	13,432	14,064	15,003	14,469
1975.....	14,695	15,550	16,626	16,346
1976.....	16,405	17,141	18,120	17,907
1977.....	17,876	18,281	19,927	19,023
1978.....	19,500	...	21,379	21,311
1979.....	(5)	...	23,361	23,984
1980.....	(5)	...	26,751	27,179
1981.....	(5)	...	30,062	30,649
1982.....	(5)	...	32,697	32,605
1983.....	(5)	...	35,911	35,773
1984.....	(5)	...	38,722	38,864
1985.....	(5)	...	41,722	41,474
1986.....	(5)	...	...	45,474

<sup>1</sup> Fiscal year estimates published in the **Social Security Bulletin** before discontinuation of the series in 1978.

<sup>2</sup> Fiscal year estimates in column 1 converted to calendar year estimates.

<sup>3</sup> Data revised to reflect most recent retroactive adjustments made by Department of Commerce, Bureau of Economic Analysis,

in its National Income and Product Accounts series.

<sup>4</sup> Data from the Bureau of Economic Analysis, Department of Commerce, National Income and Product Accounts series on personal consumption expenditures for education and research.

<sup>5</sup> Discontinued after fiscal year 1978.

**Table 6.—Education: Estimated private expenditures, by category, calendar years 1970-85**

[Amounts in millions]

Year	Total <sup>1</sup>	Current operations			Construction <sup>2</sup>
		Total	Elementary and secondary	Higher education	
1970.....	\$10,506	\$9,641	\$3,332	\$6,309	\$865
1971.....	11,588	10,645	3,598	7,047	943
1972.....	11,710	11,709	3,939	7,770	968
1973.....	13,610	12,773	4,460	8,313	837
1974.....	15,003	14,349	5,186	9,163	655
1975.....	16,626	16,059	5,895	10,164	567
1976.....	18,120	17,460	6,385	11,075	660
1977.....	19,927	19,267	6,554	12,713	660
1978.....	21,379	20,650	7,442	13,208	729
1979.....	23,361	22,555	8,297	14,258	806
1980.....	26,751	25,576	9,534	16,042	1,175
1981.....	30,062	28,891	10,464	18,427	1,171
1982.....	32,697	31,341	11,042	20,299	1,356
1983.....	35,911	34,499	11,993	22,506	1,412
1984.....	38,722	37,322	12,866	24,456	1,400
1985.....	41,722	40,222	13,663	26,559	1,500

<sup>1</sup> These totals correspond with the amounts given in table 5, column 3, page

<sup>2</sup> Construction estimates are from the **Survey of Current Business**,

Department of Commerce, (National Income and Product Accounts (NIPA) series).

**Table 7.—Income maintenance: Expenditures from private sources, by type of benefit, 1972-85**

[Amounts in millions]

Type of benefit	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Total . . . . .	\$15,955	\$17,087	\$19,753	\$21,910	\$25,004	\$30,662	\$36,743	\$42,628	\$51,504	\$59,095	\$68,088	\$79,245	\$87,075	(1)
All wage and salary workers:														
Life insurance and death benefits . . . . .	3,180	3,019	3,195	3,380	3,523	3,831	4,193	4,564	5,075	5,746	6,269	6,519	6,899	(1)
Accidental death and dismemberment . . . . .	182	211	243	236	284	300	294	290	335	354	354	360	379	\$385
Wage and salary workers in private industry:														
Private pension plan payments . . . . .	9,710	10,896	12,638	14,398	17,091	22,064	27,316	31,602	37,560	44,569	51,963	63,145	70,433	(1)
Sickness and disability benefits <sup>2</sup> . . . . .	2,649	2,851	3,277	3,396	3,906	4,277	4,692	5,772	6,280	6,437	6,884	6,993	7,212	(1)
Long-term disability . . . . .	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	1,282	1,498	1,688	1,817	1,874	(1)
Supplemental unemployment benefits . . . . .	234	110	400	500	200	190	248	400	972	491	930	411	278	305

<sup>1</sup>Data not available.<sup>2</sup>Includes long-term disability benefits for 1972-79; data not available separately.<sup>3</sup>Not available separately for years before 1980; included with "sickness and disability benefits"

## Income Maintenance

Private income-maintenance expenditures in the social welfare expenditures series represent outlays from private employee benefit plans. The items included are private pension plans, group life insurance, sickness and disability insurance, paid sick leave, and supplemental unemployment plans. In 1984, income-maintenance expenditures totaled \$87.1 billion, with private pension plan benefits accounting for \$70.4 billion (table 7).

An "employee benefit plan" is defined as any plan sponsored or initiated, unilaterally or jointly, by employers or employees, and providing benefits that stem from the employment relationship and that are not directly paid for by Government, nor underwritten by Government, nor mandated by Government. Specifically, temporary disability insurance benefits mandated by State legislation are included in the social insurance category<sup>8</sup> in the public social welfare series, rather than as private social welfare expenditures.

## Group Life Insurance

In 1984, \$6.9 billion was spent for group life insurance benefits based on the employment relationship. This amount includes benefits under programs for government civilian employees. The estimates for 1972-84 are based on data published in the annual

**Life Insurance Fact Book**,<sup>9</sup> adjusted to remove group policies not based on the employment relationship—professional societies and employee associations.

## Accidental Death and Dismemberment

The estimated benefit payments under accidental death and dismemberment insurance provisions reached \$385 million in 1985. The data for this series are based on insurance industry reports for 1972-79. These data have not been available since 1982. Furthermore, the reported data for 1980-82 reflect discontinuity with the period 1972-79. The estimates presented in table 7 for the period 1980-84 are based on regression values obtained by relating accidental death and dismemberment benefits to total earnings in the United States economy.

## Supplemental Unemployment Benefits

Data on supplemental unemployment benefits are from the NIPA series—Other Labor Income by Industry and by Type. Expenditures for these benefits totaled \$305 million in 1985.<sup>10</sup>

<sup>8</sup>For the most recent detailed presentation of private income-maintenance expenditures, see Martha Yohalem, "Employee-Benefit Plans, 1975," *Social Security Bulletin*, November 1977, pages 19-28.

<sup>9</sup>American Council of Life Insurance, Washington, D.C.

<sup>10</sup>*Survey of Current Business*, July 1986, table 6.13, page 69.

## Sickness and Disability Benefits

Data on benefits received by employees in private industry for short-term sickness, which includes private cash-sickness insurance and self-insurance, and for sick leave are shown for 1972-84. For years before 1980, the cost of insurance payments beyond the first 6 months of the employee's illness are included in the benefit amounts shown.

The information on sickness insurance and sick leave appeared initially in the **Social Security Bulletin**.<sup>11</sup> The most recently published data were for the period 1948-83.<sup>12</sup> Benefits paid under the State Temporary Disability Insurance programs and the Railroad Retirement program are excluded here because they are included with the public social welfare expenditures. For 1984, private industry short-term sickness benefits reached an estimated \$7.2 billion.

## Long-Term Disability

Data on long-term disability insurance benefits are available separately from short-term benefits beginning with 1980. These benefits amounted to \$1.9 billion in 1984.<sup>13</sup> Where long-term disability benefits are paid under the provisions of employment-related pension plans, the payments are included with the private pension data.

## Private Pension Plans

Private pension plan payments reported in this series include, in addition to benefits paid for solely by employers, all of the benefits of employment-related pension plans to which employee contributions are made (even large contributions, as in thrift plans). Individual savings plans, such as individual retirement accounts (IRA's) and retirement plans for the self-employed (Keogh), are not included. In view of the general interest in retirement security, data will be secured on these plans in future studies.<sup>14</sup>

Pension plan benefits include monthly benefits and lump-sum distributions to retired and disabled employees and their dependents, and to survivors of deceased employees. In addition, preretirement lump-sum distributions are also included.

<sup>11</sup>See **Social Security Bulletin**, January 1956, pages 3-8, for the first article of this series, and various issues thereafter for the periodic updating of these data.

<sup>12</sup>See Daniel N. Price, "Cash Benefits for Short-Term Sickness, Thirty-Five Years of Data, 1948-83," **Social Security Bulletin**, May 1986, pages 5-19. The data used for these estimates are derived by subtracting the figures in column 1 of table 6 from the corresponding data in column 4 of table 5.

<sup>13</sup>Based on unpublished data from the Health Insurance Association of America (HIAA).

<sup>14</sup>Data on assets of individual savings plans are available. However, data on the amount withdrawn from these plans are not now available.

The following data sources were considered in developing private pension benefit estimates:

(1) **Tabulations of the Department of Labor/Internal Revenue Service form 5500**. Every employer pension or welfare fund is required to file a form 5500 every year. However, regulations reduce the amount of information required from some plans for certain years. The form is considered an accurate source of information because it is prepared by pension professionals and penalties are incurred for nonfiling and for deliberate misstatements.

For trustee plans, the information required for these estimates is contained directly in the data requested in item 14(h)(i) of the form: "(h) Distribution of benefits and payments to provide benefits—(i) Directly to participants and their beneficiaries." Although the initially stated requirement that the form 5500 be filed is, for practical purposes, universal, the Employee Retirement Income Security Act (ERISA) permits the Department of Labor to exempt—through regulations—certain types of pensions plans—wholly insured plans that are held in the general account of an insurance company—from fulfilling some of the requirements. The sections of the form 5500 from which these insured plans were exempted include item 14. It is essential, therefore, to obtain information on insured plans to supplement the aggregate payments data obtained from the form 5500.

At present, data from the 5500 form are available only for 1977, 1978, and 1981.

(2) **Data from the American Council of Life Insurance (ACLI)**. The ACLI publishes the **Life Insurance Fact Book**, an annual statistical report based primarily on the annual financial statements of life insurance companies. The table and section "Private Pension Plans in the United States With Life Insurance Companies" in the **Fact Book** provides data on all annuity payments by life insurance companies (except where the life insurance company is acting solely as a paying agent and is not bearing any risk). Individual savings plans with life insurance companies are shown separately. Use of the ACLI data as a supplement to benefit payments data from the form 5500 requires an estimate of the degree of overlap that exists. The overlap payments may be described, by implication, as wholly insured plans that are not held in the general account of the insurance company. Overlap estimates for 1972-84 are shown in item 9, table 8.

(3) **1975 Securities and Exchange Commission (SEC) Survey of Private Pension Plans**. This study, as inflated to its universe, covers all

**Table 8.—Private pension plans: Estimates of expenditures, 1972-85**

[Amounts in millions]

Item	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(1) Pension and profit-sharing payments to individuals (based on form 5500) . . . . .	...	...	...	...	...	\$19,493	\$23,934	...	...	\$40,143	...	...	...	...
(2) Pension payments, CPS <sup>2</sup> . . . . .	...	...	\$10,083	\$11,182	\$12,507	14,922	17,537	\$19,624	\$22,627	26,021	\$29,432	\$34,636	\$37,266	\$42,354
(3) ACLI data: <sup>3</sup>														
(a) Total life insurance company pensions . . . . .	\$1,715	\$1,925	2,230	2,520	2,735	3,105	4,100	4,350	4,960	5,810	6,555	7,605	8,520	...
(b) Life insurance company pensions for individuals—not through employment relationship . . . . .	5	5	5	10	15	30	35	45	45	50	55	60	105	...
Keogh plans . . . . .	5	5	5	10	15	25	25	30	30	35	35	35	55	...
IRA's . . . . .	...	...	...	...	...	5	10	15	15	15	20	25	50	...
(4) Pension and profit-sharing payments, BEA <sup>4</sup> . . . . .	10,015	11,235	12,970	14,850	17,023	21,178	24,181	27,447	31,487	38,363	45,448	53,766	63,515	73,677
(5) Ratio to CPS <sup>5</sup> . . . . .	...	...	...	...	...	1.5144	1.5986	1.6526	1.7083	1.7660	1.82428	1.88265	1.94290	...
(6) Ratio to BEA <sup>6</sup> . . . . .	...	...	...	1.0000	1.0330	1.0671	1.1593	1.1816	1.2276	1.1979	1.1814	1.2128	1.1340	...
(7) Total private pension payments before adjustment for ACLI overlap, new series <sup>7</sup> . . . . .	10,015	11,235	12,970	14,850	17,584	22,598	28,034	32,431	38,654	45,953	53,692	65,207	72,404	...
(8) Total private pension payments before adjustment for ACLI overlap through employment relationship, new series <sup>8</sup> . . . . .	10,010	11,230	12,965	14,840	17,569	22,568	27,999	32,386	38,609	45,903	53,637	65,147	72,299	...
(9) ACLI overlap . . . . .	300	334	327	442	478	504	683	784	1,049	1,334	1,674	2,003	1,866	...
(10) Total private pension payments, new series <sup>9</sup> . . . . .	9,715	10,901	12,643	14,408	17,106	22,094	27,351	31,647	37,605	44,619	52,018	63,205	70,538	...
(11) Total private pension payments through employment relationship, new series <sup>10</sup> . . . . .	9,710	10,896	12,638	14,398	17,091	22,064	27,316	31,602	37,560	44,569	51,963	63,145	70,433	...

<sup>1</sup>Includes both defined benefit plans and defined contribution plans. Data for 1977 in Nicholas Greenia, "Employee Benefit Plans, 1977," *Statistics of Income Bulletin*, Internal Revenue Service, Spring 1982, page 13; data for 1978 from *Estimates of Participant and Financial Characteristics of Private Pension Plans*, Department of Labor, 1983, table 11, page 19; data for 1981 from *The Handbook of Pension Statistics, 1985* (Richard A. Ippolito and Walter W. Kolodrubetz (editors)), Commerce Clearing House, Chicago, 1986, table 35, page 12.

<sup>2</sup>Bureau of the Census, *Current Population Survey* (unpublished data).

<sup>3</sup>See *Life Insurance Fact Book*, annual issues, table on "Private Pension Plans in the United States with Life Insurance Companies," American Council of Life Insurance (ACLI), Washington, D.C.

<sup>4</sup>See Bureau of Economic Analysis, "National Income and Product Accounts—Other Labor Income by Industry and by Type," *Survey of Current Business*, July 1986, table 6.13, page 69.

<sup>5</sup>To calculate, divide amount of total private pension payments, new series amount (item 7) by pension payments amount from the Current Population Survey (item 2).

<sup>6</sup>To calculate, divide amount of total private pension payments, new series amount (item 7) by pension and profit-sharing payments amount from the Bureau of Economic Analysis (item 4).

<sup>7</sup>Add amount of pension and profit-sharing payments (item 1) to ACLI data, total life insurance company pensions amount (item 3 (a)).

<sup>8</sup>To calculate, subtract ACLI data, life insurance company pensions for individuals—not through employment relationship—(item 3 (b)) from total private pension payments, new series (item 7).

<sup>9</sup>This is an estimate of life insurance company pension payments based on unallocated or not-fully-guaranteed contracts. Such payments are included in items 7 and 8, as well as in the ACLI data.

<sup>10</sup>To calculate, subtract ACLI overlap (item 9) from total private pension payments, before adjustment for ACLI overlap, new series (item 7).

<sup>11</sup>To calculate, subtract ACLI overlap (item 9) from total private pension payments, before adjustment for ACLI overlap, through employment relationship, new series (item 8).



trusted corporate plans. It appears to give reliable data. Of course, preference must be given to more up-to-date data.

(4) **Current Population Survey (CPS) pension data.** This information comes from the annual March **Income Supplement** to the CPS, which reports income for the previous year. Any person whose death occurred from the beginning of the reference year to the survey date is excluded. All retirement plans (including individual retirement plans) are included. A point of ambiguity is the treatment of lump-sum distributions; the instructions for the interviewer do not cover this point, and it appears that most people interviewed interpret the word "pension" to mean only a monthly payment.

(5) **Internal Revenue Service Statistics of Income (SOI).** IRS publishes pension income reported on the form 1040—the individual income tax return. The quality of the data is believed to be quite good. However, not everyone has to file an income tax return. Filing status is based on the amount of gross income, marital status, and age.

(6) **Bureau of Economic Analysis (BEA), Department of Commerce: National Income and Product Accounts (NIPA)—Other Labor Income by Industry and by Type. Benefits paid by private pension and welfare funds: Pension and profit sharing.**<sup>15</sup> This series is estimated in two parts: (1) trusted pension plans and (2) insured pension plans. The trusted pension plan part takes as its basis the 1975 SEC Survey of Private Pension Plans. To extend forward, BEA starts with the SOI series on taxable pension income (described above), minus the separately estimated taxable income from government plans. For insured pension benefits, BEA uses the total of all insured pension payments as given by ACLI (including individual savings type pensions—IRA's, Keogh's, and tax-sheltered annuities). For years before 1975, BEA uses the SSA estimate. The BEA series presents a problem in that unless the indexing series is of high quality, the use of the base year 1975 may produce a considerable error. The SOI series used (because it represents only the taxable portion of pension income) may not be what is needed because it depends on trends in whether the employer or the employee pays for the pension.

The bases for the estimates of private pension plan benefits in the private social welfare expenditures series are the tabulations of the DOL/IRS form 5500, combined with an estimate of the overlap between the form 5500 data and the ACLI data. However, the form 5500 data were available only for 1977, 1978, and 1981. Therefore, it was

necessary to interpolate and extrapolate the values of the form 5500 series. For this purpose, the ratio of the form 5500 value to the CPS value was used to fill in the years 1979, 1980, 1982, 1983, and 1984.

For the years 1972, 1973, 1974, and 1975, previously estimated SSA values, which were based on SEC surveys, were used. These values, adjusted upward for individual savings plans, were the values used by BEA. For 1976, the ratio to the BEA value for 1975 and 1977 was used, and the 1976 value of the ratio to BEA was computed as the geometric mean of the 1975 and 1977 values and then multiplied by the BEA value. Finally, an adjustment was made for overlap between the ACLI and the form 5500-based series.

## State Programs and Supplemental Security Income for the Aged, Blind, and Disabled, April 1987\*

The 1972 Amendments to the Social Security Act (Public Law 92-603) established a national program with uniform standards and eligibility requirements for the needy aged, blind, and disabled. The Supplemental Security Income (SSI) program replaced the federally assisted, State-administered programs of Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled in the 50 States and the District of Columbia. Later, SSI also was extended to the Northern Mariana Islands.

Cash payments from SSI represent only one facet of the network of assistance available for the subsistence of the aged, blind, and disabled. A number of State and federally administered programs can accrue to SSI eligibility. This note addresses several of those programs, which vary from State to State and interact with SSI. A summary table is provided at the end of this note for ready reference.

### Medicaid

All the States have federally assisted medical assistance (Medicaid) programs. Medicaid programs may consist of two parts—one for the categorically needy and one for the medically needy. Medicaid programs for the categorically needy must include cash assistance recipients of Aid to Families with Dependent Children (AFDC) and SSI or a State definition of the aged, blind, and disabled (explained below). A State

<sup>15</sup>Survey of Current Business, July 1986, table 6.13, page 69.

\*By Craig A. Streett, Division of Payment Policy, Office of Supplemental Security Income, Social Security Administration.