

Administrative Expenses of the Social Security Program

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ADMINISTRATIVE EXPENSES under the social security program have never been more than a small percentage of the total contributions—2–3 percent in most years. Such costs are met from four trust funds: old-age and survivors insurance (OASI), disability insurance (DI), hospital insurance (HI), and supplementary medical insurance (SMI).

The OASI program was initially financed by a combined employer-employee tax rate of 2 percent (1937–49). This rate was increased to 3 percent in 1950 and has been increased periodically since that time. The rate decreased from 7.1 percent in 1967 to 6.65 percent in 1968, as a result of the 1967 amendments to the Social Security Act, but it rose again in 1969—to 7.45 percent—and is scheduled to increase to an ultimate rate of 9.05 percent in 1973.

The DI trust fund, established under the 1956 amendments to the Social Security Act, was initially financed by a combined employer-employee tax rate of 0.50 percent of taxable payroll. The rate was increased to 0.70 percent under the 1965 amendments and to 0.95 percent under the 1967 amendments.

The HI trust fund, established in 1965, had an initial combined employer-employee tax rate of 0.7 percent in 1966, with the rate scheduled to increase gradually to an ultimate rate of 1.6 percent in 1987. Under the 1967 amendments, the rates in the schedule were increased, and an ultimate rate of 1.8 percent in 1987 was adopted.

The SMI trust fund was also initiated under the 1965 amendments. Unlike coverage under the other three programs, SMI coverage is voluntary, and monthly premiums are paid by those who elect coverage. These premiums are matched by the Federal Government from the General Fund of the Treasury. The initial monthly premium for those covered under the program was \$3. In April 1968 it was increased to \$4.

In the three programs financed by payroll taxes, the self-employed person has always paid

a rate lower than the combined employer-employee rate. For OASDI, the self-employed rate has been about 25 percent lower than the combined employer-employee rate in the past and will continue to be so through 1972, but thereafter the differential will equal 30 percent. For HI the rate for the self-employed is one-half the combined employer-employee rate in all years. The total tax rate—for OASDI and HI together—is presently 9.6 percent for the employer and employee combined, and 6.9 percent for the self-employed. These rates are scheduled to rise in 1971, 1973, 1976, 1980, and 1987, reaching ultimate levels of 11.8 percent and 7.9 percent respectively. The OASDI rates reach ultimate levels of 10 percent and 7 percent in 1973, and all subsequent increases in the total tax rates will be due entirely to increases in the HI rates.

Under the OASDI system, monthly benefits to disabled workers and to their eligible dependents are paid from the DI trust fund. All other cash benefits are paid from the OASI trust fund including: (1) child's benefits to disabled persons aged 18 and over who are the children of retired or deceased insured workers; (2) any additional OASDI benefit amounts payable as a result of the disability freeze (maintaining the benefit rights of disabled insured workers); and (3) benefits to disabled widows and widowers aged 50 and over.

Since January 1, 1940, all administrative costs have been paid from the trust funds. In some instances, they are clearly allocable to only one fund, but for other expenditures an estimated allocation among the funds is necessary.

The allocations for expenses incurred by the Department of the Treasury in connection with the program have always been made monthly from the trust funds. Before 1967, the expenses incurred by the Department of Health, Education, and Welfare (primarily those of the Social Security Administration) were paid out of the OASI trust fund as they arose, with adjustments made at the end of the fiscal year by transfers from the other trust funds to the OASI trust fund, including compensation for loss of interest. In 1967, the Social Security Administration began making monthly payments from each trust

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fund according to estimates of the administrative costs allocable to each trust fund. Periodic adjustments are made among the trust funds after a more thorough analysis of the monthly administrative costs.

ADMINISTRATIVE WORKLOAD

The administration of the program presents a recordkeeping job that is probably without parallel. For calendar year 1967, about 328 million separate earnings items were reported for approximately 88 million different persons. About 5.9 million new social security numbers were issued in that year. About 4.3 million duplicate cards were also issued because the original had been lost or worn out or because of a change in name, usually for women who had recently married.

Claims development and adjudication represent the most costly phase of the administrative workload, with the continuing payment of monthly benefits also involving a considerable amount of cost. During 1967, about 3.6 million persons were awarded monthly benefits, and about 1.2 million lump-sum death payments were made. At the end of the year, monthly benefits were going to about 23.7 million persons, including about 2.1 million disabled-worker beneficiaries and dependents of such beneficiaries. During the year, benefits were terminated for about 2.5 million persons, in most cases because the beneficiary died or was a child beneficiary who reached age 18 or a student child beneficiary who attained age 22. For the Medicare programs, it is estimated that, as of July 1968, about 19.6 million persons were eligible for HI benefits, including some who were not eligible for OASDI cash benefits and about 18.6 million persons were enrolled for SMI. Medicare claims for the calendar year 1967 are estimated at 9.9 million for HI and 25.7 million for SMI.

OFFSETS TO ADMINISTRATIVE EXPENSE

The trust funds are credited with receipts from the sale of surplus materials and supplies. Such receipts are here considered as offsets to gross administrative expenses. Charges are made to other government agencies and to private orga-

nizations and individuals who are provided research or other informational services not directly related to the social security program. Receipts derived from such charges are used as an offset to administrative expenses paid from the congressional appropriations. Such offset administrative expenses do not appear in the statements of the trust fund operations, and correspondingly these receipts are not shown as being credited to the trust funds.

EXPENDITURES

The administrative costs that are met from the trust funds include such expenses of the Social Security Administration as salaries, rental of machinery and property, and purchase of supplies. Other direct expenses paid from the trust funds are certain expenses that other components of the Department of Health, Education, and Welfare incur in operating the program, those expenses incurred by the Treasury Department in collecting contributions, issuing benefit checks and managing the funds, and those incurred by the U.S. Civil Service Commission in collecting SMI premiums from annuitants under programs that it administers.

Other expenses paid from the trust funds include those that are incurred by various State agencies in connection with the determination of disability. The general principle is that the cost of processing claims of disabled workers should be distributed between the OASI and the DI trust funds on the basis of the actuarially estimated liability to each fund of the average disability award. The liability to the OASI trust fund represents benefits to be paid to the worker and his dependents after he reaches age 65 and to his dependents if he dies before age 65. Costs incurred in investigating the continuing eligibility of the beneficiary for disability benefits and in processing denied initial claims are charged to the DI trust fund.

Other expenses that are incurred in connection with the Medicare program include reimbursements to private insurance companies and to Blue Cross and Blue Shield plans in charge of processing claims.

Although the HI trust fund could be charged for part of the cost of determining the eligibility

of applicants for HI benefits, including the cost involved in verifying the applicant's age, these expenses are paid entirely from the OASI trust fund. The latter trust fund is also charged with the cost of deducting monthly premiums for the SMI program from the benefit checks. This cost is minimal, however. All other expenses in connection with SMI, including those expenses brought about by a change in the premium rate, are charged to the SMI trust fund.

Construction costs for district offices and for the central office building in Baltimore are also considered an administrative-expense item. This type of cost is charged as a current administrative expense, although it is really a capital item (as is also the cost of certain types of long-life items, such as electronic data-processing equipment, which is similarly treated). As a result, administrative costs are somewhat overstated for the years in which such costs are charged.

A few administrative expenses that may be properly charged to the program are not paid out of the trust funds. The principal expenses of this type are rent-free space in Government buildings and the cost of benefits under certain benefit programs for those employees whose salaries are paid out of the trust funds and who are covered by such programs. For example, the Government's balancing cost for the civil-service retirement program (the excess of the total cost of the program over the cost that is met by the employee contributions of 6½ percent of salary and the matching agency contribution, which is paid from the trust funds) and the cost of the unemployment compensation program for Federal Government employees are paid from general revenues.

The cost of some employee benefits are met directly from the trust funds, including the employer contributions for the Federal employee group life insurance program and the Federal employee health benefits program, the cost of the OASDHI program for employees not under the civil-service retirement program, and the matching employer cost of 6.5 percent of payroll under the civil-service retirement system for employees covered by that program.

Employers covered under the program meet some of the indirect costs of administration, such as the development and maintenance of employees' quarterly earnings records.

TABLE 1.—Comparison of OASDHI administrative expenses on cash basis and incurred basis, calendar years 1957–68

[In millions]

Calendar year	Cash basis				Incurred basis			
	OASI	DI	HI	SMI	OASI	DI	HI	SMI
1957.....	\$162	\$3	.....	.....	\$144	\$21	.....	.....
1958.....	194	12	.....	.....	181	26	.....	.....
1959.....	184	50	.....	.....	200	34	.....	.....
1960.....	293	36	.....	.....	191	48	.....	.....
1961.....	239	64	.....	.....	236	67	.....	.....
1962.....	256	66	.....	.....	255	67	.....	.....
1963.....	281	68	.....	.....	275	73	.....	.....
1964.....	296	79	.....	.....	291	84	.....	.....
1965.....	328	90	.....	.....	308	88	\$16	\$6
1966.....	256	137	\$107	\$68	337	92	83	57
1967.....	408	109	77	117	393	109	81	128
1968 (estimated).....	476	127	99	183	459	135	110	182

COST ALLOCATION AMONG FUNDS

There is no requirement in the law that the program's administrative expenses be allocated among the trust funds on a current basis, although this has been the policy since 1967. For an adequate analysis of the separate parts of the program, the data must be adjusted to allocate the cost on an incurred basis, rather than a cash basis. Otherwise, they would be misleading. Data on both bases for calendar years 1957–68 (the period during which there was more than one trust fund) are shown in table 1.

In 1957, no allocation from the DI trust fund to the OASI trust fund was paid. In 1959, two cost allocations were paid. In 1965, expenses were incurred in connection with the Medicare program, but no cost allocations were made until 1966.

ANALYSIS OF COST

To permit analysis, administrative costs should be related to an appropriate financial base. Possible bases are contribution income, benefit disbursements, taxable payroll, and number of beneficiaries. Each base has certain advantages and disadvantages.

When administrative costs are related to *contribution income*, there is the disadvantage that, as the tax rate is changed, the ratio fluctuates wildly and therefore has limited significance. Changes in the maximum on earnings subject to taxation also affect the ratio significantly but usually less than changes in the tax rate.

The ratio of administrative costs to *benefit disbursements* can be misleading, particularly in the early years of operation, when such disbursements were relatively low and most of the administrative expenses were incurred in developing the wage records that would produce future benefits.

The ratio of administrative costs to *taxable payroll* seems most meaningful, since it indicates the percentage of taxable payroll needed to pay for the operation of the system. This ratio can also be misleading if wage levels rise and the earnings base is not kept up to date, since administrative expenses will rise more rapidly than taxable payroll, all other things being equal. A change in the earnings base would cause a significant change in this ratio.

For the two Medicare trust funds, the number of beneficiaries is a more suitable base than the other three bases, for reasons discussed later.

OLD-AGE AND SURVIVORS INSURANCE

As the coverage of the program expanded, as the beneficiary rolls grew, and as the general price and wage level rose, the cost of administering the OASI program increased from \$26 million in 1940 to \$459 million in 1968 (table 2).

Before 1950, the growth in administrative costs was primarily the result of advances in the general level of employment, growth in claims as more persons attained insured status, and a consequent rise in the number of beneficiaries. Since 1950, increases in cost have resulted primarily from program changes. In both periods, operating costs were affected by a general rise in wage and price levels.

Among the reasons for the sharp rise from 1954 to 1959 (more than 100 percent) were the extension of coverage under the 1954 amendments to certain groups—self-employed farmers, for example—and the fact that individuals in other groups such as domestic workers and farm workers, for whom coverage was not available until the 1950 amendments, started to become eligible for benefits. Other factors in the increase in administrative costs in this period were:

- (1) the introduction of the disability freeze;
- (2) liberalization of the earnings test, which

TABLE 2.—OASI administrative expenses in relation to contribution income, benefit payments, and taxable payroll,¹ 1940-68

Calendar year	Adminis- trative expenses ² (in millions)	As percentage of—		
		Contri- butions	Benefits payments	Taxable payroll
1940-68.....	\$4,255	2.0	2.2	0.09
1940.....	26	4.1	74.3	.08
1941.....	26	3.3	29.5	.08
1942.....	28	2.8	21.4	.05
1943.....	29	2.3	17.5	.05
1944.....	29	2.2	13.9	.04
1945.....	30	2.3	10.9	.05
1946.....	40	3.1	10.6	.06
1947.....	46	3.0	9.9	.06
1948.....	51	3.0	9.2	.06
1949.....	54	3.2	8.1	.07
1950.....	61	2.3	6.5	.07
1951.....	81	2.4	4.3	.07
1952.....	88	2.3	4.0	.07
1953.....	88	2.2	2.9	.06
1954.....	92	1.8	2.5	.07
1955.....	119	2.1	2.4	.08
1956.....	132	2.1	2.3	.08
1957.....	144	2.1	2.0	.08
1958.....	181	2.4	2.1	.10
1959.....	200	2.5	2.0	.10
1960.....	191	1.8	1.8	.09
1961.....	236	2.1	2.0	.11
1962.....	255	2.1	1.9	.12
1963.....	275	1.9	1.9	.12
1964.....	291	1.9	2.0	.12
1965.....	308	1.9	1.8	.12
1966 ³	337	1.6	1.8	.11
1967 ³	393	1.7	2.0	.12
1968 (estimated) ³	459	1.9	2.0	.12

¹ Total administrative expenses are used for the comparison with benefit payments; total administrative expenses minus those in connection with the special benefits for the uninsured are used for the comparisons with contributions and taxable payroll.

² On incurred basis.

³ Administrative expenses in connection with the special benefits for the uninsured were \$9 million in 1966, \$6 million in 1967, and \$5 million in 1968.

(though far more equitable than formerly) is more complex to administer:

(3) the relatively large number of claims processed after the minimum retirement age for women had been lowered from 65 to 62:

(4) the complexities inherent in the 1954, 1956, and 1958 amendments that covered new groups and provided new types of benefit protection:

(5) general pay raises for Federal Government employees and new provisions charging part of the employee-benefit cost for the civil-service retirement system and the Federal employees group life insurance directly to the employing agency; and

(6) the one-time construction cost of the new central office building in Baltimore.

The increase from 1960 to 1967—again, a rise of more than 100 percent—resulted principally from the 1960, 1961, 1965, and 1967 amendments. These changes significantly liberalized the requirements for entitlement to benefits and brought sizable increases in the number of applications for benefits and the number of awards. Another

important factor was the reduction of the minimum retirement age for men from 65 to 62, which also added to the number of claims processed. The total number of awards rose from less than 2.0 million in 1960 to about 2.7 million in 1967.

Despite the rise in administrative costs in terms of dollars, there have been reductions in unit costs—the cost, for example, of establishing and maintaining an earnings record or the cost of adjudicating a claim. Improved administrative operating techniques, including the greater use of electronic data - processing equipment, have brought about these reductions.

The ratio of administrative expenses to contributions has, with few exceptions, fluctuated between 2 percent and 3 percent during the entire period 1940–68. Since 1960, it has been close to 2 percent and has actually been slightly below 2 percent since 1963.

The ratio of administrative expenses to benefit payments was almost 75 percent in 1940, the first year that monthly benefits were paid. The ratio then dropped sharply to 30 percent in 1941 and subsequently has declined continuously, falling to about 2 percent for 1957–68.

For the first 18 years, the ratio of administrative expenses to taxable payroll was 0.08 percent or less. It has been somewhat higher in recent years (1958–68), fluctuating between 0.10 and 0.12 percent of payroll. During this period, the increased cost resulting from changes in the law and from normal growth have been offset by the secular increase in covered wages and by the higher taxable earnings base, which was raised from \$4,800 in 1959–65 to \$6,600 in 1966 and to \$7,800 in 1968.

DISABILITY INSURANCE

The administrative expenses in the first few years of operation of any social insurance program are not typical of the long-run situation. The DI trust fund began operation in 1957, but contributions were deposited in the fund only during the last 11 months of that year, and benefit disbursements were made only during the last 5 months. Accordingly, the administrative expenses in 1957 measured as a percentage of benefit payments represented a relatively high proportion (37 percent), but they were a low

TABLE 3.—DI administrative expenses in relation to contribution income, benefit payments, and taxable payroll, 1957–68

Calendar year	Adminis- trative expenses ¹	As percentage of—		
		Contri- butions	Benefit payments	Taxable payroll
1957-68.....	\$843.0	5.0	6.3	.019
1957.....	20.8	3.0	36.7	.011
1958.....	26.3	2.7	10.6	.015
1959.....	33.9	3.7	7.4	.017
1960.....	48.3	4.8	8.5	.023
1961.....	66.8	6.4	7.5	.032
1962.....	66.9	6.4	6.1	.031
1963.....	72.8	6.6	6.0	.032
1964.....	84.5	7.3	6.5	.036
1965.....	88.0	7.4	5.6	.035
1966.....	91.6	4.6	5.2	.029
1967.....	108.6	4.8	5.6	.033
1968 (estimated).....	134.6	4.0	5.9	.036

¹ On an incurred basis.

proportion of contributions (3 percent), as table 3 shows. As a proportion of taxable payroll, administrative expenses for the DI program in 1957 amounted to 0.011 percent.

During 1957–65, administrative expenses of the DI program in relation to contributions rose steadily from a ratio of about 3 percent in the early years to 7.4 percent in 1965. Since 1966, the ratio has been less than 5 percent, because of the increases in the contribution rate allocated to the program in 1966 and 1968. For the entire period 1957–68, the ratio was about 5 percent.

The ratio of the administrative expenses of the DI program to its benefit disbursements was of course relatively high in its initial years of operation. Since 1962, however, this ratio has been fairly constant—at about 6 percent.

The ratio to taxable payroll rose during 1957–65, reaching a level of 0.035 percent. In 1966–67, however, it was slightly less than the 1965 level because of the 1966 increase in the earnings base. In 1968, despite the higher earnings base, the ratio rose again to the 1964–65 level of about 0.036 percent.

The dollar amount of the administrative expenses of the DI program will probably continue to grow as the number of persons becoming insured for benefits rises and the number on the rolls increases. It is likely, however, that the rate of growth will be slower than it has been in the past.

The growth in the cost of administering this program can be attributed primarily to legislative liberalizations. The first significant liberalization occurred in 1958, when benefits to depend-

ents of disabled workers were first paid. The second was enacted in 1960, when the age-50 limitation for entitlement to monthly disability benefits was eliminated. The full effect of this change was felt in 1961, when 433,000 determinations of disability were made; that total was 48 percent higher than the preceding year's total. Another factor in the growth of administrative expenses is, of course, the normal maturing of the disability beneficiary roll.

MEDICARE PROGRAM

The 1965 amendments to the Social Security Act provided for Medicare—a comprehensive program of health insurance for the aged (65 and over). The program consists of two separate trust funds. The HI system covers a substantial portion of the costs relating to stays in hospitals and extended-care facilities. The SMI system covers a substantial portion of physician fees and certain other medical expenses of the enrollees.

Administration of Medicare poses problems that are different from those related to the cash-benefits portion of the social security program. The most obvious difference in the two systems results from the difference in the types of benefits. Under the OASDI program, benefits are generally paid in a level monthly amount and are based in general on contingencies that are permanent or semipermanent in nature, such as old age, disability, and death. Such a program is relatively easier and less expensive to administer than a health insurance program, in which the contingency insured against is more uncertain in severity and duration, and the benefits are more complex.

Other expenses peculiar to Medicare arise from the employment of private organizations in the processing of claims. The various Blue Cross plans administer the vast majority of the HI claims, and the SMI claims are administered almost entirely by insurance companies and Blue Shield plans.

The bases used in measuring OASDI administrative expenses are not entirely suitable for measuring Medicare's administrative costs. For the HI program, contribution income is an acceptable base only when administrative expenses for the uninsured persons "blanketed in" for hospital benefits are eliminated in the analysis. The use

of SMI premiums combined with the matching Government contributions is not entirely appropriate as a base, because increases in the premium rate may occur sporadically.

Relating administrative costs to benefits has its difficulties of interpretation both for OASDI cash benefits and for Medicare. These difficulties are somewhat greater with respect to Medicare, however. Under OASDI, the total amount of benefit payments varies according to the number of beneficiaries and their benefit amounts, both of which undergo relatively small fluctuations from year to year. Benefit increases enacted by Congress in the past have generally reflected approximately the rise in the cost of living since the previous benefit increase. The first full year the higher benefit rates are in effect the decline in the ratio of administrative expenses to benefits—in comparison with that for the preceding year—is misleading, since such expenses would not be likely to rise to the same extent, relatively, as the benefits did.

Hospital costs and physician and other medical costs have been increasing more rapidly than the cost of living. In addition, hospital costs have been increasing much more rapidly than the general earnings level, although the level of physician fees has shown about the same trend as the general earnings level. Under the SMI program, however, the effect of the static \$50 initial deductible is to make the cost of this program rise more rapidly than the level of physician fees or the general earnings level.¹

Accordingly, since administrative expenses of the Medicare program are not expected to rise as rapidly as benefits do, relating administrative expenses to benefits should be considered with caution. Such a relationship would generally show a decreasing ratio, even though the administrative cost per beneficiary might be increasing substantially.

Relating SMI administrative expenses to taxable payroll is, of course, not possible or meaningful, because the concept of taxable payroll does not exist in the SMI program.

¹ Consider, for example, the SMI benefit for an individual with a reasonable charge of \$100—that is, with a benefit of \$40. If such charge is 10 percent higher, the benefit would be \$48 or 20 percent higher. Thus, for a fee level that is 10 percent higher, the cost of the program is increased 20 percent.

One practical base for measuring administrative costs is the number of potential beneficiaries—for HI the total number (including both insured and uninsured) who are eligible for benefits and for SMI the number of enrollees. Such a base would not be appropriate for the OASDI program, because there is such a great difference between the number of actual beneficiaries on the rolls and the number of insured workers, many of whom have little likelihood of becoming actual beneficiaries in the current year.

On the other hand, under Medicare a large proportion of the potential beneficiaries actually do receive benefits in the current year (somewhat more than 20 percent under HI and almost 50 percent under SMI). Since, for both programs, the number of potential beneficiaries is increasing slowly, any increase in administrative costs will be largely the result of other causes—that is, greater utilization of the benefits and general rise of salaries and other items involved in administering the program.

Table 4 gives the administrative expenses for the HI and SMI programs for calendar years 1965–68, along with the administrative cost per beneficiary. Some administrative expenses were incurred in 1965, although benefits under the programs did not become effective until July 1, 1966. These expenses were concerned solely with initiating the program and were therefore not related to the number of beneficiaries.

Since the Medicare benefits were in effect only for the last half of 1966, it might be thought that administrative expenses per beneficiary should have been about half of what they were in 1967—the first full year. This was the case for SMI, in large part because of the delays involved. But for HI the 1966 cost per beneficiary was

TABLE 4.—HI and SMI administrative expenses in relation to number of beneficiaries, calendar years 1965–68¹

Calendar year	HI		SMI	
	Total amount ² (in millions)	Cost per potential beneficiary	Total amount ² (in millions)	Cost per potential beneficiary
1965.....	\$15.7	(³)	\$6.1	(³)
1966.....	82.6	\$4.35	56.6	\$3.22
1967.....	81.3	4.21	128.4	7.17
1968 (estimated).....	109.8	5.60	181.6	9.76

¹ The HI potential beneficiaries are all persons (both insured and uninsured) who are eligible for benefits. The SMI potential beneficiaries are all persons who are enrolled.

² On incurred basis.

³ Not computed, not meaningful.

TABLE 5.—HI administrative expenses¹ in relation to contribution income, benefit payments, and taxable payroll, calendar years 1966–68

Year	Administrative expenses (in millions)		As percentage of—		
	Total	For insured	Contribution	Benefit payment	Taxable payroll
1966.....	\$82.6	\$44.4	2.3	9.3	.014
1967.....	81.3	63.8	1.8	2.4	.019
1968 (estimate).....	109.8	93.7	2.2	2.6	.025

¹ Total administrative expenses used for the comparison with benefit payments; administrative expenses for the insured used for the comparison with contributions and taxable payroll.

actually somewhat higher than the cost in 1967, mainly because of the expenses involved in the initial eligibility determinations for the uninsured in the earlier year. Although total HI administrative expenses for both 1966 and 1967 were about \$80 million, costs related to the uninsured in 1966 amounted to \$40 million, compared with \$16 million in 1967.

Administrative expenses per beneficiary under HI were about \$4.30 for both 1966 and 1967 and about \$5.60 (or 36 percent higher) for 1968. Administrative expenses for SMI were \$7.17 for 1967 and \$9.76 (or 36 percent higher) for 1968. For both programs, the increase from 1967 to 1968 reflected the cost of larger claims loads and the higher level of wages and prices.

Total administrative expenses under HI are related to total benefit payments in table 5. Contributions under HI began in January 1966—6 months before benefits became available. The data on contributions and taxable payroll are related to administrative expenses for the insured, not to the total amount.

Table 6 relates SMI administrative expenses to benefit payments and to theoretical total premium income—that is, twice the actual income from premiums from the enrollees. The latter figure indicates what the combined income from

TABLE 6.—SMI administrative expenses in relation to premium income¹ and benefit payments, calendar years 1966–68

Year	Administrative expenses (in millions)	As percentage of—	
		Premium income ¹	Benefit payments
1966.....	\$56.6	9.0	11.5
1967.....	128.4	10.1	10.1
1968 (estimated).....	181.6	10.3	11.8

¹ Twice the premiums contributed by SMI enrollees, not the amount of premiums plus actual matching Government contributions.

such premiums and from the matching Government contributions would have been if the Government contribution had been made simultaneously with the former. Since such simultaneous matching did not occur in the early months of operations, it is necessary to make this adjustment.

CONCLUSION

Since 1940, administrative expenses for the combined OASDHI program have risen steadily

for three principal reasons: the addition of new programs (disability insurance in 1957 and Medicare in 1965), liberalization of existing programs, and increasing numbers of beneficiaries and claims under each program. At the same time, the amount of contributions has been rising steadily because of a larger number of covered workers, higher earnings levels, and higher tax rates and taxable earnings bases. OASDI administrative expenses have remained relatively small in terms of all of the three bases of comparison.

Notes and Brief Reports

Student Beneficiaries Under OASDHI, 1965-68*

Beginning September 1965, the Social Security Amendments of 1965 established a new program of financial aid to the student sons and daughters of retired, deceased, and disabled workers insured under the old-age, survivors, disability, and health insurance program. At the end of December 1965, after only 4 months, 206,000 students were receiving monthly child's benefits under the program (table 1). By December 1968

TABLE 1.—Number of student benefits in current-payment status, by type of entitlement, 1965-68

At end of year	Total number	Annual percent increase	Number of children of—			Monthly amount (in thousands)
			Retired workers	Deceased workers	Disabled workers	
1965.....	205,677	.....	34,152	155,088	16,437	\$13,725
1966.....	375,873	82.8	67,079	266,910	41,884	24,000
1967.....	427,267	13.7	72,087	303,338	51,842	27,413
1968.....	469,835	10.2	79,661	328,946	61,248	33,962

these beneficiaries numbered 470,000. Benefits being paid to students at the end of 1968 totaled \$34 million—an annual rate of more than \$400 million. Payments grew somewhat faster than the number of beneficiaries because of the across-the-board increase of 13 percent in benefit levels under the 1967 amendments.

* Division of Retirement and Survivor Studies, with the assistance of Marilyn Thomas, Publications Staff.

To qualify for these benefits, an individual must be at least aged 18 and not yet aged 22 and a full-time student at a public or private high school, vocational or trade school, college, or university. Defining "full-time attendance" is generally left to each individual school. (Not included are students taking certain night-school or part-time courses or those in unaccredited schools whose credits are not accepted on transfer by at least three accredited schools.)

About 38 percent of the student beneficiaries were aged 18 at the end of 1967, the latest date for which detailed age breakdowns are available. In all, nearly 66 percent of those receiving student child's benefits were younger than age 20 and only 14 percent were aged 21 (table 2).

Data on the relative number of students attending different types of schools are not yet available, but it is estimated that at least 1 in 6 student beneficiaries is still in high school. This estimate assumes that the proportion of full-time students in high school is the same for the social security beneficiaries as that shown by the Bureau of the Census for all students aged 18,

TABLE 2.—Age of student beneficiaries with benefits in current-payment status, by type of entitlement, December 1967

Age	Total		Number of children of—		
	Number	Percentage distribution	Retired workers	Deceased workers	Disabled workers
Total.....	427,267	100.0	72,087	303,338	51,842
18.....	160,694	37.6	24,712	113,401	22,581
19.....	119,720	28.0	19,763	85,213	14,744
20.....	86,019	20.1	15,302	61,667	9,050
21.....	60,834	14.2	12,310	43,057	5,467