



# Accounting for Social Benefits by the U.S. Government

Mark Reger

Deputy Assistant Secretary – Accounting Policy

Department of the Treasury



# Evolution of Accounting for Social Benefits

**Objective:** Help readers assess whether future budgetary resources will likely be sufficient to sustain public services and meet obligations as they come due.

## **Social Insurance**

- ‘Due and Payable’ Liability
- Statement of Social Insurance
- Supplemental Reporting

## **Fiscal Sustainability**

- Widen the lens
- Look at all of Federal Government
- % of Economy (GDP)
- Impact on Debt
- Fiscal Gap



# U.S. Govt Financial Report: Taking a Holistic View

## Traditional

- Balance Sheet
- Operating Statement
- Net Position

## Non-Traditional

- Budgetary and Economic Information
- **Social Insurance**
- **Fiscal Sustainability**



# Step 1:

## Statement of Social Insurance (SOSI)

- **SFFAS 17:** Consolidated statement of the actuarially calculated status of major social insurance programs
  - Social Security, Medicare (Parts A, B, D), Railroad Retirement Board (RRB), Black Lung
  - Actuarial net present value of expenditures / revenues over **75 years\***
  - Current Law (with exceptions – e.g., Debt Limit)
- 1999 - 2006: component of Stewardship Report
- 2006 – forward: audited basic financial statement.

\*Black Lung – 40 years.



# SOSI: The Bottom Line

<b>Social Insurance Future Expenditures in Excess of Future Revenues</b>					
Dollars in Billions	2011		2010		Increase / (Decrease)
					\$ %
Open Group (Net):					
Social Security (OASDI)	\$	(9,157)	\$	(7,947)	\$ 1,210 15%
Medicare (Parts A, B, & D)	\$	(24,572)	\$	(22,813)	\$ 1,759 8%
Other	\$	(101)	\$	(97)	\$ 4 4%
<b>Total Social Insurance Expenditures, Net (Open Group)</b>	<b>\$</b>	<b>(33,830)</b>	<b>\$</b>	<b>(30,857)</b>	<b>\$ 2,974 10%</b>

- Disclaimer - "...significant uncertainties...primarily related to the achievement of projected reductions in Medicare cost growth...prevented us from expressing an opinion on that statement."
- Two key issues:
  - (1) reductions in physician payment rates totaling 30 percent over the next 3 years (typically overridden by Congress)
  - (2) productivity improvements for most other categories of Medicare providers (uncertainty).



# New for FY 2011:

6

## Stmt of Social Insurance Changes

<b>Changes in Social Insurance Projections</b>	
Dollars in Billions	
<b>Net Present Value (NPV) - Open Group (FY 2010)</b>	(30,857)
<b>Change In:</b>	
Valuation Period	\$ (1,518)
Demographic data and assumptions	\$ (859)
Economic data and assumptions	\$ (145)
Law or policy	\$ (14)
Methodology and programmatic data	\$ 56
Economic and other healthcare assumptions	\$ (463)
Change in projection base	\$ (31)
<b>Net Change in Open Group measure</b>	<b>\$ (2,974)</b>
<b>NPV - Open Group (FY 2011)</b>	<b>(33,830)</b>



# Step 2:

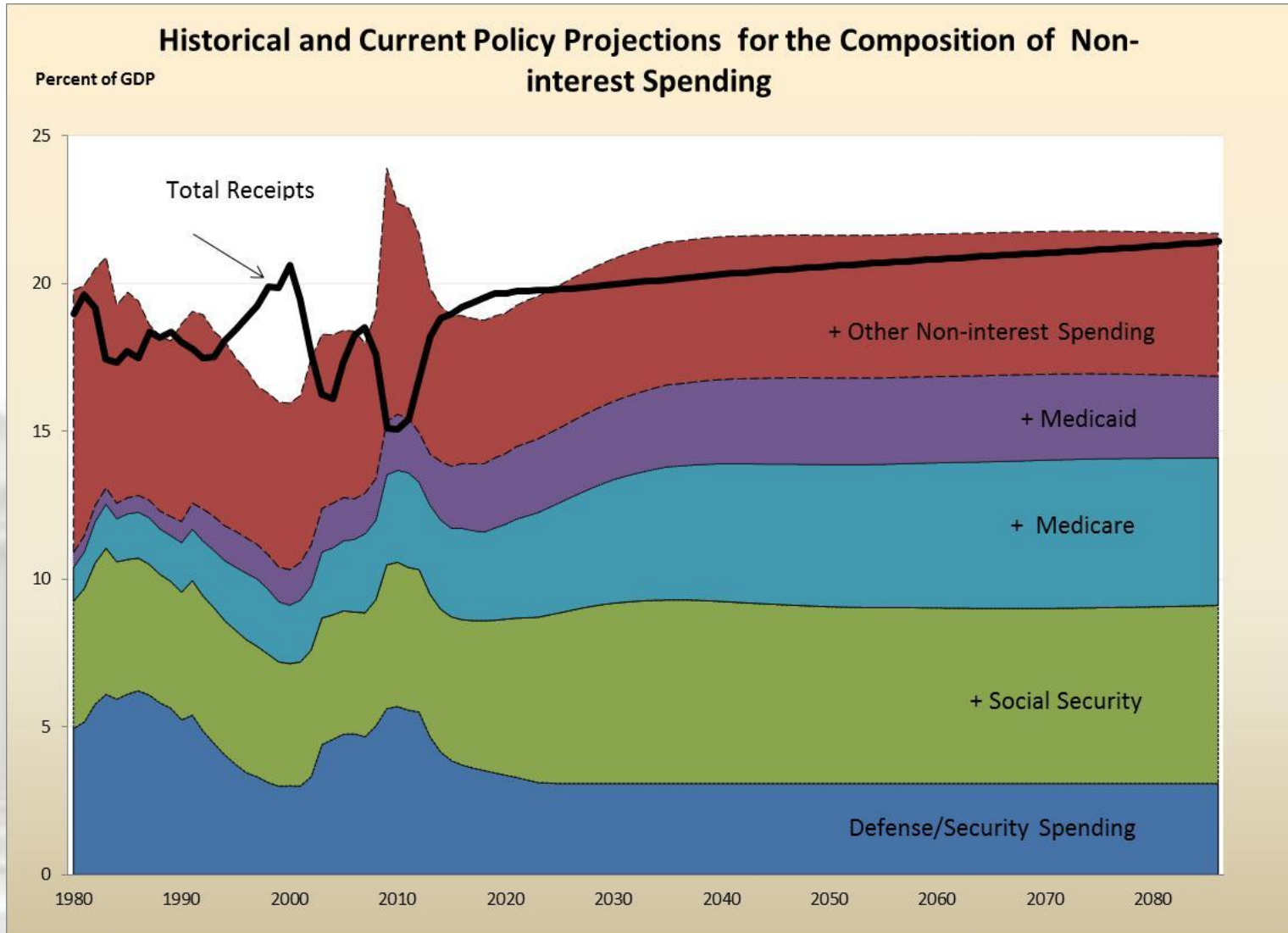
## A Broader Perspective – Fiscal Sustainability

### SFFAS 36

- What about other revenues, spending?
  - Broader focus than SOSI.
- Impact on the debt?
- % of Economy (GDP)
- What is the Fiscal Gap?



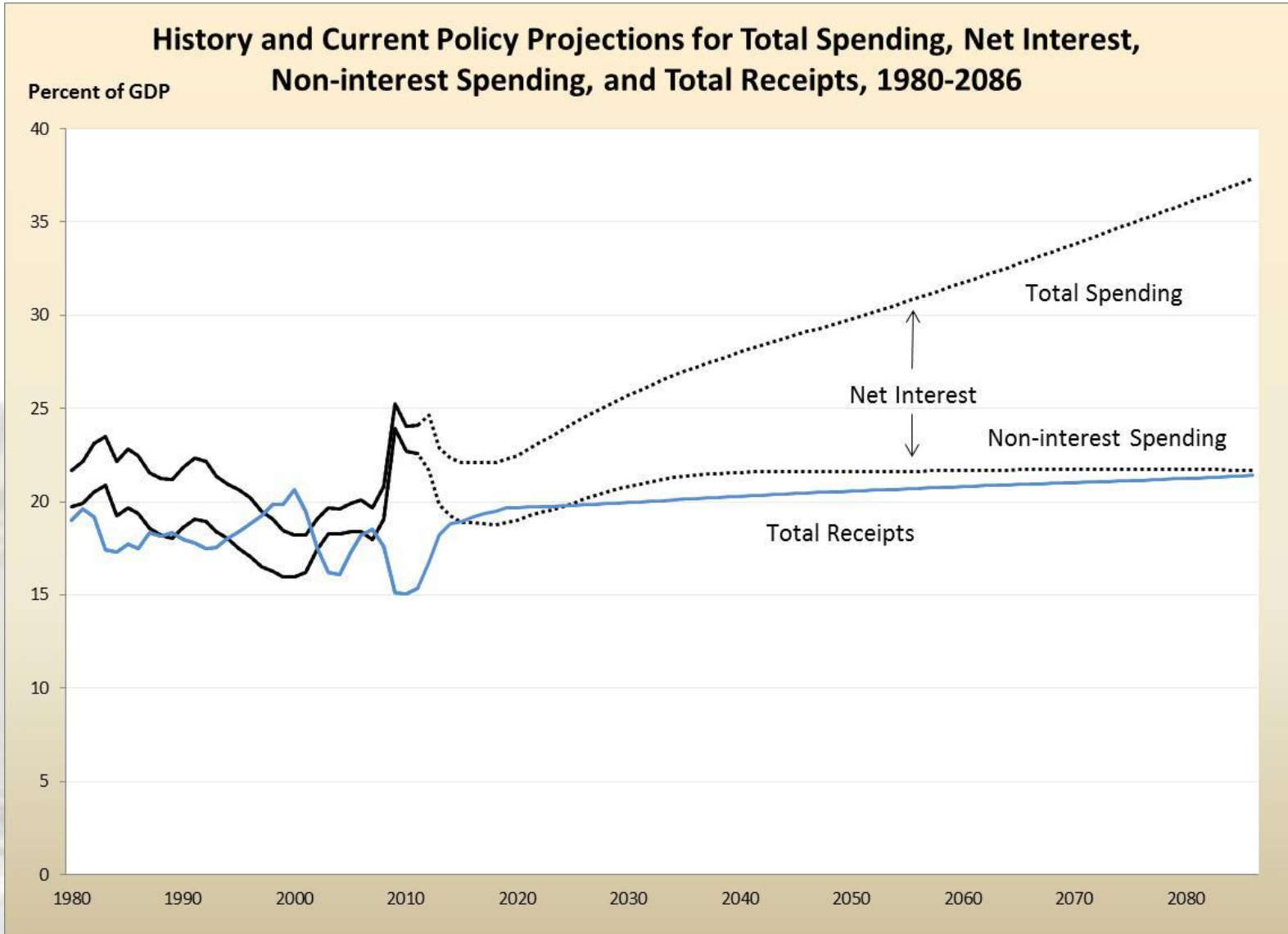
# Adding Pieces to the Puzzle





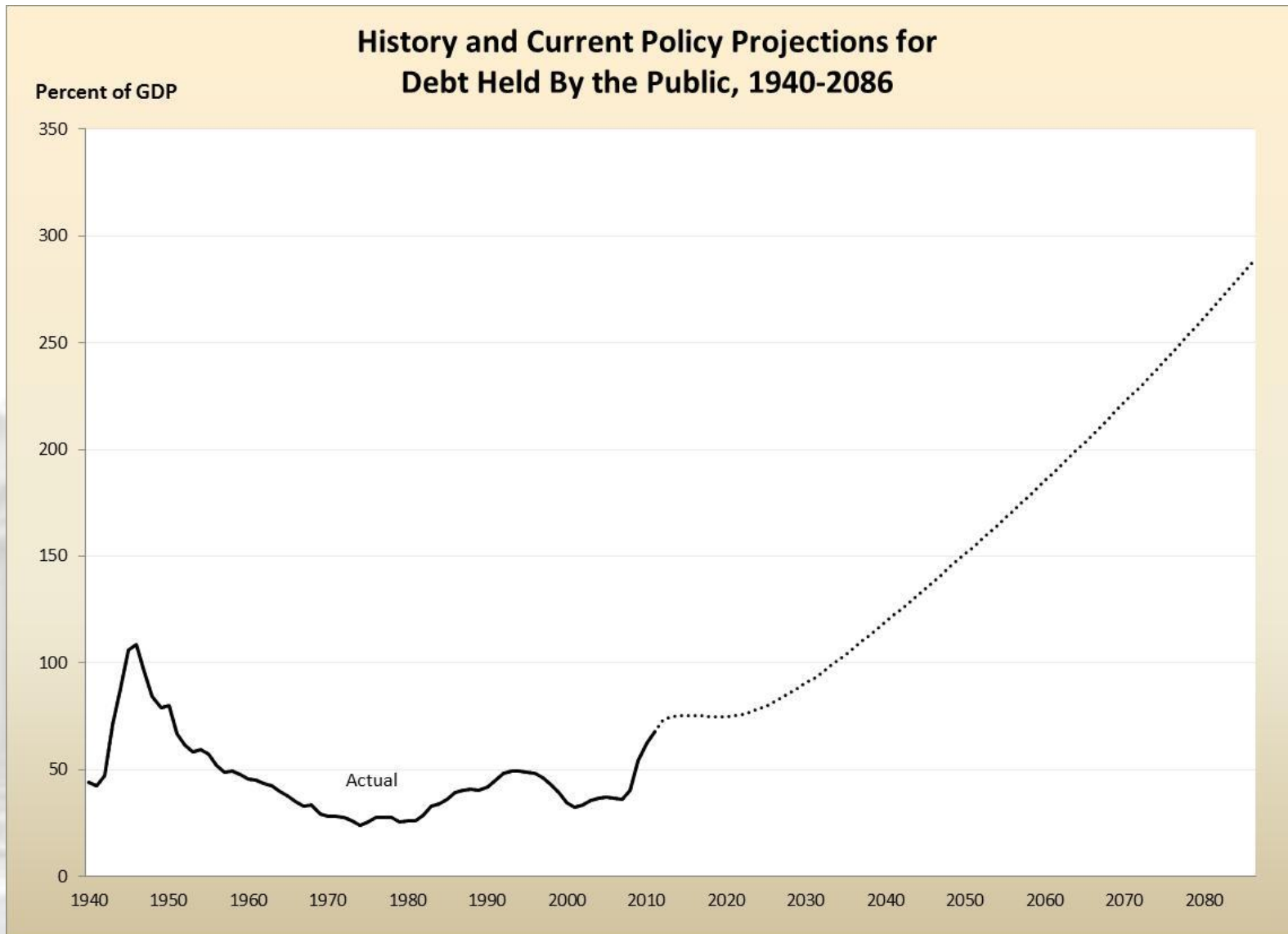


# Interest: A Compounding Problem





# Effect on the Debt





# Fiscal Gap

- How much of an average surplus over X years would be required to maintain Debt/GDP at a target level?
- Change in Revenues? Expenses? Both?
- **Key message** – under current conditions, law, and policy, the sooner actions are taken, the less dramatic will those actions need to be.

<b>Costs of Delaying Fiscal Consolidation</b>	
<b>Period of Delay</b>	<b>Change in Average Primary Surplus</b>
No Delay: Reform in 2012	1.8 percent of GDP between 2012 and 2086
Ten Years: Reform in 2022	2.2 percent of GDP between 2022 and 2086
Twenty Years: Reform in 2032	2.8 percent of GDP between 2032 and 2086



# A Topic of Interest

- Social Insurance / Fiscal Sustainability generating the most interest at home and abroad.
  - OECD
  - 2011 Delegation visits – China, India.
- Issues resonate with the average reader.
- Universities using Citizen's Guide.

Find out more – [www.fms.treas.gov/fr](http://www.fms.treas.gov/fr)