

The most significant change in the system since 1956 was the addition in 1966 of health insurance for those aged 65 and over. Health insurance (popularly known as medicare) is a two-part program, one of which, the "basic" program, is compulsory and financed by a separate portion of the tax rate amounting in 1967 and 1968 to 0.5 percent for the employee (and also for the employer and self-employed). The basic program provides certain inpatient hospital services, post-hospital home health visits, posthospital extended care facility services (i.e., skilled nursing homes), and outpatient diagnostic services. The second part of the program is a supplementary medical insurance plan which covers the major part of the doctors' bills and certain other services for those 65 and over. This portion of the program is financed jointly by monthly contributions of persons who elect to participate and by a contribution from general Government revenues.

The addition of health insurance was not only a major departure in the *kind* of risks covered, but also was the first use of *voluntary* type program and of a continuing *general revenue* contribution.

PROBABLE FUTURE COSTS

Increased social security benefits and the expansion of the kinds of risks covered suggest that in the future we will be paying a heavy tax burden for the support of the aged.

The question of the future size of the tax burden for social security type programs is at least as important as the closely related questions of how that burden is to be allocated among different groups of people and types of taxes.

Total social security tax collections have risen rapidly, not only in absolute terms, but also as a percentage of total Federal tax collections. In 1949 OASI tax collections amounted to 4.1 percent of the Federal total; by 1967 the share had risen to 16 percent. This shift is a substantial change in the Federal tax structure.

Are we likely to see this share continue to rise substantially?

POPULATION PROJECTIONS

The first step in answering this question is to look at the prospective growth in the aged population as compared with the total population and the labor force. A recent set of charts published by the National Industrial Conference Board shows that, as compared with the countries of Western Europe, the United States is in a relatively easy position in the ratio of dependent to working population (chart 3).

Over the next decade and a half the number of people aged 65 and over in the United States will rise almost in the same proportion as those of working age, while the younger age groups will increase less rapidly (table 4). In Western Europe, by contrast, the population aged 65 and over will increase relatively much more than the working population.