

Blacks Lose Less Over Lifetime to Social Security

NCPA Study Contradicts Previous Studies on Race and Social Security Benefits

The total lifetime loss between Social Security taxes paid and benefits received is less for blacks than it is for whites, according to a new study by the National Center for Policy Analysis (NCPA).

"Most people born since World War II can expect to receive less in Social Security benefits than they pay in taxes," said John C. Goodman, president of the NCPA. "But there are significant differences in how the system affects racial groups."

A 20-year-old black male can expect to pay \$40,979 more in Social Security taxes over an average lifetime (measured in current dollars at a discount rate of 4 percent) than he receives in benefits. A comparable white male, by contrast, can expect to pay one-third more in Social Security taxes, receive almost twice as much in benefits, and lose \$44,831 over his expected life span.

However, the rate of return on Social Security (benefits received for taxes paid) is less

for blacks (7/10 of 1 percent) than whites (1.8 percent).

There are two reasons for these racial disparities. First, 84 percent of 20-year-old white men should reach normal retirement age; only 64 percent of 20-year-old black men expect to live that long. So black men, on average, will earn fewer retirement checks. But black men tend to earn less, and Social Security's benefit formula favors lower-income workers.

The NCPA study also found expected losses for women entering the Social Security system are less than for men and couples with nonworking spouses do better than singles.

"Most future retirees will have worse rates of return than if their tax payments had been privately invested," Goodman said. "And because the number of workers paying taxes to support each beneficiary will continue to fall, it's evident tax rates will have to rise in coming years. So it's not surprising that many younger workers view Social Security as an

ever-increasing tax burden rather than an income security program."

The NCPA study considered all possible life spans and associated streams of tax payments and Social Security benefits. Expected outcome from participating in Social Security is the sum of all potential outcomes, each weighted by its probability.

Profitability Eludes Most Small HMOs as Medical Costs Rise Faster than Premiums

Medical expenses per enrollee rose 4.4 percent at small HMOs, eclipsing a corresponding 3.9 percent increase in health care revenues per enrollee and making profitability an elusive goal for most small HMOs, according to a recent study by Weiss Ratings, Inc., the only provider of independent financial ratings on health maintenance organizations.

Comparing data from the first half of 2000 to the same period a year earlier, the study also points to a widening gap between small (those with fewer than 100,000 enrollees) and large HMOs (more than 500,000 enrollees). While large HMOs also experienced a sharp rise in medical costs per enrollee (7.2 percent on average), they were able to more than offset the increase by boosting revenues at a quicker pace (7.8 percent).

"HMOs have been pushing successfully for premium rate increases for several years now in an effort to get back to profitability. However, with medical costs rising at such a fast pace, quite a few HMOs, particularly the smaller companies, will continue to lose money," commented Martin D. Weiss, Ph.D., chairman of Weiss Ratings.

Small HMOs Lose \$127 million; Large HMOs Post \$528 million Profit

An unequal distribution of profits further highlights the disparity between the small and large HMOs. The 373 small HMOs reviewed in the study had an aggregate loss of \$127 million for the first half of 2000, with 52 percent posting a loss for the period. In contrast, the largest HMOs, just 35 companies, reported a combined net profit of \$528 million. Overall, the HMO industry recorded aggregate net income of \$370 million in the first six months of 2000, up from \$91 million in the first half of 1999.

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