

## **THE EVOLUTION OF SOCIAL SECURITY DISABLED WIDOW(ER)S' BENEFITS**

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## **INTRODUCTION**

On May 14, 2002, the House of Representatives passed unanimously (418-0) “The Social Security Benefits Enhancements for Women Act of 2002 (H.R. 4069).” Initially advanced under the leadership of Congressman Clay Shaw, Chair of the House Ways and Means Sub-Committee on Social Security, H.R. 4069 included three modest provisions, primarily of benefit to women. One of these provisions would have marginally liberalized eligibility for disabled widow(er)s benefits by repealing the seven-year deadline for a surviving spouse to qualify for benefits on the basis of disability, a change estimated by the Congressional Budget Office as affecting 25,000 people in 2005 (March 12, 2002). Although the H.R. 4069 provisions failed to be enacted when the Senate was unable to fast-track the passage of the bill under “unanimous consent” rules, it is the proposed liberalization of eligibility for disabled widow(er)s benefits (and these other provisions in H.R. 4069) are very likely to be taken up in the next legislative year.

Initially enacted in 1967 the disabled widow(er)s benefit now provides a permanently reduced cash benefit equal to 71 1/2 percent of the deceased spouse’s primary insurance amount

(PIA) to survivors ages 50 through 64 who do not have dependent children under age 16<sup>1</sup> and who meet Social Security eligibility criteria. These persons are eligible for Medicare benefits after a 24-month waiting period. In December, 2000 approximately 195,000 disabled widows and 5,000 disabled widowers receive a Disabled Widows Benefit with an average monthly benefit of \$519.66 (Social Security Bulletin, 2001). Among the most economically at risk Social Security beneficiaries, an estimated 37 percent of Disabled Widow(er)s have below-poverty incomes after benefit receipt (Walker, 1997). Indeed, one of the concerns related to this benefit is that a vulnerable population of women is currently receiving a permanently reduced benefit with long-term implications for their well being in advanced middle and old age.

Clearly, the Disabled Widow(er)'s benefit is not the most important provision of the Social Security Act; neither is its reform the central Social Security policy issue of the day. But, this benefit has significant effects on the lives of those who are current or potential disabled widow(er) beneficiaries and, therefore, proposals to improve these benefits deserve serious attention by policy makers. Moreover, in the context of presidential and congressional interest in the adequacy problems of women beneficiaries, it is reasonable to explore whether changes in benefit amounts or eligibility criteria for Disabled Widow(er)s benefits might provide an efficient means of targeting to a relatively small and primarily female group, at substantial economic risk.

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<sup>1</sup> Note an exception: A widow(er) caring for a child over age 15 who is receiving a disabled child's benefit is potentially eligible to receive benefits as a disabled widower assuming that she meets the disability eligibility criteria.

## METHODS

To provide a basis for assessing the feasibility and appropriateness of further reforms of this benefit, this paper 1) analyzes the evolution of disabled widow(er)s benefits, 2) profiles current and potential disabled widow(er) beneficiaries and 3) assesses six proposals to liberalize eligibility and benefits for disabled widow(er)s benefits. These proposals include:

- Eliminating the seven-year deadline for a surviving spouse to qualify for benefits on the basis of disability,
- Increasing the Disabled Widow (er)s benefit to 100 percent of the deceased spouse's PIA at age 65,
- Eliminating the age 50 requirement making Disabled Widow (er)s benefits available to severely disabled widow (er)s of any age,
- Increasing the Disabled Widow (er)s Benefit to pay 100 percent of the deceased spouse's PIA at any age,
- Eliminating the 24 month Medicare Waiting Period,
- Preserving Medicaid eligibility of disabled widow (er)s who become ineligible for SSI due to an increase in their benefits or because they have become eligible for a Disabled Widow (er)s benefit for the first time.

First, we draw upon government reports, legislative history, other policy documents and interviews with policy actors. In tracing the evolution of disabled widow(er)s benefits, we discuss the rationale behind the original legislation, subsequent amendments and policy proposals. We note that the evolution of this benefit fits the pattern of incremental reform that has structured the contemporary Social Security program. While support for benefit improvements related to disabled widows is based, in part, on recognition of and concern for economic risk borne by disabled widow(er)s, the evolution of this benefit highlights the importance of symbolism in the politics of Social Security. Seeking to strengthen this benefit, enables politicians to show support for the concerns of women, without placing significant pressure on Social Security financing. Moreover, inexpensive liberalizations such as those

discussed in this paper can, as one Senate aid put it (personal communication, November 20, 2002), be the “spoonful of sugar” that helps the tough Social Security “medicine go down.”

Second, we use published Social Security program data. As we will discuss, the published data show that the average benefit amounts received by disabled widows is substantially below that of like-aged nondisabled widows.

Third, we also use six years of Current Population Survey: March Annual Demographic Files data (1995-2000) to develop a rough profile of the economic status of current and potential disabled widow(er)s. The structure of the CPS Survey imposes significant limitations on its utility with regard to our analysis. The CPS identifies Social Security beneficiaries, but it does not allow for the identification of type of beneficiary (e.g., retired worker, aged widow(er), disabled widow(er)). To develop a sample of persons roughly comparable to current and potentially eligible disabled widow(er)s, we apply the following criteria:

- Persons aged 50 to 59 are drawn into the sample. We excluded persons aged 60-64 because many would be eligible for aged widows benefits and there is no reasonable way to distinguish between those eligible as “disabled” as opposed to “aged” widow(er)s.
- Only widows are drawn into the sample. We thought this would be cleaner because there are relatively few disabled “widowers” (less than three percent of all persons receiving disabled widow(er)s benefits).

This yields a sample (n=2197) of widows aged 50-59. Next we create three sub-samples of widows – 1) “disabled” widows who receive Social Security benefits and do not have children

under the age of 19 <sup>2</sup> (n=159), 2) “disabled” widows who do not receive Social Security benefits and do not have children under age 16 (n=132) and 3) all remaining like-aged widows who are not “disabled (n=1906).”

In the absence of information about the type of Social Security benefits widows are receiving, we define widows as disabled if they meet all three of the following selection criteria: They reported that they 1) “have a health problem or disability which prevents work or limits the kind or amount of work;” 2) had not worked in the survey year, and 3) had not worked because of illness or disability. We then divide this group into “disabled” widows who report receipt of Social Security benefits (n=159) and those that do not (n=132). The remaining members of the larger sample are nondisabled widows (n=1906). We then compare these three groups with respect to differences across race, Hispanic origin, Education, receipt of income, health insurance coverage and household poverty status.

The data allow us to make comparisons across categories. However, we are very cautious with regard to interpretation. There are several important limitations of the data and methods we employ. For example, among the persons we define as “disabled widows with Social Security,” we do not have a basis for distinguishing between “disabled” widows who are receiving benefits as a disabled worker versus as a disabled widow. Similarly, among the persons we classify as “disabled widows without Social Security, we do not know the extent to which this population is or will be potentially eligible for any form of Social Security benefit.

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<sup>2</sup> We plan to re-work this sample, bringing women who have children ages 17 and 18 because doing so will more closely approximate women potentially eligible for disabled widows benefits. We do not anticipate that this will result in substantive differences with regard to the findings.

We believe we have a sample which allows us to trace the broad outlines of these three groups, but one that lacks the precision we would have preferred.

Finally, our methods also include a systematic analysis of policy options against stated criteria. Noting that each policy option is consonant with the adequacy goals of Social Security, our analysis discusses trade-offs with regard to program costs and feasibility and notes potential unintended consequences.

## **LEGISLATIVE HISTORY OF DISABLED WIDOW (ER)S BENEFITS**

The enactment and modest expansion of disabled widow(er)s benefits conforms to a pattern of cautious, incremental change. Although reformers in the executive branch favored a somewhat more expansive benefit, the congressional actors who shaped the enacting legislation sought to avoid substantial costs or other work disincentives. Hence, a very modest benefit was enacted in 1967, limited -- as the original Disability Insurance program had been -- to persons ages 50 or older. The modest liberalizations which have followed seem to be based on three understandings:

- that these benefits have been successfully implemented,
- that support for disabled widow(er)s has political and symbolic appeal
- and that the cost of strengthening this benefit has been practically negligible.

### **Disabled Widow (er)s Benefits included in Social Security Amendments of 1967**



In his 1967 Message from the President entitled "Aid for the Aged" (H. Rep. No. 40, 90<sup>th</sup> Cong., 1<sup>st</sup> Sess.,1967), President Johnson acknowledged that the social security system left approximately 70,000 severely disabled widows under age 62 without protection (The Committee on Ways and Means along with the Committee on Finance and the Social Security Administration essentially agreed with the President's recommendation and proposed that the Social Security Program be amended to include benefits for disabled widow (er)s.<sup>3</sup> The Ways and Means Committee recommended a reduced benefit based on the age of the recipient and the Committee on Finance proposed a reduced benefit at 82 ½ percent of the deceased spouse's PIA at any age, the benefit received . The rationale for implementation of a reduced benefit was based in a cost concern (H. Rep. No. 101-964, 101<sup>st</sup> Cong., 2d Sess.,1990; R. Myers, personal communications 2001-2) as well as a belief that disabled widows should not be paid a higher benefit than aged widow(er)s were currently receiving – 82 ½ of the deceased spouse PIA (R.Myers, personal communications, 2001-2). Of course this assumes that there is no difference between the circumstances of an individual who chooses not to enter the work force after the death of their spouse and one who is unable to work due to a severe disability. In addition, the Committee proposed different definitions of disability, more restrictive than that used to classify a worker as disabled. Again, this was based upon concerns regarding the potential costs of the benefit along with a concern that the benefit might serve as a work disincentive (R. Ball, personal communications, 2001-2; Myers, personal communications, 2001-2).

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<sup>3</sup> It appears that based on h. doc 40, 90th cong., first session – that the disabled widow(er)s provision was initially referred to as an amendment to the 'disability program.' Yet it is clearly referred to in more current documents including the Catalogue of Federal and Domestic Assistance and the Social Security Bulletin, July 1989/vol 52, no. 7 as a survivors benefit. Moreover, this benefit has been paid out of the OASI trust fund (1968)

In its testimony before the Committee on Finance, the Social Security Administration indicated its support for removing the age-50 limitation proposed by the Ways and Means Committee and for payment of the full amount of the benefit, that is 82 ½ percent of the spouse's PIA. It also recommended that the test of disability be the same as that used to qualify the worker (Ball, 1967). Contrary to the recommendations of the Senate Finance Committee and the Social Security Administration, in its final form, the Disabled Widow (er)s Benefit provided severely disabled widow(er)s under the age of 62 a permanently reduced cash benefit, scaled between 50 percent of the deceased workers PIA for those accepting the benefit at age 50 and 71 ½ percent of the PIA for those accepting benefits at age 60. In addition, beneficiaries would now qualify for health insurance protection under the Medicare program following a 24 month waiting period also prompted by cost concerns (R.Ball, personal communications, 2001-2). In order to qualify for this benefit the widow (er) would have to meet a more restrictive test of disability than the worker and would require a showing of inability to engage in any gainful activity as opposed to any substantial gainful activity. Furthermore, while the Disability Insurance Program's test of disability allowed for consideration of vocational factors, the test of disability for disabled widow (er)s was based on medical evidence alone. In addition, the law specifies that the individual must have become disabled before the latest of seven years after the month their spouse died or seven years after the last month the beneficiary was previously entitled to benefits as a surviving spouse with child in care. In 1968, 21,563 disabled widow (er)s received this benefit, which increased to 129,833 disabled widow (er)s by 1979 (Social Security Administration, 2000).

## **Disabled Widow (er)s Benefits Changed<sup>4</sup> in 1983**

The consensus and bipartisan report of the 1982-83 National Commission on Social Security Reform (a.k.a. Greenspan Commission) advanced four modest changes to the Social Security Act - all of which were enacted as part of the 1983 Amendments to the Social Security Act - directed at improving benefits primarily affecting women. As a result of the Commission's recommendations and subsequent congressional action, the value of the Disabled Widow (er)s benefit was increased to 71 ½ percent of the PIA for those receiving benefits prior to age 60. This change was applicable to both current and potential disabled widow (er)s benefit recipients . At the time, the long-term 75-year cost of this change was estimated as being 0.01 percent of taxable payroll and the cost of increasing the benefit to 100 percent of the PIA was estimated as an additional 0.02 percent of taxable payroll. Additionally, the Commission recommended the continuation of benefits for remarried disabled surviving spouses aged 50-59, and remarried disabled divorced surviving spouses aged 50-59. While the costs to the social security trust fund were negligible, these changes were not unimportant to most of the estimated 111,591 individuals receiving a Disabled Widow (er) s benefit in 1983 (Social Security Administration, 2000).

## **Omnibus Budget Reconciliation Act of 1990**

The most recent change to the Disabled Widow (er)s benefit was included in the Omnibus Budget Reconciliation Act of 1990. The House and the Senate provided identical recommendations acknowledging that the disabled widow (er)s benefit had not been found to be

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<sup>4</sup> The 1980 Amendments to the Social Security Act included a work-incentives provision, which extended to disabled widow (er)s a nine-month trial work period previously applied to disabled workers and childhood beneficiaries only (Social Security Administration, 1981).

a significant cost to the Social Security trust fund (H. Rep. No. 101-964, 101<sup>st</sup> Cong., 2d Sess., 1990) and recommending a repeal of the more restrictive test of disability previously used to identify eligible disabled widow(er) benefit recipients. In order to qualify for disabled widow(er)s benefits, the Amendment provided for application of the same test of disability as applied to workers, that is disability defined as "an inability to engage in any substantial gainful activity by reason of a physical or mental impairment"(H. Rep. No. 101-964, 101<sup>st</sup> Cong., 2d Sess., 1990, p.926). In addition, age, education and work experience were now to be considered as pertinent factors in determining a disabled widow (er)s disability status. Mainly as a result of this liberalization in the definition of disability, the number of disabled widow (er)s receiving a disabled widow (er)s benefit nearly doubled from 100,989 in 1990 to 198,795 in 1998 to about 200,000 in December 2000.

### **Other Ideas for Reform of the Disabled Widow (er)s Benefit**

Beginning in 1985, various proposals for liberalization of the disabled widow (er)s benefit have been put forth. In February of 1985 the Subcommittee on Social Security published a report on earnings sharing which included a proposal to increasing the benefit amount to pay 100 percent of the deceased worker's PIA to a disabled widow (er) at any age (H. Rep. No. 99-4, 99th Cong., 1st Sess., 1985). The Subcommittee's rationale for this liberalization included the fact that disabled widow(er)s under age 50 are basically in the same circumstances as disabled widows and widowers prior to the 1968 Social Security Amendments (H. Rep. No. 99-4, 99th Cong., 1st Sess., 1985). Specifically, they are unable to work and have no social security protections. In addition, as a result of their disability in combination with the early death of their spouse, they were likely to have less of an opportunity to accumulate savings in order to provide

for their future. Furthermore, disabled widow (er)s may in fact be unfairly treated as they must accept a permanently reduced benefit at no fault of their own. Unlike aged widow (er)s, disabled widow (er)s do not have the option to work in order to avoid a permanent reduction in their social security benefit. The long-range net cost of this option was estimated to be 0.01 percent of taxable payroll (H. Rep. No. 99-4, 99th Cong., 1st Sess., 1985).

In 1989, Representatives Obserstar and Frank sponsored the Social Security Disabled Widow's and Widower's Equity Act of 1989 (H.R. 2731) introduced in the House of Representatives on June 22, 1989. On November 13, 1989 Senator Reigel introduced a matching bill (S. 1872) in the Senate. The Social Security Disabled Widow's and Widower's Equity Act of 1989 was successful in initiating repeal of the more restrictive test of disability previously used to determine eligibility for the Disabled Widow (er)s Benefit. In addition these bills unsuccessfully proposed paying a full benefit for disabled widow (ers) without regard to age as well as liberalization of the 7-year rule. Specifically, the bill proposed an extension of the 7-year period in which the surviving spouse must have initially become disabled in order to qualify for a Disabled Widow (er)s benefit. Furthermore, it proposed amending the SSI program to preserve Medicaid eligibility for disabled widow (er)s who became ineligible for SSI benefits should they become eligible for a Disabled Widow (er)s benefit as a result of the proposed amendments to the program.

In 2001, Representative Clay Shaw, Chairman of the Subcommittee on Social Security, sponsored H.R. 3497 otherwise know as the Social Security Guarantee Plus Act of 2001. This bill included a provision to extend the benefits to disabled widow(er)s regardless of age and

specified that remarriage prior to age 50 would terminate the former spouse's eligibility. In addition, it proposes elimination of the 7-year rule. The cost of extending the benefit to surviving spouses at any age was estimated to be negligible (i.e., less than 0.005% of taxable payroll) (Goss & Wade, 2001). The cost of eliminating the 7-year rule was also estimated to be negligible (i.e., less than 0.005% of taxable payroll) (Goss & Wade, 2001). While the rationale for these changes is not specifically mentioned, it is assumed that the successful implementation of these benefits and support for disabled widow(er)s has political and symbolic appeal. In addition the fact that the cost of strengthening this benefit has been practically negligible, further supports the appeal of these small, yet meaningful reforms.

In November of 2001, Representative Lowey proposed H.R. 3326 and 3327 in the House of Representatives. H.R. 3326 proposes provision of full benefits for disabled widows and widowers without regard to age or any previous reduction in OASDI. H.R. 3327 proposes that the 7-year rule be repealed.

As of May 2002, the only reform bill under consideration by the Subcommittee on Social Security (expected to pass in the House) is the Social Security Enhancements for Women Act of 2002 (H.R. 4069) introduced into the House of Representatives on March 20, 2002 by Representative Shaw. This bill contains the surviving elements of the original Shaw bill and benefits disabled widow (er)s only in that it proposes repeal of the 7-year rule. Apparently, H.R. 3497, 3326 and 3327 were withdrawn due to concerns regarding potential short-term and long-term costs (Staff of the Subcommittee on Social Security, personal communication, 2002).

As noted the bill (h.r. 4069) was passed unanimously by the House of Representatives on May 14<sup>th</sup>. However, in spite of substantial bipartisan Senatorial sponsorship and support, the bill failed to gain passage in the Senate. A scheduled September 26, 2002 Senate Finance Committee Markup on the Senate version of H.R. 4069 was cancelled by Senator Max Baucus, the Democratic Chairman of the Committee. Concerned that effort would be made to attach riders to the bill in mark-up, sponsors sought unsuccessfully to have a bill – identical to H.R. 4069 -- accepted under the Senate's unanimous consent rules. Under these rules, dissent by one member is sufficient to block passage.

## **PROFILE OF CURRENT AND POTENTIAL DISABLED WIDOW BENEFICIARIES**

Data published in the *2001 Annual Statistical Supplement to the Social Security Bulletin* provide a basis for comparing the Social Security benefits of disabled widow(er)s to other groups of beneficiaries. The data presented in table 1 show that the average monthly benefits of disabled widows and widowers is substantially below that of nondisabled widow beneficiaries. It is also below that of Surviving Mothers, whose child/children also receive monthly survivors benefits. The average benefits of the very small disabled widower beneficiaries are substantially below that of other groups in table 1. Relative to their representation in the population, a disproportionately large number of African Americans (about 40,000 compared to 146,000 white Americans) receive disabled widows benefits and these monthly benefits are, on average, smaller. These data imply that disabled widow(er) benefit liberalizations are likely to be particularly beneficial to African Americans.

INSERT TABLES 1 AND 2 ABOUT HERE

**Table 1. Comparisons of Average Monthly Benefit of Disabled Widow(er)s to Selected Social Security Beneficiaries, December 2000**

<b>Age</b>	<b><u>Under 62</u></b>	<b><u>62-64</u></b>	<b><u>65 &amp; over</u></b>
<b>Disabled Widows</b> <i>(Numbers in thousands)</i>	<b>\$525.55</b> <i>(141)</i>	<b>\$519.45</b> <i>(55)</i>	-----
<b>Nondisabled Widows</b> <i>(Numbers in thousands)</i>	<b>\$775.29</b> <i>(127)</i>	<b>\$775.64</b> <i>(314)</i>	<b>\$815.57</b> <i>(4221)</i>
<b>Disabled Widowers</b> <i>(Numbers in thousands)</i>	<b>\$364.86</b> <i>(4)</i>	<b>\$349.37</b> <i>(1)</i>	-----
<b>Surviving Mothers</b> <i>(Numbers in thousands)</i>	<b>\$598.39</b> <i>(187)</i>	<b>\$644.12</b> <i>(5)</i>	<b>\$596.19</b> <i>(1)</i>

Source: 2001 Annual Statistical Supplement to the Social Security Bulletin, Table 5.A16.

**Table 2. Comparisons of Average Monthly Benefit of Disabled Widows by Race of Beneficiary, December 2000**

<b>Age</b>	<b><u>White</u></b>	<b><u>African-American</u></b>	<b><u>Other</u></b>
<b>Disabled Widows</b> <i>(Numbers in thousands)</i>	<b>\$542.70</b> <i>(146)</i>	<b>\$465.90</b> <i>(40)</i>	<b>\$453.30</b> <i>(9)</i>

Source: 2001 Annual Statistical Supplement to the Social Security Bulletin, Table 5.A1.

The data presented in table 3 and 4 present comparisons between three groups of widows who do not have children under the age of 19 – “disabled” widows who receive Social Security benefits, “disabled” widows who do not and nondisabled widows. As noted, we are cautious in drawing too many conclusions from these data. However, the data suggest that compared to the nondisabled group, both groups defining themselves as disabled have substantially lower levels



of educational attainment, substantially higher levels of household poverty and economic need, substantially less private health insurance coverage and greater participation publicly-funded health programs. About three-fourths of the households in which nondisabled widows reside have incomes equal to or greater than 150 percent of the poverty line compared to a little more than one-quarter of the households with disabled widows who receive Social Security benefits and only one-tenth of the disabled widows households who do not receive benefits. Roughly similar proportional difference exist with regard to private health insurance coverage.

The data presented in tables 3 and 4 suggest that the majority of the households with disabled widows – both those receiving and not receiving Social Security benefits – experience significant economic hardships. One half of the those households receiving Social Security and three-fourths of those that do not have household incomes below the poverty threshold! Together, the data presented in these four tables provide very strong evidence of economic need among disabled widow beneficiaries.

## **ASSESSMENT OF DISABLED WIDOWS BENEFIT REFORM OPTIONS**

We now turn our attention to an assessment of seven options – the six previously identified plus the option to take no action. We examine these options with regard to their adequacy, cost and feasibility. In discussing each of the options, we address the following questions:

- Does the recommendation enhance the financial security of current and potential beneficiaries and target to those at greatest risk?
- How costly is the option?
- How administratively feasible is the option?
- Are there unintended consequences? Work disincentives? Interactions with other benefits?

### **Option 1: Do nothing.**

- Pro: This option is administratively feasible and initially cost-effective as it would require no immediate financial investment or costs to the trust fund.

Con: Currently, 200,000 disabled widow (er)s, 195,000 widows and 5,000 disabled widowers receive a Disabled Widow (er)s benefit, with an average monthly benefit of only \$519.66 (Social Security Administration). These individuals are forced to accept a permanently reduced social security benefit because they are disabled. They are not in the same situation as the aged widow as they do not have a choice to work in order to supplement their income as they are unable to work due to a severe disability. Therefore it appears that the status quo treats disabled widow (er)s unfairly. In addition, disabled widow (er)s under age 50 are currently in the same circumstance as disabled widows aged 50 –59 prior to the inclusion of disabled widows benefits within the 1967 amendments to the Social Security Act. Specifically, they are unable to work due to a severe disability and have no social security protections. Furthermore, it seems that treatment of this population is less equitable than it is to disabled widow (er)s age 50 –59, let alone aged widows, as it is probable that their disability, in combination with the early death of their spouse, has made it extremely difficult for them to acquire savings in order to prepare for their future. Additionally, while doing nothing may be initially cost-effective, one must consider the potential costs should these individuals become eligible for Supplemental Social Insurance (SSI). Again, the status quo appears to perpetuate the unfair treatment of a socially and economically vulnerable population which could potentially have extensive long term cost.

### **Option 2: Eliminate the age 50 requirement making Disabled Widow(er)s benefits available to severely disabled widow (er)s of any age.**

As originally proposed by the Committee on Finance and the Social Security Administration in 1968, the Disabled Widow (er)s Benefit would have provided monthly payments at 82 ½ percent of the deceased spouse's PIA to severely disabled widows at any age. Contrary to the Committee on Finance and the Social Security Administration's proposals, and as a result of cost concerns (Ball, personal communications, 2001-2) the benefit, provides a monthly payment to severely disabled widow (er)s between the ages of 50 and 59 at a permanently reduced rate (71 ½ percent of the deceased spouse's PIA, which is an increase from the 50 percent - 71 ½ percent originally provided in the 1968 legislation). Under this option, the benefit for disabled widow (er)s would be payable to a widow (er)s at any age (as originally

proposed by the Committee on Finance and the Social Security Administration) assuming they meet the Social Security Administration's test of disability. Essentially this option would allow disabled widow (er)s to be treated like any other disabled persons. In 2001, Representatives Shaw (H.R. 3497 – The Social Security Guarantee Plus Act of 2001) and Lowey (H.R. 3326) introduced bills which proposed elimination of the age 50 requirement. In addition, the National Committee to Preserve Social Security and Medicare, OWL and NOW also supports this reform.

- Pro: This option is administratively feasible, as all the systems for distribution of this benefit are in place. In addition extending the benefit to all disabled widow (er)s regardless of age would have negligible long-range costs (i.e. 0.005 percent of taxable payroll) (Goss & Wade, 2001). Furthermore, there are potential cost savings as eligibility for this benefit may serve to decrease the SSI rolls once individuals formerly eligible for SSI become eligible to receive a Disabled Widow (er)s Benefit. Finally, since disabled widow (er)s under age 50 are in basically the same circumstances as disabled widow (er)s prior to the 1968 amendments and in fact may have greater financial needs than aged widows, this option would serve to address the unfair treatment of this vulnerable population.
- Con: This option might serve as a work disincentive although there appears to be no documented evidence to show that past liberalization of this benefit has had this effect. In addition, while there may be some off-setting cost savings associated with a potential decrease in the SSI rolls due to liberalization of the Disabled Widow (er)s benefit, loss of SSI eligibility may mean that newly eligible disabled widow (er)s could lose their entitlement to Medicaid whose value is greater than the value of Medicare. In fact, Senator Riegle sought to address this concern in S. 1872 through his proposal to amend the SSI program to preserve Medicaid eligibility of disabled widow (er)s who become ineligible for SSI due to an increase in their benefits or because they have become eligible for a Disabled Widow (er)s benefit for the first time. In addition, certain states such as South Dakota, Alabama and Vermont have addressed this concern by implementing supplemental health insurance programs for disabled widow (er)s who become ineligible for SSI due to receipt of a Disabled Widow (er)s Benefit. Unfortunately, without Federal guidelines, states will handle this issue differently resulting in the unequal treatment of disabled widow (er)s.

### **Option 3: Elimination of the seven-year deadline for a surviving spouse to qualify for benefits on the basis of disability.**

As originally enacted in 1968, the Disabled Widow (er)s Benefit required that an individual must become disabled within seven years of the death of their spouse or seven years

after the last month they were eligible to receive a benefit as a surviving spouse with child in care. The seven-year limit was initially enacted in order to provide ample opportunity for the surviving spouse to acquire enough working quarters to qualify for his or her own disability benefit (H. Rep. No. 544, 9<sup>th</sup> Cong., 1<sup>st</sup> Sess. (1967)). It is currently understood that seven years is a restrictive and unrealistic time frame and therefore elimination of the seven-year deadline has been proposed (M. Zemel, personal communication, 2002) . In 2001, Representatives Shaw (H.R. 3497 – The Social Security Guarantee Plus Act of 2001) and Lowey (H.R. 3326) introduced bills, which proposed elimination of the age 50 requirement. As of May 2002, the only reform bill effecting the Disabled Widow (er)s benefit under consideration by the Subcommittee on Social Security (expected to pass in the House) is H.R. 4069 introduced into the House of Representatives on March 20, 2002 by Representative Shaw proposes elimination of the seven-year deadline. In addition, the National Committee to Preserve Social Security and Medicare, OWL and NOW support this reform.

- Pro: This option would allow previously ineligible disabled widow (er)s to become eligible for this vital benefit. In addition, this option is administratively feasible, as all the systems for distribution of this benefit are in place. Finally, this option is financially feasible as it is estimated to have a negligible cost (i.e., less than 0.0005 percent of taxable payroll) (Goss & Wade, 2001).
- Con: Again, while no evidence exists to support the notion that liberalization of this benefit might serve as a work disincentive, some may view this as a potential concern.

**Option 4: Increase the Disabled Widow (er)s benefit to 100 percent of the deceased spouse's PIA at age 65**

As originally enacted in 1968, the benefit provided severely disabled widows and dependent widowers under the age of 62 a permanently reduced cash benefit, scaled between 50 percent of the deceased workers PIA for those accepting the benefit at age 50 and 71 ½ percent of the PIA for those accepting benefits at age 60. As discussed above, the rationale for

implementation of a reduced benefit was based in a cost concern (H. Rep. No. 101-964, 101<sup>st</sup> Cong., 2d Sess., 1990; R. s, personal communication, 2001-2) as well as a belief that disabled widows should not be paid a higher benefit than aged widows (R. Myers, personal communications, 2001-2). The consensus and bipartisan report of the 1982-83 National Commission on Social Security Reform (a.k.a. Greenspan Commission) advanced four modest changes to the Social Security Act - all of which were enacted as part of the 1983 Amendments to the Social Security Act - directed at improving benefits primarily affecting women. As a result of the Commission's recommendations and subsequent congressional action, the value of the Disabled Widow (er)s benefit was increased to 71 ½ percent of the PIA for those receiving benefits prior to age 60. At the time, the long-term 75-year cost of this change was estimated as being 0.01 percent of taxable payroll and the cost of increasing the benefit to 100 percent of the PIA was estimated as an additional 0.02 percent of taxable payroll.

- Pro: This option would provide disabled widow (er)s with an opportunity to receive the same benefit as an aged widow at age 65 essentially alleviating current circumstances which penalize a disabled widow (er) by giving him or her no choice but to receive a permanently reduced benefit solely based upon the fact that they are disabled. This option would be financially and administratively feasible as estimates have shown the costs of increasing the benefit amount to 100 percent of the deceased spouse's PIA at any age to be negligible (i.e., less than 0.01 percent of taxable payroll) (H.Rep. No. 99-4, 99th Cong., 1st Sess., 1985).
- Con: This option does not address the needs of the 200,000 disabled widow (er)s currently receiving a permanently reduced Disabled Widow (er)s benefit. In addition, this option does not address the needs of disabled widow (er)s under the age of 50.

**Option 5: Increase the Disabled Widow (er)s Benefit to pay 100 percent of the deceased spouse's PIA at any age**

As discussed above, the rationale for implementation of a reduced benefit was based in a cost concern (H. Rep. No. 101-964, 101<sup>st</sup> Cong., 2d Sess.,1990; R. Myers, personal communications, 2001-2) as well as a belief that disabled widows should not be paid a higher

benefit than aged widows (Myers, 2001-2). In 1990 The House and the Senate acknowledged that the Disabled Widow (er)s benefit had not been found to be a significant cost to the Social Security trust fund (H. Rep. No. 101-964, 101<sup>st</sup> Cong., 2d Sess.,1990). In addition, successful incremental liberalization of this benefit has continued to produce minimal costs to the trust fund, making further liberalization of this benefit appealing. The consensus and bipartisan report of the 1982-83 National Commission on Social Security Reform (a.k.a. Greenspan Commission) estimated the long-term 75-year cost of this change to be 0.02 percent of taxable payroll. Under this option disabled widow (er)s at any age would be eligible to receive 100 percent of the deceased spouse's PIA and would essentially be treated like any other disabled person. Various organizations have come out in support of this reform including the National Committee to Preserve Social Security and Medicare and NOW.

- Pro: This option would address issues of fairness and adequacy as it related to disabled widow (er)s of all ages. It would provide higher benefits for many disabled widow (er)s who get lower monthly benefits than do aged widows (non-disabled widows receive an average benefit of \$814.18 whereas disabled widows receive an average monthly benefit of \$519.66. It would permit disabled widow (er)s to be treated like other disabled people in terms of their social security benefit. In addition the long-range costs would be minimal (estimated to be 0.01 percent of taxable payroll) (H. Rep. No. 99-4, 99th Cong., 1st Sess., 1985). This option is also administratively feasible as all the systems for distribution of this benefit are in place.
- Con: Again, while there appears to be no evidence to show that liberalization of this benefit has created work disincentives, some may find this to be a concern. In addition, as previously mentioned, potential loss of SSI eligibility may mean that newly eligible disabled widow (er)s could lose their entitlement to Medicaid whose value is greater than Medicare.

### **Option 6: Eliminate the 24 month Medicare Waiting Period**

Title XVIII of the Social Security Act authorizes health insurance benefits for eligible persons who are elderly (65 and older) or disabled. As in worker disability claims, disabled

widow (er)s are entitled to Medicare after a 24 months qualifying period. The first 24 months of benefit entitlement is the waiting period for Medicare coverage. Since this entitlement was initially designed to meet the needs of individuals receiving Social Security Disability Insurance (disabled workers and not survivors) it was assumed that during this qualifying period for Medicare, the beneficiary would be eligible for health insurance through a former employer. In fact COBRA was designed to bridge this gap. Unfortunately, disabled widow (er)s may not have the opportunity or financial where-withal to access a COBRA benefit potentially leaving them without vital health insurance coverage during the waiting period. This option proposes elimination of the 24-month waiting period essentially enabling disabled individuals, including disabled widow (er)s without health insurance, access to Medicare as soon as they begin receiving a Disabled Widow (er)s Benefit.

- Pro: Elimination of the 24-month waiting period would provide vital health insurance coverage to disabled individuals including disabled widow (er)s who are unable to gain health insurance coverage through a previous employer. This option is administratively feasible as all systems for distribution of this benefit are in place.
- Con: This option could have greater than negligible long-term costs to the Medicare Program. This option does not address the inadequacies associated with the potential loss of Medicaid benefits for those disabled widow (er)s who prior to the onset of their disability, were eligible for SSI and Medicaid benefits.

**Option 7: Amend the SSI Program to Preserve Medicaid eligibility of disabled widow (er)s who become ineligible for SSI due to an increase in their benefits or because they have become eligible for a Disabled Widow (er)s benefit for the first time.**

Under current law, disabled widows or widowers between the ages of 50 and 59 who are terminated from Supplemental Security Income (SSI) benefits as a result of becoming entitled to, or receiving Disabled Widow (er)s Benefits, are also no longer entitled to a Medicaid benefit. In order to address the health insurance needs of disabled widows and widowers who are ineligible

for SSI and subsequently Medicaid, solely as a result of receipt of a Disabled Widow (er)s Benefit or an increase in the benefit amount, certain states, including Vermont, Alabama and South Dakota have designed legislation which allows for medical coverage of these individuals including (in some cases) access to Medicaid. In addition, as discussed above, Senator Riegle addressed this concern in S. 1872 where he proposed amending the SSI program to preserve Medicaid eligibility of disabled widow (er)s who become ineligible for SSI due to an increase in their benefits or because they have become eligible for a Disabled Widow (er)s benefit for the first time. Unfortunately, without Federal guidelines, states will handle this issue differently resulting in the inconsistent and unequal treatment of disabled widow (er)s.

- Pro: This option would serve to create consistency across states by preserving Medicaid eligibility of disabled widow (er)s who lose their Medicaid benefit due to receipt of a Disable Widow (er)s Benefit or an increase in their benefit. Essentially this option would serve to remove an unintended penalization of poor disabled widow (er)s.
- Con: This option would likely be very costly as the Medicaid Program provides coverage for many more services than the Medicare Program. In addition, there would be costs associated with the receipt of Medicaid during the 24-month waiting period during which time there would have otherwise been no costs to the system.

## CONCLUSION

As a group, current and potential disabled widow beneficiaries experience significant economic risks. There is much to suggest a need for policymakers to take a careful look at this relatively small group who, by turning to the Social Security program for support early in their lives, are consigned to a very low standard of living for their remaining years.

Policymakers of both parties seem to have little resistance to marginal improvements in this area. It presents a rare opportunity to make small, but meaningful improvement, in a benefit that primarily targets to women. Given the scope of problems besetting the politics of Social Security, substantial reform in this area (e.g., eliminating the 24 month waiting period) seems unlikely. Still, modest, low-cost reforms can benefit some among this at-risk population and are worth pursuing.



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**Table 3. Widows Ages 50-59: Demographics**

	"Disabled" Widow with Social Security		"Disabled" Widow No Social Security		Widow Not Disabled	
	(n=159)		(n=132)		(n=1906)	
	<i>number</i>	<i>percent</i>	<i>number</i>	<i>percent</i>	<i>number</i>	<i>percent</i>
<b><u>Race</u></b>						
White	115	72.3	81	61.4	1511	79.3
Black	38	23.9	45	34.1	301	15.8
American Indian	4	2.4	5	3.8	43	2.3
Asian Pacific Islander	2	1.3	1	0.8	50	2.6
<b>Hispanic Origin</b>	12	7.5	16	12.1	170	8.9

<b><u>Highest Level of Education</u></b>						
No High School Diploma	81	50.9	84	63.6	383	20.1
High School Diploma	50	31.4	36	27.3	726	38.1
Some College	19	11.9	7	5.3	348	18.3
Associates Degree	5	3.1	2	1.5	141	7.4
College Diploma or Above	5	4	3	2.3	308	16.2
<b><u>Poverty Level</u></b>						
Below Poverty	82	51.6	103	78	293	15.4
100 - 124%	24	15.1	14	10.6	105	5.5
125 - 149%	9	5.7	2	1.5	101	5.3
150 and above	44	27.7	13	9.8	1407	73.8

Data Source: Current Population Survey: March Demographic File (1995- 2000)

**Table 4: Widows Ages 50 - 59 Sources of Income and Benefits**

	"Disabled" Widow with Social Security		"Disabled" Widow No Social Security		Widow Not Disabled	
	(n=159)		(n=132)		(n=1906)	
	<i>number</i>	<i>percent</i>	<i>number</i>	<i>percent</i>	<i>number</i>	<i>percent</i>
<b>Sources of Cash Income</b>						
Social Security	159	100	0	0	155	8.1
SSI	50	31.4	59	44.7	26	1.4
Public Assistance	1	0.6	15	11.4	44	2.3
Veterans Benefits	8	5	14	10.6	60	3.1

<b>Other Survivor Benefits</b>	23	<b>14.5</b>	15	<b>11.4</b>	343	<b>18</b>
<b>Other Disability Benefits</b>	7	<b>4.4</b>	4	<b>3</b>	1	<b>0.1</b>
<b>Interest Payments</b>	31	<b>19.5</b>	13	<b>9.8</b>	1091	<b>57.2</b>
<b>Dividend Payments</b>	5	<b>3.1</b>	2	<b>1.5</b>	465	<b>24.4</b>
<b>Rental Income</b>	4	<b>2.5</b>	1	<b>0.8</b>	191	<b>10</b>
<b>Sources of Health Care Benefits</b>						
<b>Medicare</b>	123	<b>77.4</b>	22	<b>16.7</b>	36	<b>1.9</b>
<b>Medicaid</b>	75	<b>47.2</b>	74	<b>56.1</b>	123	<b>6.5</b>
<b>Champus</b>	4	<b>2.5</b>	3	<b>2.3</b>	79	<b>4.1</b>
<b>Private Insurance</b>	36	<b>22.6</b>	18	<b>13.6</b>	1408	<b>73.9</b>

Data Source: Current Population Survey: March Demographic File (1995- 2000)