

Options to Liberalize Social Security Disabled Widow(er)s Benefits

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ABSTRACT. Each month, 200,000 widows and 6,000 widowers receive Social Security disabled widow(er)s benefits, each benefit averaging about \$550. Among the most economically at-risk Social Security beneficiaries, their benefits are permanently reduced.

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This paper reviews the legislative history of the disabled widow(er)s benefit, identifying key decisions that gave shape to this benefit. Social Security program data and six years of Current Population Survey data (March Annual Demographic Files, 1995-2000) are used to profile the economic status of current and potential disabled widows. The analysis, including comparison with other widows, provides strong evidence of economic need among disabled widows with, for example, 44% of disabled widow beneficiaries, ages 50-59, having below-poverty incomes compared with 15% of like-aged non-disabled widows.

We conclude that serious consideration should be given to extending eligibility to all widow(er)s disabled before the normal retirement age; to providing a benefit equal to 100% of the deceased spouse's private insurance amount (PIA); to eliminating the unnecessarily restrictive seven-year rule; and to protecting beneficiaries from losing their eligibility to Medicaid. Even in the context of today's heated Social Security debate, we suggest that a rare opportunity may exist to garner bipartisan support for meaningful, low-cost improvements, in a benefit that primarily targets women. doi:10.1300/J031v19n01_03 [Article copies available for a fee from The Haworth Document Delivery Service: 1-800-HAWORTH. E-mail address: <docdelivery@haworthpress.com> Website: <<http://www.HaworthPress.com>> © 2007 by The Haworth Press, Inc. All rights reserved.]

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INTRODUCTION

Initially enacted in 1967, the disabled widow(er)s benefit was received by 202,960 disabled widows and 6,740 disabled widowers in December 2004, with monthly benefits averaging about \$570 (Social Security, Office on Policy, 2005). Among the most economically at-risk Social Security beneficiaries, an estimated 37% of Disabled Widow(er)s have below-poverty incomes after benefit receipt (Weaver, 1997).

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. Disabled widow(er)s ages 50 through 59 who meet Social Security eligibility criteria receive a permanently reduced cash benefit equal to 71.5% of the deceased spouse's primary insurance amount (PIA); that is, equal to 71.5% of a "full" benefit for a worker first accepting benefits at the normal retirement age. Disabled widow(er)s,

ages 50-59, and ages 60-64, are eligible for Medicare benefits after a 24-month waiting period.

While the Disabled Widow(er)'s benefit is far from the most important provision of the Social Security Act, it has not been entirely ignored by policymakers in the past few years. 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, then-Chair of the House Ways and Means Subcommittee on Social Security, H.R. 4069 included a provision marginally to liberalize 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. The Congressional Budget Office estimated that such a change would affect 25,000 people in 2005 (March 12, 2002). Despite significant support, 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. However, key elements of H.R. 4069 designed to liberalize benefits to disabled widow(er)s have since been included in separate legislative proposals introduced in the House of Representatives during this 108th Congress by representatives Shaw (H.R. 75) and Lowey (H.R. 470, 472).

Clearly, reform of the Disabled Widow(er)'s benefit is not 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. 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.

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 five proposals:

- Eliminating the age-50 requirement making Disabled Widow(er)s benefits available to severely disabled widow(er)s of any age,

- Eliminate the age-50 requirement and provide a benefit for all Disabled Widow(er)s beneficiaries equal to 100% of the deceased spouse's PIA,
- Eliminating the seven-year deadline for a surviving spouse to qualify for benefits on the basis of disability,
- 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 on 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 widow(er)s is based, in part, on recognition of and concern for the economic risk they bear, 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 be, as one Senate aid put it (United States Senate Finance Committee Republican Aid, personal communication, November 20, 2002), 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 non-disabled widows.

Third, we also use six years of Current Population Survey (CPS): March Annual Demographic Files data (1995-2000) to develop a rough profile of the economic status of current and potential disabled widows and to compare the economic well-being of disabled widows with other widows who are not disabled. To develop a sample of persons roughly comparable to current and potentially eligible disabled widow(er)s, we apply the following criteria:

- Persons aged 50-59 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” widows.

- Only widows are drawn into the sample. We thought this would be cleaner because there are relatively few disabled “widowers.” (About 4% of all persons receiving disabled widow(er)s benefits are men.)
- Widows are defined 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.

Next, we create three subsamples of widows: (1) “disabled” widows who receive Social Security benefits, (2) “disabled” widows who do not receive Social Security benefits, and (3) all remaining like-aged widows who are not “disabled.” We then compare these groups with respect to differences across race, Hispanic origin, education, poverty status, income sources, and health insurance coverage.

The structure of the CPS Survey imposes significant limitations on its utility with regard to our analysis:

- First, the CPS identifies Social Security beneficiaries, but it does not allow for the identification of type of beneficiary. These limitations do not allow us to determine whether a disabled widow who reported receiving Social Security benefits was receiving disabled widow, disabled worker, or widowed mother’s benefits. However, certain proposals to liberalize disabled widow benefits could provide a more generous option to certain disabled workers or widowed mothers. Including those persons in this analysis may prove useful as the potential costs and benefits of different reform options are explored.
- Second, the number of disabled widows is relatively small compared with the general population, leading to relatively small sample sizes. Small sample sizes are addressed by (1) calculating six-year CPS averages for key statistics (summing a statistic for each of the six years covered and then dividing by six), (2) including information on standard errors, and (3) not analyzing very small subgroups.

The CPS data allow us to make comparisons across the three groups. However, we are very cautious with regard to interpretation. As noted

earlier, among the persons we define as “disabled widows with Social Security,” we do not have a basis for distinguishing between those receiving benefits as disabled widows, disabled workers, or widowed mothers. 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. Even so, we believe we have a sample that 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 conform 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 aged 50 or older. The modest liberalizations that have followed seem to be based on three understandings:

- These benefits have been successfully implemented.
- Support for disabled widow(er)s has political and symbolic appeal.
- 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, 90th Cong., 1st 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.¹ 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 82.5% of the deceased spouse's PIA at any age that the benefit is received. The rationale for implementation of a reduced benefit was based in a cost concern (H. Rep. No. 101-964, 101st Cong., 2nd Sess., 1990; R. Myers, personal communications, 2001-2) as well as a belief that disabled widows should not be paid a higher benefit than what aged widow(er)s were currently receiving—82.5% 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 his or her 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 on 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).

In testimony before the Committee on Finance, the Social Security Administration (SSA) 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, 82.5% of the spouse's PIA. The SSA 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% of the deceased workers PIA for those accepting the benefit at age 50, and 71.5% 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, 2001-2002). 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, 2005).

Disabled Widow(er)s Benefits Changed² 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 71.5% 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% of taxable payroll and the cost of increasing the benefit to 100% of the PIA was estimated as an additional 0.02% 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, 2005).

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. Acknowledging 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, 101st Cong., 2nd Sess., 1990), legislation repealed the more restrictive test of disability. 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, 101st Cong., 2nd 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 1999 to about 200,000 in December 2000.

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

Various proposals for liberalizing 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 that included a proposal to increase the benefit amount to pay 100% 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 disabilities in combination with the early deaths of their spouses, they were likely to have fewer opportunities to accumulate savings to provide for their futures. Furthermore, 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% of taxable payroll (H. Rep. No. 99-4, 99th Cong., 1st Sess., 1985).

In 1989, Representatives Oberstar 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 (as included in the Omnibus Reconciliation Act of 1990). In addition, these bills unsuccessfully proposed paying a full benefit for disabled widow(er)s without regard to age as well as liberalization of the seven-year rule. Specifically, the bill proposed an extension of the seven-year period in which the surviving spouse must have initially become disabled in order to qualify for a Dis-

abled 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 known 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, but retained the existing requirement that remarriage prior to age 50 would terminate the former spouse's eligibility. It, too, proposed eliminating the seven-year rule. The cost of extending the benefit to surviving spouses at any age was estimated to be negligible (i.e., <0.005% of taxable payroll) as was the cost of eliminating the seven-year rule (i.e., <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 provides further support.

In November of 2001, Representative Lowey proposed H.R. 3326 and 3327 in the House of Representatives. H.R. 3326 proposed provision of full benefits for disabled widows and widowers without regard to age or any previous reduction in OASDI. H.R. 3327 proposed that the seven-year rule be repealed. On May 14, 2002, the House of Representatives unanimously passed the Social Security Benefits Enhancement for Women Act of 2002 (H.R. 4069) introduced on March 20, 2002 by Representative Shaw. The bill contained the surviving elements of the original Shaw bill (H.R. 3497) and benefited disabled widow(er)s only in that it proposed the repeal of the seven-year eligibility 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, this bill was not acted on by 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, then the Democratic Chairman of the Committee. Concerned that effort would be made to attach riders to the bill in markup, 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.

While these recent efforts to enact legislation liberalizing disabled widow(er)s benefits have not been successful, key provisions of past proposals have made their way into bills introduced in the House of Representatives in the 108th Congress. For example, Representative Shaw included provisions in the Social Security Guarantee Plus Act of 2003 (H.R. 75) to provide benefits to disabled widow(er)s regardless of age and to repeal the seven-year eligibility restrictions within his broader Social Security reform proposal. On January 29, 2003, Representative Nita Lowey introduced separate proposals (H.R. 470, 472). H.R. 470 proposes to repeal the seven-year eligibility restrictions while H.R. 472 recommends the provision of full benefits for disabled widow(er)s regardless of age. These bills were referred to the Social Security Subcommittee of the House Ways and Means Committee.

Today's Social Security politics is driven by a projected long-term financing problem as well as the politics surrounding the question of whether private accounts should be carved out of Social Security. While disabled widow(er) provisions are on the periphery of the Social Security legislative agenda, it is possible that proposals that address smaller (yet significant) issues such as benefits to disabled widow(er)s will be included in legislative packages that more broadly address the solvency issues (Staff of the Subcommittee on Social Security, personal communication, 2004). Hence, need exists to profile and examine the circumstances of these beneficiaries.

PROFILE OF CURRENT AND POTENTIAL DISABLED WIDOW BENEFICIARIES

Data published in the *2004 Annual Statistical Supplement to the Social Security Bulletin* provide a basis for comparing the Social Security benefits of disabled widow(er)s with other groups of beneficiaries. The data presented in Table 1 show that the average monthly benefit of disabled widows and widowers is substantially below that of non-disabled 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 group of disabled widower beneficiaries are substantially below those of other groups in Table 1. Relative to their representation in the population, a disproportionately large number of African Americans (about 42,000 compared with 152,000 white Americans) receive disabled widow(er)s benefits and these monthly benefits are, on average, smaller, as shown in Table 2. These data imply that dis-

TABLE 1. Comparisons of Average Monthly Benefit of Disabled Widow(er)s to Selected Social Security Beneficiaries, December 2002

Age	Under 62	62-64	65+
Disabled Widows	\$556.17	\$545.00	–
(Numbers in thousands)	(145)	(57)	–
Non-disabled Widows	\$842.39	\$838.01	\$865.29
(Numbers in thousands)	(127)	(304)	(4,093)
Disabled Widowers	\$388.34	\$370.22	–
(Numbers in thousands)	(5)	(1)	–
Surviving Mothers	\$644.42	\$686.92	\$615.32
(Numbers in thousands)	(178)	(5)	(1)

Source: 2004 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

Age	White	African-American	Other
Disabled Widows	\$565.80	\$488.90	\$494.20
(Numbers in thousands)	(152)	(42)	(11)

Source: 2004 Annual Statistical Supplement to the Social Security Bulletin, Table 5.A1.

abled widow(er) benefit liberalizations are likely to be particularly beneficial to African Americans.

The data presented in Tables 3 through 7 describe and present comparisons between three groups of widows—"disabled" widows who receive Social Security benefits, "disabled" widows who do not, and non-disabled widows. As noted, we are cautious in drawing too many conclusions from these data. However, the data suggest that compared with the non-disabled group, both groups defining themselves as disabled have lower levels of educational attainment, higher levels of household poverty and economic need, less private health insurance coverage, and greater participation in publicly funded health programs. About three-fourths of the households in which non-disabled widows reside have incomes equal to or greater than 150% of the poverty line compared with 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.

TABLE 3. Widows Ages 50-59 Six-Year Average Demographic Estimates and Standard Errors

	Disabled Widows Receiving Social Security		Disabled Widows Not Receiving Social Security		Non-Disabled Widows	
	Estimate	SE	Estimate	SE	Estimate	SE
White	52,792	9,109	46,237	8,600	578,746	30,576
Black	20,833	7,697	27,674	8,144	122,649	18,082
Hispanic	5,160	3,595	9,583	4,487	60,992	12,817
No HS Diploma	39,868	5,115	47,375	5,613	152,234	10,028
Below Poverty	34,326	9,481	51,096	11,278	108,931	16,526

Source: Bureau of the Census, CPS March Annual Demographic File 1995-2000.

TABLE 4. Widows Ages 50-59 Six-Year Average Demographic Percentages and Standard Errors

	Disabled Widows Receiving Social Security		Disabled Widows Not Receiving Social Security		Non-Disabled Widows	
	Percent	SE	Percent	SE	Percent	SE
White	66.6	7.0	60.4	7.1	78.3	1.9
Black	27.9	8.8	34.9	9.0	14.1	2.3
Hispanic	4.9	3.8	9.5	5.6	8.2	1.7
No HS Diploma	51.2	4.7	59.9	4.4	20.6	1.2
Below Poverty	44	9.5	64.1	9.2	14.8	2.2

Source: Bureau of the Census, CPS March Annual Demographic File 1995-2000.

Roughly similar proportional differences exist with regard to private health insurance coverage.

These data suggest that the majority of the households with disabled widows—both those receiving and not receiving Social Security benefits—experience significant economic hardships. Forty-four percent of those households receiving Social Security and 64% of those that do not have household incomes are below the poverty threshold! Together, the data presented in these tables provide very strong evidence of economic need among disabled widow beneficiaries.

TABLE 5. Widows Ages 50-59 Six-Year Average Social Security, SSI, and Health Care Participation Estimates and Standard Errors

	Disabled Widows Receiving Social Security		Disabled Widows Not Receiving Social Security		Non-Disabled Widows	
	Estimate	SE	Estimate	SE	Estimate	SE
Social Security	78,212	6,987	0		56,337	5,906
SSI	22,443	3,747	36,474	4,807	10,727	2,484
Medicare	58,784	7,952	11,139	3,873	16,833	4,376
Medicaid	35,865	6,461	42,665	7,462	40,920	7,160
Private Health Ins.	17,581	4,356	12,845	3,857	526,164	26,414

Source: Bureau of the Census, CPS March Annual Demographic File 1995-2000.

TABLE 6. Widows Ages 50-59 Six-Year Average Social Security, SSI, and Health Care Participation Percents and Standard Errors

	Disabled Widows Receiving Social Security		Disabled Widows Not Receiving Social Security		Non-Disabled Widows	
	Percent	SE	Percent	SE	Percent	SE
Social Security	100	0	0		7.6	0.8
SSI	29.8	4.2	47.0	4.5	1.5	0.3
Medicare	74.1	6.0	12.9	4.5	2.3	0.6
Medicaid	46.5	6.6	55.0	6.1	5.6	1.0
Private Health Ins.	22.8	5.7	16.9	4.5	71.1	1.9

Source: Bureau of the Census, CPS March Annual Demographic File 1995-2000.

TABLE 7. Widows Ages 50-59 Population Estimates and Sample Sizes

	Disabled Widows Receiving Social Security		Disabled Widows Not Receiving Social Security		Non-Disabled Widows	
	Estimate	n	Estimate	n	Estimate	n
1995	56,256	33	80,541	45	750,528	459
1996	66,833	32	99,374	46	691,699	347
1997	54,218	25	76,276	40	720,957	352
1998	66,979	34	76,959	35	792,758	378
1999	103,210	49	61,959	29	774,763	374
2000	121,776	52	70,650	33	708,007	353

Source: Bureau of the Census, CPS March Annual Demographic File 1995-2000

ASSESSMENT OF DISABLED WIDOWS BENEFIT REFORM OPTIONS

We now turn our attention to an assessment of five largely independent options, meaning that implementation of one approach would not necessarily foreclose implementation of the others. We examine these options with regard to their adequacy, cost, feasibility, and unintended consequences (see Table 8). We address the following questions:

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

Option 1: Eliminate the Age-50 Requirement Making Disabled Widow(er)s Benefits Available to Severely Disabled Widow(er)s of Any Age.

Under this option, the benefit for disabled widow(er)s would be payable to widow(er)s at any age, assuming they—like other disabled beneficiaries—meet the Social Security Administration’s test of disability. The onset of their disability must occur 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 a child in care.

- Pro: Under current law, 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. Extending the benefit to all disabled widow(er)s regardless of age would add protection for this vulnerable population. The long-range costs are negligible (i.e., 0.005% of taxable payroll) (Goss & Wade, 2001). Modest offsetting cost savings would occur 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. This option is administratively feasible; all systems for distribution of this benefit are in place.
- Con: Maintains features of the law that permanently reduce disabled widow(er)s benefits. Eliminating the age requirement might have a slight work disincentive effect. Some newly eligible dis-

TABLE 8. Assessment of Reform Options According to Adequacy, Cost, Feasibility, and Unintended Consequences

	Adequacy	Cost	Administrative and Political Feasibility	Unintended Consequences
3:				
<i>Option</i> Eliminate the age-50 requirement	Expands protections to disabled widow(er)s under age 50, many of whom are at financial risk Permanent reduction in benefits remains Possible loss of Medicaid	Negligible long-range costs (0.005% of taxable payroll)	Administrative systems in place Low cost enhances feasibility Useful "sweetener" for any Social Security reform package	Very slight work disincentive Possible loss of Medicaid
4:				
<i>Option</i> Eliminate the age-50 requirement and provide an unreduced benefit for all Disabled Widow(er)s	Treats disabled widow(er)s of like disabled workers by providing full benefit No reduction in benefits Possible loss of Medicaid Expands eligibility by removing an unnecessarily restrictive criterion	Negligible long-range costs (< 0.01% of taxable payroll)	Administrative systems in place Low cost enhances feasibility Useful "sweetener" for any Social Security reform package	Very slight work disincentive Possible loss of Medicaid
<i>Option</i> Eliminate the 7-year deadline for surviving spouses	Expands eligibility by removing an unnecessarily restrictive criterion	Negligible long-range costs (< 0.005% of taxable payroll)	Administrative systems in place Low cost enhances feasibility Useful "sweetener" for any Social Security reform package	Very slight work disincentive Possible loss of Medicaid
<i>Option</i> Eliminate the 24-month Medicare waiting period	Provides vital health insurance for disabled individuals often unable to gain health insurance coverage through a previous employer	Could have more significant long-term costs to Medicare program	Contradicts existing Medicare eligibility policies that apply to disabled workers and non-disabled widow(er)s	New precedent for waiving the 24-month waiting period Treats disabled widow(er)s more liberally than non-disabled workers or aged widow(er)s
<i>Option</i> Preserve Medicaid eligibility	Preserves Medicaid eligibility for vulnerable group Creates consistency across states	Increased costs of Medicaid program	Difficult to sell changes in Medicaid program that increase	Gives an advantage to disabled widow(er)s over disabled workers in receiving Medicaid

¹It is not clear why approximately 13% of disabled widows not receiving Social Security would report the receipt of Medicare as eligibility should be linked to Social Security receipt except for a very few Disabled widow(er)s Medicare-only beneficiaries. This appears to be related to misreporting perhaps because of confusion between Medicare and Medicaid or some other unknown factor.

abled widow(er)s could lose their SSI eligibility and, as a result, their entitlement to Medicaid.³

Option 2: Eliminate the Age-50 Requirement and Provide a Benefit for all Disabled Widow(er)s Beneficiaries Equal to 100% of the Deceased Spouse's PIA

This option would extend eligibility for benefits to disabled widow(er)s of all ages *and* it would address important adequacy concerns by providing larger benefits for many disabled widow(er)s. Under this option, disabled widow(er)s of all ages would be eligible to receive 100% of the deceased spouse's PIA. Disabled widow(er)s would be treated like disabled workers. The rationale for implementing a permanent reduction in benefits for disabled widow(er)s was based in a cost concern as well as a belief that disabled widow(er)s should not be paid a higher benefit than aged widow(er)s (R. Myers, personal communications, 2001-2). However, as previously discussed, over the years, concerns for adequacy have resulted in several modest changes and in proposals to provide unreduced benefits to some disabled widow(er)s.

- Pro: This option would address issues of fairness and adequacy as it relates to disabled widow(er)s of all ages (see Table 1). This option would provide disabled widow(er)s with an opportunity to receive the same benefit as an aged widow at full retirement age (age 65-67, depending on year of birth), essentially alleviating current circumstances that penalize a disabled widow(er) by giving him or her little choice but to receive a permanently reduced benefit. The cost of increasing the benefit amount to 100% of the deceased spouse's PIA at any age would be negligible (i.e., < 0.01% of taxable payroll) (H.Rep. No. 99-4, 99th Cong., 1st Sess., 1985). This option is administratively feasible as all the systems are in place. Political feasibility is enhanced by its small cost and by the positive symbolism potentially derived from assisting a group that garners considerable public sympathy.
- Con: While there appears to be no evidence to show that liberalization of this benefit has created work disincentives, the potential exists for this change to create a disincentive for a small group of disabled widow(er)s. 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 3: Elimination of the Seven-Year Deadline for a Surviving Spouse to Qualify for Benefits on the Basis of Disability

As noted, eligibility for Disabled Widow(er)s Benefits requires that an individual become disabled within seven years of the death of his or her spouse or seven years after the last month he or she was eligible to receive a benefit as a surviving spouse with child in care. The seven-year deadline is increasingly viewed as unnecessarily restrictive, leading some to propose its elimination (M. Zemel, personal communication, 2002).

- Pro: This option would allow previously ineligible disabled widow(er)s to become eligible for this vital benefit. Its cost is estimated to be negligible (i.e., < 0.005% of taxable payroll) (Goss & Wade, 2001). It is administratively feasible; all systems for distribution of this benefit are in place.
- Con: Liberalizing this benefit might have a very slight work disincentive effect.

Option 4: Eliminate the 24-Month Medicare Waiting Period

As in worker disability claims, disabled widow(er)s are entitled to Medicare after a 24-month qualifying period. The waiting period was initially designed for persons receiving Social Security Disability Insurance. 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 would eliminate the 24-month waiting period, essentially enabling disabled widow(er)s to access 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; all systems for distribution of this benefit are in place.
- Con: This option could have more significant 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. By eliminating the 24-month waiting period for disabled widow(er)s but not for disabled workers, this option would introduce a significant equity concern. The potential cost and equity concern limits the political feasibility of this option.

Option 5: 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

This proposal would address the health insurance needs of disabled widow(er)s 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. The problem is also partially addressed by state “spend down” provisions whereby some of these persons would qualify for Medicaid if their medical expenses were high.

- Pro: By preserving eligibility of disabled widow(er)s who lose their Medicaid benefit due to receipt (or increase) of a Disabled Widow(er)s benefit, this option would address an important adequacy concern. It would also create greater consistency across states. Essentially, this option would serve to remove an unintended penalization of poor disabled widow(er)s.
- Con: This change would result in a slight increase in the cost of Medicaid. The option gives advantage to disabled widow(er)s over disabled workers with respect to Medicaid receipt. However, the disabled widow(er) population is rather small and only a portion of that group receives SSI benefits. A smaller group, yet, would be terminated from SSI. Thus, the relatively small size of this group may make this a less expensive option than options that apply to the entire group of disabled widow(er)s.

CONCLUSION

The need to improve protections for disabled widow(er)s presents a rare opportunity to make small but meaningful improvements to a benefit that primarily targets women. Moreover, policymakers of both par-

ties seem to have little resistance to marginal, low-cost improvements in this area. As a start, we suggest (1) extending eligibility to all disabled widow(er)s regardless of age (option 2); (2) providing a benefit equal to 100% of the deceased spouse's benefit (option 2); (3) eliminating the unnecessarily restrictive seven-year rule (option 3); and (4) protecting beneficiaries from losing their eligibility to Medicaid (option 5). For reasons previously discussed, eliminating the 24-month Medicare waiting period for disabled widow(er)s (option 4) does not seem feasible.

Today, with President George W. Bush's movement away from the pattern of incremental change that has characterized Social Security reform, further expansions of protections may seem most unlikely. But, funny things happen on the way to Social Security reform. In 1982 and 1983, Social Security faced a substantial projected financing problem. After much partisan wrangling, a bipartisan legislative package, carefully balanced with benefit reductions and tax increases, was enacted. As part of the 1983 Amendments to the Social Security Act, policymakers reached strong bipartisan consensus on five small changes that actually expanded protections for some aged, divorced, or disabled widow(er)s.

Indeed, a similar window of opportunity might open, allowing for targeted, low-cost improvements to be directed at a few relatively small, highly vulnerable groups. If the stars so align, then politicians of both political parties should give serious attention to strengthening protections for disabled widow(er)s.

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Government, or the Center for Retirement Research at Boston College or any of its affiliates. Neither should they be construed as necessarily representing the views of persons interviewed as part of this study.

NOTES

1. It appears that based on h. doc 40, 90th cong., first session—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.

2. 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).

3. 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.

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