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PROPOSED CHANGES IN SOCIAL SECURITY

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Significant amendments to the Social Security Act recommended by President Johnson are incorporated in H.R. 5710 which was introduced by Chairman Wilbur D. Mills of the House Ways and Means Committee. Such introduction is, to a considerable extent, a procedural matter and does not necessarily represent full endorsement by the Chairman. Public hearings on this measure were conducted in March as the first stage in the legislative process.

The bill not only amends the provisions of the OASDI and Medicare programs, but also introduces restrictions on the Medicaid program (Title XIX). Furthermore, it would drastically revise the income-tax treatment of persons aged 65 and over.

The major changes in the OASDI program would be as follows:

- (1) The present maximum taxable and creditable earnings base of \$6,600 increased to \$7,800 for 1968-70, to \$9,000 for 1971-73, and to \$10,000 for 1974 and after.
- (2) An across-the-board benefit increase of 15%, with a minimum Primary Insurance Amount of \$70; the present minimum is \$44.
- (3) A special higher minimum Primary Insurance Amount of \$100 for persons with 25 or more years of coverage, with proportionate amounts for those with less coverage.
- (4) A maximum wife's benefit of \$90.

- (5) An increase in the transitional benefits for certain persons aged 72 and over who do not possess regular insured status from the present \$35 to \$50.
- (6) Monthly benefits for disabled widows under age 62 who do not have children in their care.
- (7) An increase in the annual exempt amount in the earnings test from \$1,500 to \$1,680.
- (8) An increase in the combined employer-employee contribution rates for OASDI to 9.0% in 1969-72 and to 10.0% in 1973 and after from levels of 8.8% and 9.7% in the present act.
- (9) An increase in the allocation of the contribution rate to the DI Trust Fund from the present combined employer-employee rate of .70% to .95%, with a corresponding rise for the self-employment rate.
- (10) Coordination of the Civil Service Retirement System with respect to individuals dying or becoming disabled with less than 5 years of service or separating from service after 5 years with no right to vested deferred benefits; effected by transfer of earnings credits, with CSR paying its proportionate share of any OASDI benefits eventually payable.

The Medicare program would be

changed as follows:

- (1) Both Hospital Insurance and Supplementary Medical Insurance would be made available to disabled beneficiaries (including disabled workers, disabled children, and disabled widows), with the SMI premium rate the same as for participants aged 65 and over.
- (2) Payments would be made to Federal facilities for health services to Medicare beneficiaries.
- (3) Outpatient diagnostic benefits would be moved from HI to SMI, and services of hospital-based specialists (such as radiologists and pathologists) would be covered under HI instead of SMI.

Part of the cost of the OASDI changes would be met from the existing favorable actuarial balance which amounts to .74% of taxable payroll on a level-cost basis (see *Actuarial Study No. 63*, Social Security Administration). The remainder of the cost increase would be met by the higher contribution rates and the savings to the system produced by the rise in the earnings base. About half of the increased allocation to the DI portion of the program is required to meet its recent unfavorable experience and the remainder takes account of the increased general benefit level. No change in the contribution schedule for the HI program is necessary because the additional income resulting from the higher earnings base is more than sufficient to finance the additional outgo.

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