

# Old-Age, Survivors, and Disability Insurance Beneficiaries Newly Approved for Old-Age Assistance

by DAVID H. CLARK\*

OLD-AGE, survivors, and disability insurance has had a great impact on the old-age assistance program. It is the primary reason that from 1950 to 1960 the number of aged recipients of assistance, instead of increasing, declined from 2.8 million to 2.3 million and that the proportion of recipients concurrently receiving old-age, survivors, and disability insurance benefits increased from 10 percent to 29 percent. As late as 1960, however, about 25,000 old-age assistance cases were opened each month. It therefore still seems appropriate to ask if too many aged persons find it necessary to apply for public assistance.

In the following pages the characteristics of a sample of newly approved old-age assistance recipients in 1960 are compared with those of a similar sample in 1950. The objective is to relate recipient characteristics to two questions—why some newly approved old-age assistance recipients did not receive insurance benefits, and why those who were old-age, survivors, and disability insurance beneficiaries needed this supplementary help.

ing a selected month (July, August, or September 1960). This analysis is based on the data concerning the recipients in the sample aged 65 and over, in the 50 States and the District of Columbia, who had been receiving aid continuously for less than 1 year since the date of the most recent opening of their case. Their characteristics were compared with those of persons who had come on the old-age assistance rolls in April 1949 and were still receiving aid in March 1950.<sup>2</sup>

The data for the 2 years on newly opened cases are not exactly comparable. The 1950 data include all recipients whose cases were opened during a particular month, and the 1960 data include all recipients whose cases were opened during the 11 months up to and including the study month and who were still receiving assistance in that month. Nevertheless, comparisons of the recipients in the two periods should give some indication of the nature of the gross changes that took place during the decade.

## RECIPIENTS IN 1960

Eleven percent of all old-age assistance recipients in 1960 had been receiving aid for less than 1 year. Among these newly approved recipients, 44 percent were concurrently receiving old-age, survivors, and disability insurance benefits. In the following analysis the recipients who were also insurance beneficiaries are discussed separately from those who were not receiving insurance benefits.

### Recipients Without OASDI

Seventy percent of the newly approved recipients of old-age assistance who were not concurrently receiving old-age, survivors, and disability

## SOURCES OF THE DATA

The data for newly approved recipients of old-age assistance in 1960 are derived from a study made by the Bureau of Family Services (at that time, the Bureau of Public Assistance) with the cooperation of the State agencies administering the assistance programs.<sup>1</sup> The study covered all recipients of money payments, as well as those who, though they did not receive money payments, were in institutions and payments were made to the institutions for their care. The national sample of the recipient load consisted of 1 percent of the recipients in each jurisdiction dur-

\* Mr. Clark, formerly with the Division of Research and Statistics, is now on the faculty of the University of Maine.

<sup>1</sup> Bureau of Family Services, *Characteristics and Financial Circumstances of Recipients of Old-Age Assistance, 1960*, Public Assistance Report No. 48, (Part I, National Data, 1961; Part II, State Data, 1962).

<sup>2</sup> Bureau of Family Services, *Recipients Recently Approved for Old-Age Assistance*, Public Assistance Report No. 20, 1952.

TABLE 1.—Newly approved OAA recipients, by age and by sex and beneficiary status under OASDI, July–September 1960

Sex and beneficiary status	Total number	Percent aged—				
		65	66-71	72-74	75-79	80 or over
Total.....	249,400	18.4	31.8	12.6	16.1	20.6
Receiving OASDI.....	110,600	14.8	37.2	16.1	18.2	13.7
Not receiving OASDI.....	138,800	21.3	27.5	9.8	15.3	26.1
Male, total.....	87,700	14.4	28.8	13.0	21.1	22.7
Receiving OASDI.....	46,700	7.9	32.5	18.2	24.8	16.5
Not receiving OASDI.....	41,000	21.7	24.6	7.1	16.8	29.8
Female, total.....	161,700	20.7	33.4	12.4	14.1	19.5
Receiving OASDI.....	63,900	19.9	40.5	14.6	13.3	11.7
Not receiving OASDI.....	97,800	21.2	28.7	10.9	14.6	24.5

insurance benefits were women. Three-fifths of these women were widows, almost a fifth were married, and the others were never married or were separated or divorced.

As shown in table 1, the age distribution of the newly approved recipients who were not insurance beneficiaries was bimodal; 21 percent were aged exactly 65 in 1960, and 41 percent were aged 75 or over. A large proportion of those aged 65 had probably been transferred from another assistance program—most likely aid to the permanently and totally disabled.<sup>3</sup> The 23 States that reported the main reasons for opening old-age assistance cases during the period July–December 1960 indicated that 11 percent were transfers from another assistance program and that only 27 percent of the transfers, compared with 52 percent of all newly opened cases, were also receiving old-age, survivors, and disability insurance benefits. Transfers constitute a special group of newly approved recipients since many of them had been in financial need for a number of years, often because of physical disability, before they started to receive old-age assistance.

The presumption is that none of the newly approved recipients who were not insurance beneficiaries had sufficient quarters of covered employment to qualify for benefits and neither did their spouse—deceased or alive. In 1960 a person aged 65 needed at least 19 quarters of coverage to qualify for retirement benefits. This requirement

<sup>3</sup> Transfers to another assistance program are an important reason for the closing of cases of aid to the permanently and totally disabled. See Bureau of Family Services, *Reasons for Opening and Closing Public Assistance Cases* (semiannual release).

dropped sharply with age to the point that a person aged 71 or over was eligible if he had the minimum of 6 quarters of coverage. No data are available on the labor-force connection of these old-age assistance recipients. Consequently, only some inferences can be drawn and some questions raised about their work history and sources of income before they began to receive old-age assistance.

A newly approved recipient without insurance benefits (or the deceased spouse of such a recipient) had (1) never worked in paid employment, (2) worked but not in covered employment, or (3) worked in covered employment too few quarters to qualify for benefits. If he had worked but not in covered employment, he had either stopped working by 1937 or he had been employed as a domestic worker, as a farm operator or farm worker, or in self-employment or public employment between 1937 and the 1950's, when coverage was broadened to include these occupations. It is most unlikely that these recipients were working in paid employment after wider coverage became available in the 1950's unless their earnings were not reported.

Among the newly approved recipients who were not insurance beneficiaries, the men who were aged 75 or over in 1960 were the most likely to have once worked but not in covered employment, since they were already aged 65 or over when coverage was expanded. The situation was probably the same for a majority of the deceased husbands of the widows who were not insurance beneficiaries. The recipients most likely never to have worked were those transferred from another assistance program and single women.

The survey data do not provide answers to two concomitant questions: Why had these persons never worked, or why had they not worked in recent years? What were their sources of support up to the time that they began receiving old-age assistance?

The average budget requirements as determined by the public assistance agencies and the average income of the newly approved recipients are shown in table 2. The average amount required for an individual—man or woman—not concurrently receiving insurance benefits was \$84, and for married couples it was \$122.

The special needs of these recipients are unknown except that 12 percent were living in nurs-

ing homes or other institutions providing long-term medical care and 2 percent in long-term nonmedical institutions, such as supervised boarding homes. Minimum insurance benefits of \$40 would not have kept all or even most of these newly approved recipients from needing supplementary old-age assistance.

### Recipients Concurrently Receiving OASDI Benefits

Fifty-eight percent of the newly approved recipients in 1960 who were concurrently receiving old-age, survivors, and disability insurance benefits were women. The age distribution of the beneficiary-recipients, shown in table 1, did not have the bimodal nature of the age distribution for the group without insurance benefits but was instead similar to the age distribution of all persons aged 65 or over who were receiving insurance benefits in 1960.

The 1960 survey had no additional information about the medical care needs of newly approved recipients of old-age assistance. The regular reports of the Bureau of Family Services on reasons for opening and closing public assistance cases show, however, that in the reporting States the need for medical care is an important reason for opening old-age assistance cases. The reports also show that for the insurance beneficiaries among the new recipients such need is more often the reason for assistance than it is for the others. During the period July-December 1960, for example, the 22 reporting States indicated that the need for medical care was the most important factor in 26 percent of the newly opened cases for beneficiary-recipients and in 16 percent of the others; the situation was the same during later periods.

On the average, total income was higher among newly approved recipients of old-age assistance who had insurance benefits than among those who did not receive such benefits. They also had higher requirements, and often a greater percentage of their requirements was met. Their higher requirements are explained, in part at least, by the fact that it is the insurance beneficiaries with high requirements who need old-age assistance. The reason that a greater percentage of their requirements is met is the limiting effect on assistance payments of maximum payments and of percent-

age reductions from determined need that are applied by many States.

Of the newly approved recipients who were also being paid insurance benefits, 11 percent were

TABLE 2.—Newly approved OAA recipients and average amounts of total requirements and income, by type of budget, sex, and OASDI beneficiary status, July-September 1960

Sex and amount of OASDI benefits	Total number in sample	Average amounts				
		Total requirements	Income			
			Total	OASDI benefits	OAA payments	Other
Individual <sup>1</sup> budgets						
Total number of recipients.....	2,313	\$90	\$85	\$19	\$59	\$7
Not receiving OASDI.....	1,306	84	78	-----	69	9
Receiving OASDI.....	1,007	97	94	45	45	4
Less than \$50.....	644	85	80	33	43	4
\$50-59.....	150	101	101	54	43	4
\$60-110.....	210	130	125	73	47	5
\$111 and over.....	3	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Male, total.....	744	94	90	27	57	6
Not receiving OASDI.....	361	84	80	-----	71	9
Receiving OASDI.....	383	103	101	52	45	4
Less than \$50.....	197	86	85	36	45	4
\$50-59.....	63	101	101	54	41	6
\$60-110.....	120	129	125	76	46	3
\$111 and over.....	3	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Female, total.....	1,569	88	82	16	59	7
Not receiving OASDI.....	945	84	78	-----	69	9
Receiving OASDI.....	624	94	90	40	45	5
Less than \$50.....	447	85	79	31	44	4
\$50-59.....	87	102	101	54	44	3
\$60-110.....	90	131	126	70	49	7
\$111 and over.....	-----	-----	-----	-----	-----	-----
Budgets of married couples <sup>4</sup>						
Total number of couples.....	5 449	129	123	37	74	12
Not receiving OASDI.....	201	122	113	-----	94	19
Receiving OASDI.....	248	135	133	68	58	7
Less than \$50.....	79	113	111	40	62	9
\$50-59.....	40	128	126	52	64	10
\$60-110.....	107	135	134	80	49	5
\$111 and over.....	22	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )

<sup>1</sup> Includes married persons with individual budgets.

<sup>2</sup> Excludes 18 recipients for whom budget data were not available.

<sup>3</sup> Not computed because of small number of cases in the sample.

<sup>4</sup> Includes couples (1) with one member a newly approved recipient of old-age assistance and the other a nonrecipient whose personal requirements were included with those of the new recipient and (2) with both husband and wife receiving assistance.

<sup>5</sup> Excludes 1 couple for whom budget data were not available.

living in a nursing home or other institution furnishing long-term medical care and 2 percent lived in a nonmedical institution. These percentages were approximately the same as those for the newly approved recipients who were not insurance beneficiaries. Nursing-home care is expensive in relation to the resources and income of many aged persons, whether or not they are receiving old-age, survivors, and disability insurance benefits. No doubt the requirement for such

care will continue to be a significant reason for needing public assistance.

Most of the newly approved old-age assistance recipients who were also old-age, survivors, and disability insurance beneficiaries were receiving relatively low monthly insurance benefits. The benefit was less than \$50 for 51 percent of the men and for 72 percent of the women, and it was less than \$60 for 48 percent of the couples. Fewer than 1 percent of the men, none of the women, and only 9 percent of the couples were receiving \$110 or more in benefits.

The average benefits going to the beneficiary-recipients—\$52 for the men, \$40 for the women, and \$68 for the couples—were substantially lower than the averages among all persons receiving retirement benefits under old-age, survivors, and disability insurance. The average benefit in current-payment status in 1960 was \$82 for men, \$60 for women, and \$124 for couples.

The difference between the average budget requirements for newly approved recipients of old-age assistance and their average insurance benefits amounted to \$51 for the men, \$54 for the women, and \$67 for the couples. The insurance benefits would therefore have had to be doubled, on the average, to eliminate their budget deficit.

For the newly approved recipients receiving insurance benefits as for those without such benefits, their labor-force history and consequently the reasons for their low benefits are not known. Persons with low benefits either have a history of intermittent covered employment or—what is more likely—they have been earning low wages in covered employment. The reasons they had not worked or had worked for low wages are, of course, not known, nor is it known what sources of support these persons had before they began receiving old-age assistance.

### CHANGING BENEFICIARY STATUS OF NEWLY APPROVED OAA RECIPIENTS

In the future the number of aged persons who have worked but not in covered employment will decline as the liberalizing amendments described below continue to have an effect. This decrease will probably mean that a growing proportion of the persons coming on the old-age assistance rolls will be concurrently receiving insurance benefits.

More and more, the newly approved recipients who are not insurance beneficiaries will be persons who have never worked at all.

The same type of change occurred from 1950 to 1960. Eighteen percent of the newly approved recipients of old-age assistance in 1950 were beneficiaries, compared with 44 percent in 1960. This increase can be attributed in large part to the changes in and maturing of the old-age, survivors, and disability insurance program. During the years 1950-60 the program's coverage was widened; insured-status requirements were liberalized, making it possible for a person to be eligible for benefits with a smaller number of quarters of coverage than previously; and minimum benefits and benefit levels were increased. Every year, also, larger proportions of the population attaining age 65 are persons who had once worked in covered employment (or are the wives or widows of men who had worked in covered employment) and who are eligible for benefits. Thus, 17 percent of all persons aged 65 and over were receiving insurance benefits in 1950, but by 1960 this figure had increased to 66 percent.

As shown in table 3, the percentage of newly approved recipients who were concurrently receiving old-age, survivors, and disability insurance benefits varied considerably in 1950 by race, sex, and region. Nonwhite women had the lowest

TABLE 3.—Percent of newly approved OAA recipients concurrently receiving OASDI benefits, by sex, race, and region, March 1950 and July-September 1960<sup>1</sup>

Sex, race, and region	Percent receiving OASDI benefits	
	1950	1960
All persons.....	17.5	44.4
Male.....	23.3	53.1
Female.....	12.5	39.6
White.....	19.3	45.4
Male.....	25.4	53.8
Female.....	14.0	40.6
Nonwhite.....	10.4	40.6
Male.....	15.5	50.3
Female.....	5.7	36.4
Region 2:		
Northeast.....	25.7	49.6
Southeast.....	8.6	41.3
Middle.....	20.9	40.1
Northwest-Southwest.....	15.3	42.9
Far West.....	26.1	56.7

<sup>1</sup> Excludes Alaska, Hawaii, and the District of Columbia (the 1950 study did not include these areas).

<sup>2</sup> *Northeast:* Conn., Del., Maine, Md., Mass., N.H., N.J., N.Y., Pa., R.I., and Vt.; *Southeast:* Ala., Ark., Fla., Ga., Ky., La., Ill., Iowa, Mich., Minn., Mo., Ohio, and Wis.; *Northwest-Southwest:* Ariz., Colo., Idaho, Kans., Mont., Nebr., N. Mex., N. Dak., Okla., S. Dak., Tex., Utah, and Wyo.; *Far West:* Calif., Nev., Oreg., and Wash. These are the regional divisions used in the 1950 study; for comparability they have been used here for both years.

percentage (6 percent) receiving insurance benefits; white men had the highest percentage (25 percent). There were still differences in 1960, but they had narrowed appreciably—largely because of the expanded coverage of the insurance program. The biggest increases came in those groups that had the lowest percentage receiving insurance benefits in 1950.

Since 1960 the proportion of newly approved recipients of old-age assistance who are insurance beneficiaries has continued to grow; it probably was more than 50 percent in 1962. The proportion of all aged assistance recipients concurrently receiving insurance benefits increased from 29 percent in 1960 to 34 percent in 1962.<sup>4</sup> The rate of increase and the number of persons concurrently receiving both types of payment will depend in the future on several factors—the benefit levels and minimum benefits under old-age, survivors, and disability insurance; the special needs of aged persons, such as the need for hospital and medical care; and the availability of alternate methods of providing for these special needs.

#### EFFECTS OF MAA

The experience of States that have started a program of medical assistance for the aged should be interesting in view of the proposals for medical care under the insurance provisions of the Social Security Act. This program, which was set up by the Social Security Amendments of 1960, offers the States an opportunity to secure substantial Federal financial help in providing medical care for the medically indigent aged—those insurance beneficiaries, for example, who would not require assistance if they did not need medical care. As a public assistance program, medical aid for the aged can be considered an extension of old-age assistance although the programs are completely separate. Data on recipients under the two pro-

grams are useful in showing the effect that a separate program of medical assistance for the aged has on the number of old-age, survivors, and disability beneficiaries requiring assistance.

In February 1962, 26 States had in operation programs of medical assistance for the aged and 12 were making payments for 500 or more persons. In 10 of the 12 States, relatively more recipients of medical assistance for the aged than of old-age assistance were concurrently receiving old-age, survivors, and disability insurance benefits.

Twenty-one States reported to the Bureau of Family Services on the beneficiary status of newly approved recipients of old-age assistance for 5 consecutive 6-month periods, from January–June 1960 through the first half of 1962. Four of these States were making payments of medical assistance for the aged for more than 500 persons in February 1962 under programs initiated from October 1960 to August 1961. (October 1960 was the first month such payments were possible under the State-Federal program.) Five additional States started such programs after 1960 but did not have 500 recipients by February 1962.

From January–June 1960 through January–June 1962 the 16 reporting States with no program of medical assistance for the aged, or with one that provided assistance to only a few aged persons, had a 22-percent increase in the proportion of insurance beneficiaries among newly opened old-age assistance cases. The four States that were aiding 500 or more recipients under medical assistance for the aged in February 1962 had, however, only a 7-percent increase. It thus appears that relatively fewer insurance beneficiaries required old-age assistance in the States with a large program of medical assistance for the aged than in States with either no program or a program providing medical services for only a few aged persons. The results would probably be similar for the Nation if medical care were provided under the insurance provisions of the Social Security Act.

<sup>4</sup> See the *Bulletin*, March 1963, page 17.