

Although such statements tend to exaggerate the impact of current trends, it is nevertheless important to call attention to a possible reversal of the downward drift of retirement age and to the basic explanation for the existence of a younger or later age. General acceptance of extended worklife or higher taxes for the support of retirement benefits is essential to the further growth of the system, and such growth is more difficult to achieve in the wake of frequent warnings that the fund is depleted.

The problems facing a mature system need to be addressed, with perhaps more attention to public sentiment than has been necessary in the past. The costs of substantial increases in the level of benefits, the growing proportion of the population to be supported, new questions on the manner of funding, and the possible impact of social insurance on private saving—these are the issues that lie ahead. The more clearly these issues are stated, the greater the chances of developing a consensus that the gains of the system far outweigh its costs.

It is an error to play down the costs of adequate retirement benefits, as Harvey Shapiro argues.

At the heart of social security's burgeoning costs are some important demographic shifts in American society. When social security was created in 1935, much of the population was going to work at the age of 16 and retiring at 65 with a life expectancy of another 5 or 6 years. More recently a number of middle class young people have been entering the labor force at age 25 or so, and when they retire at 65, many can expect to live another 10 or more years. Thus individuals have fewer years to save up for longer retirements.<sup>29</sup>

Coupled with increased longevity and lower birth rates, he concludes, retirement benefits are bound to be expensive. The question before the public is not whether the clock can be turned back four decades to a time when a tax of 2 percent of the first \$3,000 of earnings covered a small number of retirees, and those only meagerly. The debate turns, instead, on the proportion of earnings we wish now and in the future to maintain in retirement, and how we wish to finance that benefit. There can be no doubt that the costs will be high, even if we merely hold to the present replacement ratio. For when the retirement stage of life extends to one-third the length of worklife, the transfer of earnings is necessarily large, even when the humps and valleys are only partially smoothed.

<sup>29</sup> Harvey D. Shapiro, *op cit*

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## Notes and Brief Reports

### Social Security Act Amendments

Late in 1975, Congress sent to the President two bills amending several provisions of the Social Security Act. Public Law 94-182, concerned almost entirely with Medicare (health insurance for the aged and disabled), was signed by President Ford on December 31, 1975. Public Law 94-202, signed January 2, 1976, amends provisions of the old-age, survivors, disability, and health insurance (OASDHI) program and the supplementary security income (SSI) program.

### PUBLIC LAW 94-182

#### Medicare Amendments

The 1975 legislation extends some provisions already in the law, corrects some problems, and amends several provisions relating to reimbursement and utilization review.

1 It removed the technical defect in the law that barred future increase in the SMI monthly premium, increases are now limited to the smaller of (a) one-half the actuarial cost of SMI benefits for the aged for the 12 month period in which the premium rate is effective or (b) the percentage by which cash benefits are raised in the 12-month period ending May 1 of the year in which the premium rate becomes effective. As under the old law, the premium is promulgated in December, effective July 1 in the following year.

2 It repealed section 1862(c) of the Social Security Act, which provided that, effective January 1, 1976, Medicare would not pay for a covered service if it was covered under a Federal employees' health benefit (FEHB) plan in which the beneficiary was enrolled, unless the Secretary of Health, Education, and Welfare had determined that the FEHB plan was modified to assure a better coordinated relationship between it and Medicare. The modification would have had to assure that (a) each Federal employee or annuitant entitled to Medicare and enrolled in a FEHB plan has available to him one or more plans offering protection that supplements the protection under Medicare and (b) the Government was making a contribution toward the health insurance protection of each Federal employee or annuitant at least equal to the contribution it was making for high-option coverage under Government-wide FEHB plans.

3 It provides that the prevailing charge for any physician's service in fiscal year 1976 shall not be lower than the prevailing charge for that service in effect in fiscal year 1975. When a prevailing charge is adjusted under this provision, Medicare carriers must initiate a review of all claims for that service paid under the prevailing charge in effect in fiscal year 1976 before the adjustment and retroactively adjust payment to a beneficiary or physician if the difference between the amount paid and the correct amount is \$1 or more.

This provision corrects a problem arising from the 1972 Social Security Act amendment that limits increases in prevailing charges to the percentage increase in an economic index reflecting changes in operating expenses and earnings levels of physicians in the preceding year. Under that provision, 15 percent of fiscal year 1976 prevailing charge levels would have been below those of fiscal year 1975.

4 It extends to January 3, 1979, the authority of the Secretary of Health, Education, and Welfare to waive, for hospitals in areas where nurses are in short supply and other hospitals are not readily accessible, the requirement for 24-hour nursing service rendered or supervised by a registered nurse.

5 It provides that the Secretary of Health, Education, and Welfare is to poll the physicians in each designated Professional Standards Review Organization (PSRO) area within the States divided into more than one PSRO area to determine their preference for a local or Statewide PSRO, if a majority of physicians approve a Statewide PSRO, that State is to be designated as a single area.

6 It authorizes, effective February 1, 1976, reimbursement from the hospital insurance trust fund for costs of hospital utilization review activities performed by a PSRO, which will bill the hospital for the services, the fiscal intermediary will reimburse the hospital. (Previously, utilization review costs were reimbursable if the PSRO delegated the review authority to the hospital but not if the PSRO performed the activity directly.) Periodic reimbursement will be made to the trust fund from appropriations for utilization review services under the maternal and child health and crippled children's program and under Medicaid.

7 It extends to January 1, 1978, the period during which only organizations composed of physicians may be designated as PSRO's, except where a proposed PSRO has been designated in a poll or the medical association has a formal policy of opposition to or nonparticipation in the PSRO program.

8 It substitutes the 1973 edition of the Life Safety Code of the National Fire Protection Association for the 1967 edition used in connection with the conditions for participation for skilled-nursing facilities. A facility that had met the 1967 requirements or a State code approved by the Secretary retains its eligibility.

9 It directs the Secretary of Health, Education, and Welfare to study and report in 4 months on the appropriateness of reimbursement under supplementary medical insurance for diagnostic professional services, other than refractive services, performed by optometrists on patients whose natural lenses have been removed.

10 It removes the requirement for 100-percent review or screening of hospital admissions under Medicaid.

11 It permits grants for certain experimental or demonstration projects to be made to a State, permitting the State to pay the retroactive costs of individual-practice associations in developing reimbursement mechanisms for health maintenance organizations. It thus removes the technical barrier for approval of a grant permitting California to continue to participate in a State study to develop a rate-setting methodology for health maintenance organizations.

## Food-Stamp Provision

Public Law 94-182 also changes section 10(e) (7) of the Food Stamp Act of 1964, as amended, to extend until October 1, 1976, the provisions relating to food stamps provided to families receiving payments under aid to families with dependent children (title IV of the Social Security Act).

## PUBLIC LAW 94-202

Public Law 94-202 amends certain provisions of the Social Security Act relating to the OASDHI and SSI programs.

1 It permits persons appointed as hearings examiners for the SSI program to conduct hearings on claims under the OASDHI program until December 31, 1978.

2 It changes the time limit within which a hearing may be requested, following disallowance of both OASDHI and SSI claims, to 60 days (an increase from 30 days for SSI and a decrease from 6 months

for OASDHI) The new limit is effective from January 2, 1976, for SSI, for OASDHI, it is effective beginning March 1, 1976

3 It provides that, in determining an individual's income under SSI, periodic payments made by a State based solely on the individual's age and duration of residence in the State are to be excluded This provision is intended to exclude from income the Alaska "longevity bonuses," excluded in the old law through June 30, 1976

4 It permits West Virginia, at any time before 1977, to modify its OASDHI coverage agreement with the Secretary of Health, Education, and Welfare to provide coverage for certain policemen and firemen in positions covered under a State or local retirement system whose wages were erroneously reported and on which social security contributions were paid

5 It permits the institution of a single wage-reporting system for social security and Federal income tax purposes Under the language of the provision, the Social Security Administration may develop a system that can reduce the administrative impact to some extent The provision is effective with respect to statements reporting earnings received after 1977, which the Social Security Administration will begin processing in 1979 The States are excluded from the annual reporting change and will continue to report wages on a quarterly basis

Previously, a worker could not claim a full pension until he reached age 67 (for a regular old-age pension) or age 63 (if it was based on inability to cope with the work environment). In addition, early retirement was possible at age 63 with a reduced pension Now, these ages have been lowered to 65 and 60, respectively. The definition of disability with respect to the inability to cope with the work environment has been expanded to include those who have been unable to find employment for a considerable period of time

As the accompanying table shows, under the new legislation the individual may retire 3 years earlier with approximately the same level of benefits 70 percent of the full regular pension will be payable at age 60, compared with 71 percent at age 63 It also permits the worker to defer the pension until age 70 and have the amount of his pension increased by one-third, compared with one-fifth previously

Because the new definition in the pension law interprets disability among older workers more liberally, early retirement may now be granted not only for medical reasons but also because of adverse conditions in the labor market Those who are unable to find paid employment at age 60 may therefore be eligible for full basic and earnings-related disability pensions

Lowering the regular pensionable age from 67 to 65 was influenced by the fact that Sweden's private pension system, established through labor-management agreements and affecting most workers, already calls for retirement at age 65 Most other industrialized countries also use 65 as the retirement age

The variable-pension program, administered by the National Social Insurance Board and the local social insurance offices, will be financed by an employer payroll tax of 0.25 percent Costs are estimated at 400 million kronor per year<sup>2</sup> The estimated cost of lowering the pensionable age from 67 to 65 is 1.5 billion kronor for 1976

## BASIC FEATURES OF PENSION SYSTEM

Sweden has a two-tier social security pension program, consisting of a basic pension and a

<sup>2</sup> The US dollar equaled 4.29 kronor as of September 30, 1975

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## Social Security Abroad

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### New Retirement Options in Sweden\*

In July 1976, Sweden will introduce greater flexibility in the retirement provisions for old-age pensions under the social security program First of all, new legislation—the Partial Pension Insurance Act of 1975—encourages a reduction in work activity by providing a partial pension to replace part of the income lost thereby This variable-pension program is intended to ease the transition from work to retirement Concurrently, changes in the existing pension legislation (1) provide for earlier retirement with a reduced pension and (2) establish a more liberal definition of disability for older workers that enables them to retire earlier with a full pension<sup>1</sup>

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<sup>1</sup> These amendments were made to the National Insurance Act of 1962