How Raising the Age of Eligibility for Social Security and Medicare Might Affect the Disability Insurance and Medicare Programs

David Wittenburg, David Stapleton, Scott Scrivner

The nonpartisan Urban Institute publishes studies, reports, and books on timely topics worthy of public consideration. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

Abstract

This paper presents projections for the potential effects of jointly raising the normal age of retirement (NAR) and Medicare eligibility age (MEA) on Social Security Disability Insurance (DI) participation, Medicare participation, and Medicare expenditures.

The normal age of retirement (NAR) is scheduled to increase under current law to age 67, and there are multiple proposals being considered to increase it to age 70. The Medicare Eligibility Age (MEA) is not scheduled to increase, but proposals to raise it in step with the NAR were recently considered by the National Bipartisan Commission on the Future of Medicare (1999).

The purpose of this paper is to present projections under two hypothetical policy scenarios for the impacts of raising the NAR and MEA on Social Security Disability Insurance (DI) participation, Medicare participation, and Medicare expenditures. The first ("2022 Age 67 Scenario") assumes that the MEA is raised to age 67 in step with the NAR under current law from 2000 through 2022. The second scenario ("2040 Age 70 Scenario"), which reflects various proposals to increase the NAR (and MEA) past 67, extends the first scenario and assumes the NAR and MEA are increased to age 70 in 2040.

The findings are based on a summary of two reports. In the first report (Wittenburg et al. 1999), we developed a series of microsimulation models using data from the Survey of Income and Program Participation (SIPP) and the Medicare Current Beneficiary Survey (MCBS). For the "base simulations," we assume that the NAR and MEA had already been increased at the time we observed respondents from the MCBS and SIPP in 1993. In the second report (Wittenburg et al. 2000), we developed adjustment factors to modify the "base simulations" to reflect future increases in Medicare expenditures, population growth, and DI participation. We then applied the adjustment factors to produce a final set of annual projections under our policy scenarios.

Our projections underscore the importance of future population changes, increases in Medicare costs, and increases in DI participation on program "savings" from raising the NAR and MEA. Our projections illustrate that the major savings from raising the NAR and MEA to age 67 for the Medicare and Social Security programs will likely not be realized until after 2020 when these increases are fully phased in and a large portion of baby boomers reach age 65. While our projections provide important cost estimates, additional research is necessary on the equity and efficiency aspects of these policies to further evaluate the desirability of any specific proposal.


Other Publications by the Authors

- David Wittenburg
- David Stapleton
- Scott Scrivner

Usage and reprints: Most publications may be downloaded free of charge from the web site and may be used and copies...