Social Security

Policy Brief

Efforts Since 2000 to Simplify the SSI Program: Legislative and Regulatory Changes

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Supplemental Security Income (SSI) is a federally administered, means-tested program that provides monthly payments to blind, disabled, or aged persons. This policy brief summarizes efforts since 2000 to simplify the SSI program through policy changes affecting the reporting of income and resources. The Social Security Protection Act (SSPA) of 2004 has provisions that simplify the treatment of infrequent and irregular income, interest and dividend income, income earned by a student, one-time income in an initial month of eligibility, military pay, and exclusion of certain income from countable resources. Final regulations published in 2005 contain simplifications in the definition of income to exclude clothing, household goods and personal effects, and automobiles from countable resources. This brief explains those changes and describes other options that have been considered.

Supplemental Security Income (SSI) is a federally administered, means-tested program authorized by title XVI of the Social Security Act (Public Law 92-603). The program was designed to replace state assistance programs and provide a minimum federal income guarantee to persons who were blind, disabled, or aged 65 or older. SSI started paying monthly benefits in January 1974. For 2008, the maximum monthly payment amount, or federal benefit rate (FBR), was $637 for an individual and $956 for a couple. In February 2008, 7.3 million blind, disabled, or aged persons received a federally administered SSI payment.[1] Federal expenditures for cash payments totaled $37.8 billion for 2006 (SSA 2007).

Means-tested programs require recipients to meet an income test, and that requirement involves some complexity because of the need to determine and document income. The complexity increases with the SSI program, which also considers a person's resources and living arrangements when determining eligibility and benefit amounts. An initial interview for benefits, for example, can involve more than 100 questions, and many responses require supporting documentation. The Social Security Administration (SSA), which administers the SSI program, relies on recipients to report on a timely basis any changes that may affect eligibility or the amount of the monthly benefit. Simplifying those and other SSI reporting requirements has always been a goal of the SSA. Although legislative and regulatory changes have simplified various aspects of the program over the years, the means-testing requirements remain complicated.

Efforts to simplify the SSI program were reported in two SSA publications issued in 2000: *Simplifying the Supplemental Security Income Program: Challenges and Opportunities* (SSA 2000a) and *Report on Supplemental Security Income: Income and Resource Exclusions and Disability Insurance Earnings-Related Provisions* (SSA 2000b). Those reports included options to simplify SSI income and resource exclusions and estimation and verification of wages, as well as policies regarding living arrangements and in-kind support and maintenance. Since 2000, legislative and regulatory changes have included several provisions for simplifying the program (Table 1).[2] This policy brief summarizes those recent changes and highlights efforts to further study options for simplifying the reporting of wages and policies regarding living arrangements and in-kind support and maintenance. The brief does not include simplification efforts related to improvements in automation and data matching.

Income Exclusions

The Social Security Protection Act (SSPA) of 2004 (Public Law 108-203) has three provisions that simplify

Table 1.
Recent legislative and regulatory changes simplifying Supplemental Security Income

	Provisions	Source of change
Income exclusions	Infrequent and irregular income	SSPA
	Interest and dividend income	SSPA
	Student earned income exclusion	SSPA
Counting income	Elimination of triple counting	SSPA
	Military income reporting	SSPA
	Definition of income (eliminate clothing)	Final Regulations,February 7, 2005
Resource exclusions	Uniform 9-month resource exclusion period	SSPA
	Exclusion of household goods and personal effects	Final Regulations,February 7, 2005
	Automobile exclusion	Final Regulations,February 7, 2005

SOURCES: The Social Security Protection Act of 2004 and Title 20 Code of Federal Regulations Part 416.

NOTE: SSPA = Social Security Protection Act of 2004.

income exclusions. These provisions, which SSA proposed, deal with infrequent and irregular income, interest and dividend income, and income earned by a student. Regulations issued in 2005 provided another simplification by eliminating the receipt of clothing as income.

Infrequent and Irregular Income

The most significant provision under SSPA 2004 moves the infrequent and irregular income from a monthly to a quarterly exclusion. *Infrequent income* is income that is received no more than once in a calendar quarter from a single source and that was not also received in the month before or after the month of receipt. *Irregular income* is income that a recipient could not reasonably expect to receive. Before Section 430 of the Social Security Protection Act, a recipient could receive up to $20 a month of unearned infrequent or irregular income and $10 a month of earned infrequent or irregular income without a reduction in benefits. The new law converts those monthly amounts to quarterly amounts of the first $60 and the first $30, respectively. By consolidating three monthly exclusions into a single, larger quarterly exclusion, the provision reduces the need to track small amounts of income.

Interest and Dividend Income

Section 430 also excludes all interest and dividend income earned on countable resources. Previously, SSA excluded quarterly interest and dividend income paid if it met the criteria for the infrequent and irregular exclusion. It also counted interest income earned monthly as unearned income (unless it could be excluded under the $20 general income exclusion). However, with limits on countable assets set at $2,000 for an individual and $3,000 for a couple, interest and dividend income is small. In December 2005, less than 3 percent of SSI recipients had monthly interest and dividend income, and the average amount was $5. This simplification policy eliminates the need to report and document small amounts of income and process any subsequent overpayments.

Income Earned by a Student

The earned income exclusion for a student allows an individual aged 22 or younger, who is regularly attending school, to exclude a portion of his or her earnings from income. Previously, the exclusion was restricted to students who were unmarried or not the head of the household. Section 432 of SSPA eliminates those restrictions, simplifying the process for both SSA and the recipient. For 2008, the exclusion was $1,550 monthly, with a maximum yearly exclusion of $6,240.

The Counting of Income

Regulations issued in 2005 and provisions of the Social Security Protection Act simplified the counting of income. Simplification methods included excluding clothing as a source of income and eliminating the triple counting of recurring income. There were also efforts to simplify the reporting of wages.

Clothing as Income

Under final regulations published in the Federal Register Notice (volume 70, pages 6341-2) on February 7, 2005, clothing is no longer included in SSI's definition of income and in-kind support and maintenance (ISM). As a result, counting income has become easier because SSA staff does not have to establish the value of receipt of clothing.

Elimination of Triple Counting

Section 433 of the Social Security Protection Act eliminates the triple counting of nonrecurring income received in the first month of eligibility for SSI (that is, either the initial month of eligibility or the first month of eligibility following a period of ineligibility). Previously, under retrospective monthly accounting guidelines, SSA calculated benefits for the first 3 months of eligibility based on the first month's income. Under the new law, nonrecurring income is counted only for the month in which the income is received, not for any other month in the 3-month eligibility period.

Wages

Wages of recipients and certain relatives are counted when determining SSI eligibility and the amount of monthly benefits. The process of treating some portion of income of an ineligible spouse (or parent, in the case of a minor child) as the recipient's income is known as deeming. The more wages a recipient is recorded as having received, or having deemed to him or her, the higher the countable income becomes and, consequently, the lower the SSI benefit will be. Problems with estimating and verifying wages are the main cause of incorrect SSI payments, accounting for $416 million in overpayment deficiency dollars[3] in fiscal year 2005 and 17 percent of all overpayment deficiencies over the last 5 years (SSA 2006). Simplifying the treatment of wages in the SSI program has been the focus of recent legislation and of studies and pilot programs sponsored by SSA.

Military Income Reporting. Section 436 of the Social Security Protection Act allows SSA to count military pay or compensation as having been received in the month for which the military Leave and Earnings Statement records the pay, even if part of the pay was received in a different month. This provision eliminates the need to apply a complex formula to determine monthly earnings in cases involving military pay.

Below are some possible additional changes in the wages area that are still in the study phase.

Wage Averaging. Wage averaging is a simplification option that would average an individual's wages over a calendar year or over the number of months worked in a calendar year. Wages would be estimated based on those reported on the individual's W-2 form from the previous year.

An internal SSA study randomly selected 1,029 recipients (0.1 percent of SSI beneficiaries) to examine the effects of wage averaging over a single year, 1998. The results indicated that wage averaging would alter the annual benefits of a majority of recipients in the sample. About 59 percent of the study recipients experienced a change in benefits: 29 percent (or 294) had a benefit increase of $17, 24 percent (or 305) had a benefit reduction of $21; and 6 percent (or 8) lost all benefits. Not only did wage averaging cause some recipients with fluctuating income to lose SSI benefits for the entire year but it also reduced overpayments by approximately $1 million and underpayments by about $7 million. Annual program savings, not including administrative savings from a reduction in the workload, were estimated to be about $16 million.

Another study examined year-to-year wages for SSI recipients, ineligible spouses, and ineligible parents to determine the extent of variation in wages and how that variation might affect the implementation of wage averaging (Balkus and Wilschke). The study found that a large majority of individuals in the sample had fluctuating wages. From 1999 to 2000 and from 2000 to 2001, 79 percent and 69 percent of individuals, respectively, experienced changes in wages. Of those with no changes, all but a few had no earnings or earnings low enough to fall below the monthly exclusion level, avoiding the need to verify the actual amount. Overall, more individuals experienced a decrease in wages than an increase. A greater portion of ineligible spouses and parents had earnings in all 4 years when compared with recipients, but 41 percent of the spouses and parents had wage fluctuations of more than 50 percent for at least 2 consecutive years. Forty-two percent of sampled individuals had a year of wages followed by a year of no wages. The study concluded that no specific group (recipients, ineligible spouses, or ineligible parents) would benefit more than others from estimating yearly wages based on the previous year's W-2s.

Because of the development of SSA's two wage–reporting pilots that were designed to simplify wage reporting and due to concerns about program equity, the agency has not pursued wage averaging.

Wage Reporting Pilot program. The first pilot program tested the reporting of wages via telephone. The first phase tested voice recognition and touch-tone reporting of wages using a PIN-password authentication procedure. This phase began on May 1, 2003, and ended in December 2003 and was subsequently evaluated. The evaluation period for the second phase began in January 2006 and closed in September 2006. That phase tested the impact of knowledge-based authentication—a system requiring individuals to provide inherently personal information to verify their identity for the purpose of reporting monthly wages—and a new enrollment process for monthly reporting of wages by telephone. An evaluation report was released in February 2007, and wage reporting has continued under temporary Office of Management and Budget (OMB) authority while SSA awaits OMB approval for long-term telephone wage report collection authority.

The second pilot, the Mid-America Program Service Center (MAMPSC) wage-reporting pilot, began in January 2005 and ended in September 2006. This pilot centralized wage reporting to improve accuracy of payments and reduce the workload of SSA field offices. Recipients who report monthly wages were asked to mail their pay stubs to a centralized processing unit. SSA has finished its evaluation of the pilot and is developing a field-office-based process.

Resource Exclusions

Certain resource exclusions, such as a house owned and occupied by the SSI recipient, are permanent, but others, such as retroactive payments from SSI or other programs, apply only for a period of time. Excluding a retroactive payment as a countable resource for a given period allows the recipient to spend the payment wisely before it is counted as a resource. Two recent changes simplify administration of resource exclusions. The first is a provision in the SSPA that establishes a uniform 9-month period of resource exclusion. The second is the final regulation published on February 7, 2005, that simplifies the procedures for determining certain excludable resources.

Uniform Resource Exclusion Period

Section 431 of the SSPA increases the exclusion period for retroactive Social Security and SSI benefits, earned income tax credit payments, and child tax credits to 9 months. Previously, retroactive Social Security and SSI payments were excluded for 6 months, and the tax credits were excluded for 1 month. Establishing a 9-month exclusion period makes these exclusions consistent with the 9-month exclusion period already in place for other resources. Having a uniform exclusion period simplifies reporting for recipients and administration for SSA.

Exclusion of Household Goods and Personal Effects

Regulations published in the Federal Register on February 7, 2005 (volume 70, pages 6341-3), include changes that simplify the counting of resources. Previous regulations excluded up to $2,000 of the total equity value of household goods and personal effects. The new regulations exclude household goods and personal effects, regardless of value (20 CFR 416.1216). This change eliminated the complex and intrusive process for determining the value of a person's household goods and personal effects. The change is based on the understanding that SSI recipients need household goods and personal effects to maintain their homes and quality of life and that the value of used household items is minimal.

Automobile Exclusion

Prior regulations totally excluded an automobile necessary for employment, obtaining medical treatment, performing essential daily activities, or that was modified for a disabled person. For automobiles not totally excluded based on its use, regulations provided an exclusion of up to $4,500 of current-market value. Under the new regulations, one automobile is automatically excluded if used for transporting the recipient or a member of his or her household (20 CFR 416.1218). These regulations are less intrusive, simplify the recipient's reporting obligations, and improve program administration without significantly increasing program costs.

Living Arrangements

The rules for determining whether a person is receiving in-kind support and maintenance (ISM) are complex. ISM is unearned income in the form of food, shelter, or both received by the recipient but paid for by someone else. Some applicants and recipients find the required questioning for determining ISM to be intrusive. Field office employees have reported that ISM rules are among the most complicated and time-consuming in the SSI program. An evaluation report issued in 2001 by SSA's Office of the Inspector General found that the "complex and difficult to verify eligibility requirements" for ISM led to improperly developed SSI claims (SSA 2001, p. i). In fiscal year 2005, errors in ISM and living arrangements accounted for $219 million in SSI overpayments and $108 in underpayments (SSA 2006).

SSA's report *Simplifying the Supplemental Security Income Program* (2000a) analyzed several options for simplifying ISM and concluded that they would not be cost effective. The report found that under the options, increases in eligible SSI recipients and the workloads associated with implementing the changes for current recipients would raise program and administrative costs, at least during the first 5 years. To make the changes in living arrangement policy cost neutral, other options beyond those considered would be required.

The Social Security Advisory Board (2005) commented that the agency has made some progress in simplifying the SSI program, but that much remains to be done. The Board stated also that the ISM and living arrangements policies were the areas most in need of simplification.

SSA has remained committed to finding ways to simplify ISM and living arrangement policies. In response to a report by the General Accounting Office (2002), SSA stated that it would further analyze the distributional effects of options for simplifying these policies. More recently, the federal budget for fiscal year 2007 reiterated SSA's commitment to restructure and simplify ISM and living arrangements in a budget-neutral, fair, and equitable way (OMB 2006).

SSA is examining the implications of eliminating ISM, including the expected budgetary, equity, and administrative effects. This effort includes evaluating budget- neutral options that would couple the elimination of ISM with other changes to SSI benefits.

Conclusion

SSA has implemented several of the SSI simplification options outlined in its 2000 reports. Although further work remains, the changes to income and resource rules are important steps toward the goal of program simplification.

Notes

[1] Available at: http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/#table3. Also, some enrollees may maintain eligibility and associated benefits such as Medicaid even though their earned income is too high to receive SSI payments.

[2] SSI simplification provisions not included in the 2000 SSA reports were those related to eliminating triple counting of nonrecurring income and reporting of military income.

[3] A deficiency is any payment error that results in either an overpayment or underpayment. The deficiency dollars for an individual deficiency are determined based on the effect of that deficiency alone. A single case may include multiple deficiencies such as misreported income, erroneous living arrangement determinations, etc. Some errors may result in overpayments; others may result in underpayments. The deficiency dollars may therefore exceed the error dollars for that payment. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Overpayment deficiency dollars are the sum of all individual overpayment deficiencies recorded in all error cases (SSA 2006).

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