

SOCIAL SECURITY ADVISORY BOARD STATEMENT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM

The Complexity of In-Kind Support and Maintenance

Public Law 104-193 gives members of the Social Security Advisory Board (SSAB) individually or jointly, the opportunity to include their views on the Supplemental Security Income (SSI) program in the Social Security Administration's (SSA's) annual report to the President and the Congress. We appreciate the opportunity to present our views and we have asked SSA to include the following statement in its report. This year, the Board comments on the in-kind support and maintenance (ISM) analysis that is used in setting SSI payment levels. Research indicates that these computations significantly complicate administration and lead to many over- and under-payments. For that reason, we suggest a thorough reexamination of the way in which the agency adjusts benefits for ISM. The remainder of this report describes those arrangements and explains why action is needed.

The SSI program became law on October 30, 1972 and was to take effect on January 1974. Its purpose was to unify state-run assistance programs for the aged, blind, and disabled. Those state programs varied in cost, complexity, oversight and eligibility. SSI federalized eligibility requirements and provided a minimum cash benefit to low-income individuals who met the income and resource limitations. The 14 months between presidential signature and effective date of the new law left scant time for SSA to prepare, vet, and publish regulations, to build a systems infrastructure, to design policy and procedure, to train employees, and to notify the public and the approximately 4 million people who would be shifted from the old state programs to the new federal program. SSA field offices were swarmed with beneficiaries converting from the old to the new system and with new applicants. Offices had to perform new tasks, including the provision of assistance to a financially vulnerable population, even as personnel had to master a program quite different from the old-age, survivors, and disability insurance that they had been administering. Not only did SSA employees have to ascertain and verify applicants' income and resources at the time of application but they also had to periodically verify other supports and resources after benefits were awarded. Most other means-tested programs do not count ISM when determining eligibility and benefit amounts.¹

Congress may have intended the federal program to be simpler than the state-run programs. However, the new federal program was complex enough to motivate SSA to convene its first workgroup to address simplification shortly after SSI's first anniversary. Similar efforts over the

¹Richard Balkus, James Sears, Susan Wilschke, and Bernard Wixon, "Simplifying the Supplemental Security Income Program: Options for Eliminating the Counting of In-kind Support and Maintenance," *Social Security Bulletin*, Vol. 68, no. 4, 2008, 15-39. <http://www.ssa.gov/policy/docs/ssb/v68n4/v68n4p15.pdf>.

years have yielded numerous proposals. Few have been adopted. Part of the problem is that some simplifications would raise program costs. The interaction of SSI with other means-tested programs posed additional obstacles, as changed SSI rules could affect qualification for other programs.

The Federal Benefit Rate and In-Kind Support and Maintenance

Eligibility for SSI is based on age or disabling condition and on income and resource limits. The federal benefit rate (FBR) is the established income floor for program recipients. Since 1975, the FBR has been increased by applying the same cost-of-living adjustment used to determine benefit adjustments under the Old-Age, Survivors, and Disability Insurance program. Additionally, some states supplement the federal benefit.²

Starting with the base FBR, the law requires that SSA deduct any “countable income,” which is defined as the amount of income from specified sources, less applicable exclusions³. For these purposes, income includes the value of ISM which might have been provided to the SSI recipient/applicant. ISM is non-financial assistance in the form of food or shelter that an SSI applicant or recipient receives in a month. Shelter includes not only room, rent, or mortgage payments, but also real property taxes, heating fuel, gas, electricity, water, sewer, and garbage collection services. An initial SSI application interview may include more than 100 questions, many which involve ISM and require supporting documentation. The ISM support is then monetized and deducted from the monthly SSI payment.

The ISM analysis occurs first when someone initially applies, again at the time of award to determine benefit amount, and periodically thereafter, as benefits may be adjusted when there is a change in living arrangements. This ongoing evaluation of ISM occurs whether the change a) is reported by the recipient or by others, b) is revealed by a data match, or c) is discovered upon the periodic review of eligibility, called a redetermination. Something as simple as an address change may trigger reevaluation of ISM. An SSI recipient’s call to the SSA 800 number to report a change of address alerts the field office, causing an employee to contact the SSI recipient to review the new living circumstances and determine if the benefit amount needs to be adjusted. If the field office staff fails to make this contact and the address is not changed, an improper payment may result despite the SSI recipient’s effort to make the required notification.

² As of 2013 47 states and the District of Columbia supplement the federal benefit of SSI Recipients – see supplement by State and County, 2013, Table 4, http://www.ssa.gov/policy/docs/statcomps/ssi_sc/index.html

³ There are more than a dozen exclusions to countable income, which are included in this Annual Report of the Supplemental Security Income Program. See Section V.B of this report.

The Process for Determining Living Arrangements

SSA staff work to assure an accurate SSI benefit amount by determining income, resources, and living arrangements. Every time there is a reported change in ISM SSA must reassess the benefit amount to determine if the monthly benefit should change. SSA uses four living arrangement categories to determine whether there will be a reduction in benefit amount based on ISM, though, based on reported events, anyone in the following living arrangement categories may be subject to an ISM assessment.

Living Arrangement Categories

Living Arrangement	Impact on SSI Amount	FBR Jan 2015
<p>A. Own Household Recipient lives in his or her “own” household (owns or rents) or is living with someone but pays pro rata share of household expenses, or the individual is homeless or transient.</p>	<p>No automatic reduction for ISM. However, if assistance is offered an ISM is done and the benefit may be reduced. 81 percent⁴ of SSI recipients are in this category</p>	<p>Individual/Child \$733.00 Couple \$1,100</p>
<p>B. Another Household Recipient lives in the household of another and receives <u>both</u> food and shelter from other members of the household.</p>	<p>Instead of determining the actual value of the room and board and deducting that from the benefit amount, the benefit is decreased by one-third. About 4 percent of SSI recipients are in this category</p>	<p>One-third Reduction Individual/Child \$488.67 Couple \$733.34</p>
<p>C. Minor Recipient is younger than age 18 and lives with a parent.</p>	<p>Eligible child does not have a decrease in benefits under ISM for food and shelter provided by the parent. The financial support from parent is accounted for by “deeming” portion of parent’s income to the child. 13 percent of SSI recipients are in this category</p>	<p>Parents income is Deemed to Minor</p>
<p>D. Institution Person is living in a public or private medical institution, with Medicaid paying more than 50 percent of the cost of his or her care.</p>	<p>SSI amount is limited to \$30 per month. ISM is not countable for individuals who are in this living arrangement. 2 percent of SSI recipients are in this category</p>	<p>Individual/Child \$30.00</p>

⁴ Social Security Administration, Annual Statistical Report of the Supplemental Security Income, http://www.socialsecurity.gov/policy/docs/statcomps/ssi_asr/2013/sect02.html#table6

To make living arrangement determinations, SSA gathers information such as utility bills and leases, interviews the SSI applicant/recipient, and, when appropriate, the person's representative payee, legal guardian, housemates, or landlord. The interview questions often require detailed discussions of how the applicant/recipient lives and how the household functions. Not everything an individual receives is income. Generally, if the item received is not food or shelter or cannot be used to obtain food or shelter, it will not be considered support for the purposes of ISM. For example, if someone pays an individual's medical bills or offers free medical care, that value is not considered income to the individual. SSA field office staff completes an internal development form (the Living Arrangement/In-Kind Support and Maintenance Development Guide and Summary SSA 8008) to determine whether ISM will be applied. To illustrate the detail sought through the ISM analysis, we have attached SSA 8008 in the appendix of this statement. ISM may be provided by people who live in the same household as the recipient (inside ISM), or it may be provided by those living outside of the recipient's household (outside ISM). After SSA determines which living arrangement applies to the SSI applicant/recipient, it determines if an ISM assessment is necessary.

Calculating ISM

If non-monetary support in the form of food or shelter is provided SSA must convert that support to a dollar figure and then reduce the benefit amount. In certain cases, SSA uses a concept called presumed maximum value (PMV). The PMV is a regulatory cap on the amount of ISM that may be charged.⁵ SSA developed the PMV to ensure that SSI recipients living on their own did not have their benefits reduced by more than those SSI recipients that received both food and shelter (Living Arrangement B) and had their benefit reduced by one-third. The PMV reduction is equal to one-third of the recipient's FBR plus, \$20.00, but then the total is subject to the \$20.00 general income exclusion.⁶ For 2015 that would mean someone in living arrangement A, who receives assistance purchasing their groceries from a family member one month, may have their benefit amount reduced from the FBR rate of \$733.00 to a maximum of \$488.67, which is effectively a one-third reduction. SSI recipients have the right to rebut the PMV reduction to show the actual value of the ISM received was less than the full PMV.

Programs Operations Manual System (POMS)

In practice, the ISM reduction is only applied in about nine percent of SSI cases, the assessment of whether it should apply occurs whenever there is a change in living arrangement or recipients living on their own receive some assistance with their food and shelter. The need to perform such

⁵ POMS SI 00835.300

⁶ Social Security Act, Section 1612(b)(2); 20 CFR 416.1112(c) and 416.1124(c) and POMS Section SI 00810.420.

computations vastly complicates administration of these cases, as the analysis is ongoing. The Social Security Advisory Board noted in its 2005 SSI Statement that the agency POMS contains the equivalent of 250 single-spaced typed pages of instructions on living arrangements and in-kind support. The POMS Table of Contents for SSI is 80 pages, which does not include any of the substantive disability related processes--just program requirements. The application for disability under SSI is 23 pages; by contrast the disability application under the disability insurance program is seven pages, even though the disability analysis both programs mirror each other. Much of the complexity of the SSI program results from the effort to describe how to handle ISM calculations for diverse living arrangements and circumstances. One POMS section explains how to distinguish household costs from non-household costs when there is a home business. The section also discusses whether there are outstanding arrearages on a bill, and when they would and would not be included in an ISM reduction. The same section outlines how to convert an annual or quarterly bill that is subject to an ISM reduction to a monthly dollar amount and then shows how to carve out the SSI recipient's share for reduction.⁷

The complexity of SSI is exemplified by the level of detail that it describes in its policy manual. One POMS section explains how to calculate ISM reductions under PMV, when one person in a household receives ISM in the form of food, such as receiving the gift of "dinner" at a relative's home.⁸ Another POMS section explains "breakpoints" or sudden changes in living arrangements which may change the value of ISM provided to an SSI recipient who is living on their own but receives some support, from either a roommate that they are living with (inside ISM) or a family member or friend that is not living with the SSI recipient but provides food (outside ISM). Still another POMS section explains how to handle gradual changes in living arrangements which also require a reevaluation of inside or outside ISM.⁹ Several other POMS sections explain when a marital relationship exists and, if one does, how this will affect benefit amounts.¹⁰ Other POMS sections explain how to handle mineral¹¹ and timber rights¹² and students who travel abroad.¹³ To appreciate the complexity of the POMS, one need only page through all of the different circumstances and scenarios which the field staff considers in its evaluation. For each new requirement in the program, or change in rules, several POMS sections will be created to explain issues and anticipate different scenarios and unique situations in an effort to create national consistency. Even with and, perhaps because of, all the detail, it is virtually impossible to attain consistency in ISM analyses.

⁷ POMS Sections SI 00835.470, SI 00835.471, SI 00835.472, SI 00835.473, SI 00835.474.

⁸ POMS Section SI 00835.400.

⁹ POMS Section SI 00835.510, SI 00835.515.

¹⁰ POMS Section SI 00501.150, SI 00501.152, SI 00501.153, SI 00501.154, SI 00501.155.

¹¹ POMS Section SI 01140.110.

¹² POMS Section SI 01140.110.

¹³ POMS Section SI 00501.41, SI 00501.412, SI 00501.413.

The New Trend with Improper Payments

These ISM policies are well-intentioned. Those who wrote each of them intended to help distribute means-tested benefits to those with the fewest resources. Unfortunately, current ISM policies have become a major source not only of complexity but also of payment error. Staff in different field offices have inconsistent interpretations. SSI recipients cannot fully understand or comply with reporting requirements. SSA notes that ISM calculation errors were a major cause of SSI Overpayments and Underpayments in Fiscal Years (FY) 2009-2013.¹⁴

Each year, SSA must report on improper payments in its programs. In FY 2014, the agency reported that ISM-related errors accounted for 30 percent of improper payments in the SSI program. Trend data indicated that ISM-related overpayments increased by a nominal amount between FY 2009 and FY 2013, from a rolling average of \$285 million to \$291 million. However, during the same period, ISM-related underpayments to SSI recipients increased by over 40 percent, from \$198 million to \$282 million. SSA should investigate why ISM-related underpayments have increased so much.¹⁵ Although living arrangements and ISM are considered on a monthly basis, in reality, a redetermination of eligibility or payment amount occurs only periodically or in the case of a triggering event. The periodicity of such re-computations increases the likelihood that the people may be paid the wrong amount, too much, or too little.

Redeterminations – Limited Issue Review and Continuing Disability Review

The complexity of ISM rules contributes to the number of hours that SSA must spend to prevent under and overpayments—and diverts resources from other program integrity activities, such as the SSI redetermination and Continuing Disability Review (CDR) processes. Redeterminations are reviews of the non-disability factors (income, asset levels, and living arrangements) that affect eligibility and payment amounts. The law requires SSA to conduct redeterminations, but permits the agency to determine the frequency and manner of conducting them. Cases are selected for review in a few ways. All recipients are subject to periodic scheduling for redetermination. SSA also uses a statistical model to select cases likely to have a change in circumstances which could affect eligibility, and SSA also conducts unscheduled reviews for cases that are not likely to have payment error. The number of redeterminations fluctuates every year depending on the number of limited issue cases that arise, budget considerations, and other workload concerns.

Another review process is called the “limited issue review.” SSA will periodically conduct a computer match between its own system and state or other federal agency system. If a match shows conflicting information in the two systems, SSA will place an indicator on the SSI

¹⁴ Social Security Administration, http://www.ssa.gov/improperpayments/SSI_majorCauses.html.

¹⁵ Social Security Administration, <http://www.socialsecurity.gov/finance/2014/Improper%20Payments.pdf>.

recipient's record noting the conflict. The review is limited to addressing only the inconsistent information.

SSA also performs other 'program integrity functions,' some of which are both important and underfunded. One is the CDR process. CDRs are periodic reviews of a recipient's medical impairment(s) to determine if the recipient is still disabled under agency rules. There are two types of reviews; a full medical review and a mailer. A full medical CDR requires a medical evaluation and disability determination, whereas the remaining cases due for review receive a mailer requesting information on the person's condition, medical treatment, and work activities.

The agency estimates that FY 2015 program integrity, if fully funded, will save \$9 in net Federal benefits on average per dollar budgeted for CDRs, including Medicare and Medicaid effects¹⁶, and \$4 in net Federal program benefits on average per dollar budgeted for SSI redeterminations, including Medicaid effects. The best solution would be for Congress to simplify ISM rules to prevent overpayments before they occur. Pending such action, Congress should continue to fully fund other cost-saving program integrity efforts.

Conclusion

The Board urges rigorous evidence-based research to find simpler ways to administer the SSI program. Permanent changes are needed but implementing changes should be undertaken with caution and well-designed analysis. A plan for data collection, research design, and selection of testing sites should be an integral part of any implementation plan. Given the financial vulnerability of the population served and the cost of the SSI program, it is crucial that SSA undertake any simplification testing with care.

In addition, Congress needs to decide whether the agency time spent on case management and oversight is a job function that should rest with SSA field office staff. Collecting and verifying information to determine whether there is in-kind support at the application stage is time-consuming and having to continue to make that assessment is burdensome, both for the agency and the SSI recipient who must maintain constant communication with the agency. A cost analysis needs to be done to determine whether the savings in ISM reductions is worth the cost of managing the improper payments that result and the cost of maintaining policies and procedures to determine ISM reductions.

Finally, the agency needs to investigate the causes for a recent upward trend in improper underpayments. At the same time, overpayments should be avoided. Ongoing monitoring and

¹⁶ The estimated return of net Federal program savings attributable to the medical CDR process includes savings attributable to all reviews initiated under the OASDI program. The return for reviews initiated for SSI recipients may be different from this aggregated return.

oversight are important for maintaining the integrity of the program. That said, for a population relying on a benefit of last resort, the increasing number of underpayments is of particular concern. The causes of this increase upward should be explored without delay

Henry Aaron, Chair

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APPENDIX TO SOCIAL SECURITY ADVISORY BOARD STATEMENT

**FORM SSA 8008 – LIVING ARRANGEMENT/IN-KIND SUPPORT AND
MAINTENANCE DEVELOPMENT GUIDE AND SUMMARY)**

**LIVING ARRANGEMENT/IN-KIND SUPPORT AND MAINTENANCE
DEVELOPMENT GUIDE AND SUMMARY (FOR INTERNAL USE ONLY)**

CLAIMANT'S/RECIPIENT'S NAME

SOCIAL SECURITY NUMBER

PART I-LIVING ARRANGEMENT

BASED ON A REVIEW OF THE INFORMATION PROVIDED IN THE CLAIM FILE, THE CLAIMANT/RECIPIENT:

CHECK ALL APPLICABLE BOXES		FLA CODE	FROM	THROUGH
1.	<input type="checkbox"/> Is a Transient (SI 00835.060)	A		
2.	<input type="checkbox"/> Is Institutionalized (SI 00835.704)	A or D		
3.	<input type="checkbox"/> Is in Noninstitutional Care (SI 00835.790)	A		
4.	<input type="checkbox"/> Owns His/Her (Own) Home (SI 00835.110)	A or C		
5.	<input type="checkbox"/> Has Rental Liability (SI 00835.120)	A or C		
6.	<input type="checkbox"/> Lives Only with Spouse and/or Children and/or Deemor (SI 00835.340)	A or C		
7.	<input type="checkbox"/> Lives Alone (SI 00835.001 C.2.)	A		
8.	<input type="checkbox"/> Lives in a Public Assistance Household (SI 00835.130)	A or C		
9.	<input type="checkbox"/> Lives with Others and Separately Consumes and/or Purchases Own Food (SI 00835.140 and SI 00835.150)	A or C		
10.	<input type="checkbox"/> Lives with Others and Meets Sharing (SI 00835.160)	A or C		
11.	<input type="checkbox"/> Lives with Others and Meets Earmarked Sharing (SI 00835.170)	A or C		
12.	<input type="checkbox"/> Is Subject to the VTR (SI 00835.200)	B		
13.	<input type="checkbox"/> Is in an Intervening or Defaulted Living Arrangement	A or C		

NOTE: When blocks 4 or 5 are checked, complete Part II below if applicable. When Blocks 9, 10, 11, or 12 are checked, always complete Part II.

PART II-INSIDE ISM

1. The Value of Chargeable ISM Received From Within Household \$

2. Computation Variables (SUBJECT TO PMV) (SI 00835.340)

TOTAL EXPENSES	NUMBER IN HOUSEHOLD	PRO RATA SHARE	CONTRIBUTION
\$		\$	\$

3. No Inside ISM

If ISM from within is being charged at the VTR or the PMV, skip parts III and IV. Complete part V, sign and date.

PART III-OUTSIDE ISM (SI 00835.350)

INDICATE BY CHECKMARK, IF THE CLAIMANT/RECIPIENT RECEIVES OR HAS RECEIVED ANY OF THE FOLLOWING:

			AMOUNT	FROM	THROUGH
1.	<input type="checkbox"/>	ISM from a Third Party Vendor Payment (SI 00835.360)	\$		
2.	<input type="checkbox"/>	Rent Free Shelter (SI 00835.370)	\$		
3.	<input type="checkbox"/>	Rental Subsidy (SI 00835.380)	\$		
4.	<input type="checkbox"/>	Remuneration for Work (SI 00835.390)	\$		
5.	<input type="checkbox"/>	Gifts (SI 00830.520)	\$		
6.	<input type="checkbox"/>	No Outside ISM			
TOTAL VALUE OF OUTSIDE ISM			\$		

PART IV-OTHER ISM

1.	<input type="checkbox"/>	ISM to One Person (SI 00835.400)	\$		
2.	<input type="checkbox"/>	ISM While Institutionalized (SI 00835.704)	\$		
3.	<input type="checkbox"/>	ISM While Transient (SI 00835.060)	\$		
4.	<input type="checkbox"/>	Other	\$		
5.	<input type="checkbox"/>	No Other ISM			
TOTAL VALUE OF OTHER ISM			\$		

PART V-SUMMARY

INSIDE ISM	\$		
OUTSIDE ISM	\$		
OTHER ISM	\$		
TOTAL ISM (ACTUAL VALUE)	\$		
(CHARGEABLE ISM-LIMITED TO PMV)	\$		

ADDITIONAL INFORMATION

CLAIMS REPRESENTATIVE	FIELD OFFICE	DATE
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