

Chapter 12

SUPPLEMENTAL SECURITY INCOME

In 1974, the Nation's system of providing income support for the needy aged, blind, and disabled underwent a major transformation. The programs of Old-Age Assistance and Aid to the Blind, established by the original Social Security Act (1935), and the program of Aid to the Permanently and Totally Disabled, established by the Social Security Amendments of 1950, were replaced by the new Supplemental Security Income (SSI) program.^{1/}

SSI is related to, but distinct from, the Old-Age, Survivors, and Disability Insurance program. OASDI is a social insurance program into which employees and their employers pay taxes. OASDI benefits are based on past earnings under the system. In contrast, SSI payments are made to aged, blind, or disabled people who have little or no resources and whose incomes fall below certain standards. Approximately 70 percent of all aged and 35 percent of all blind and disabled SSI recipients also receive benefits under the OASDI program.

The Supplemental Security Income program is federally administered by the Social Security Administration. Eligibility requirements,

^{1/} The SSI program was enacted as part of the Social Security Amendments of 1972 and was implemented on January 1, 1974. The programs authorized under prior law continue in effect in Puerto Rico, Guam, and the Virgin Islands.

levels of assistance, and other factors are set by Federal law or regulations. States may make supplementary payments to provide a higher level of assistance than the Federal program provides.^{2/} States have the option of administering the supplementary payments themselves or contracting for Federal administration. In 1979, approximately 4.2 million people received SSI benefits each month, with total Federal payments in the year amounting to \$5.4 billion and State financed supplementary payments amounting to \$1.9 billion.

As of July 1980, SSI guarantees recipients a monthly income of \$238 for a single individual and \$357 for a married couple, both of whom are eligible for benefits (the annual amounts are \$2,856 and \$4,284 respectively). The amounts are indexed annually in the same way as the OASDI benefits to account for increases in the cost of living. Somewhat higher levels prevail in States which have chosen to supplement Federal benefits.^{3/} Only people with limited incomes and assets qualify for SSI benefits.

In determining the amount of the SSI payment, an individual's outside income is subtracted from the overall income support level. Some types of income are "disregarded"--not counted--in making this determination, such as a portion of earned income and \$20 of monthly income from any source.

^{2/} 24 States provide a State supplementary payment to aged persons living independently, 24 States provide a supplementary payment to disabled persons living independently, and 38 States and the District of Columbia provide a supplementary payment to some other category of SSI recipients, such as persons residing in domiciliary care facilities.
^{3/} For example, for aged individuals living alone, supplementation ranges from \$120 per year in Maine to \$2,712 per year in California.

Thirty-four States provide Medicaid coverage to all SSI recipients. The remaining States provide Medicaid coverage only to those who would have been eligible for Medicaid under the State's criteria in effect in January 1972. In all but three States, SSI recipients may be eligible for food stamps under the Federal food stamp program.^{4/} Thus, because of State supplementary payments, food stamps, and Medicaid, the total real benefits available to SSI recipients are often greater than the Federal SSI payment.

Commission Recommendations

The Commission believes that a means-tested program like Supplemental Security Income has a proper place alongside Social Security to provide a safety net of minimal protection for those who do not qualify for Social Security benefits or whose work histories are so short or erratic that they qualify for only minimal benefits. It believes, however, that present payment levels are too low, and eligibility criteria are too restrictive. The changes recommended would bring the incomes of practically all aged, blind, and disabled recipients close to the poverty threshold.

The Commission has made a number of recommendations for improving the effectiveness and adequacy of the SSI program. It believes that all of them deserve enactment. There is, however, a particular need to enact promptly the recommendations to update the \$20 per month income disregard and the \$65 earned income disregard. The current dollar amounts were included in the law enacted in 1972 and have not been updated since that time.

^{4/} Massachusetts, California, and Wisconsin have increased their State supplementary payments to take account of the absence of food stamps.

Payment Levels and Food Stamp Eligibility

The Commission recommends a 25 percent increase in SSI income guarantee levels, so as to bring them closer to the Federal poverty threshold.^{A/} For a single person who received SSI in July 1980, a 25 percent increase in the guarantee level would raise benefits from 72 percent of the estimated 1980 poverty threshold to 90 percent of the threshold.^{5/} The Commission recommends that a portion of the cost of this change be offset by eliminating food stamp benefits for SSI beneficiaries. To ensure that this 25 percent increase is not offset by State action, the Commission further recommends that the States be required to maintain their own supplementation levels.

A substantial number of the SSI recipients who are eligible for food stamps--as many as a million--do not participate in the food stamp program. Some cannot get to the food stamp offices; others do not know about the program; others view them as welfare and refuse them as a matter of principle or self-image. Therefore, SSI beneficiaries in similar financial circumstances may receive total Federal payments of different values. Elimination of food stamps benefits for SSI

^{5/} The estimated 1980 poverty threshold for an aged individual is \$3,950 per year. If the \$20 per month income disregard is taken into consideration, the 25 percent increase in the guarantee level would raise benefits from 78 percent of the estimated 1980 poverty threshold to 96 percent of the threshold for a single person.

^{A/} See supplementary statements on the concept of poverty by Mr. Laxson and Mr. Myers; and by Mr. Cohen, Ms. Duskin, and Ms. Miller.

recipients would minimize this situation .^{B/}

A 25 percent increase in the guarantee level would add about 700,000 new SSI recipients to the program by the end of 1983. Estimated costs for various calendar years for the recommendation are as follows (in millions):

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$3,085	\$4,010	\$4,310	\$4,660	\$5,100

The increase in costs would be partially offset by savings in the food stamp program as shown below (in millions):

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$510	\$575	\$620	\$670	\$710

Assets Test

Very few people whose income is low enough to qualify for SSI payments possess assets of any significant value. A study conducted for the Social Security Administration on the assets of the elderly as they retire reveals that persons at or below the median income level for their age group have only small amounts of assets and can seldom expect to rely on those assets to maintain their previous standard of living.^{6/}

^{6/} Friedman Joseph, and Jane Sjogren, The Assets of the Elderly as they Retire, Abt Associates Inc., Cambridge, Massachusetts, March 1980 (HEW Contract # SSA 600-78-0136).

^{B/} By Mr. Laxson, Mr. MacNaughton, Mr. Myers, and Mr. Rodgers: We dissent on this recommendation because of the substantial increase in cost involved (as indicated later). We believe that the increase should be made only as a general offset to the elimination of food stamp eligibility for SSI recipients. Accordingly, the increase should be only 10-15 percent, so that -- considering the partially offsetting savings due to eliminating food stamp eligibility for SSI recipients -- a large increase in cost will not be involved. Also, see their views, presented elsewhere, as to the artificiality of the poverty standards.

Under current law, SSI payments can only be made to individuals who have \$1,500 or less in assets (\$2,250 for couples). The value of a number of items, such as the home, are excluded by law. The Secretary of Health and Human Services can establish limits on the value of automobiles and household goods and personal effects which are excluded from the consideration. Currently, the limits set by regulation are \$4,500 for an automobile and \$2,000 for household goods and personal effects. Regulations also set forth guidelines for determining the value of certain other assets, such as life insurance.

The Commission believes that this stringent assets test denies SSI payments to some people who have inadequate incomes. A small savings account would produce an insignificant amount of income but could disqualify some people for SSI. As shown in Table 12-1, approximately 58 percent of those denied SSI payments in 1977 due to excess resources had savings accounts, with an average value of \$2,834. Such an account would earn annual interest of less than \$250.

In order to ensure that all low income aged, blind, and disabled people are eligible for SSI payments, the Commission recommends that the assets test be removed. Adoption of this recommendation would also do much to simplify program administration. The income from any assets which are income-producing would be included in com-

puting eligibility and benefit levels .^{C/}

This recommendation would increase the SSI caseload by approximately 285,000 new beneficiaries by the end of 1983. Estimated costs for various calendar years for the recommendation are as follows (in millions):^{D/}

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$85	\$265	\$355	\$380	\$390

^{C/} By Mr. Cohen, Mr. Dillman, and Mr. MacNaughton: We are of the opinion that it is not possible at this time to ascertain what the longer-range impact of this particular recommendation might be as to number of additional SSI recipients and expenditures. The Commission proposals for changes in Medicaid and any possible transfer of assets to obtain eligibility for expensive long-term care may have an unforeseen impact on SSI and Medicaid costs as the number of older persons increases. It will be important to monitor the interaction of these changes. We would prefer to retain the assets tests for the time being.

^{D/} By Ms. Duskin, and Mr. Myers: We wish to point out that this estimate of new beneficiaries and the estimate of costs are based on the fact that most such cases are where the individuals involved have only slightly more assets than the allowable amount (usually in the form of a small savings account). It is likely that, in most cases, persons who would qualify if the assets test were removed would have qualified under present law if they had been informed about the provisions as to how they could spend down their assets to qualify for SSI payments. We believe that there are relatively few persons with sizeable assets who would not be ineligible under SSI because of the income produced by such assets.

Table 12-1
RESOURCE HOLDINGS OF SSI APPLICANTS DISALLOWED
DUE TO EXCESS RESOURCES

Type of Resource	Percent of Applicants Owning Resource	Average Value
Home.....	50%	\$19,349
Other Real Property.. . . .	21	9,524
Vehicle #1.....	57	1,469
Vehicle #2.....	18	878
Life Insurance.	20	6,454*
Personal Property (of unusual value).	1	450
Cash on Hand (includ- ing unnegotiated checks)	56	126
Checking Account..	46	639
Savings Account..	58	2,834
Other Liquid Resources. . . .	8	4,092
Total "Countable" Resources.	100	4,686

* Face value of policies; non-excludable cash surrender values were applicable for 13 percent of the cases and ranged from \$75 to \$8,000.

Source : Resource Holdings and Verification of Resources - New SSI Adjudications during 1977. Division of Program Measurement and Evaluation , Office of Payment and Eligibility Quality, Office of Assessment, Social Security Administration, July 1979.

Income Disregards

The idea of disregarding a portion of income in determining SSI eligibility and the benefit amount is a sound one, because it provides a higher total income guarantee for those who are entitled to a Social Security benefit than to those who are not. This gives OASDI beneficiaries some recognition for having contributed to Social Security.

General Income Disregard

Earned or unearned income of up to \$20 is disregarded in computing the monthly SSI payment. The Commission recommends that the \$20 amount should be increased to \$40 beginning in January 1982 to take into account the increases in the cost of living since the program's inception in 1974. Thereafter, there should be annual price indexing of this disregard, as is done for benefit payments under the Old-Age, Survivors, and Disability Insurance program.

The income most frequently disregarded under the present provision comes from Social Security. Currently, when there is a cost-of-living increase, people who receive both SSI and Social Security benefits find that their total benefit income is increased by less than the full increase in the cost of living. This occurs because the Social Security increase is offset by the static \$20 limitation on the income disregard in the SSI program, as shown in the following example:

Example

<u>January 1980</u>	<u>July 1980</u>
<p>\$130.00 OASI benefit <u>98.20 SSI benefit</u> \$228.20 Total</p>	<p>OASI benefits and SSI guarantee levels increase by 14.3 percent. \$20 disregard remains static.</p>
<p>(SSI Federal guarantee level is \$208.20; \$20 of income is disregarded in computing SSI benefit)</p>	<p>\$148.60 new OASI benefit <u>109.40 new SSI benefit</u> \$258.00 Total</p>

In this example, the individual's total income has increased by only 13.1 percent, although the SSI guarantee level and the OASI benefit increased by 14.3 percent. This is because the \$20 disregard was not increased by the change in the cost of living. Although the actual amount of benefit loss involved is not great, over a period of time it becomes significant.

Indexing the disregard will assure full cost-of-living increases to those recipients.

It is estimated that increasing the \$20 disregard would increase the SSI caseload by 375,000 new recipients by the end of 1983. Estimated costs for various calendar years for the recommendation are shown as follows (in millions):

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$575	\$855	\$985	\$1,090	\$1,185

Earned- Income Disreaard

Under current law, \$65 of earnings per month plus one-half of any remaining earnings can be disregarded in computing SSI payments and eligibility. This earned-income disregard has not been updated since the

program's inception in 1974. The Commission recommends that the earned-income disregard be raised beginning in January 1982 to account for wage increases which occur after 1980. The Commission also recommends that the \$65 amount be increased annually thereafter, by the same percentage as wages rise, in the same manner that the maximum taxable earnings base and other earnings-related elements in Social Security are increased.

Estimated costs for various calendar years for the recommendation are as follows (in millions):

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$2	\$4	\$6	\$7	\$8

Reduction When Living with Other Persons

Under current law, the SSI income guarantee is reduced by one-third for any person living in the household of another^{-u}. This reduction was designed to recognize the value of the room and board received by the beneficiary in a way which makes it unnecessary for program personnel to make individual determinations of that value. Such determinations involve costly investigations and invasions of privacy.

^{1/}The one-third reduction can be overridden if it is shown that the SSI recipient actually pays for his or her room and board.

The Commission believes, however, that the one-third reduction provision operates in many instances to discourage people from taking a relative into their home to live. It could result in aged parents or disabled children being placed in institutions, where the cost is paid by Medicaid. The Supplemental Security Income program, as well as all other income maintenance programs, should encourage families to stay together. For this reason, the Commission recommends that the one-third reduction be eliminated.

Estimated costs for various calendar years for eliminating the one-third reduction are as follows (in millions):

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$480	\$550	\$620	\$665	\$705

Total Cost of Commission's Recommendations

The combined cost of the SSI recommendations for various calendar years are estimated to be as follows (in millions).

<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
\$3,870	\$5,545	\$6,095	\$6,600	\$6,995

These estimates take into account the reduction in the cost of the food stamp program and the cost interaction of the various proposals on each other.