

Chapter Five Alternative Forms of Support for Children with Disabilities

Introduction

A key issue in the current controversy over the SSI childhood disability program is the medium in which assistance should be provided. In the Commission's statutory mandate, Congress directed it to study

... the feasibility of providing benefits to children through noncash means, including but not limited to vouchers,¹ debit cards,² and electronic benefit transfer systems.

Early in 1995, the House of Representatives voted to replace cash benefits for some children with a service block grant to states.³ Given this pending legislation, the Commission gave extensive consideration to providing benefits through noncash means. It carefully considered several forms of vouchers, recognizing that Medicaid can be considered as a voucher for medical services.

Based on this analysis, **the Commission agreed that cash benefits are the most efficient and effective way to assist children with severe disabilities who qualify for SSI (with the exception of those children who qualify only for Medicaid).** The Commission reviewed the many uses of vouchers by families and felt that, given the current state of knowledge, no voucher program could effectively meet the needs of children with disabilities and their families.

The Commission's proposals for noncash support all involve the extension of Medicaid. These proposals would: (1) continue Medicaid for children who do not meet the more stringent eligibility standards for SSI cash benefits that the Commission recommends, (2) provide Medicaid for all children who receive SSI, regardless of the state in which they live, and (3) continue Medicaid for children who lose SSI eligibility because of medical improvement but need continued care and treatment to maintain their improved condition.⁴

¹ Vouchers encourage consumption of particular goods by a particular class of consumers. Eligible individuals are provided with a coupon that subsidizes their purchases in private markets. Examples of existing voucher programs include food stamps, section 8 housing vouchers, and vouchers for higher education. In addition, as noted above, Medicaid and Medicare may be considered as types of vouchers.

² Electronic benefit transfer (EBT) systems are an electronic means of delivering benefits, either cash or in-kind, to eligible individuals. Individuals access benefits by using debit cards and a personal identification number (PIN).

³ H.R. 4, the Personal Responsibility Act of 1995.

⁴ See chapter four.

No other proposals for vouchers, debit cards, or direct services were offered or voted on by members.

Some members favored continuing cash benefits because of the flexibility and choice that cash provides to families. Others placed primary importance on cash as a replacement for foregone wages of parents who remain at home to care for a child. Still others perceived the relatively simple, low-cost administration of a cash benefit as its primary advantage. The common thread in the members' disparate thinking was concern about the high cost of administering a voucher program. Because the needs of children with disabilities are diverse, all members expressed concern that operating a voucher program for this population could be complex and costly.

This chapter responds to the Commission's mandate by laying out the key issues involved in the choice to provide cash versus noncash support. The first section compares the advantages and disadvantages of cash benefits versus vouchers. The second analyzes existing federal voucher programs, identifying their similarities to and differences from a hypothetical SSI voucher program. The third section outlines the potential advantages and disadvantages of electronic benefit transfer systems as a means to deliver SSI benefits to children with disabilities.

I. Cash Versus Vouchers

Cash Benefits - The Advantages

The advantages of a cash payment as the means for supporting families of children with disabilities are five-fold.

*** Cash benefits build on the natural strengths of families as caregivers.**

In general, children with disabilities fare better in families than in any alternative living arrangement that government can provide. Most families give children the sense of stability, predictability, caring, and control that feeds their growth. They also provide highly competent care. Providing cash to families acknowledges and enhances their role as the child's primary caregiver.

*** Cash gives families flexibility and choice.**

Families of children with disabilities also face extraordinary challenges and stresses: the daily care of the child, the struggle to meet the child's special needs with restricted resources, and concern about the long-term implications of a child's impairment. For low-income families with such children, these challenges are even greater. Cash benefits enable

these families to devise their own ways of coping with the difficulties and challenges they face.

In particular, cash benefits can provide a baseline level of support for families, replacing income for parents who forego work to address their child's special need for care. When a child needs frequent, individualized attention, care by a parent is far less costly than other options -- e.g., specialized day care, institutionalization, or skilled home care -- making it a bargain for the government.⁵

* **Cash allows families to meet their children's diverse needs.**

A cash benefit allows families to choose among available services according to their needs. This flexibility makes cash a highly efficient medium of support. The needs of children with disabilities may include obvious items such as medication and prosthetic aids. In addition, many less obvious ones, taken together, may add up to a substantial financial burden. These include:

- personal aids to facilitate living and learning, such as assistive technology for communication and mobility, special foods, modified instructional materials, and specialized transportation;
- heavier use of everyday goods and services, such as extended child care, electricity for around-the-clock electrical devices, more frequent laundering, transportation (for example, when therapy or treatment is not available in the community), repair and maintenance of special equipment, and repair and replacement of home furnishings and equipment;
- specialized day care and recreation, tutors and instruction (not included in a special education program), and personal assistance; and
- home adaptations, such as additional locks, manageable door knobs, enlarged doorways, and bathroom railings.

In addition, as children grow and develop, their needs change, sometimes dramatically. Cash benefits provide parents with the flexibility to respond swiftly to evolving needs.

⁵ A cash benefit may lead some parents to withdraw from the workforce, take a less demanding job, or work fewer hours. In economic terms, such decisions are a distortion and have a welfare cost. A cash benefit may, however, also cause some individuals to increase their work effort by enabling them to buy substitute child care. In these situations, the labor supply distortion would be positive.

*** Cash benefits enable children to participate in community life.**

Like all children, children with disabilities benefit not only from a family life but from life in a larger social context. A child may learn new skills as part of a club or camp, increase his or her mobility and confidence by participating in sports, or develop contacts who become friends. Cash also makes it easier for families to access services in their communities.

The community benefits from the child's presence as well, since children with severe limitations in one area can make important contributions in others. Such contributions are not only important for the child. They also make communities richer, more diverse places for all who live there.

*** Cash benefits can be administered simply, inexpensively, and efficiently.**

Issuing a monthly check is a relatively easy task for the government to perform. Unlike vouchers, it requires no bureaucracy to determine legitimate needs, to set standards for authorized goods and services, to authorize particular purchases, to identify and monitor vendors, or to approve requests for exceptions to rules. As a result, administrative costs are low.

Cash Benefits - The Disadvantages

Along with the preceding advantages, cash benefits also have some inherent disadvantages.

*** Cash benefits make it difficult to monitor the use of funds.**

The flexibility that cash provides makes it inherently difficult to monitor family purchases. Moreover, the pooling of cash benefits with other family resources makes it more difficult to establish what has been spent on the child's behalf.

*** Cash benefits may not address the public's preference for particular forms of support.**

Most studies show that low-income individuals spend a higher proportion of their income on basic necessities than middle-class individuals.⁶ Yet taxpayers may derive

⁶ E. Browning and J. Browning, *Public Finance and the Price System*. New York: Macmillan Publishing Company, 1987, p. 280. In addition, in analyzing the Consumer Expenditure Survey (CEX), Michelle Adler (1995) found that families receiving SSI spent 69 percent of their incomes on four basic necessities -- food, shelter, transportation, and utilities -- compared to 61 percent for all families.

satisfaction from supporting higher consumption of food, vitamins, medical care, and education than beneficiary families may choose for themselves.⁷ Because taxpayers finance government programs, their satisfaction in supporting these purchases -- termed by economists a positive externality -- is considered in economic measures of overall social welfare.⁸

When positive externalities exist, the optimum allocation of goods and services from society's point of view can be achieved only if low-income families increase their consumption of the items at issue beyond the level that they would otherwise select.⁹ Cash payments cannot readily induce this shift in consumption. Vouchers, in theory, can more readily shift consumption in the direction of taxpayers' preferences.

*** Cash benefits may lead some families to emphasize or perpetuate a child's disability in order to establish or prolong his or her SSI eligibility.**

Because families are highly interdependent economic units, the needs of a child with a disability cannot easily be isolated from the needs of other family members. Given these interrelationships, SSI benefits do, and must necessarily, increase the economic well-being of the entire family. To the extent that cash benefits improve the family's living conditions, they create a rational incentive for families to establish or prolong a child's SSI eligibility.¹⁰

In a few cases, this incentive may lead families to coach their children to feign disabilities and even to withhold treatment needed to address disabling conditions.¹¹ In other cases, the rational incentive to maximize family income may manifest itself in more subtle ways. It could lead some parents to act less aggressively in pursuing treatment, tutoring, assistive technology, or other interventions to address the child's disability.

⁷ D. Hyman, *Public Finance: A Contemporary Application of Theory to Policy*. Dryden Press, 4th Ed., 1993, p. 237-8.

⁸ The presence of an external benefit means that people other than the direct consumer benefit from the consumption of a particular commodity. For example, education is often alleged to involve external benefits such as a reduction in juvenile delinquency, an improvement in the functioning of the political process, or greater social stability in addition to benefits the recipients of the education receive.

⁹ Where an external cost exists, there will be over-consumption of the good or service at issue; and the optimum allocation of the good will be less than what the recipients would choose for themselves.

¹⁰ A general discussion of the incentive effects of transfer payments is provided in R. Moffitt. "Incentive Effects of the U.S. Welfare System: A Review." *Journal of Economic Literature*. March 1992.

¹¹ The most comprehensive investigation of coaching to date was conducted by the Social Security Administration. See chapter one.

Tiered Cash Benefits - The Pros and Cons

The preceding analysis assumes that cash benefits are paid as they are today, in the form of a flat grant. However, the diversity of disabling conditions among children and the disparities in the severity of these conditions result in substantial differences in the financial needs of families. Given these disparities, SSI program equity and efficiency could be increased by adjusting the size of the cash grant to match family needs. Equity would be increased because each child would receive a benefit that relates directly to his or her own need for care and support. In this same way, the tiering of benefits could increase SSI program efficiency, since children would be less likely to be overpaid or underpaid in relation to their needs. Models for tiered benefits exist in the European countries, many of which pay the parents of children with disabilities a caregiver allowance designed to cover the amount and type of special care that the child requires.¹²

These advantages of tiered benefits are major ones, but they are not easily achieved. Three obstacles stand in the way of their realization. First, no obvious rule or formula exists for classifying disabilities according to the extra costs they impose on families. There is little systematic data on the costs that families incur in raising a child with a disability. Moreover, even the most precise existing classifications of disability by type include children with widely varying disability-related needs. A child's needs can also vary widely depending on the family's circumstances -- e.g., whether a parent, older sibling, or member of the extended family is available to provide needed assistance.

Second, assigning children to benefit tiers would likely require more extensive and costly eligibility determinations. SSA would have to gather and assess additional information in order to establish the level of severity of the child's disability. The agency would also have to monitor a child's condition to identify and respond to changes in need, however defined.

Third, the experience of other industrialized countries suggests the design of tiered benefits affects program participation and cost. The Dutch system is a case in point. There, a fine gradation of benefit levels serves to motivate claimants to seek a more severe classification of their disability. It also leads adjudicators "to provide a little something for everyone," ratcheting down the general standard for benefit allowances and raising program costs significantly.¹³ On the other hand, some countries have implemented much simpler

¹² There are two important ways in which these European programs differ from SSI: (1) European caregiver allowances are structured, in general, as supplements to family allowances, which are not means-tested; and (2) all European systems provide some form of national health care.

¹³ Addressing the Commission on March 10, 1995, and July 7, 1995, Ilene Zeitzer of the Social Security Administration described the multiple tiers in the Dutch system (which provides tiered benefits to adults only) as problematic from an administrative perspective. Testifying June 25, 1991, before the Social Security

tiered programs that appear to work effectively to provide benefits linked to levels of needed care.

Voucher System - The Advantages

Vouchers bring into play a range of considerations, some of which mirror the pros and cons of cash payments and some of which are singularly related to vouchers as a medium of support. The major ones are:

- * **In principle, vouchers, like tiered benefits, could provide a level of support that matches a child's disability-related needs.**

In absolute dollar terms, in-kind support provided through vouchers might be considerably higher or lower than what a child would receive through a flat cash benefit. These adjustments could result in a more efficient and fairer allocation of public resources, ensuring that each child receives assistance that relates directly to his or her needs.

- * **Vouchers could bring into play a highly efficient self-selection process among families.**

Because the use of vouchers is restricted to specific items, they cannot easily be used for purchases unrelated to a child's disability. As a result, they would attract just those families who have high disability-related expenditures or unmet needs. The potential for misuse of support would be reduced relative to cash benefits, as would the need for government oversight.

Public interest in vouchers stems from concerns about the unrestricted use of cash and a wish to target support on children's disability-related needs. Vouchers could provide taxpayers with a level of assurance that public funds are going for publicly-supported purposes.

Subcommittee of the Committee on Ways and Means, Gerben DeJong asserted that the Dutch "liberal eligibility criteria allowed one to acquire income protection against structural unemployment under the guise of a disability and thus legitimize one's exit from the labor force."

A similar incentive may exist within the U.S. Department of Veterans' Affairs disability program, which provides a ten-tiered veterans' compensation benefit. The lowest tier is ten percent disability, with tiers rising to 100 percent by ten percent increments. Additional benefits are provided for special care needs. A representative of the Department advised the Commission to consider simplicity above all in considering the structure of a tiered benefit system for children. Testimony of Dr. Caroll McBryne, Department of Veterans' Affairs, March 10, 1995.

- * **Vouchers would reduce incentives to perpetuate a child's disability in order to establish or prolong his or her SSI eligibility.**

As noted previously, when cash benefits are used to improve a family's general welfare, the family faces a rational incentive to maintain that support. This incentive may lead some families to act less aggressively than they otherwise would in seeking remediation for a child's disability. Assuming the use of vouchers is restricted to disability-related items, the resulting incentives to perpetuate the general support for the family would be reduced.

Voucher System - The Disadvantages

- * **A voucher system would reduce family discretion.**

Vouchers would limit families' choices to a list of approved goods and services, and it would be likely to do so in ways that reflect designer, rather than consumer, expertise and preferences.¹⁴ In addition, the standards which must be established for pre-approved items may encourage families to choose more expensive goods, when lower cost substitutes would be equally satisfactory to them. If this occurred, a voucher program would lead to higher expenditures with no attendant increase in the well-being of families.

- * **A voucher system would be complex and costly to administer.**

The administrative requirements associated with a voucher program are numerous. They include:

- determining what type and level of support should be provided for children with various disabilities;
- deciding what goods and services would be provided (and devising this list so as not to duplicate goods and services provided through other programs);
- setting standards for purchasable goods and services;
- establishing and updating a vendor list;
- processing families' applications and adjudicating their appeals;

¹⁴ In economic terms, a social welfare cost arises because the voucher distorts family consumption decisions. Similar to cash, vouchers may also affect family members' labor supply decisions because the voucher is a subsidy to the household.

- providing oversight of suppliers and users of vouchers to ensure program integrity; and
- keeping records of families' uses of vouchers in relation to a program cap.

Relative to cash, these requirements would result in a high loss of administrative efficiency. Administrative costs for food stamps and section 8 housing vouchers are 13 and ten percent, respectively, compared to seven percent for the SSI program.¹⁵ Given the diversity of needs among children with disabilities, a voucher program for this population could be considerably more costly than either of these existing programs. S&A estimates that it could raise existing administrative costs by more than \$180 million in the first year and \$100 million annually in subsequent years.¹⁶ Such a program would be preferable to cash payments only if the social welfare gains associated with targeting benefits outweigh these very high losses in administrative efficiency.

- * **Given the necessary complexities, a voucher system may fail to provide the required range of goods and services.**

With limited government resources, the complexity and cost of a voucher system may mean that its scope must be restricted. As a result, it may be possible to cover only some of the diverse range of goods and services required by children with disabilities. In addition, some families may find their choices so restricted that they choose not to participate, thus narrowing the group of eligible children who are reached by the program.

- * **A voucher system could lead suppliers to provide inferior goods and services or to engage in fraud.**

Two features of a voucher program might lead to these outcomes. First, the face value of the voucher might be set significantly below the market value of required goods and services, leading suppliers to provide inferior substitutes. Second, in the absence of effective oversight, some participating suppliers might attempt to defraud the government by seeking reimbursement for goods and services they do not actually provide, as has occurred in the Medicaid program.

¹⁵ The administrative costs of the food stamp program were estimated by the Congressional Budget Office in *The Costs of Administering Selected Poverty-Related Programs*, October 26, 1993. The costs of section 8 housing vouchers were estimated by the Department of Housing and Urban Development in *Section VIII Administrative Fees: A Report to Congress*, January 1994. The administrative costs of the SSI childhood disability program were estimated in the fiscal year 1996 HHS budget.

¹⁶ This would raise administrative costs to over ten percent in the first year and nine percent in subsequent years. Social Security Administration, "Proposal to Replace Cash Payment With a Voucher System to SSI Children," August 1995.

Alternative Forms of Support 84

Tables 5-1 and 5-2 summarize the preceding discussion.

Table 5-1.

Advantages of Cash Benefits	Disadvantages of Cash Benefits
Build on the natural strengths of families as caregivers	Make it difficult to monitor the use of funds
Give families flexibility and choice	May not address the public's preference for particular forms of support
Allow families to meet their children's diverse needs	May lead some families to emphasize or perpetuate a child's disability in order to prolong his or her SSI eligibility
Enable children to participate in community life	
Can be administered simply, inexpensively, and efficiently	

Table 5-2.

Advantages of Vouchers	Disadvantages of Vouchers
Could provide a level of support that matches a child's needs	Would reduce family discretion
Could bring into play a highly efficient self-selection process	Would be complex and costly to administer
Would reduce incentives to perpetuate a child's disability in order to prolong his or her SSI eligibility	May fail to provide the required range of goods and services
	Could lead suppliers to provide inferior goods and services or to engage in fraud

II. Other Federal Voucher Programs

A second approach to assessing the feasibility of a voucher program for children with disabilities is to compare a hypothetical SSI voucher program with existing federal voucher programs. These include section 8 housing subsidies, tuition for higher education, food stamps, and Medicaid.¹⁷ In addition, Congress is considering a new use of vouchers in Medicare Managed Care proposals. This comparison will be most revealing if it targets those factors which are likely to determine a voucher program's success. These are:

- * **Voucher Liquidity** - How easily can the voucher be converted to cash and used for purposes other than those targeted by the program? The more illiquid the voucher, the better.
- * **Nature of Good or Service** - Is the good or service being provided a single, easily defined product, a packaged good, or a diverse range of unrelated items? The optimal product is one that is simple and distinct or is packaged so that the consumer acquires an integrated combination of goods or services in a single purchase.
- * **Incentives for Consumers** - Is the voucher program structured to encourage consumers to shop selectively for the best buy? Such incentives are useful in both maximizing the purchasing power of vouchers and inducing competition in markets where they are used.
- * **Market Competition** - Are there many competing suppliers in the market? Is the voucher program structured to encourage competition among suppliers? The presence of both conditions is optimal.
- * **Discernable Quality** - How easily can consumers assess the quality of the goods and services they purchase with vouchers? The more discernable these distinctions, the better.

The Table 5-3 uses these criteria to compare federal voucher programs.

¹⁷ In addition, a federal voucher program not considered here is the special Supplemental Food Program for Women, Infants, and Children.

Table 5-3. Comparison of Federal Voucher Program Characteristics

	Liquidity of voucher (how easily converted to cash)	Nature of good (single, packaged, diverse range)	Incentives for the consumer to shop wisely	Extent of market competition (and effect of voucher on competition)	Discernability of quality
Housing voucher	illiquid	single	yes--voucher rate is set below market rate and consumer must pay difference	market competition varied; voucher impact minimal	high
Voucher for higher education	illiquid	packaged	yes--voucher does not cover full cost of education	markets are highly competitive	high
Food stamp program	highly liquid	single	yes--amount of food stamps a family receives varies with income and there is a monthly maximum	market is competitive	high
Medicaid program	illiquid	packaged	no--consumer has no incentive to seek out lower-cost provider	market competition is limited; voucher impact minimal	low
Medicare Managed Care voucher	fairly illiquid	packaged	yes--if value of voucher is set to cover cost of efficient health plan	market competition limited; voucher structured to induce greater competition	likely moderate
SSI-childhood disability program	fairly illiquid (depends on good)	diverse range of goods and services	varied--depends on the good or service	varied--depends on the good or service	varied--depends on the good or service

Vouchers for higher education readily satisfy these conditions. Education vouchers are illiquid, meaning that students cannot easily exchange them for cash. Education is a packaged product, allowing students to gain access to many related goods and services -- buildings, teachers, books, computers, and athletic facilities -- by making a single purchase. Education vouchers do not cover the full cost of tuition, giving students an incentive to shop for the best value at the lowest price. Competition among colleges is vigorous, and their reliance on tuition as a primary source of income gives them an incentive to provide demanded services. Finally, colleges have very different reputations and specialties, making the quality of their services relatively easy to measure.

The food stamp program satisfies most, but not all, of the optimal conditions. Here vouchers provide a single, easily-identifiable category of goods. The amount of food stamps a family receives varies with income but is generally less than its food costs, providing an incentive to shop wisely. In most localities, there are a number of competing grocery stores and supermarkets. However, a major disadvantage of food stamps is that they are highly liquid, i.e., can be traded for cash without great difficulty.

Medicaid fails to satisfy most of the optimal conditions. Because consumers do not incur savings if they search out low-cost providers, they do not have an incentive to conserve health care resources. Also, the limits that government places on reimbursement reduce incentives for providers to offer services of high quality. Competition is restricted because low Medicaid reimbursement rates discourage some health care providers from accepting Medicaid patients. Moreover, the quality of health care is inherently difficult to gauge.¹⁸

The profile of the hypothetical SSI program contrasts markedly with the other voucher profiles. Unlike any existing federal program, SSI would have to provide a wide range of unrelated goods and services -- many types of assistive technology, home adaptations, special foods and clothing, diapers, over-the-counter medicines, additional home heating and cooling, specialized child care, and adapted transportation, in addition to meeting basic needs such as food, clothing and shelter. This diversity not only increases administrative difficulties; it also spills over to influence the other optimal criteria, making it virtually impossible to make any blanket statements about them. Thus, the most salient conclusion to be drawn from this comparison is that the range and scope of required services in an SSI voucher program would be unprecedented.

¹⁸ It is possible that a voucher program that replaces Medicaid with an array of private insurance options might address some of these shortcomings.

III. Electronic Benefit Transfers

As Americans have turned increasingly to electronic banking to make deposits, pay bills, and make purchases, many government programs are using electronic means for delivering cash and in-kind support. Through electronic benefit transfer systems, the government can replace paper checks for delivering cash to program beneficiaries. Further, for in-kind support programs (e.g., food stamps), EBT can serve as an electronic voucher, limiting purchases to an authorized list of goods and services.¹⁹

Twelve states have initiated or completed EBT pilot projects. These projects aim principally at delivering food stamps, AFDC, and state general assistance. Other potential candidates for EBT include Social Security, veterans' benefits, railroad retirement, Medicaid, Medicare, student loans, and unemployment compensation. Maryland currently has the only statewide program that delivers both AFDC and food stamps through EBT.²⁰ Texas is the only state where the federal government currently operates an EBT system for delivering SSI benefits.²¹

As part of its reinventing government initiative, the Clinton Administration is working to develop a national EBT network linking the federal government and the 50 states by the year 2000. When in place, this system will enable program recipients to access multiple benefits using a single debit card. The Social Security Administration supports this initiative. Clearly, the technology is available. The issues of implementation will involve cost, the advantages and disadvantages of this technology in particular cases, and more general issues such as privacy versus public accountability. In general, EBT may have the potential to 1) lower costs of delivering benefits to children, 2) reduce the use of cash for unintended purposes, and 3) improve the services provided to children with disabilities.

EBT for Cash Benefits

With electronic payment of a cash benefit, the issues of interest are the cost and security of delivery and convenience. The cost to SSA to make a cash benefit payment electronically via EBT is two cents per transaction, which is the same cost to the agency of

¹⁹ EBT can enhance the ability of retailers to limit purchases to an authorized list of goods and services only if the necessary technology is available in their retail outlets. This technology is not required by the regulations of the food stamp program and is usually only available in large supermarket chains.

²⁰ About 468,000 recipients use the system, creating transactions of \$57 million each month during 1994. New Mexico will utilize EBT statewide by October 1995.

²¹ SSA and the Department of Treasury have implemented a joint EBT in Texas for delivering Social Security, SSI, and other federal benefits to recipients who do not have bank accounts and therefore cannot use direct deposit. At present, the program is optional for SSI beneficiaries.

making a transaction via direct deposit to a recipient's checking account. This is considerably less expensive than the 40 cents it costs the agency to issue and mail a benefit check. Thus, there is considerable potential for government costs to decline through the elimination of paper check processing. In addition, the government may accrue savings through improved cash management flows and through economies of scale resulting from the consolidation of multiple benefit payments via EBT.

The total cost of EBT at the present time, however, is much higher than the two cents expended by SSA. In the Texas program, SSI recipients accessing their benefits via EBT are charged a \$3 monthly fee by the financial institution. In effect, the imposition of the fees lowers recipients' benefits. If the government were to pay the fee, its costs of delivering benefits would increase commensurately, to \$3.02. Thus, a major unresolved issue is who pays the fees for needs-based benefits delivered by EBT. This issue will become even more critical if one or more federal agencies propose to make EBT mandatory.

There are, however, other advantages associated with EBT. People move, and paper checks get lost, stolen, or misdirected in the mail.²² EBT offers high potential to avoid these problems. Users of EBT in the Maryland pilot project gave it high marks for enhancing their security and sense of independence.

These advantages for consumers are not without some offsetting costs. EBT may be difficult to access in rural areas, and it may be a burdensome form of payment for individuals with certain physical and mental impairments.²³ In addition, some observers have raised privacy concerns related to the record that EBT creates of each beneficiary's transactions.

EBT for In-kind Support

Quite different from cash transfers to children with disabilities is the possible use of EBT to pay for goods and services. The issues raised by this use are considerably more complex. In principle, an electronic voucher program could produce advantages similar to those achieved with EBT for food stamps -- increased use of targeted goods and services, lower administrative costs (relative to voucher coupons), and improved accountability. In Maryland, for example, government officials believe the debit card for food stamps saves the state \$3 million a year. In addition, the new system has eliminated theft of paper stamps. For merchants, the debit card eliminates time-consuming counting, bundling, storing, and redemption of the coupons.

²² To illustrate, of 17 million checks mailed by SSA in July 1995, slightly more than 35,000 intended recipients, or one in 500, claimed nonreceipt.

²³ This potential burden would apply only to those individuals with physical or mental impairments who do not have representative payees to manage their finances.

Alternative Forms of Support 90

The use of the debit card in place of coupons has decreased so-called trafficking -- that is, the illegal sale of food stamps for cash. Moreover, the electronic paper trail created by EBT allows investigators to more easily detect fraudulent transactions when they do occur. EBT has also increased the use of food stamps for their intended purpose, buying food. Grocers in Texas reported that the EBT card for food stamps resulted in beneficiaries buying more food than ever before.²⁴ They also reported that since EBT debits are for the exact purchase amount, the sales of cigarettes, candy, and lottery tickets -- formerly purchased with change returned from food stamps -- dropped significantly.

How applicable is the food stamp experience to the SSI program? In one sense, the goals are the same: to ensure utilization of resources to improve the lives of the beneficiaries. There are two key differences, however.

First, with the food stamp program, the targeted goods are similar and readily identified. In the SSI program for children, needed goods and services vary widely among children with different conditions.

Second, most of what food stamps buy can be bought in any supermarket. By contrast, the list of locations where one must shop to obtain needed goods and services for children with disabilities are nearly as varied as the needed items. To use EBT for in-kind support, vendors in dozens of different types of retail establishments would have to code or label authorized goods and services. Third-party electronic processors in all parts of the country would have to program their machines to recognize these codes. The required infrastructure and technological sophistication far exceed that currently available through EBT.

In sum, EBT holds promise as a means of delivering cash to the families of children with disabilities in a more efficient and convenient manner. Its use for providing in-kind support is, like that of vouchers, rendered much more difficult by the diversity of children's disability-related needs.

Conclusion

Based on its analysis, the Commission agreed that cash benefits are the most efficient and effective way to assist children with severe disabilities who qualify for SSI (with the exception of those children who qualify only for Medicaid). The Commission felt strongly that, given the current state of knowledge, no program of in-kind support could meet the needs of children with disabilities and their families.

²⁴ From February to March 1994, food stamp sales rose \$4.4 million in two Texas counties studied.