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Social Security Income Measurement in Two Surveys

by Howard M. Iams and Patrick J. Purcell*

As a major source of income for retired persons in the United States, Social Security benefits directly influence economic well-being. That fact underscores the importance of measuring Social Security income accurately in household surveys. Using Social Security Administration (SSA) records, we examine Social Security income as reported in two Census Bureau surveys, the Survey of Income and Program Participation (SIPP) and the Current Population Survey (CPS). Although SSA usually deducts Medicare premiums from benefit payments, both the CPS and the SIPP aim to collect and record gross Social Security benefit amounts (before Medicare premium deductions). We find that the Social Security benefit recorded in the CPS closely approximates the gross benefit recorded for CPS respondents in SSA's records, but the Social Security benefit recorded in the SIPP more closely approximates SSA's record of net benefit payments (after deducting Medicare premiums).

Introduction

Social Security benefits are a major source of retirement income in the United States, and they directly influence the economic well-being and poverty status of many beneficiaries. Social Security retired-worker benefits replace a portion of preretirement income. That portion is greater for low lifetime earners than for higher earners; consequently, Social Security benefits account for a greater share of retirement income for lower-income beneficiaries (SSA 2012; Butrica and others 2012). Because Social Security income influences economic well-being, it is important that household surveys measure it accurately.

The payment of Medicare premiums complicates the survey measurement of Social Security income. Most beneficiaries elect to have the Social Security Administration (SSA) deduct those premiums from their monthly Social Security benefit, so that the amount they receive reflects a net monthly benefit that is lower than their gross benefit.[1] For all Social Security beneficiaries, income tax liability, poverty status, and eligibility for means-tested federal benefit programs—such as Supplemental Security Income and the Supplemental Nutrition Assistance Program—are determined using the gross benefit before any deductions. However, because the actual cash income that most beneficiaries receive is net of Medicare deductions, they may report the net amount in household surveys as their monthly Social Security income. Analysts who use household surveys to measure income need to know whether the Social Security income recorded on these surveys reflects the gross amount or the benefit net of Medicare premiums.

This article assesses the accuracy of Social Security income as it is recorded in the Census Bureau's Survey of Income and Program Participation (SIPP) and Current Population Survey (CPS). A major goal of the SIPP is to measure income amounts by source to

Selected Abbreviations

CPS	Current Population Survey
MBR	Master Beneficiary Record
PHUS	Payment History Update System
SIPP	Survey of Income and Program Participation
SSA	Social Security Administration

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allow analysts to estimate how many individuals and families are eligible for government income-security programs. A major goal of the CPS is to measure total individual and family income and the percentage of the population with income below the poverty threshold. Accurately measuring Social Security income is essential to achieving those goals.

The SIPP and the CPS ask similar questions about Social Security income, but the two surveys' reference periods differ. The SIPP, as a longitudinal survey, groups its respondents in 4-year panels, in which participants are interviewed every 4 months.[2] The SIPP asks respondents whether they received any Social Security benefits during the 4 months prior to the month of the interview and, if so, they are asked to report the monthly amount of Social Security income they received. Those respondents are then told that "some people have what is called a 'Medicare Part B' premium taken out of their Social Security benefit before it reaches them," and are asked if they had the Part B premium deducted from their check and if they know the amount deducted (Census Bureau 2010, 233).[3]

An annual social and economic supplement to the CPS, conducted in March, asks respondents if they received Social Security income in the year before the interview. Those who received Social Security income are asked to report their benefit as either a monthly, quarterly, or annual amount. Respondents are then asked the amount of Social Security benefits they received in the month before the interview, and whether that amount was before or after the Medicare Part B deduction (Census Bureau 2009, D-27).[4]

Previous research has demonstrated that Social Security income is often underreported in surveys (Davies and Fisher 2009). Several studies have examined SIPP data matched to Social Security administrative records (for example, Huynh, Rupp, and Sears 2002; and Sears and Rupp 2003). Koenig (2003) studied both the SIPP and the CPS for the misreporting of Supplemental Security Income as Social Security benefits. This article uses SIPP and CPS data matched to SSA records. Specifically, we compare data on Social Security benefit payments (before and after Medicare premium withholding) from SSA's Payment History Update System (PHUS) to the benefit amounts recorded on the SIPP and the CPS. With the PHUS data, we ascertain whether the Social Security benefit amounts recorded in the surveys more closely approximate gross benefits or benefits net of Medicare premiums.

Data

For the SIPP, we measure Social Security income for 2009, the first full calendar year of income covered in the 2008 panel. We sum the monthly amounts recorded for 2009 in the SIPP public-use file to obtain annual Social Security income. We weight the data using the December 2009 survey weight. For the CPS, we measure Social Security income for calendar year 2008, as collected in the March 2009 Annual Social and Economic Supplement. As we began our research, that was the most recent CPS file to which SSA data had been matched.

We assess the consistency of the Social Security income in both surveys with the amounts recorded in SSA data. SSA's records include both the gross benefit amounts and the net amounts paid to beneficiaries after Medicare premiums have been deducted. This allows us to compare Social Security income in the surveys to both gross and net Social Security benefits. Because we focus on the income of the aged, we restrict our analysis to persons aged 60 or older in the survey year. We include in our sample all survey respondents who were recorded in the Social Security Master Beneficiary Record (MBR) as receiving Social Security benefits as disabled workers, retired workers, survivors, or spouses. In the SIPP, approximately 90 percent of the records for our sample were matched to Social Security administrative records. The match rate for the CPS was approximately 87 percent.

SIPP Results

For most SIPP respondents, the pattern of benefit receipt is consistent between the SIPP and the PHUS. Table 1 shows SIPP respondents aged 60 or older who were beneficiaries in December 2009 according to the MBR. About 88 percent of the SIPP respondents have a Social Security benefit recorded in both the SIPP and the PHUS. About 10 percent have a false negative on the SIPP: A benefit payment appears in the PHUS, but no Social Security income is recorded on the SIPP. Only 0.2 percent of SIPP respondents aged 60 or older had a false positive, in that they reported Social Security income in the SIPP, although the PHUS indicates no Social Security benefit. Slightly more than 1 percent received no Social Security income according to both the SIPP and the PHUS. In the latter two groups, the presence of beneficiaries for whom PHUS records indicate no benefit payments largely reflects the small portion of the MBR population that is not in current-pay status at a given time.

Table 1.
Social Security beneficiaries aged 60 or older according to SIPP and PHUS records, by age and benefit type: December 2009

Age and type of benefit	Number (thousands)	Percent				
			Benfeciaries with a benefit recorded in—			
		Total	Both PHUS and SIPP	PHUS, but not SIPP [a]	SIPP, but not PHUS [b]	Neither
Age						
60–61	1,018	100.0	73.1	14.9	1.4	10.6
62–64	4,214	100.0	80.0	16.8	0.4	2.8
65 or older	32,689	100.0	90.0	9.2	0.3	0.6
Benefit type						
Disabled worker	2,231	100.0	79.7	15.2	0.6	4.4
Retired worker	31,574	100.0	89.5	9.8	0.2	0.5
Spouse	1,129	100.0	81.0	8.8	2.0	8.2
Survivor	2,987	100.0	85.4	11.1	1.2	2.3
Total	37,921	100.0	88.3	10.2	0.2	1.1

SOURCE: SIPP 2008 panel data matched to SSA PHUS records.

NOTES: Sample includes all individuals in the MBR, including those not in current-pay status.

Rounded components of percentage distributions do not necessarily sum to 100.0.

a. "False negatives" in the SIPP.

b. "False positives" in the SIPP.

The differences between SIPP and PHUS records of Social Security income receipt vary by age and type of benefit. False negatives, in which the SIPP records indicate no Social Security income although payments appear in the PHUS, are more common among respondents aged 60–64 (about 15–17 percent) than among those aged 65 or older (9.2 percent). False negatives also are more common among disabled workers (15.2 percent) than among retired workers (9.8 percent), spouses (8.8 percent), or survivors (11.1 percent). Among the SIPP respondents who have a false positive report of Social Security income, there is little difference by age or type of benefit.

PHUS data for mean annual gross Social Security benefits in 2009 were about $1,000 higher than the mean annual Social Security income recorded in the SIPP (Table 2).[5] The mean gross PHUS benefit was $13,548, which was $960 (or almost 8 percent) higher than the SIPP mean of $12,588. The median annual gross PHUS benefit, $13,595, was $1,176 (9.5 percent) higher than the median benefit, $12,419.

Mean gross Social Security benefit amounts in the PHUS exceeded the mean SIPP benefit amounts in all categories, but the extent of the differences varied by age and type of benefit. By age, the largest difference occurred among beneficiaries aged 60–61, and the smallest occurred among those aged 65 or older. By type of benefit, the largest difference occurred among disabled-worker beneficiaries who were younger than the Social Security full retirement age (66) throughout 2009.[6] Disabled-worker beneficiaries become eligible for Medicare (and thus subject to premium deductions) after 2 years on the Social Security rolls. Most beneficiaries aged 60–61 are disabled workers, and for them, the amount by which mean gross Social Security income in the PHUS exceeded the SIPP amount ($2,079) is more than twice as high as the amounts for retired-worker, spouse, and widow beneficiaries ($942, $117, and $1,015, respectively). The difference between median gross Social Security income in the PHUS and the median SIPP benefit also was greater among disabled workers than among retired-worker, survivor, or spouse beneficiaries. The smallest difference between median gross benefits in the PHUS and median benefits in the SIPP occurred among spouse beneficiaries not entitled to worker benefits ($677).

Another way to measure differences between the data sources is to compare the benefit amounts for individual respondents. This approach finds the mean (or median) of the differences between the SIPP and PHUS record values, as opposed to the difference in

Table 2.
Annual Social Security benefits recorded in the SIPP and gross benefits according to PHUS records, for persons aged 60 or older by age and benefit type: 2009 (in dollars)

Age and type of benefit	PHUS mean	SIPP mean	PHUS median	SIPP median	Aggregate difference		Individual differences [a]	
					Mean	Median	Mean	Median
Age								
60–61	13,559	11,699	12,624	10,884	1,859	1,740	1,717	371
62–64	11,672	10,448	11,345	9,960	1,224	1,385	1,241	231
65 or older	13,763	12,823	13,817	12,720	940	1,097	942	523
Benefit type								
Disabled worker	14,479	12,399	13,426	11,834	2,079	1,592	2,119	769
Retired worker	13,756	12,813	13,918	12,768	942	1,150	951	496
Spouse	7,021	6,904	7,229	6,552	117	677	22	173
Survivor	12,941	11,927	13,169	12,192	1,015	977	970	569
Total	13,548	12,588	13,595	12,419	960	1,176	989	497

SOURCE: SIPP 2008 panel data matched to SSA PHUS records.

NOTES: Average benefit calculations exclude zero values.

PHUS data reflect benefit amounts before Medicare premium deductions.

a. Reflects the mean or median of the differences between the SIPP and PHUS values for each individual.

the aggregate means (or medians) discussed above. To calculate the individual difference, we subtract the SIPP benefit from the gross PHUS benefit for each SIPP respondent with a Social Security benefit. If the SIPP respondent reported a benefit amount equal to the gross benefit recorded in the PHUS, the difference is zero. Overall, the mean and median differences between the individual Social Security income values reported in PHUS and the SIPP were $989 and $497, respectively. The median difference indicates that one-half of the SIPP records contained benefit amounts that were at least $497 less than the gross amount in that individual's PHUS record.

The pattern of the means of individual differences generally resembles that of the previously discussed differences of aggregate means. The exception is the spouse benefit, which averages $22 in individual differences, substantially lower than the $117 difference in aggregate means. That result is attributable mainly to negative values for the 2.0 percent of respondents who have benefit payments recorded in the SIPP but not recorded in the PHUS. By contrast, most of the median values of individual differences are substantially lower than the differences of medians. That result could indicate that differences between the SIPP and the PHUS records are less common among respondents with smaller benefit payments, as well as the effect of including negative values for respondents with benefit payments recorded in the SIPP but not in the PHUS.

Table 2 shows that the median gross PHUS benefit amounts, like the mean amounts, exceed those reported in the SIPP for all beneficiary categories. For at least some beneficiaries, the SIPP amounts might represent the net benefit after deducting Medicare premiums, which could explain the difference between the sources. Benefit amounts in the SIPP generally approximate the PHUS net benefit more closely than they approximate the PHUS gross benefit for SIPP respondents with positive Social Security amounts. Table 3 shows that the mean annual net PHUS benefit was only $81 lower than the mean SIPP benefit, and that the median annual net PHUS benefit was $121 higher than the SIPP benefit. Those differences are substantially smaller than the differences between the gross PHUS benefits and the SIPP benefits.

As with the gross benefit amounts, the differences between the SIPP benefits and the net PHUS benefits vary by age and type of benefit. The mean annual net PHUS benefit was $201 lower than the mean SIPP benefit among those aged 65 or older. At ages 60–61 and 62–64, the mean net PHUS benefits were $1,115 and $987 higher, respectively, than the SIPP means. The mean net PHUS benefit was much larger than the mean SIPP benefit among disabled workers, who become eligible for Medicare benefits (and subject

Table 3.
Annual Social Security benefits recorded in the SIPP and net benefits according to PHUS records, for persons aged 60 or older by age and benefit type: 2009 (in dollars)

Age and type of benefit	PHUS mean	SIPP mean	PHUS median	SIPP median	Aggregate difference		Individual differences [a]	
					Mean	Median	Mean	Median
Age								
60–61	12,814	11,699	12,000	10,884	1,115	1,116	1,283	0
62–64	11,435	10,448	11,148	9,960	987	1,188	1,029	103
65 or older	12,622	12,823	12,672	12,720	-201	-48	-198	-543
Benefit type								
Disabled worker	13,650	12,399	12,876	11,834	1,251	1,042	1,403	0
Retired worker	12,715	12,813	12,816	12,768	-98	48	-82	-429
Spouse	5,780	6,904	5,844	6,552	-1,124	-708	-1,072	-792
Survivor	11,868	11,927	12,092	12,192	-59	-100	-159	-393
Total	12,507	12,588	12,540	12,419	-81	121	-31	-400

SOURCE: SIPP 2008 panel data matched to SSA PHUS records.

NOTES: Average benefit calculations exclude zero values.

PHUS data reflect benefit amounts after Medicare premium deductions.

a. Reflects the mean or median of the differences between the SIPP and PHUS values for each individual.

to premium deductions) after 2 years on the Social Security rolls. Among SIPP respondents with retired-worker or survivor benefits, the mean net PHUS benefits are quite similar to mean SIPP benefits, differing by less than $100. The mean net PHUS benefit for spouse beneficiaries is substantially lower than the mean SIPP benefit, perhaps reflecting that category's higher share of false positives (respondents with zero benefits in the PHUS and positive benefits in the SIPP; see Table 1). Differences between median net PHUS benefits and median SIPP benefits generally followed patterns similar to those for mean benefits.

As we did for gross benefits, we also compare the net benefit payments for individual respondents in the PHUS with those recorded on the SIPP. As before, we subtract the SIPP benefit from the net PHUS benefit for each SIPP respondent with a Social Security benefit. The overall mean individual difference of -$31 is similar in magnitude to the overall difference in means of -$81. If the benefit recorded in the SIPP were equal to the gross benefit, the median individual difference for Medicare-eligible beneficiaries would equal the Medicare premium. In 2009, the Part B premium was $96.40 per month, or $1,157 for the year, so we would expect to see a median difference of about -$1,157. The median individual difference for beneficiaries aged 65 or older of -$543 indicates that for many Medicare-eligible beneficiaries, the SIPP benefit is substantially less than the actual gross benefit.

CPS Results

Patterns of benefit receipt in the CPS were similar to those in the SIPP. Table 4 shows CPS respondents aged 60 or older who were beneficiaries in December 2008 according to the MBR. About 90 percent received Social Security income at some time in 2008 according to both the CPS and the PHUS. About 9 percent of CPS respondents aged 60 or older had false negatives, with the PHUS indicating that they received Social Security income not reported in the CPS. About 1 percent of CPS respondents aged 60 or older received no Social Security income according to both the CPS and the PHUS, and another 0.2 percent reported Social Security income in the CPS although the PHUS indicates no benefits. As noted earlier, instances of beneficiaries having no benefits recorded in the PHUS occur mainly because a relatively small number of people on the MBR are not in current-pay status at a given time.

As was true with the SIPP, the extent to which the CPS records on beneficiary status differed from the PHUS varied by age and type of benefit. False negatives, in which no Social Security income was recorded in the CPS but benefit payments appeared in the PHUS, were more common among respondents aged 60–61 (26.2 percent) and 62–64 (20.0 percent) than those aged 65 or older (7.1 percent). False negatives in the CPS were more common among disabled workers (19.9 percent) than among retired workers

Table 4.
Social Security beneficiaries aged 60 or older according to CPS and PHUS records, by age and benefit type: December 2008

Age and type of benefit	Number (thousands)	Percent				
			Benfeciaries with a benefit recorded in—			
		Total	Both PHUS and CPS	PHUS, but not CPS [a]	CPS, but not PHUS [b]	Neither
Age						
60–61	804	100.0	61.8	26.2	0.0	12.1
62–64	2,811	100.0	73.6	20.0	0.6	5.8
65 or older	30,388	100.0	92.0	7.1	0.2	0.6
Benefit type						
Disabled worker	2,374	100.0	73.1	19.9	0.5	6.5
Retired worker	27,816	100.0	91.6	7.8	0.0	0.5
Spouse	1,074	100.0	81.4	8.8	1.7	8.1
Survivor	2,738	100.0	89.8	7.6	0.5	2.1
Total	34,003	100.0	89.8	8.6	0.2	1.3

SOURCE: March 2009 CPS data matched to SSA PHUS records.

NOTES: Sample includes all individuals in the MBR, including those not in current-pay status.

Rounded components of percentage distributions do not necessarily sum to 100.0.

a. "False negatives" in the CPS.

b. "False positives" in the CPS.

(7.8 percent), spouses (8.8 percent), and survivors (7.6 percent). False positives were relatively rare at 0 to 2 percent, and they varied little by age or type of beneficiary.

The mean annual Social Security benefit before deductions in 2008 was, on average, $202 lower in the PHUS record than in the CPS (Table 5). The mean annual gross PHUS benefit was $12,685, compared to $12,888 in the CPS. The relationship of the median CPS values to the gross PHUS medians reversed that of the means. The median gross PHUS benefit was $204 (1.6 percent) higher than the median CPS benefit, $12,761 versus $12,557.

The differences between the benefit amounts recorded in the PHUS and the CPS were generally smaller than the differences between the PHUS and the SIPP. Moreover, unlike the SIPP benefits, the mean CPS benefit amounts were often greater than the gross means in the PHUS. With respect to age, the largest difference in mean benefits was among beneficiaries aged 62–64. For that group, the mean CPS benefit exceeded the gross PHUS benefit by $477. Among beneficiary groups, the biggest difference in mean benefits occurred among spouse beneficiaries, whose mean annual CPS benefit was $968 higher than the gross PHUS benefit. Only disabled workers had a mean CPS benefit that was lower (by $638) than the mean gross PHUS benefit.

In all three age categories, the median annual CPS benefit differed from the median gross PHUS benefit by less than 2 percent. The smallest difference between median gross PHUS benefits and the median CPS benefit occurred among disabled-worker beneficiaries, and the largest occurred among retired workers. For retired-worker and survivor beneficiaries, the median gross PHUS benefit was about 4 percent higher than the median CPS benefit, while for disabled-worker and spouse beneficiaries, the difference between the PHUS and the CPS was less than 2 percent.

As we did for the SIPP, we examined the mean and the median of the differences between benefit amounts for individual beneficiaries by subtracting the benefit reported in the CPS from the benefit in the PHUS for each CPS respondent who reported receiving Social Security. Taking the mean of the differences, the gross PHUS benefits are $209 lower than the amounts in the CPS, almost the same as the difference in means ($202). The median individual difference was less than $1, substantially less than the

Table 5.
Annual Social Security benefits recorded in the CPS and gross benefits according to PHUS records, for persons aged 60 or older by age and benefit type: 2008 (in dollars)

Age and type of benefit	PHUS mean	CPS mean	PHUS median	CPS median	Aggregate difference		Individual differences [a,b]	
					Mean	Median	Mean	Median
Age								
60–61	14,128	14,048	13,337	13,176	80	161	80	-84
62–64	10,471	10,948	10,029	10,193	-477	-164	-495	-139
65 or older	12,824	13,012	12,903	12,677	-188	226	-193	c
Benefit type								
Disabled worker	14,134	13,496	12,989	12,905	638	84	630	0
Retired worker	12,822	13,065	13,452	12,869	-243	583	-248	c
Spouse	6,865	7,833	7,037	7,157	-968	-120	-931	-144
Survivor	12,322	12,459	12,641	12,157	-137	484	-141	c
Total	12,685	12,888	12,761	12,557	-202	204	-209	c

SOURCE: March 2009 CPS data matched to SSA PHUS records.

NOTES: Average benefit calculations exclude zero values.

PHUS data reflect benefit amounts before Medicare premium deductions.

a. Differences were negative for 1.8 percent of records with a benefit in the CPS but no benefit recorded in the PHUS.

b. Reflects the mean or median of the differences between the SIPP and PHUS values for each individual.

c. Less than $0.50.

difference in medians ($204). The median difference of almost zero indicates that a large proportion of CPS records had benefit amounts equal to the gross PHUS benefit amount.

The means of individual differences are similar to the differences of means. By contrast, some of the medians of individual differences differ substantially from the differences in medians. For example, among people aged 65 or older, the median annual CPS benefit was $226 lower than the median gross PHUS benefit, but the median of the individual differences was less than $1. Likewise, among retired-worker and survivor beneficiaries, the median CPS benefits were $583 and $484 lower, respectively, than the median gross PHUS benefits, but the medians of the individual differences were both less than $1.

We also assessed whether CPS benefit amounts approximate net Social Security benefits. In general, they do not. The amounts reported in the CPS approximate the gross PHUS benefit amounts more closely than they approximate the net PHUS amounts. The mean annual gross PHUS benefit was $202 less than the mean annual CPS benefit, while the mean annual net PHUS benefit was $1,190 lower than the mean annual CPS benefit (Table 6). The median net PHUS benefit was $833 lower than the CPS median.

The differences between net Social Security benefits in the PHUS and the benefits reported in the CPS varied by beneficiary age and type. However, in all three age groups and in three of four benefit categories, the mean CPS benefit amounts were higher than the mean net PHUS benefits, and the median CPS benefit exceeded the median net PHUS benefit in all categories. Overall, the results provide evidence that the Social Security income reported in the CPS approximates gross Social Security benefits.

Also in Table 6, we compare the mean and median net benefit payments to individual respondents in the PHUS and the CPS. The overall mean individual difference of -$1,199 is similar to the overall difference in means of -$1,190. If the Social Security benefit recorded on the CPS is equal to the gross benefit, the median individual difference between the PHUS net benefit and the amount in the CPS for Medicare-eligible beneficiaries will equal the Medicare premium. In 2008, the Part B premium was $96.40 per month, or $1,157 in total for the year, so we would expect to see a median individual difference of about -$1,157. The median individual difference of -$1,155 for beneficiaries aged 65 or older in Table 6 suggests that for nearly all Medicare-eligible beneficiaries, the benefit recorded on the CPS is equal to the gross Social Security benefit.

Table 6.
Annual Social Security benefits recorded in the CPS and net benefits according to PHUS records, for persons aged 60 or older by age and benefit type: 2008 (in dollars)

Age and type of benefit	PHUS mean	CPS mean	PHUS median	CPS median	Aggregate difference		Individual differences [a,b]	
					Mean	Median	Mean	Median
Age								
60–61	13,427	14,048	12,624	13,176	-621	-552	-655	-1,157
62–64	10,220	10,948	9,564	10,193	-728	-629	-710	-521
65 or older	11,779	13,012	11,844	12,677	-1,233	-833	-1,245	-1,155
Benefit type								
Disabled worker	11,827	13,496	11,964	12,905	-1,669	-941	-75	-881
Retired worker	13,409	13,065	12,780	12,869	345	-89	-1,246	-1,145
Spouse	5,742	7,833	5,844	7,157	-2,090	-1,313	-2,055	-1,229
Survivor	11,275	12,459	11,388	12,157	-1,183	-769	-1,204	-1,157
Total	11,698	12,888	11,724	12,557	-1,190	-833	-1,199	-1,145

SOURCE: March 2009 CPS data matched to SSA PHUS records.

NOTES: Average benefit calculations exclude zero values.

PHUS data reflect benefit amounts after Medicare premium deductions.

a. Differences were negative for 1.8 percent of records with a benefit in the CPS but no benefit recorded in the PHUS.

b. Reflects the mean or median of the differences between the SIPP and PHUS values for each individual.

Conclusion

Social Security is a major source of income for retired persons in the United States, and Social Security income strongly affects beneficiaries' economic security and poverty status. Because the Social Security benefit formula replaces a higher proportion of lifetime average wages for lower earners and also provides benefits to disabled workers and survivors, it provides a safety net for people in the lower half of the income distribution. It is important for household surveys of income to measure Social Security benefits accurately in order to generate reliable estimates of household income and the percentage of persons in poverty. To correctly estimate the income of the elderly using data from household surveys, researchers need to know whether the amount of Social Security income reported by respondents represents the gross amount of the Social Security benefit or the amount net of deductions for Medicare premiums. The difference is not trivial. For most Medicare participants, the Part B premium in 2013 is $105 per month, which amounts to about 8 percent of the mean monthly retired-worker benefit. Additionally, both members of a married couple must pay Medicare premiums. Moreover, federal income tax liability, the official poverty rate, and income limits for federal programs such as Supplemental Security Income, the Supplemental Nutrition Assistance Program, and the Low-Income Home Energy Assistance Program are based on income before Medicare premiums have been deducted.

Our analysis suggests that among SIPP respondents aged 60 or older in 2009, the mean annual gross Social Security benefit in SSA records exceeded the mean benefit reported in the SIPP by 7.6 percent, and the median gross benefit in SSA's records exceeded the SIPP median benefit by 9.5 percent. Among beneficiaries aged 65 or older, the mean gross benefit in administrative records exceeded the SIPP benefit by 7.3 percent, and the median gross benefit in SSA records exceeded the median SIPP benefit by 8.6 percent.

Although survey documentation indicates that both the CPS and SIPP record the gross Social Security benefit amounts, our results suggest that the benefit amounts recorded in the SIPP reflect net benefits more closely than they reflect gross benefits. Much of the difference in the amounts recorded in the PHUS and the SIPP could reflect the omission by SIPP respondents of the Medicare premiums that SSA deducts from most Social Security benefit payments. However, some of the difference may also reflect response errors from about 10 percent of SIPP respondents who received payments from SSA, but

reported no payment in the SIPP. As a result, interpreting the Social Security benefit amounts in the SIPP as representing total Social Security income could lead analysts to underestimate total income and to overestimate the proportion of Social Security beneficiaries who are in poverty or are eligible for federal income support programs.

In contrast to the SIPP, the mean and median Social Security benefit amounts recorded in the CPS approximate the gross benefit amounts. In fact, the mean 2008 benefit reported in the CPS was $202 (or 1.6 percent) higher than the mean gross benefit recorded in the PHUS for CPS respondents. The median CPS benefit was about $204 (1.6 percent) lower than the median gross PHUS benefit.

Finally, it is interesting to note the differences in Social Security income recorded in the PHUS between SIPP participants and CPS participants. The mean and median Social Security benefits in 2009, as recorded in the SIPP for beneficiaries aged 65 or older, were $12,823 and $12,720, respectively (Table 2). The comparable values for 2008 in the CPS were $13,012 and $12,677, respectively (Table 5). Even though the SIPP reflects benefits in 2009 and the CPS reflects benefits in 2008, those figures are very similar. The means differ by less than 2 percent and the medians differ by less than 0.5 percent.

We have documented that the mean and median benefits recorded in the PHUS for CPS respondents differ very little from the benefit amounts for 2008 recorded in the CPS, which in turn are similar to the mean and median benefits recorded in the SIPP for 2009. It is somewhat surprising that the mean and median benefit amounts recorded in the PHUS for SIPP respondents are greater than the amounts reported in the SIPP—and are also greater than the amounts in the CPS and in the PHUS for CPS respondents. A number of factors, including sample selection, sample weighting, and imputation procedures could contribute to this discrepancy. Although the cause of the difference is beyond the scope of this analysis, the question warrants further investigation.

Notes

[1] Most beneficiaries pay no premium for Medicare Part A (Hospital Insurance). For Part B (Medical Insurance), the basic monthly premium in 2013 is $104.90. For those who enroll in a managed care plan, Part C (Medicare Advantage) substitutes for Parts A and B. The Part C premium in many cases is the same as that for Part B. For Medicare Part D (prescription drug coverage), the basic monthly premium in 2013 is $31.17; the total Part D premium varies by plan. Higher-income beneficiaries must pay additional premiums under Parts B and D.

[2] The SIPP will undergo major changes in 2014. For details, see http://www.census.gov/sipp/dews.html.

[3] Citro and Scholz (2009) state that "the SIPP instrument was changed after the first wave of the 1993 panel to explicitly request that Social Security benefits be reported net of the Medicare premiums. The SIPP instrument was revised again for the 2004 panel to collect the amount of the Medicare premium as a separate quantity, which the Census Bureau could then add to the reported net payment to obtain the gross amount."

[4] Neither the SIPP nor the CPS asks specifically about Medicare Part C or D premiums.

[5] Table 2 includes respondents who reported Social Security benefits in the SIPP even if there is no payment recorded in the PHUS. We estimate the averages for nonzero payments in the PHUS and for SIPP respondents who reported receiving Social Security. Because of false positives in the SIPP, the sample for payments in the PHUS is slightly smaller than the sample for SIPP payments.

[6] SSA converts disabled-worker beneficiaries to retired-worker status when they reach full retirement age. The full retirement age is 65 for those born before 1938. It increases by 2 months for each birth year after 1938 until reaching age 66 for those born in 1943. Because our sample includes only persons born before 1950, the disabled workers in it were aged 60–65 in 2009.

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Prevalence, Characteristics, and Poverty Status of Supplemental Security Income Multirecipients

by Joyce Nicholas*

"Multirecipients" are people who receive Supplemental Security Income (SSI) payments while living with other recipients (not including an SSI-eligible spouse). Using Social Security Administration records matched to Current Population Survey data for 2005, this article examines multirecipients' personal, family, household, and economic characteristics. I find that no more than 20 percent of the 2005 SSI population were multirecipients. Most multirecipients were adults, lived with one other recipient, and/or shared their homes with related recipients. Multirecipients were generally less likely to be poor than SSI recipients as a whole; but those who were children, lived with one other recipient, and/or shared their homes with a nonrecipient were more likely to be poor. Implementing sliding-scale SSI benefit reductions for children in multirecipient households would affect about 23 percent of multirecipients, or about 5 percent of all SSI recipients.

Introduction

Since 1974, the Supplemental Security Income (SSI) program has provided income of last resort to the aged, blind, and disabled, and in December 2011, the program served 8.1 million recipients (SSA 2012a). This article examines the characteristics of SSI recipients who lived with at least one other recipient who was not an eligible spouse, in both the narrower family context and the broader household context.[1] The analysis starts by focusing on SSI families because the Census Bureau uses the family unit to generate official poverty estimates. In the family-level analysis, recipients who lived with at least one other related recipient are called "noncouple multirecipients" (NCMs). I then analyze the household unit to consider the full scope of recipients who reside with other recipients and the economies of scale they benefit from within their larger households. SSI recipients who shared their larger households with related or unrelated recipients are simply called "multirecipients."

The analysis is based on matched Social Security Administration (SSA) and Current Population Survey (CPS) data for calendar year 2005.[2] With those data, I examine the personal, family, household, demographic, and economic circumstances of recipients living with other recipients and compare them with those of all other recipients. This article addresses four research questions:

1. How prevalent were NCMs in the SSI population and what proportion of them were children?
2. What was the family composition of NCMs?
3. How did the poverty status of NCMs compare with that of other SSI subgroups?
4. What proportion of the SSI population belonged to multirecipient households and what were their characteristics?

Selected Abbreviations

CPS	Current Population Survey
FBR	federal benefit rate
NCM	noncouple multirecipient
SSA	Social Security Administration
SSI	Supplemental Security Income

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The article concludes with a summary of key research findings and their implications.

Program Overview

In 1972, Congress passed legislation creating the SSI program to ensure a minimum income for the aged, blind, and disabled to help them meet their basic food, clothing, and shelter needs. A person must meet three criteria to qualify for SSI payments. He or she must (1) be at least 65 years of age, disabled, or blind; (2) have countable resources at or below a legislated threshold; and (3) have countable income (including deemed income)[3] that is lower than the SSI federal benefit rate (FBR).

Federal Benefit Rate

Adjusted annually according to cost-of-living increases, the FBR is the maximum possible federal SSI payment amount. SSA uses one FBR to compute payments for individuals and another FBR for couples. In both cases, SSA considers the recipient's total countable earned and unearned income to determine the final payment amount.[4] If a recipient lives with a spouse who also qualifies for SSI payments, their payment amount is based on the FBR for a couple, which equals 150 percent of the individual FBR.[5] In effect, each eligible spouse's share of SSI benefits is 75 percent of the individual FBR.[6] For 2005, I estimate that 5.9 percent of SSI recipients received payments based on the couple FBR while the remaining 94.1 percent received payments based on the individual FBR.

By law, SSI payment rates for individuals and couples differ because their economies of scale are assumed to differ. Specifically, the couple FBR is based on the premise that two eligible spouses residing within one household require less income to meet their needs than two individuals who live independently (Koenig and Rupp 2003/2004). By contrast, no economies of scale are assumed to arise among nonmarried SSI recipients sharing a household. Thus, two eligible spouses living together receive a payment based on the couple FBR (equal to 150 percent of the individual FBR), while the payment for two nonmarried recipients residing together is based on an amount equal to 200 percent of the individual FBR. The reason the lower FBR does not apply to noncouple recipients living together is that they may not share household expenses if they are unrelated, or the sharing may vary substantially over time, especially in transient households.

SSI Family Residency Groups

For the family-level analysis of the SSI population, I define "individuals" as those who receive payments based on the individual FBR as the sole SSI recipient in their families. Those classified as "NCMs" live in families that include two or more SSI recipients, all of whom receive payments based on the individual FBR (that is, none are an eligible spouse). Examples of NCMs include, but are not limited to, a child recipient living with a brother and a sister who also draw SSI payments; a single-mother recipient whose daughter also receives SSI; and a single man on SSI who resides with his grandmother, who is also on the SSI rolls. The group classified as "couples" comprises SSI recipients who receive payments based on the couple FBR. In sum, we divide SSI recipients into three family residency groups: individuals, NCMs, and couples. Recipients belonging to any one of these groups may also live with nonrecipients, who are presumably ineligible for SSI. The following tabulation shows the 2005 populations for each group, along with the child-adult breakdown.

SSI recipient characteristic	Population
Total	7,369,357
Family residency group	
Individual	5,781,022
Couple	[a] 432,635
NCM	1,155,700
Age	
Child (aged 17 or younger)	997,049
Adult (aged 18 or older)	6,372,308

SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

a. The count reflects person-level recipients and not the number of pairs that receive payments based on the couple FBR.

Findings

This section addresses each of the four research questions in turn.

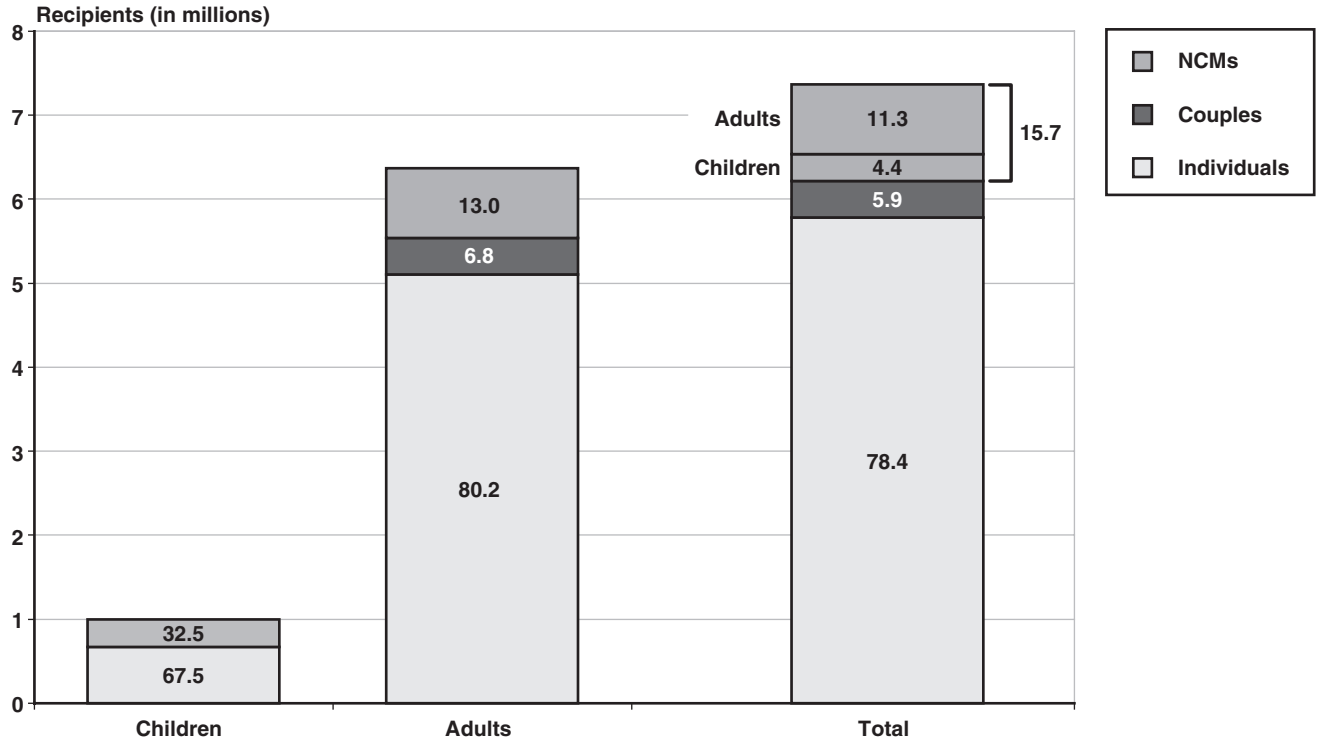
Research Question 1

How Prevalent Were NCMs and What Proportion Were Children? In 2005, 15.7 percent of SSI recipients were NCMs (Chart 1). Adult NCMs (aged 18 or older) represented 11.3 percent of SSI recipients and child NCMs (aged 17 or younger) represented

4.4 percent of SSI recipients. Although adult NCMs were a larger percentage of the overall SSI population, child recipients were more than twice as likely as adult recipients to be NCMs (32.5 percent versus 13.0 percent).

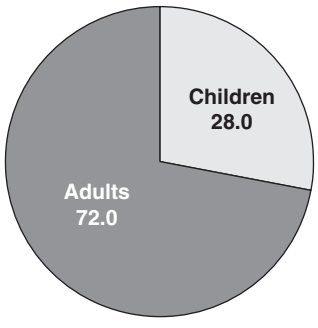
Charts 2 and 3 illustrate the age distributions of NCMs and of individuals and couples, respectively. Children constituted 28.0 percent of NCMs and only 10.8 percent of individuals and couples. The average age of NCMs was 38, 10 years younger than the average for individuals and couples (not shown).

Chart 1.
Percentage distribution of SSI recipients by family residency group and age, 2005



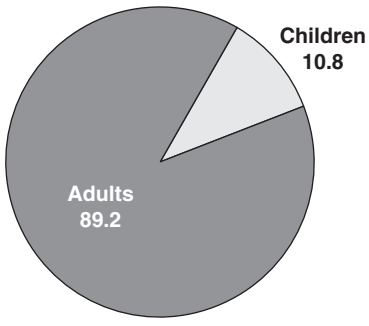
SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Chart 2.
Percentage distribution of NCMs by age, 2005



SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Chart 3.
Percentage distribution of (combined) individual and couple recipients by age, 2005



SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

NOTE: Number of recipients: adults = 5,540,716; children = 672,941.

Research Question 2

What Was the Family Composition of NCMs? In this analysis, "family composition" reflects several overlapping characteristics: the number of SSI recipients in the family (two, three, or four or more); whether the family includes any nonrecipients; and whether the family's recipients comprise only children, only adults, or both. The tabulation below shows the population estimates for each NCM characteristic.

NCM characteristic	Population
Total	1,155,700
Age	
Child	324,108
Adult	831,592
Recipients in family	
Two	883,624
Three	200,139
Four or more	71,937
Nonrecipients in family	
None	367,172
One or more	788,528
Recipients in the family are—	
All children	147,388
All adults	632,685
Children and adults	375,627

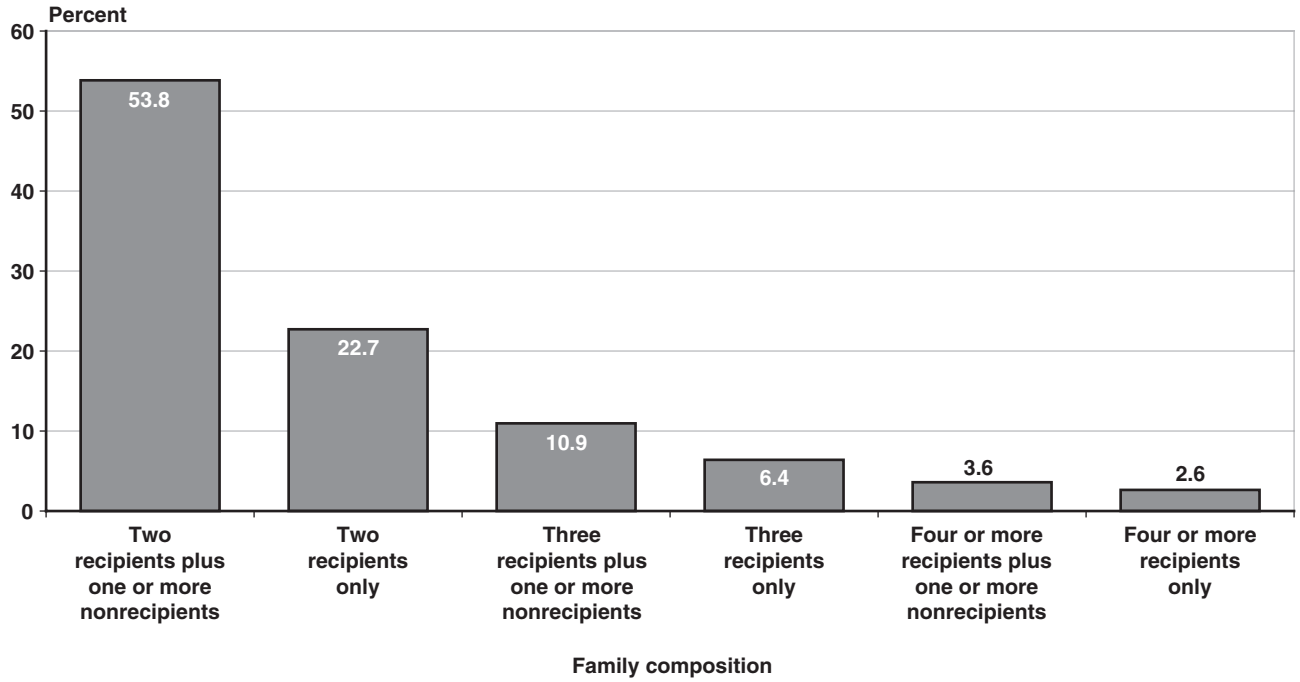
SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Chart 4 illustrates the distribution of NCMs by the number of SSI recipients and the presence (or absence) of nonrecipients in their families. More than three-quarters (76.5 percent) of NCMs resided in families with two recipients. Only 6.2 percent belonged to families with four or more recipients; that group constituted less than 1 percent of the entire 2005 SSI population. The remaining 17.3 percent of NCMs had three recipients in their families. The shares of NCMs who lived exclusively with other recipients sum to 31.7 percent. The largest single group, making up more than one-half of NCMs (53.8 percent), consisted of those in families with only two recipients and at least one nonrecipient.

Chart 5 shows the distribution of NCMs by number of recipients in the family and age. It illustrates that children were more likely to belong to families with four or more recipients than adults were (8.5 percent versus 5.3 percent). Nearly the same proportions of child and adult NCMs belonged to families with two recipients (about 76 percent).

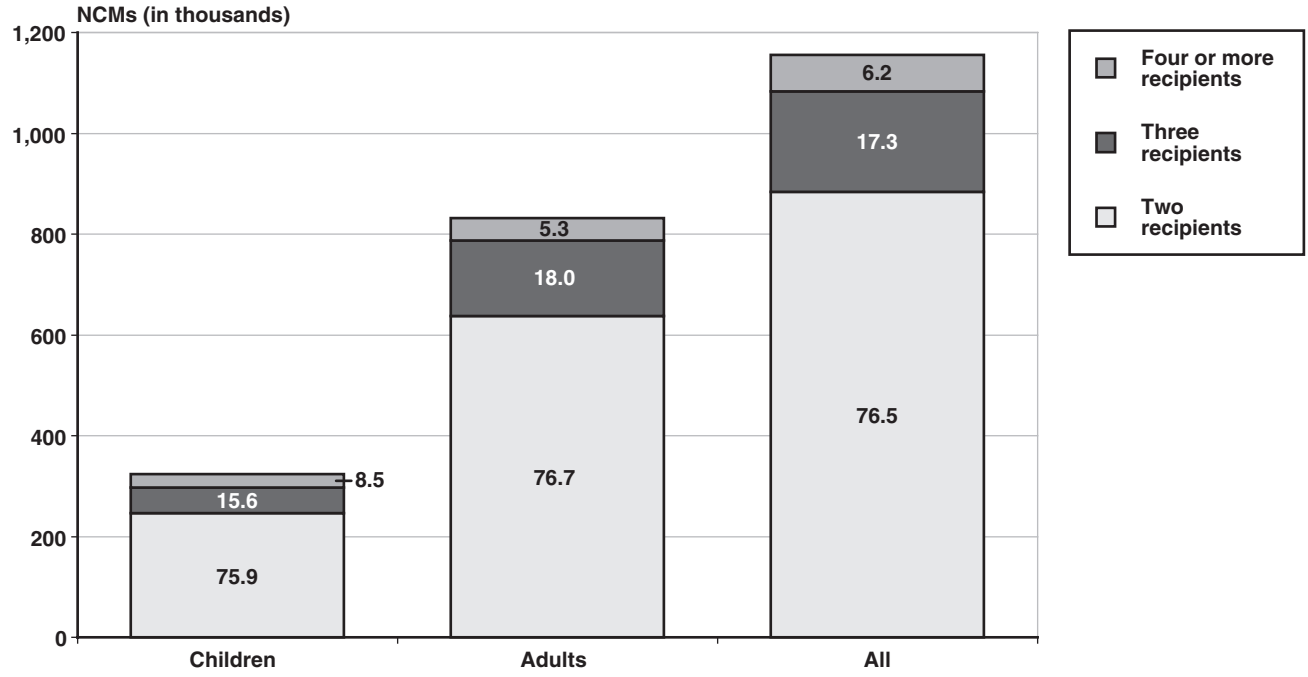
Chart 6 combines the family composition characteristics. It shows the distributions of NCMs among all-child, all-adult, and mixed-age family recipient status, with breakdowns by NCM age group, family recipient count, and presence of nonrecipients in the family. Overall, NCMs were most likely to belong to

Chart 4.
Percentage distribution of NCMs by number of family recipients and presence of nonrecipients, 2005



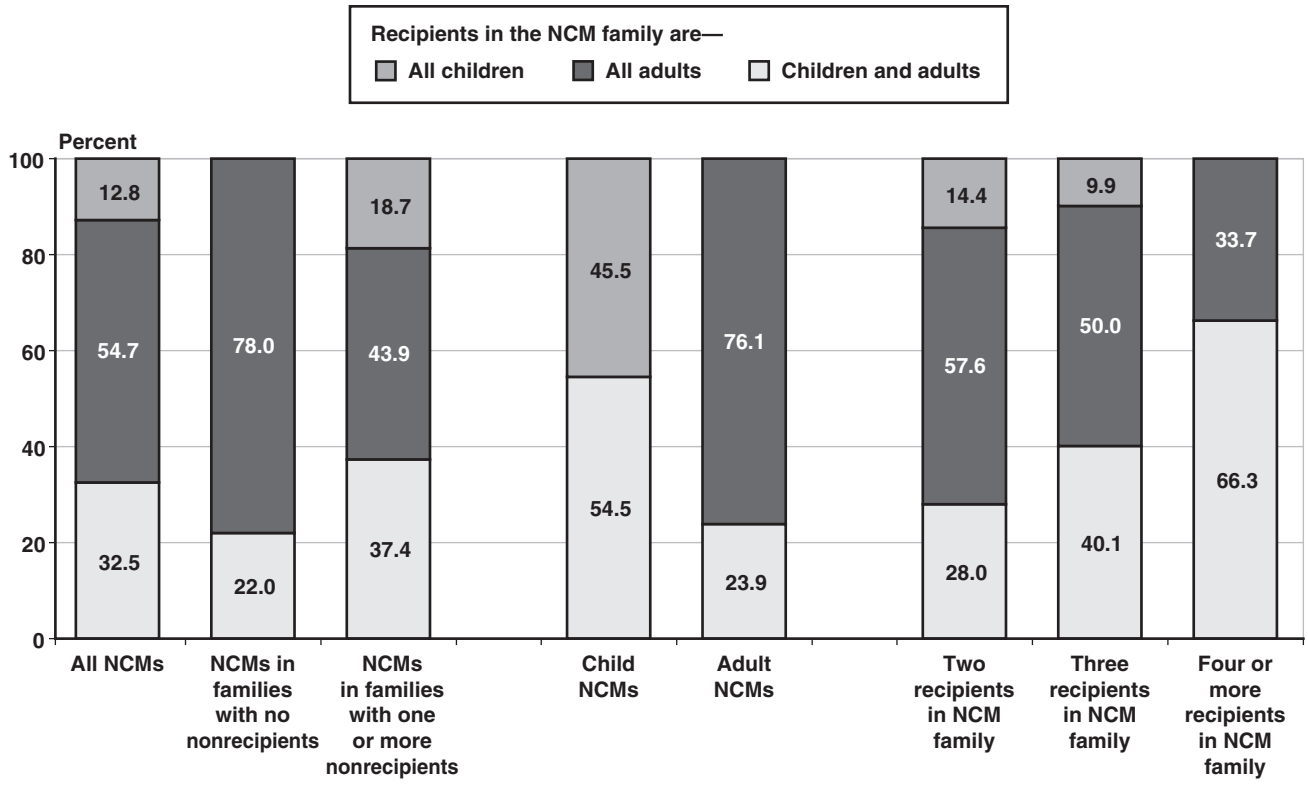
SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Chart 5.
Percentage distribution of NCMs by number of family recipients and age, 2005



SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Chart 6.
Family composition characteristics for NCMs, 2005 (percentage distributions)



SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

families with recipients who were all adults and were least likely to live with recipients who were all children (54.7 percent versus 12.8 percent). The remaining 32.5 percent of NCMs had both child and adult recipient family members.

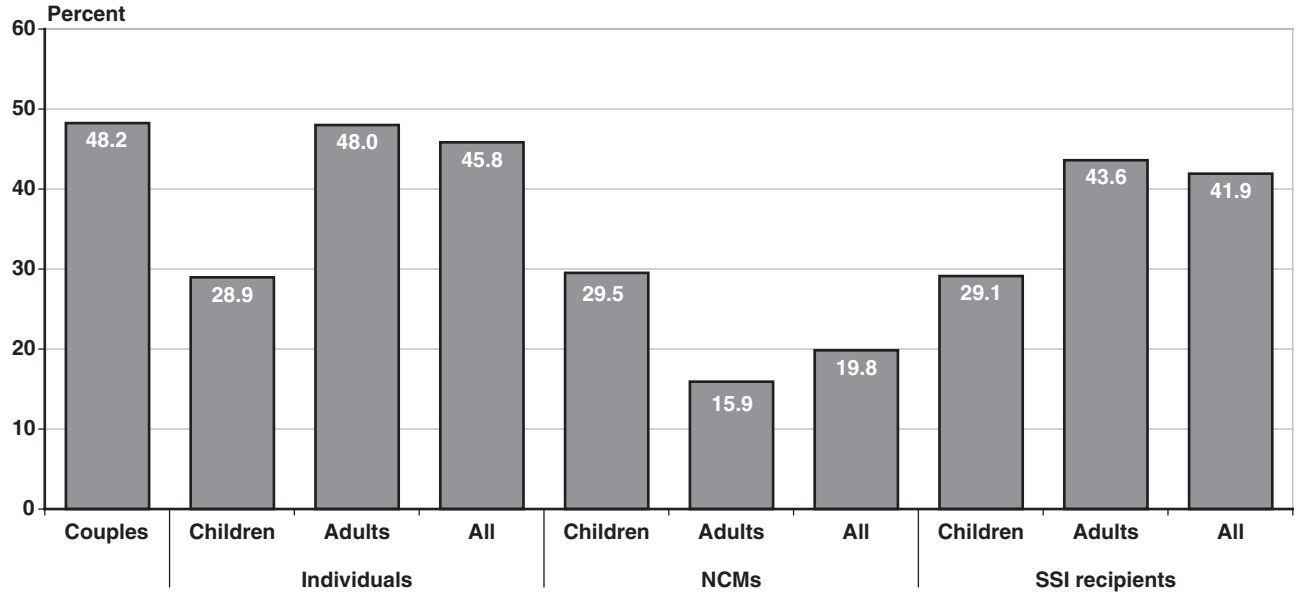
Chart 6 reveals three additional key findings. First, NCMs belonging to recipient-only families were most likely to be adults: 78.0 percent of NCMs belonging to recipient-only families had only adult recipients in their families, while only 43.9 percent of NCMs with at least one nonrecipient lived in a family in which all recipients were adults. Second, child NCMs were less likely to live with other recipients who were all children (45.5 percent) than adult NCMs were to live with other recipients who were all adults (76.1 percent). Third, as family recipient counts increased, NCMs were less likely to reside with recipients who were all adults. Instead, they were more likely to belong to families with both child and adult recipients.

Research Question 3

How Did the Poverty Status of NCMs Compare With That of Other SSI Subgroups? I used matched SSA and CPS data along with the Census Bureau's official poverty measure to evaluate the economic well-being of SSI recipients.[7] In considering the findings, one should be mindful of certain SSI program effects on recipient poverty status. If individuals or couples have SSI as their only source of income while belonging to a recipient-only family, they will be poor because the SSI annualized FBR for individuals and couples is less than the annual poverty thresholds applicable to one- and two-person families, respectively.[8] By contrast, if NCMs live with other recipients only, they will not be classified as poor. That is because the SSI program assumes no economies of scale among nonmarried individuals living together and the FBR is the same for each additional family recipient, but the Census Bureau assumes greater economies of scale with each additional family member and reduces the incremental increase in family poverty thresholds accordingly. Therefore, all of the individual federal benefits paid to NCMs belonging to a recipient-only family will exceed the poverty threshold applicable to their family.

Baseline SSI Poverty Rates. In 2005, an estimated 41.9 percent of SSI recipients lived in poverty (Chart 7).[9] NCMs had a poverty rate of 19.8 percent, while more than 45 percent of individual and couple recipients were poor. Child recipients had a poverty rate of about 29 percent whether they were individual recipients or NCMs.[10] Among NCMs, child recipients were almost twice as likely as adults to be poor (29.5 percent versus 15.9 percent).

Chart 7.
Poverty rates for SSI recipients by family residency group and age, 2005 (in percent)



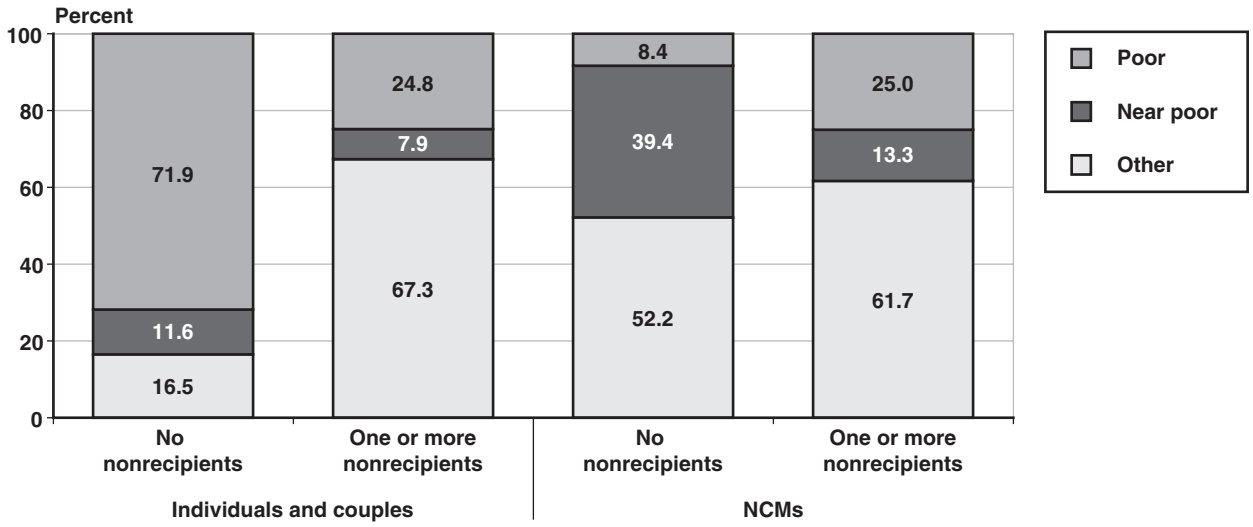
SOURCE: Author's calculations based on CPS data matched to SSI administrative records; Nicholas and Wiseman (2010).

NOTE: All couple recipients are adults.

SSI's effects on recipients' poverty status vary by family residency group and presence of nonrecipients. About 25 percent of SSI recipients who lived with at least one nonrecipient were poor, regardless of whether they were individuals/couples or NCMs (Chart 8). Recall that among those in recipient-only families where SSI is the only family income, NCMs will not be poor, while individuals and couples will be. Individuals and couples who belonged to recipient-only families were among the most likely to be poor, with a poverty rate of 71.9 percent. NCMs in recipient-only families had the lowest poverty rate, 8.4 percent.[11] However, 39.4 percent of NCMs in recipient-only families were living in near-poverty.

NCM Poverty Rates. Child recipients living in two-recipient families had the highest NCM poverty rate (37.2 percent) among all age and number-of-recipient categories (Table 1). The poverty rate among all NCMs in two-recipient families, 24.4 percent, nearly quadrupled the rate for three-recipient families (6.4 percent). By contrast, no NCMs in families with four or more recipients were poor. As stated earlier, children were nearly twice as likely to be poor as their adult counterparts (29.5 percent versus 15.9 percent). Therefore, the number of SSI recipients in the family appears to be a stronger determinant of NCM poverty than age.

Chart 8.
Percentage distribution of SSI recipients by poverty status, family residency group, and presence of nonrecipients in family, 2005



SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Table 1.
NCMs: Number and poverty rate, by age and number of SSI recipients in family, 2005

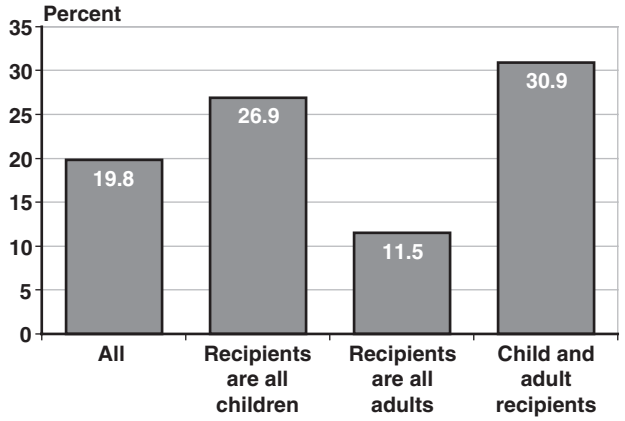
Recipients in family	Children	Adults	All
		Population	
Two	246,131	637,493	883,624
Three	50,457	149,682	200,139
Four or more	27,520	44,417	71,937
Total	324,108	831,592	1,155,700
		Poverty rate (percent)	
Two	37.2	19.5	24.4
Three	8.5	5.7	6.4
Four or more	0.0	0.0	0.0
Total	29.5	15.9	19.8

SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Chart 9 shows that the poverty rate for NCMs in families in which all recipients were adults was 11.5 percent, and for those in families in which all recipients were children, it was 26.9 percent. NCMs who were members of families with both child and adult recipients had the highest poverty rate of the three categories, at 30.9 percent.

Table 2 shows that NCMs residing in families with both child and adult recipients consistently had the highest poverty rates regardless of other family characteristics. Table 2 also reaffirms previously noted findings that NCMs were more likely to be poor if they had fewer recipients in the family, were children, or lived with at least one nonrecipient.

Chart 9.
Poverty rates for NCMs by age of recipients in family, 2005 (in percent)



SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

Research Question 4

How Many SSI Recipients Belonged to Multirecipient Households and What Were Their Characteristics? Many people have proposed sliding-scale benefit reductions for children belonging to SSI multirecipient households (NCCD 1995, 64–65; House Ways and Means Committee 2011; House Budget Committee 2012, 101). Reflecting the principle that families living in the same household benefit from economies of scale that reduce their per capita living expenses, the proposals would reduce SSI payments for each additional child recipient belonging to a household with multiple child recipients.[12] In this subsection, I extend the analysis from the family unit to the household level to understand the full scope of recipients who live with other recipients, their economic circumstances, and the implications of the sliding-scale proposals. The analysis takes no position on whether sliding-scale benefit reductions should be adopted for the SSI program or, if adopted, which households should be affected.

Prevalence of SSI Multirecipients. In 2005, nearly one of five SSI recipients shared a household with related and/or unrelated recipients. The family-level analysis indicates that 15.7 percent of SSI recipients were NCMs who shared their homes with at least one related recipient (Chart 1). Shifting focus from the family to the household unit reveals that a subset of NCMs (accounting for 0.1 percent of all SSI recipients) shared their households with related *and* unrelated recipients. Recipient couples living with one unrelated recipient were less numerous in households

Table 2.
Poverty rates among NCMs, by family composition, 2005 (in percent)

Characteristic	Recipients in the NCM family are— All children	All adults	Children and adults	All
Recipients in family				
Two	31.1	13.3	43.7	24.4
Three	0.0	4.7	10.0	6.4
Four or more	0.0	a	0.0	0.0
NCM age				
Child	26.9	. . .	31.7	29.5
Adult	. . .	11.5	30.2	15.9
Nonrecipients in family				
None	a	7.7	10.9	8.4
One or more	26.9	14.6	36.4	25.0

SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

NOTE: . . . = not applicable.

a. Insufficient sample size.

than in families.[13] Another 3.8 percent of recipients were individuals who resided with at least one unrelated recipient. The 19.6 percent (or 1,440,824) of SSI recipients who shared their larger households with other related and/or unrelated recipients are called "multirecipients." Multirecipients belong to one of two groups: (1) NCMs who live with related recipients, or (2) individuals who share their households with unrelated recipients while being the sole recipient within their families.

Characteristics of SSI Multirecipients. The majority of multirecipients had two recipients belonging to their households who were related and/or adults (not shown). Nearly 74 percent of multirecipients had a two-recipient household. Most multirecipients were NCMs who resided with related recipients (80 percent). About 77 percent of recipients living with other recipients were adults. From a different perspective, nearly 63 percent of multirecipients had only adult recipients living in their homes.

Most multirecipients appeared to be better off in their larger households than in their immediate family units, and adults appeared better off than children. When evaluated within their families using the official poverty measure, multirecipients had a moderate poverty rate of 28.3 percent relative to the overall SSI recipient poverty rate of 41.9 percent (Table 3). At the household level, only 17.9 percent of multirecipients were poor. Among individuals living with unrelated recipients, multirecipients were more than five times as likely to be poor when evaluated within their families as when evaluated within their households (61.5 percent versus 11.5 percent). By contrast, the incidence of poverty among all NCMs was marginally lower when considered at the household level rather than for the family unit (19.3 percent versus 19.8 percent). Regardless of the unit of analysis, adult multirecipients were half as likely to be poor as child multirecipients (15.9 percent versus 29.5 percent, not shown for the household-level analysis).

Conclusions

For 2005, matched CPS and SSI administrative data provide a clear picture of SSI multirecipients. A minority (19.6 percent) of SSI recipients belonged to multirecipient households. Multirecipients were most likely to be adults (77.1 percent), to share their homes with one other recipient (73.7 percent), or to be NCMs who lived with related recipients (80.5 percent). A majority (63.0 percent) of multirecipients belonged to households in which all recipients were adults. Most multirecipients appeared to be better off at their household level than in their immediate family units. Multirecipients had poverty rates of 28.3 percent and 17.9 percent when evaluated within their family and household units, respectively. Regardless of the unit of analysis, adult multirecipients had lower poverty rates than children (15.9 percent versus 29.5 percent).

The research indicates that implementing sliding-scale SSI benefit reductions for children belonging to SSI multirecipient households would affect about 23 percent of multirecipients (or 4.5 percent of all SSI recipients). Applying sliding-scale benefit reductions to all multirecipients, including adults, would reduce payments for nearly 20 percent of the entire

Table 3.
SSI recipients, and household and family poverty rates, by recipient group, 2005

Recipient group	Number	Share of SSI population (%)	Poverty rate [a] (%)	
			Household level	Family level
All SSI recipients	7,369,357	100.0	42.4	41.9
Individuals				
With unrelated recipients in household	275,958	3.7	11.5	61.5
With no unrelated recipients in household	5,505,064	74.7	48.2	45.0
Couples	432,635	5.9	49.9	48.2
NCMs	1,155,700	15.7	19.3	19.8
All multirecipients [b]	1,440,824	19.6	17.9	28.3

SOURCE: Author's calculations based on CPS data matched to SSI administrative records.

a. At the household level, recipients are identified as poor if their total annual household income was less than the poverty threshold applicable to their household. Family-level poverty rate is evaluated using the official Census Bureau poverty measure.

b. Represents the sum of recipients sharing their households with related and/or unrelated recipients.

SSI population, or 1.4 million recipients. Finally, child multirecipients are more likely to be poor and to benefit less from greater economies of scale than are adult multirecipients.

Notes

[1] I use official Census Bureau definitions of families and households. A family is two or more persons who reside together and are related by blood, marriage, or adoption. A household is all related family members and all unrelated people who occupy the same housing unit, such as a house or apartment (Census Bureau 2012a).

[2] For a detailed description of the matched SSA and CPS data used for this analysis, see Nicholas and Wiseman (2009).

[3] "Deeming" refers to the consideration of the income and resources of the people responsible for an individual's welfare when determining that individual's SSI eligibility and payment amount. For example, some income and resources passed from a parent to a child younger than age 18 may be "deemed" to determine the child's SSI status.

[4] In calculating SSI payment amounts, SSA subtracts a portion of countable income from the FBR. SSA exempts the first $20 of income from all sources plus up to $65 of earned income (for a total exclusion from earnings of $85, if the recipient does not have any unearned income), and one-half of any additional earnings beyond $65. The FBR is reduced by one-third for recipients receiving food and shelter in another person's household and not contributing to those expenses.

[5] Although SSI rules also allow the couple FBR to apply to two unmarried recipients who live together and represent themselves as husband and wife, SSA seldom invokes that interpretation to assign the couple FBR (Koenig and Rupp 2003/2004).

[6] In 2013, the FBR is $710 per month ($8,520 per year) for an individual and $1,066 per month ($12,792 per year) for a couple (SSA 2012b).

[7] The Census Bureau assesses poverty status by comparing total annual family income to a poverty threshold based on family size and composition. The incremental increase in poverty thresholds declines with each additional family member. Census classifies as "poor" those whose total family income is less than 100 percent of the applicable family poverty threshold and categorizes as "near poverty" those whose total family income ranges from 100 percent to 124 percent of the threshold (Bennefield 1998, 2).

[8] In 2005, the annualized FBR was $6,948 and the weighted average poverty threshold for a one-person family was $9,973; the annualized couple FBR was $10,428 and the weighted average poverty threshold for a two-person family was $12,755 (Census Bureau 2012b).

[9] The estimated overall poverty rate for 2005 was 12.6 percent, and another 4.2 percent of the population was designated as near poverty (DeNavas-Walt, Proctor, and Smith 2006).

[10] The national poverty rate for children was 17.6 percent and an additional 5.2 percent were near poverty (DeNavas-Walt, Proctor, and Smith 2006).

[11] Given that NCMs who live only with other recipients will not be classified as poor, the estimated 8.4 percent poverty rate for NCMs is an artifact of the matched CPS-SSA data. It may result from some sample members underreporting SSI payments or not receiving payments during all months of the reference period.

[12] The basis for the proposed benefit reduction is a poverty scale developed by the National Research Council. Using that scale, the reduction would be determined by taking the number of eligible children in a family or household to the exponent 0.7. That number, multiplied by the FBR, is the maximum total monthly benefit a family or household could receive for its eligible children (NCCD 1995, 64–65).

[13] A small percentage of NCMs and couples living with an unrelated recipient might simply be an artifact of the data. Their estimates were based on a sample of fewer than 20 recipients.

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Disability Shocks Near Retirement Age and Financial Well-Being

by Irena Dushi and Kalman Rupp*

Using Health and Retirement Study data, we examine three groups of adults aged 51–56 in 1992 with different disability experiences over 8 years. Our analysis reveals three major findings. First, people who started and stayed nondisabled experienced stable financial security, with improvement in household wealth despite labor force withdrawal. Second, the newly disabled—people who started as nondisabled but suffered a disability shock—experienced increased poverty rates and decreased median incomes. Average earnings loss was the greatest for them, with public and private benefits replacing less than half of the loss, whereas increased public health insurance coverage alleviated reduced private health insurance coverage. The newly disabled experienced improvement in household wealth, although at a lower rate compared with those who stayed nondisabled. Third, people who started and stayed disabled were behind at the baseline and have fallen further behind on most measures, except for improvement in health insurance coverage.

Introduction

The increased incidence of disablement near retirement age is of policy concern because of potentially nontrivial negative consequences on financial security and overall well-being. This is reflected in an increasing body of literature addressing various aspects of disability shocks (Smith 1999, 2005, 2007; Ward-Batts 2001; Coile 2004; Johnson, Mermin, and Murphy 2007; Johnson, Mermin, and Uccello 2005; Johnson, Favreault, and Mommaerts 2010; McGarry and Skinner 2009). More specifically, those previous studies have looked at the effect of health and disability shocks on various indicators such as wealth, income, and consumption. Their findings suggest that reductions in labor income and increased medical out-of-pocket (MOOP) expenditures following health and disability shocks are the major sources of mean reductions in financial well-being in the near retirement-age population.

The goal of this article is to analyze the differential effects of health and disability shocks on financial well-being prior to retirement age. We focus on a representative sample of people in their early fifties (aged 51–56 in 1992) and follow them as they approach the Social Security full retirement age (FRA). Our motivation is rooted in the interaction of two factors: (1) the dramatically increasing incidence of disability among people in their fifties and early sixties, and (2) gaps in safety nets near retirement age. In contrast to previous studies, we classify our sample into three separate groups by different patterns of disability experiences over an 8-year follow-up period. The first group consists of people who were nondisabled in 1992 and stayed nondisabled by 2000. They exhibit a relatively simple pattern of stable financial security despite labor

Selected Abbreviations

FRA	full retirement age
HRS	Health and Retirement Study
MOOP	medical out-of-pocket [expenditures]
SES	socioeconomic status
SSI	Supplemental Security Income

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Longitudinal Pattern Groups

D→D	disabled
D→ND	recovered
ND→D	newly disabled
ND→ND	nondisabled

force withdrawal. The second group—comprising people with no disabilities at the baseline who experience at least one disability shock between the baseline and the followup 8 years later—exhibits increasing economic vulnerability by income measures, but a slight reduction in the proportion of people without any health insurance. The third group—consisting of people who were already disabled at the baseline and stayed disabled 8 years later—exhibits a high degree of economic vulnerability at the baseline, has fallen further behind on income measures, but displays a substantial reduction in the proportion of people without any health insurance. The contrast between the second and third groups is attributable to the fact that public health insurance coverage is conditioned on disablement.[1]

There are several distinct features of our study.

1. We follow up people at an age well before the early Social Security retirement age at the baseline (aged 51–56 in 1992) who do not reach age 65 at the followup (at the year-2000 wave). Thus, we focus on a segment of the life cycle when the risk of disablement dramatically rises, yet people are subject to much weaker safety nets than would be available past age 65. At age 65 Supplemental Security Income (SSI), Medicaid, and Medicare become available without a tight disability screen and without any waiting period (relevant for Medicare). Under Social Security, age 65 is the applicable FRA for the oldest members of our 1936–1941 birth cohorts (those born in 1936 or 1937). For people born in 1938–1941, the FRA increases by 2 months per year and reaches 65 years and 8 months for the 1941 birth cohort.
2. We compare people who experienced a disability shock with two, rather than one, comparison groups. Nondisabled individuals who did not experience a disability shock are commonly used as a counterfactual group, but in this study, we also include a second comparison group of people who were disabled at the baseline and stayed disabled over the observation period. Chronically disabled people comprise a somewhat neglected group in longitudinal studies because the focus in those analyses is often on the effect of disability shocks, which needs a comparison group consisting of nondisabled people who did not experience a disability shock. However, the group of people who started as disabled and remained disabled provides a useful comparison basis consisting of individuals who experienced chronic disablement, in some cases going back to youth or even childhood.
3. We use a complex array of outcome measures including poverty status, various household income measures, several measures of wealth, household liabilities, public and private health insurance coverage, and reported MOOP expenditures.
4. We construct our measure of "disability shock" by combining three separate survey measures of disability—instead of one of them commonly used in the literature—to indicate whether a person experienced a disability shock.

In sum, we focus on three major groups of people defined by their disability experiences over time and describe what changes occur between 1992 and 2000 in their financial well-being. The three groups differ in their baseline characteristics. We think that describing the experience of these groups of people is of substantial policy interest in its own right. Adjusting for differences in characteristics would also be a worthwhile exercise, but at the expense of shifting the focus from assessing the real-life experiences of actual groups of people to variables explaining those differences. In this article, we do make some descriptive subgroup comparisons, but defer causal analyses for future studies. In the following section, we discuss the data and methodology used in this analysis. The next section presents the empirical results, and then we conclude.

Data and Methodology

The data for this study come from the Health and Retirement Study (HRS), a longitudinal, nationally representative survey of Americans over the age of 50 and their spouses of any age. The sample for this analysis is comprised of respondents aged 51–56 at the first wave of interviews conducted in 1992. We follow up those working-aged adults until 2000 (8 years later) when they are aged 59–64, just before they reach the Social Security FRA. We focus on this segment of the life cycle when the risk of disablement dramatically rises, yet people are subject to much weaker safety nets than would be available to them past age 65. At age 65, SSI, Medicaid, and Medicare become available

without any disability screen and without any waiting period (relevant for Medicare). Most of our analysis is based on comparisons between the 1992 and 2000 waves of the HRS. Nevertheless, we also conduct supplementary analyses using more detailed information from the 1994, 1996, and 1998 waves. The analysis is limited to a subsample of the 1992 cross section of people who survived until the 2000 interview. Thus, an important caveat is that people who died in the interim are excluded from the analysis. The excluded members of the 1992 sample are likely to have relatively low socioeconomic status (SES) at the baseline; be disproportionately disabled at the baseline; experience a disability shock prior to death; be eligible for Disability Insurance (DI), SSI, Medicaid, or Medicare prior to death; and perhaps to experience financial distress sometime between disability onset and death. (These estimates are not shown, but are available upon request from the authors.) The financial well-being of working-age people who die prior to reaching the FRA under Social Security is of obvious interest in its own right and would be a fruitful subject for future study.

We use a combination of three HRS variables to identify the disability status and a disability shock. Those variables include a doctor-diagnosed major health condition as defined by Smith (1999), self-reported work-limiting health condition, and self-reported health status as "poor" or "fair." More specifically, in this analysis a respondent is defined as being disabled if at least one of the three conditions is satisfied: the respondent reported a doctor-diagnosed major health condition, self-reported having a work-limiting health condition, or self-reported being in poor or fair health. Thus, our definition of disability status is a broader definition than the Social Security Administration's (SSA's) programmatic definition of categorical disability. We use all three variables to identify disability status because they represent different aspects of disablement with different strengths and weaknesses. Of the three measures, having a doctor-diagnosed major health condition is the most objective one.[2] However, it is less helpful for identifying disabilities among people without access to health insurance coverage, and in some cases, it reflects a curable health condition that does not lead to disablement. Self-reported work-limiting disabilities are relevant in that they are directly related to the capacity to work, but have been often criticized as being subject to reporting bias based on labor force status. Self-reported poor or fair health is admittedly subjective, but it is based on the interview subject's knowledge of his or her own health limitations and has substantial long-term predictive strength (Rupp and Davies 2004). This is the only measure that is truly meaningful for people who have limited access to health care and have been out of the labor force for most of their lives, often because of severe disablement.

We distinguish three groups of people: (1) those who were not disabled both at the baseline and followup (ND→ND); (2) those who were nondisabled at the baseline, but were disabled at the followup (ND→D); and (3) those who were disabled both at the baseline and the followup (D→D). The ND→ND group is defined as nondisabled on all three measures at both the baseline and followup. That is a strong counterfactual compared with alternative definitions based on a single measure. The ND→D group is defined by a transition from nondisabled status on all three measures at the baseline to disabled status on at least one of the three measures at the followup. In this article, we refer to this transition from a nondisabled to a disabled status as a disability shock. The D→D group is defined based on the presence of a disability in at least one of the three indicators (not necessarily the same indicator) both at the baseline and at the followup. Thus, the D→D group includes not only people who were severely disabled at the baseline, but also others with self-reported disabilities that may have been less severe. Therefore, this group is broader in scope than the group of disability beneficiaries that satisfies SSA's stringent categorically disabled definition. For simplicity, in the rest of this article we will refer to the three groups as "nondisabled" (ND→ND), "newly disabled" (ND→D), and "disabled" (D→D).

In some of the analysis, we also use a measure based on how many of the three disability status variables are met. Meeting a single variable forms the weakest disability indicator, and meeting all three conditions forms the strongest indication of a disability. The bulk of the analysis uses a simplification of defining membership in one of the three groups exclusively based on status in the beginning of our study period (1992) and the end (2000). That approach misses some nuances arising from transitions that may involve the 1994, 1996, and 1998 waves of the HRS. Thus, we also use all five waves in auxiliary analyses (and even those might miss some details because of possible unobserved transitions between the five waves). In addition, we also conduct a supplementary analysis by type of disability measure for respondents reporting a single disability defined by only one of our three disability indicator measures. Finally, most of our analysis ignores the important pattern of the "recovered" group

(D→ND) because of the small sample size, but we do report some key results for this group as well within the limits allowed by the sample size.

Measures of financial well-being include poverty status, household income, various indicators of household wealth, household liabilities, private and public health insurance coverage, and MOOP expenditures. We also derive variables to characterize important aspects of financial well-being. First we create a household annuitized nonhousing wealth variable based on a simple 4 percent withdrawal rule.[3] That allows comparisons of household wealth and household income (with or without MOOP expenditures on an equal footing. Then we create a wealth-adjusted income indicator, which adds annuitized nonhousing wealth to our income measure, designed to identify three broad categories of people by overall financial well-being. The three mutually exclusive groups include people who are potentially eligible for SSI disability, others with low wealth-adjusted income, and a residual group of people with high wealth-adjusted income.[4] As previously noted, all of our analysis is descriptive; no causal interpretation is intended. Categorical variables are characterized by percent distributions and numeric variables by means, medians, percentiles, and percent measures. Estimated standard errors account for complex survey design.

Results

Sample characteristics by longitudinal patterns of disability are provided in Table 1. Nondisabled people (ND→ND) generally exhibit characteristics that are associated with favorable indicators of financial well-being. Only 5 percent are poor, about half have at least some college education, and about half are in the middle or upper tercile by income and household wealth. Over 80 percent are married, and a similar proportion of nondisabled people are non-Hispanic white. In contrast, disabled people (D→D) are generally the most disadvantaged, with a poverty rate around 19 percent and pluralities in the lowest income and asset levels; about 30 percent of them are high school dropouts. Newly disabled people (ND→D) are generally in-between those who are nondisabled and those who are disabled and are clearly worse off than

Table 1.
Sample characteristics at the 1992 baseline, by longitudinal pattern of disability

Characteristic	Longitudinal pattern groups [a]			Total
	ND→ND	ND→D	D→D	
Median age (years)	53	54	54	54
Female (%)	53.6	49.3	55.2	53.2
Race/ethnicity (% distribution)				
Non-Hispanic white	85.3	81.4	76.2	81.7
Non-Hispanic black	7.3	9.6	13.4	9.7
Non-Hispanic other	2.4	1.7	1.8	2.1
Hispanic	5.0	7.3	8.5	6.5
Marital status (% distribution)				
Married	82.1	77.7	71.8	78.0
Widowed/separated/divorced	14.5	18.3	24.7	18.4
Single	3.4	4.0	3.5	3.6
Education (% distribution)				
High school dropout	13.2	20.9	31.6	20.5
High school graduate	36.9	37.9	40.1	37.1
Some college	22.4	21.7	17.4	20.7
College graduate or more	27.4	19.5	10.9	20.7
Total household income (mean, 1992 $)	65,300 (3,147)	52,184 (2,471)	39,020 (1,722)	54,517 (2,041)
Total household income [b] (% distribution)				
Lowest third	18.6	25.8	41.7	27.2
Middle third	32.6	34.6	33.1	33.1
Highest third	48.9	39.6	25.2	39.7
Poverty rate [c] (%)	5.1	7.4	18.9	9.8

Continued

Table 1.
Sample characteristics at the 1992 baseline, by longitudinal pattern of disability—*Continued*

Characteristic	Longitudinal pattern groups [a]			Total
	ND→ND	ND→D	D→D	
Total net household wealth [d] (mean, 1992 $)	314,550	184,786	152,277	237,461
	(21,849)	(12,395)	(12,660)	(11,164)
Household net nonhousing wealth [e] (mean, 1992 $)	229,651	123,990	103,359	168,649
	(19,116)	(11,914)	(10,561)	(9,856)
Household net housing wealth (mean, 1992 $)	84,899	60,796	48,918	68,812
	(4,057)	(6,882)	(5,324)	(3,838)
Total net household wealth (% distribution)				
Lowest third	17.8	29.2	43.2	27.0
Middle third	35.0	35.5	31.8	34.1
Highest third	47.2	35.2	24.0	37.9
Wealth-adjusted income indicator [f] (% distribution)				
Potentially eligible for SSI disability	13.1	19.7	27.9	19.0
Others with low income/annuitized wealth	30.8	35.6	42.8	35.5
Others with high income/annuitized wealth	56.1	44.6	29.3	45.5
Number of observations	1,766	833	1,221	3,820

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Monetary values are in 1992 dollars. Household income is expressed in per annum terms. Reported figures are weighted using survey sampling weights. Standard error estimates (in parentheses) are derived using Taylor linearization to account for complex sample design. Percent values may not sum to 100 because of rounding.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup. Persons who died between the two waves (392 observations) are excluded from the sample. Persons falling into the recovery D→ND pattern (227 observations) are also excluded from the sample because of small sample size.

b. Household income is the sum of incomes from different sources, including wage and salary earnings, bonuses, overtime pay, commissions, and tips; household capital income; income from employer pensions or annuities; disability benefits covered under Social Security; Supplemental Security Income; Social Security retirement benefits (own, spouse, or widow(er)); other public benefits; income from unemployment and workers' compensation; income from other government transfers (veterans' benefits, welfare, and food stamps); and other household income. Incomes from both spouses apply to married households.

c. In determining poverty status, we follow the procedure described in the RAND-HRS documentation (version G) to the extent feasible. Status as poor is determined using poverty threshold levels from the Census Bureau. Using the RAND-HRS data file, family composition is determined by the number of people living in the household. We are unable to identify the number of family members younger than age 18 and to precisely identify the number of household members unrelated to the respondent or spouse, and therefore our poverty measure is somewhat imprecise.

d. Net household wealth includes the net value of housing, financial wealth, business(es) and vehicle(s). It also includes individual retirement account (IRA) balances.

e. Household net nonhousing wealth is the total net household wealth minus the net value of housing.

f. Of the total sample, we first define the subgroup that is potentially eligible for SSI disability. This subgroup is defined based on assets and income limits used under the SSI means test, except that in establishing countable income, the earned income of the respondent is capped at the substantial gainful activity (SGA) level. The SGA screen is used in determining categorical eligibility as disabled. This indicator is derived separately for couples and single people and is wave specific; that is, the program limits are in nominal terms for each wave year. The remaining part of the sample that is not potentially eligible for SSI disability is divided into two subgroups based on the sum of their annual household income and annuitized nonhousing wealth. Annuitized nonhousing wealth is calculated using a 4 percent withdrawal rule and implicitly assumes liquidity. The annuitized wealth is then added to annual household income. Using this combined measure, we derive the second and third subgroups as those whose wealth-adjusted income is below the median and those whose wealth-adjusted income is above the median, respectively.

those who stay nondisabled with respect to some of their socioeconomic characteristics. This is consistent with the fact that they have baseline socioeconomic characteristics associated with less favorable outcomes regardless of the disability shock they have yet to experience.

Overall Outcomes by Longitudinal Pattern of Disability

Information on poverty status and household income is provided in Table 2. Compared with the other two groups, the nondisabled (ND→ND) group showed the smallest change, with its poverty rate almost unchanged (0.2 percentage points), and some decline in household income at the median (-11 percent), but an increase at the mean (6 percent), suggesting relatively favorable outcomes at the higher end of the income distribution. The second column shows that the newly disabled (ND→D) group experienced a substantial increase in poverty rate (76 percent) and a sharp decline in median household income (-25 percent), although a much smaller decline at the mean, most likely affected by those individuals at the higher end of the income distribution. The disabled (D→D) group experienced about the same decline in median and mean income as the group that became newly disabled, but with a much smaller increase in poverty in relative terms.

Table 3 shows how various components of household income contribute to the financial well-being, separately for each of the three groups, at the baseline and followup, and it highlights their changes. The sources include own earnings; public benefits; own pensions; and other sources, which are largely spousal earnings.[5] One of the main conclusions from this table is that, on average, own earnings substantially decreased for all three groups. Butrica, Toder, and Toohey (2008) highlight the potentially powerful role of delaying retirement (that is, labor force withdrawal) on financial security. However, the causes and consequences of early labor force withdrawal are profoundly different by disability status. Most importantly, delaying retirement is less of an option for those who experience a disability shock (the ND→D group). For the nondisabled (ND→ND) group, labor force withdrawal is obviously unrelated to major adverse health or disability shocks. For that group, "other sources" almost completely replace loss of own earnings. Thus, it is not surprising that despite the low rate at which own pensions and public benefits replace the average lost earnings (44 percent; authors' calculation), mean household income increases for this group mainly because of the increase in other sources of income.

Disability shocks are associated with a greater decline in average earnings. The rate of replacement of lost own earnings by own public benefits and private pensions is somewhat lower for the newly disabled (ND→D) group (41 percent; authors' calculation) than for the nondisabled (ND→ND) group. The main reason for declining average household income for the former group is that the increase in other sources of income replaces a much lower share of lost earnings compared with the nondisabled group. Note that private pensions are more important than public benefits in buffering the effects of income loss associated with disability shocks in our sample. Previous studies have amply demonstrated the secular decline in overall defined benefit pension coverage in the last two decades and the increasing prevalence and importance of defined contribution (DC) plans.[6] Although this shift may lead to changes in the role of public and private pension income for future cohorts, it is less likely to have had a substantial impact for the cohort in our sample because DC plans were less prevalent for this cohort.[7] Finally, for the disabled (D→D) group, the most salient fact is that the increase in other sources of income when compared with the decrease in own earnings plays a relatively smaller role than for the other two groups (17 percent versus 96 percent for the ND→ND group and 34 percent for the ND→D group; authors' calculations). Appendix Table A-1 provides more distributional detail. It shows that the percentage of respondents with own earnings declined, while the percentage with public benefits and pensions combined increased between the baseline and followup across the board. Detailed distributional statistics on changes in income from various sources show more complex patterns.

Table 4 shows that marital status (measured at the baseline) is indeed an important factor affecting poverty outcomes associated with disablement.[8] The poverty rate among the nondisabled (ND→ND) group, compared with the other two groups, is relatively lower at both the baseline and followup, and there is little percentage point change in poverty rates between the baseline and followup. While the rate of poverty for people in the nonmarried category actually

Table 2.
Poverty status and household income in 1992 and 2000, by longitudinal pattern of disability

Variable statistic at the 1992 baseline and 2000 followup and the change between 1992 and 2000	Longitudinal pattern groups [a]			Total
	ND→ND	ND→D	D→D	
Percent poor [b]				
At baseline	5.1	7.5	18.9	9.8
	(0.6)	(0.8)	(1.4)	(0.7)
At followup	5.3	13.2	23.6	12.6
	(0.6)	(1.3)	(1.5)	(0.9)
Change (percentage point)	0.2	5.7	4.7	2.8
	(0.8)	(0.9)	(1.2)	(0.6)
Change (%)	3.9	76.0	24.9	28.6
Median household income [c]				
At baseline ($)	50,240	42,000	29,400	42,237
At followup ($)	44,647	31,486	23,001	35,154
Change ($)	-5,593	-10,514	-6,399	-7,083
Change (%)	-11.1	-25.0	-21.8	-16.8
Mean total household income				
At baseline ($)	65,300	52,184	39,020	54,517
	(3,147)	(2,471)	(1,722)	(2,041)
At followup ($)	68,944	48,360	36,593	54,714
	(5,005)	(4,701)	(2,389)	(3,084)
Change ($)	3,644	-3,824	-2,428	197
	(4,342)	(3,915)	(1,623)	(2,353)
Change (%)	5.6	-7.3	-6.2	0.4
Number of observations	1,766	833	1,221	3,820

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Monetary values are in 1992 dollars. Household income is expressed in per annum terms. Reported figures are weighted using survey sampling weights. Standard error estimates (in parentheses) are derived using Taylor linearization to account for complex sample design.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup.

b. In determining poverty status, we follow the procedure described in the RAND-HRS documentation (version G) to the extent feasible. Status as poor is determined using poverty threshold levels from the Census Bureau. Using the RAND-HRS data file, family composition is determined by the number of people living in the household. We are unable to identify the number of family members younger than age 18 and to precisely identify the number of household members who were not related to the respondent or spouse, and therefore our poverty measure is somewhat imprecise.

c. Household income is the sum of incomes from different sources, including wage and salary earnings, bonuses, overtime pay, commissions, and tips; household capital income; income from employer pensions or annuities; disability benefits covered under Social Security; Supplemental Security Income; Social Security retirement benefits (own, spouse, or widow(er)); other public benefits; income from unemployment and workers' compensation; income from other government transfers (veterans' benefits, welfare, and food stamps); and other household income. Incomes from both spouses apply to married households.

Table 3.

Household income [a] from various sources, by longitudinal pattern of disability

Longitudinal pattern group [b] and income source [c]	Overall mean value ($)		Difference between 1992 and 2000 ($)	Percent distribution		Percentage point difference between 1992 and 2000	Number of observations
	1992	2000		1992	2000		
ND→ND							1,766
Own earnings	30,393	21,164	-9,229	47	31	-16	
Own public benefits	411	1,582	1,171	1	2	2	
Own pensions	504	3,382	2,878	1	5	4	
Other sources	33,992	42,816	8,824	52	62	10	
Total	65,300	68,944	3,644	100	100	. . .	
ND→D							833
Own earnings	25,543	11,930	-13,613	49	25	-24	
Own public benefits	390	2,399	2,009	1	5	4	
Own pensions	573	4,148	3,575	1	9	8	
Other sources	25,677	30,296	4,619	49	63	13	
Total	52,184	48,360	-3,824	100	100	. . .	
D→D							1,221
Own earnings	15,763	8,805	-6,958	40	24	-16	
Own public benefits	1,520	3,197	1,677	4	9	5	
Own pensions	761	2,436	1,675	2	7	5	
Other sources	20,976	22,155	1,179	54	61	7	
Total	39,020	36,593	-2,427	100	100	. . .	

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Monetary values are in 1992 dollars. The mean values are unconditional on having income from that source and are expressed in per annum terms. Percent values may not sum to 100 because of rounding. Reported figures are weighted using survey sampling weights. Estimated standard errors are available upon request from the authors.

. . . = not applicable.

a. Household income is the sum of incomes from different sources, including wage and salary earnings, bonuses, overtime pay, commissions, and tips; household capital income; income from employer pensions or annuities; disability benefits covered under Social Security; Supplemental Security Income; Social Security retirement benefits (own, spouse, or widow(er)); other public benefits; income from unemployment and workers' compensation; income from other government transfers (veterans' benefits, welfare, and food stamps); and other household income. Incomes from both spouses apply to married households.

b. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup.

c. "Own earnings" is the sum of the respondent's wage and salary income, bonuses and overtime pay, commissions, and tips. "Own public benefits" is the sum of the respondent's income from disability benefits covered under Social Security and SSI, and income from Social Security retirement, spouse, and widow(er) benefits. "Own pensions" is the sum of the respondent's income from all pensions and annuities. "Other sources" of income is the total household income minus the sum of the respondent's own earnings, public benefits, and pensions, as described above. Thus, it includes the spouse's earnings, public benefits, and pensions, as well as household capital income; income from unemployment, workers' compensation, and government transfers for both spouses; and other household sources of income (such as alimony, lump sums from insurance, pensions, and inheritances).

Table 4.
Poverty rates in 1992 and 2000, by marital status at the 1992 baseline and longitudinal pattern of disability

Variable statistic at the 1992 baseline and 2000 followup and the change between 1992 and 2000	Married at the baseline: Longitudinal pattern groups [a]			Not married at the baseline: Longitudinal pattern groups [a]			Total
	ND→ND	ND→D	D→D	ND→ND	ND→D	D→D	
Percent poor [b]							
At baseline	3.4	5.1	12.6	13.0	15.5	34.8	9.8
	(0.6)	(1.0)	(2.0)	(2.0)	(3.0)	(3.0)	(0.7)
At followup	4.1	9.6	15.0	11.0	25.5	45.4	12.6
	(0.6)	(1.0)	(2.0)	(2.0)	(3.0)	(3.0)	(0.8)
Change (percentage point)	0.7	4.5	2.4	-2.0	10.0	10.6	2.8
	(0.7)	(1.0)	(1.4)	(2.4)	(2.9)	(3.2)	(0.6)
Change (%)	20.6	88.2	19.0	-15.4	64.5	30.5	28.6
Number of observations	1,452	649	870	314	184	351	3,820

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Reported figures are weighted using survey sampling weights. Standard error estimates (in parentheses) are derived using Taylor linearization to account for complex sample design.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup.

b. In determining poverty status, we follow the procedure described in the RAND-HRS documentation (version G) to the extent feasible. Status as poor is determined using poverty threshold levels from the Census Bureau. Using the RAND-HRS data file, family composition is determined by the number of people living in the household. We are unable to identify the number of family members younger than age 18 and to precisely identify the number of household members who were not related to the respondent or spouse, and therefore our poverty measure is somewhat imprecise.

decreases at the followup, those in that category continue to experience much higher poverty rates than their married peers.

For both newly disabled people and those who start and stay disabled, the differences in poverty rate by marital status are large at the baseline. While the poverty rate increases for both married and nonmarried respondents, the percentage point increase is much larger for those in the nonmarried group than for their married peers. The poverty rate increase for the people in the nonmarried category relative to those who are married is 5.5 percentage points higher among the newly disabled (ND→D) group and 8.2 percentage points higher for those in the disabled (D→D) group (authors' calculations). Being married clearly provides an important buffer against impoverishment associated with a disability shock or continued disability. Importantly, nonmarried people already disabled at the baseline are not only the most likely to be poor both at the baseline and followup, but their poverty rate increases from essentially one-third to almost half between the baseline and followup. Thus, the combination of being single and having a continued disability is associated with substantial economic vulnerability.

Table 5 shows indicators of net household wealth and liabilities. Baseline differences in wealth measures among the three groups are substantial, in the expected direction: Both the percent with any positive amount from a given source and mean/median 1992 levels are highest among nondisabled people and lowest among those who start and stay disabled. Between 1992 and 2000 there were increases in all measures of wealth for all three disability status groups, but the magnitudes of change substantially differed by wealth measure and group; the medians clearly suggest a negative effect of disability shocks.[9] To give some perspective on these findings, we make two observations.

First, this was a period of substantial rise in the stock market (the S&P 500 index increased by 258 percent), low inflation (23 percent increase), and appreciation in the housing market (37 percent increase in Case-Schiller index) that outpaced inflation.[10] Second, household annuitized nonhousing wealth (Table 5) is small compared with household income (Table 2) for all three groups.

Median net household financial wealth (Table 5) at the baseline ranged from a high of $15,000 for nondisabled respondents to a low of $2,000 for those already disabled. The percent increase between the baseline and followup showed a similar pattern for the three groups; it stayed essentially flat for those already disabled at the baseline.[11] Because median net household financial wealth was only 17 percent of median household annual

Table 5.
Net household wealth and liabilities, by longitudinal pattern of disability

Variable statistic at the 1992 baseline and change between 1992 and 2000	Longitudinal pattern groups [a]			Total
	ND→ND	ND→D	D→D	
Total net household wealth [b]				
Presence of positive amount at baseline (%)	97.7	93.9	87.3	93.7
Percentage point change	0.0	0.7	0.6	0.4
Median at baseline ($)	141,500	97,000	61,000	105,900
Change ($)	57,517	15,185	13,520	22,890
Change (%)	40.6	15.7	22.2	21.6
Mean at baseline [c] ($)	314,550	184,786	152,277	237,461
	(21,849)	(12,395)	(12,660)	(11,164)
Change ($)	187,033	92,160	48,708	124,710
	(68,409)	(27,439)	(16,545)	(33,442)
Change (%)	59.5	49.9	32.0	52.5
Household net nonhousing wealth [d]				
Presence of positive amount at baseline (%)	95.7	92.0	83.5	91.2
Percentage point change	-0.2	-2.0	-0.2	-0.6
Median at baseline ($)	64,100	40,200	17,400	43,158
Change ($)	41,200	9,210	4,470	15,162
Change (%)	64.3	22.9	25.7	35.1
Mean at baseline [c] ($)	229,651	123,990	103,359	168,649
	(19,116)	(11,914)	(10,561)	(9,856)
Change ($)	142,406	82,311	38,612	98,031
	(50,568)	(24,143)	(14,113)	(25,041)
Change (%)	62.0	66.4	37.4	58.1
Household net financial wealth [e]				
Presence of positive amount at baseline (%)	81.4	74.3	62.6	74.2
Percentage point change	2.0	1.7	4.4	2.2
Median at baseline ($)	15,000	7,000	2,000	8,500
Change ($)	6,060	1,910	25	2,192
Change (%)	40.4	27.3	1.3	25.8
Mean at baseline [c] ($)	68,518	34,774	33,372	50,607
	(6,464)	(4,284)	(4,244)	(3,537)
Change ($)	72,750	52,340	17,480	51,617
	(23,172)	(15,692)	(5,915)	(13,449)
Change (%)	106.2	150.5	52.4	102.0
Household annuitized nonhousing wealth				
Mean at baseline [c] ($)	9,186	4,960	4,134	6,746
	(765)	(477)	(422)	(394)
Change ($)	5,696	3,292	1,544	3,921
	(2,023)	(966)	(565)	(1,002)
Change (%)	62.0	66.4	37.3	58.1

Continued

Table 5.
Net household wealth and liabilities, by longitudinal pattern of disability—*Continued*

Variable statistic at the 1992 baseline and change between 1992 and 2000	Longitudinal pattern groups [a]			Total
	ND→ND	ND→D	D→D	
Household liabilities				
Presence of any liability at baseline (%)	74.4	71.4	66.9	71.5
Percentage point change	-11.9	-10.7	-9.7	-11.0
Median at baseline ($)	15,000	10,400	5,000	10,400
Change ($)	-8,520	-6,350	-3,785	-6,350
Change (%)	-56.8	-61.1	-75.7	-61.1
Number of observations	1,766	833	1,221	3,820

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Monetary values are in 1992 dollars. Reported figures are weighted using survey sampling weights. Selected standard error estimates (in parentheses) are derived using Taylor linearization to account for complex sample design.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup.

b. Net household wealth includes the net value of housing, financial wealth, business(es), and vehicle(s). It also includes individual retirement account (IRA) balances.

c. The mean values are estimated for all respondents in each group whether the variable value is zero or positive.

d. Household net nonhousing wealth is the total net household wealth minus the net value of housing.

e. Financial wealth includes money held in checking and savings bank accounts, stocks, bonds, T-bills, mutual funds, and other savings net of debt. It does not include IRAs or the net value of business(es).

income at the baseline for the newly disabled (ND→D) group and only 7 percent for the already disabled at the baseline (the D→D group) (authors' calculations using figures in Tables 2 and 5), financial wealth hardly provided any cushion against the income loss associated with a disability shock among respondents newly disabled; and, there was a continued high rate of poverty among those already disabled.

The percent with household liabilities was slightly higher for the nondisabled (ND→ND) group than for the other two groups, but the median of household liabilities was only roughly 10 percent of the median net household wealth for both the nondisabled and the newly disabled (ND→D) groups, and even less so for the disabled (D→D) group. Respondents who stayed disabled had the lowest level of median household liabilities at the baseline. While median household liabilities substantially declined for all three groups, overall, liabilities do not seem to have played a major role in differences in financial well-being among the three longitudinal pattern groups.

Next, we turn to health insurance coverage and MOOP expenditures (Table 6). These are important aspects of financial well-being in the context of disablement because disabilities tend to be associated with high medical expenditures. During the period under study, there was no mechanism of universal access to health insurance among the working-age population in the United States, and access to affordable private insurance among people with preexisting conditions has been limited. Overall, the percent of our sample universe with health insurance coverage at the baseline was lowest among people who were disabled (D→D) and highest among those who were nondisabled (ND→ND). However, that pattern reversed between the baseline and followup because of the increase in public health insurance coverage among the two groups of people with disability experience. Still, given the fact that disabled respondents may be in greater need for health insurance protection, at our followup, over 15 percent of respondents in both disability groups were without any health insurance coverage.

These overall patterns reflect opposite dynamics with respect to private and public health insurance coverage. At the baseline, access to private health insurance was the highest among nondisabled (ND→ND) respondents, and it changed very little. In contrast, access to public health insurance was the lowest for respondents in that group, and increased only slightly. Thus, it is not surprising that the nondisabled group experienced little overall change in health insurance coverage.

Regarding access to private health insurance, there is no statistically significant difference at the baseline between the nondisabled (ND→ND) group and the newly disabled (ND→D) group, but private coverage is significantly lower among the continuously disabled (D→D) group. Over the period, the two groups with disability involvement (ND→D and D→D) experienced a greater decline in private coverage than did the nondisabled (ND→ND) group. This is not surprising given the fact that the private insurance market over the observed period (1992 to 2000) did not address the needs of people with increasing medical needs and decreasing earnings potential associated with disabilities. More specifically, it was possible for private health insurance companies during that time to deny coverage to high utilizers or people with preexisting conditions, whereas employer-provided insurance often was not available to part-time workers, and COBRA coverage for those who lost their jobs was relatively expensive. In contrast, public health insurance—primarily

Table 6.
Health insurance coverage and MOOP expenditures, by longitudinal pattern of disability

Variable statistic at the 1992 baseline and 2000 followup and the change between 1992 and 2000	Longitudinal pattern groups [a]			
	ND→ND	ND→D	D→D	Total
With health insurance from any source [b] (%)				
At baseline	82.9	81.1	77.4	80.9
	(1.1)	(1.7)	(1.2)	(0.8)
At followup	82.5	84.0	84.7	83.5
	(1.0)	(1.7)	(1.3)	(0.8)
Change (percentage point)	-0.5	2.9	7.3	2.6
	(1.0)	(1.9)	(1.6)	(0.9)
Change (%)	-0.6	3.6	9.4	3.2
With private health insurance (%)				
At baseline	81.3	79.0	62.9	75.3
	(1.1)	(1.7)	(1.5)	(1.0)
At followup	80.5	72.1	57.7	71.8
	(1.0)	(1.9)	(1.6)	(1.0)
Change (percentage point)	-0.8	-6.9	-5.2	-3.5
	(1.2)	(1.7)	(1.5)	(0.9)
Change (%)	-1.0	-8.7	-8.3	-4.6
With public health insurance (%)				
At baseline	4.4	5.4	20.0	9.4
	(0.9)	(0.9)	(1.2)	(0.7)
At followup	5.2	18.5	36.7	17.6
	(0.8)	(1.6)	(1.7)	(0.9)
Change (percentage point)	0.7	13.1	16.7	8.2
	(0.5)	(1.4)	(1.2)	(0.6)
Change (%)	16.4	242.6	83.5	87.2
With MOOP expenditures (%)				
At baseline	83.7	83.5	82.6	83.3
	(0.8)	(1.4)	(1.0)	(0.6)
At followup	90.4	89.6	85.3	88.7
	(1.0)	(1.3)	(1.0)	(0.7)
Change (percentage point)	6.7	6.0	2.7	5.4
	(1.3)	(2.2)	(1.3)	(0.8)

Continued

Table 6.
Health insurance coverage and MOOP expenditures, by longitudinal pattern of disability—*Continued*

Variable statistic at the 1992 baseline and 2000 followup and the change between 1992 and 2000	Longitudinal pattern groups [a]			
	ND→ND	ND→D	D→D	Total
MOOP expenditures ($)				
Mean at baseline [c]	528	729	807	656
	(40)	(84)	(63)	(29)
Mean at followup [c]	568	976	978	780
	(31)	(66)	(47)	(29)
Median at baseline	207	224	248	220
Median at followup	258	446	458	356
90th percentile at baseline	1,246	1,573	1,739	1,405
90th percentile at followup	1,354	2,414	2,462	1,863
Number of observations	1,766	833	1,221	3,820

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Monetary values are in 1992 dollars. Reported figures are weighted using survey sampling weights. Standard error estimates (in parentheses) are derived using Taylor linearization to account for complex sample design.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup.

b. Health insurance coverage either through private employer plans (self or spouse) or through public programs (Medicaid/Medicare).

c. The mean values are estimated for all respondents in each group whether the variable value is zero or positive.

Medicaid and Medicare—increased substantially for the two groups with disability involvement, more than compensating for the loss of private health insurance on the average. This is expected, given the heavy conditioning of access to public health insurance among the working-age population in the United States on the presence of severe disabilities, largely in combination with poverty. Nevertheless, only 18.5 percent of newly disabled (ND→D) respondents and only slightly more than a third (36.7 percent) of those who were already disabled (D→D) at the baseline had public insurance coverage at the followup. The 15–16 percent of disabled people without any health insurance at the followup may reflect either limited access to private coverage among those who were severely disabled and may not have been eligible for Medicaid or Medicare for a variety of reasons[12] or others whose disabilities were not sufficiently severe to qualify for public health insurance coverage, but were still limiting in a variety of ways. The vast majority of all three groups reported some MOOP expenditures at the baseline. We observe some increase in the proportion with any MOOP expenditures for all three groups between the baseline and follow-up period; the percentage point increase is largest for the nondisabled (ND→ND) group and lowest for the disabled (D→D) group. The mean of MOOP expenditures (including those with zero values) at the baseline and the followup is higher for the two groups with disability involvement than for the nondisabled (ND→ND) group. The differences are larger when compared with mean household income. Nevertheless, the largest percentage of MOOP expenditures relative to household income (2.7 percent at followup for those who stayed disabled) is still a small fraction (authors' calculation using figures from Tables 2 and 6). Based on the median MOOP expenditures at the followup, our qualitative conclusion is that while MOOP expenditures were clearly higher for disabled people compared with those nondisabled, those costs do not appear to have been a big issue for at least half

of the respondents (below the median) who were either already disabled or newly disabled. Nevertheless, for some people, disabilities are associated with relatively large MOOP expenditures, as the 90th percentile MOOP expenditure figures indicate, especially at the followup.

Variation of Outcomes by Pattern of Disability Indicators

In the analyses above, we focused on overall comparisons among three groups of people defined by longitudinal patterns of disability based on a measure composed of three indicators of disability. Here, our analysis of detailed patterns is motivated by a desire to characterize the nature, intensity, and persistence of disablement in ways that are similar to the approach followed by Meyer and Mok (2006), although the operational measures we use here are different. Table 7 adds some detail on poverty outcomes for the newly disabled (ND→D) group in addition to providing data on a fourth group that has not been previously used or discussed in our analysis: the D→ND group, comprised of people who *recovered* between the baseline and followup. In order to provide a full picture, we also report the poverty outcome information for the other two groups: (1) the nondisabled (ND→ND) group, and (2) the disabled (D→D) group. Several interesting findings emerge from this analysis.

Table 7.
Poverty rates in 1992 and 2000 and their change between 1992 and 2000, by the reported nature and intensity of the disability

Detailed disability pattern [a]	Percent poor [b] 1992	Percent poor [b] 2000	Percentage point difference	Number of observations
ND→ND	5.1	5.3	0.2	1,766
ND→D subgroup	7.5	13.2	5.7	828
One indicator of disability: [c]				
Doctor-diagnosed major health condition	1.5	4.1	2.6	255
Self-reported poor or fair health	19.5	12.4	-7.1	124
Self-reported work-limiting condition	8.2	16.8	8.6	179
Two indicators of disability [c]	9.3	17.1	7.8	180
Three indicators of disability [c]	7.2	27.4	20.2	90
D→D	18.9	23.6	4.7	1,221
D→ND	10.4	6.0	-4.4	227

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Reported figures are weighted using survey sampling weights. Estimated standard errors are available upon request from the authors.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup; and the D→ND group is comprised of respondents who were disabled at the baseline, but recovered by the followup.

b. In determining poverty status, we follow the procedure described in the RAND-HRS documentation (version G) to the extent feasible. Status as poor is determined using poverty threshold levels from the Census Bureau. Using the RAND-HRS data file, family composition is determined by the number of people living in the household. We are unable to identify the number of family members younger than age 18 and to precisely identify the number of household members who were not related to the respondent or spouse, and therefore our poverty measure is somewhat imprecise.

c. The *one indicator of disability* group is comprised of respondents who reported a disability on a single indicator alone; the *two indicators of disability* group consists of those who reported a disability on any two of the disability indicators; and the *three indicators of disability* group consists of those who reported a disability on all the three indicators.

First, we look at the "intensity" of disablement by creating three subgroups within the newly disabled (ND→D) group: a subgroup consisting of respondents who experienced a disability shock on a single indicator alone, a second subgroup of those who experienced a disability shock on any two indicators, and a third subgroup consisting of those who experienced a disability shock on all three of our indicators. Using those subgroups together with the nondisabled (ND→ND) group that in effect transitioned from a *zero* disability indicator at the baseline to a *zero* disability indicator at the followup, we have a scale of the severity of the disability shock ranging from zero to three. Consistent with the results of Meyer and Mok (2006), we find that the severity of the shock is strongly related to increased economic vulnerability as measured by the percentage point change in the proportion poor, ranging from 0.2 percentage point among those with no disability shock to 20.2 percentage points among those who experienced a disability shock on all three indicators (Table 7).

Second, we provide additional analysis by type of disability indicator. Because of sample size constraints, we analyze this level of detail only for those people who experienced a disability shock on only one of the following three indicators: (1) doctor-diagnosed major health condition, (2) self-reported poor or fair health, and (3) self-reported work-limiting condition. We find substantial heterogeneity in financial vulnerability between the three measures at the baseline and in the magnitude and pattern of change. Consistent with the overall results, there is a clear increase in percentage poor for both the *doctor-diagnosed major health condition* and *self-reported work-limiting condition* indicators. The results for *self-reported poor or fair health* are dramatically different: There is a relatively high poverty rate at the baseline and a decline in poverty between the baseline and followup.

To improve our understanding of differences among respondents reporting a disability shock on a single indicator only, we analyze detailed characteristics of the three disability indicator subgroups defined by the type of indicator and observe some salient patterns (data not shown). In general, respondents reporting only *doctor-diagnosed major health conditions* are consistently better off at the baseline compared with members of the other two subgroups on a number of SES indicators. The fact that the mean household income of those in the group reporting a *doctor-diagnosed major health condition* actually increases between the baseline and followup is consistent with the lowest poverty rate increase for that group. The main distinguishing characteristics of the respondents in the group that *self-reported poor or fair health* are the vast overrepresentation of high school dropouts and minorities (Hispanic and non-Hispanic blacks) among them. The differences between respondents in this group and those in the group self-reporting only *work-limiting conditions* are complex. Compared with those in the group self-reporting only *work-limiting conditions*, those self-reporting only *poor or fair health* have comparable average earnings and lower mean household income at the baseline, but experience more muted declines in average earnings and household income (estimates are available from the authors upon request).

The decrease in poverty rate among those in the group that *self-reported poor or fair health* runs counter to the expectation that disability shocks should lead to increased financial vulnerability. However, a more careful analysis considering the SES characteristics of this group explains the seeming anomaly. Heterogeneity is clearly very important here. First, the poverty rate decreases, even though the average household income decreases by 16 percent between the baseline and followup. Second, a closer look at what happens at the lower tail of the income distribution provides an explanation for the decrease in the poverty rate. In general, the loss of earnings is the major mechanism creating a relationship between disability shocks and deterioration in financial well-being. However, the loss of earnings is less relevant than changes in other income items as determinants of poverty status for this group. For respondents who did not work at the baseline, the poverty rate is essentially bound to decrease because the loss of earnings cannot contribute to increased poverty, while increased public benefits and pensions and positive earnings for some at the followup, however small, pushes household income above the poverty line in some cases. More importantly, among respondents *self-reporting poor or fair health* who worked at the baseline—in contrast to those in the other two subgroups—the poverty rate goes down, particularly among the working poor. Earnings loss among the working poor cannot result in poverty because those people are already poor, whereas the increase in both the proportion of those receiving income and the average amount received (while small) from public benefits and pensions pushes household income above the poverty line. Although

the sample size is small, data tabulations (available upon request from the authors) indicate that the sample of respondents classified as working poor at the baseline who *self-reported poor or fair health* are much more likely to be Hispanic and without a high school degree. While this discussion highlighted some of the factors explaining the poverty-related differences among the three disability indicator subgroups, much remains for future analyses. In particular, the results from Table 7 provide clear motivation for follow-up studies focusing on differences by SES indicators.

Finally, Table 7 shows that *recovery* (D→ND) is associated with a reduction in the poverty rate, producing an improvement on this indicator of economic vulnerability (4.4 percentage point reduction in the poverty rate) that is roughly comparable to the absolute magnitude of increase in poverty (5.7 percentage point increase) associated with disability shocks among the newly disabled (ND→D).

So far, in our analysis, we have looked at changes in disability status between two points in time. This of course provides a simplified picture because people may move in and out of a disability state. Hence, in Table 8, we focus on another dimension of the longitudinal pattern of disability: the "persistence" of disablement as measured by the number of waves with at least one reported disability indicator from 1992 to 2000. As expected, the poverty rate is generally positively associated with disability persistence, as revealed by the increase in poverty rate (both in 1992 and in 2000) and the number of waves with reported disability. Furthermore, the percentage point change in poverty rate between the baseline and followup increases among respondents with reported disability in two or more waves, although the pattern shows a nonlinear relationship.

Our overall conclusion from this brief analysis of variation on two dimensions of the pattern of disablement is that both *severity* and *persistence* are important determinants of the economic vulnerability associated with disability shocks. These results are generally in agreement with earlier findings by Meyer and Mok (2006). In addition, we conclude that the overall findings reported in the main body of this study, while instructive, may mask some heterogeneity by SES, and therefore more disaggregated analyses

Table 8.
Poverty rates, by the number of waves between 1992 and 2000 with at least one reported disability indicator

Number of waves with at least one reported disability indicator	Percent poor [a]		Percentage point difference	Number of observations
	1992	2000		
None	4.1	4.7	0.6	1,479
	(0.5)	(0.6)	(0.7)	
One	7.2	6.9	-0.3	461
	(1.1)	(1.5)	(1.6)	
Two	5.7	11.6	5.9	301
	(1.4)	(1.8)	(1.6)	
Three	12.6	22.5	9.9	314
	(1.7)	(2.8)	(2.3)	
Four	13.0	16.6	3.6	410
	(2.0)	(2.0)	(1.6)	
All five waves	21.1	25.6	4.5	855
	(1.6)	(1.6)	(1.4)	
Total	9.8	12.6	2.8	3,820
	(0.7)	(0.9)	(0.6)	

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Reported figures are weighted using survey sampling weights. Estimated standard errors are in parentheses.

a. In determining poverty status, we follow the procedure described in the RAND-HRS documentation (version G) to the extent feasible. Status as poor is determined using poverty threshold levels from the Census Bureau. Using the RAND-HRS data file, family composition is determined by the number of people living in the household. We are unable to identify the number of family members younger than age 18 and to precisely identify the number of household members who were not related to the respondent or spouse, and therefore our poverty measure is somewhat imprecise.

focusing on the interactions between SES and disablement in the future could provide additional insights on the role of social safety nets in affecting the financial security of people experiencing disability shocks near the retirement age. Another direction for future research involves looking at the temporal patterns of disability before and after the full retirement age, as well as differential effects of disability on financial well-being across cohorts.

Conclusion

In this article, we followed three groups of adults aged 51–56 in 1992 with different disability experiences during an 8-year period and found distinct patterns of changes in financial security. First, people who started as nondisabled (in 1992) and were also nondisabled 8 years later (in 2000) have experienced little change in their income and poverty status despite substantial loss of earnings associated with labor force withdrawal; they started with private health insurance that was largely retained over time; and they experienced substantial increases in wealth. Second, newly disabled people (those who started nondisabled and experienced a disability shock later) experienced substantial increases in poverty and sharp declines in median income. The average earnings loss was greatest for people in this group, and on average, public benefits and private pensions replaced less than half of their lost earnings. The net increase in poverty was somewhat muted because of spousal income among the married, while the poverty increase was substantially larger among the nonmarried. Among newly disabled people, median household wealth increased, but at a much lower rate than among those who started and stayed nondisabled. While the private health insurance coverage of those newly disabled declined, this was more than compensated for by the increase in public health insurance. Third, people who were already disabled at the baseline and stayed disabled at the followup experienced a decline in their income security, but public cash benefits muted the drop. While those people started out with the lowest level of household wealth, they experienced growth in median net household wealth. Nevertheless, their liquid resources—financial wealth—remained meager. Importantly, their overall health insurance status improved because of a substantial increase in public health insurance coverage. Finally, greater severity of disability results in a greater increase in poverty for the affected disability group. Based on limited data, we observed some improvement in the poverty status of a small group that shifted from disabled to nondisabled between the baseline and followup.

Much remains for future research. Most importantly, a major source of heterogeneity is due to the conditional nature of the social safety net system in the United States (based on age, low-income levels, and severe disability) with defined benefit and defined contribution pensions (Dushi, Iams, and Tamborini 2011) and health insurance playing a more prominent role at higher SES levels; public cash benefits and health insurance programs play a larger role at the low end of the SES spectrum. However, among the working-age population, public health benefits are also heavily conditioned on severe disabilities. Thus, safety nets dampen the effect of disability shocks in ways that may interact with SES. Of particular interest to policymakers is how subgroups defined by educational attainment fare in the event of a disability shock near retirement age. This issue calls for a study of the relationship between disability shocks and financial well-being at a more disaggregated level. Finally, more analytically oriented studies focusing on the effect of disability shocks net of other factors are also needed for a better understanding of financial security as people move closer to the Social Security FRA.

Appendix

Table A-1.
Own earnings, public benefits, and pensions, by longitudinal pattern of disability

Longitudinal pattern group [a] and variable	1992 baseline				2000 followup				Difference between 1992 and 2000				Number of observations
	Own earnings	Public benefits	Pensions	Public benefits + pensions	Own earnings	Public benefits	Pensions	Public benefits + pensions	Own earnings	Public benefits	Pensions	Public benefits + pensions	
ND→ND													1,766
Percent receiving any income from source	83.6	0.2	4.3	4.8	61.8	0.1	22.6	32.9	-21.8	-0.1	18.3	28.1	
Mean conditional on receipt [b] ($)	36,339	3,606	11,789	10,946	34,273	2,276	14,985	13,586	-2,066	-1,330	3,196	2,640	
Median conditional on receipt [b] ($)	27,716	5,000	12,000	8,064	22,680	486	9,720	8,748	-5,036	-4,514	-2,280	684	
Overall (unconditional) mean [c] ($)	30,393	411	504	916	21,164	1,582	3,382	4,964	-9,228	1,171	2,878	4,048	
	(1,782)	(115)	(69)	(153)	(1,595)	(184)	(443)	(515)	(2,156)	(100)	(456)	(494)	
Overall (unconditional) median [c] ($)	22,000	0	0	0	8,910	0	0	0	-13,090	0	0	0	
ND→D													833
Percent receiving any income from source	84.0	0.5	4.6	5.4	48.6	7.5	27.4	47.7	-35.4	7.0	22.8	42.3	
Mean conditional on receipt [b] ($)	30,404	9,754	12,584	11,845	24,565	5,637	15,129	12,848	-5,839	-4,117	2,545	1,003	
Median conditional on receipt [b] ($)	26,000	11,280	10,000	10,000	19,440	4,860	10,692	8,651	-6,560	-6,420	692	-1,349	
Overall (unconditional) mean [c] ($)	25,543	390	573	964	11,930	2,399	4,148	6,548	-13,614	2,009	3,575	5,584	
	(1,402)	(95)	(134)	(193)	(768)	(195)	(511)	(582)	(1,168)	(167)	(506)	(552)	
Overall (unconditional) median [c] ($)	21,000	0	0	0	0	0	0	243	-20,757	0	0	0	
D→D													1,221
Percent receiving any income from source	63.6	14.0	5.8	19.6	34.7	20.0	21.4	55.5	-28.9	6.0	15.6	35.9	
Mean conditional on receipt [b] ($)	24,793	6,431	13,067	8,770	25,341	6,019	11,410	9,473	548	-412	-1,657	703	
Median conditional on receipt [b] ($)	20,000	6,000	8,000	6,400	18,630	5,249	7,076	6,209	-1,370	-751	-924	-191	
Overall (unconditional) mean [c] ($)	15,763	1,520	761	2,281	8,805	3,197	2,436	5,634	-6,958	1,678	1,675	3,354	
	(967)	(115)	(142)	(165)	(623)	(128)	(262)	(344)	(726)	(130)	(283)	(327)	
Overall (unconditional) median [c] ($)	8,000	0	0	0	0	311	0	2,430	-7,689	0	0	0	

SOURCE: Data are from the Health and Retirement Study.

NOTES: The sample consists of individuals aged 51–56 at the baseline in 1992 (wave 1) and aged 59–64 at the followup in 2000 (wave 5). Monetary values are in 1992 dollars. Reported figures are weighted using survey sampling weights. Selected standard error estimates (in parentheses) are derived using Taylor linearization to account for complex sample design.

a. Disability status in the 1992 and 2000 waves is defined based on three indicators: (1) respondent reported doctor-diagnosed major condition (heart disease, cancer, stroke, and lung disease); (2) respondent self-reported poor or fair health; and (3) respondent self-reported work-limiting condition. People satisfying any one of these three conditions are classified as disabled at the given wave (in 1992 or in 2000). The groupings are based on the combination of disabled or nondisabled status at the two observation waves. Thus, the ND→ND group is comprised of respondents who were nondisabled at the baseline (in 1992) and at the followup (in 2000); the ND→D group is comprised of respondents who were nondisabled at the baseline, but disabled at the followup; and the D→D group is comprised of respondents who were disabled both at the baseline and followup.

b. The mean/median values are estimated among respondents in each group with positive values in each specific income source.

c. The mean/median values are estimated for all respondents in each group whether the variable value of each income source is zero or positive.

Notes

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[1] A fourth important group consists of people who started as disabled at the baseline in 1992 and transitioned to nondisabled status at the followup, by 2000. We call this group "recovered" disabled. Because of the small sample size, we do not include this group in our main analysis, but present some information in our subgroup analysis near the end of the article.

[2] There is some evidence, however, that people underreport disabling conditions relative to their medical records (Landrum, Stewart, and Cutler 2007).

[3] The choice of 4 percent is arbitrary. This is a rough measure for many reasons including differential incentives to annuitize depending on disability status. Annuitization of defined contribution accounts and other liquid assets is extremely rare among nondisabled working-age people, and as Dushi and Webb (2004) suggest, delaying annuitization until ages 73–82 may be optimal for couples. However, most people never annuitize. The 4 percent rate is clearly high for nondisabled individuals. However, people with severe disabilities might decide to use a much higher rate of liquid assets for current consumption either because of high mortality risk or current consumption needs that cannot be met with current income, particularly after an unanticipated disability shock.

[4] Of the total sample, we first define the subgroup that is "covered" by SSI in the sense of potential financial eligibility for SSI disability payments in the event of a hypothetical severe disability shock. This subgroup is defined based on having sufficiently low income and assets for potentially qualifying members as SSI financially eligible in the event of a potential disability shock. We follow the approach outlined by Rupp, Davies, and Strand (2008) in establishing countable income not based on observed countable income, but under the assumption that the earned income of the respondent is capped at the substantial gainful activity (SGA) level under the hypothetical disabled state. This makes sense given that the SGA screen is used in the determination of categorical eligibility as disabled. Earning above the SGA is regarded as prima facie evidence of no categorical eligibility in the initial disability determination process. Within certain restrictions, awardees may earn above the SGA level, but as a practical matter, they rarely exceed that level while in disability benefit status in the vast majority of cases. Our indicator of potential eligibility for SSI disability payments is derived separately for couples and single people and is wave specific; that is, the program parameters and income are in nominal terms for each wave year. The remaining part of the sample that is not potentially eligible for SSI disability is divided into two subgroups based on their annual household income and annuitized nonhousing wealth. We assume a 4 percent withdrawal rule. The annuitized wealth measure is then added to annual household income. Using this combined measure, we derive the second and third subgroups as those whose wealth-adjusted income is below and above the median, respectively.

[5] "Own earnings" is the sum of the respondent's wage and salary income, bonuses, overtime payments, commissions, and tips. "Own public benefits" is the sum of the respondent's income from disability benefits covered under Social Security, Supplemental Security Income, and income from Social Security retirement, spouse, or widow(er) benefits. "Own pensions" is the sum of the respondent's income from all pensions and annuities. "Other sources of income" is total household income minus the sum of the respondent's own earnings, public benefits, and pensions, as previously described. Thus, it includes spouse's earnings, public benefits, and pensions, as well as household capital income, income from unemployment and workers' compensation, and income from government transfers for both spouses and other household sources of income (such as alimony, lump-sum payments from insurance, pensions, and inheritances).

[6] See Turner and Beller (1989); Gustman and Steinmeier (1992); Employee Benefit Research Institute (1993); Kruse (1995); Rajnes (2002); Costo (2006); Buessing and Soto (2006); Gustman, Steinmeier, and Tabatabai (2009); Purcell (2005, 2009); Copeland (2005, 2009); Bureau of Labor Statistics (2010); Dushi and Iams (2008); Dushi and Honig (2007); and Iams and others (2008).

[7] Using HRS survey reports, we find that 38 percent of wage and salary workers aged 51–56 in the original HRS cohort reported being included in a defined contribution (DC) plan in the 1992 wave, whereas 50 percent of wage and salary workers aged 51–56 in the Early Baby Boom (EBB) cohort reported being included in a DC plan in 2004. Buessing and Soto (2006, Table E4), using Form 5500 data from the Department of Labor, reported that among all private-sector workers, participation rates in DC plans were 34 percent in 1992 and 45 percent in 2003.

[8] Johnson, Mermin, and Uccello (2005) also find an association between marital status and disability incidence.

[9] Johnson, Mermin, and Murphy (2007) suggest that financial holdings are more sensitive to the effects of disability shocks than future Social Security benefits.

[10] Sources: (1) S&P 500 Stock Price Index, http://research.stlouisfed.org/fred2/series/SP500/downloaddata?cid=32255, June 1, 1992 (408.27) to June 1, 2000 (1,461.96); (2) Case-Shiller US National Home Price Index, http://www.spindices.com/indices/real-estate/sp-case-shiller-us-national-home-price-index, June 1992 (75.48) to June 2000 (103.77); (3) Consumer Price Index (CPI), http://www.bls.gov/data/inflation_calculator.htm, 1992 ($100.00) to 2000 ($122.74). The rounded value of 123 percent represents the average CPI for the calendar year 2000 compared

with the average CPI for 1992. All data were extracted on November 28, 2012. The data cited in the text represent the authors' calculations.

[11] In our discussion, we focus mainly on median statistics because they are not affected by the outliers.

[12] Obviously, there were some people in this group who may not have been insured for DI and also may not have been eligible for SSI and Medicaid because of the means test. Others may be in the 2-year DI waiting period for Medicare, and some may be disabled but either did not apply for benefits or were denied benefits. It is possible that some may have been disabled by our disability measures, but not by SSA standards.

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Pension Plan Participation Among Married Couples

by Irena Dushi and Howard M. Iams*

We present descriptive statistics on pension participation and types of pensions among married couples, using data from the 1996/2008 Panels of the Survey of Income and Program Participation and Social Security administrative records. Previous research has focused on pension coverage by marital status, but has not examined couples as a unit. Because couples usually share income, viewing them as a unit provides a better picture of potential access to income from retirement plans. Our analysis compares 1998 and 2009 data because substantial changes occurred in the pension landscape over this decade that could have influenced the prevalence of different pension plans, although we observe modest changes in participation rates and types of plans over the period. We find that in 20 percent of couples, neither spouse participated in a pension plan; in 10 percent, the wife was the only participant; and in 37 percent, the husband was the only participant.

Introduction

Employer-provided pensions and retirement plans constitute one of the pillars of income at retirement in the United States, while Social Security, own savings or assets, and earnings are the other pillars. Evidence shows that among people aged 65 or older, accounting for all sources of family income, about 45 percent receive income from a pension or an annuity (SSA 2012, Table 2.B1), and two-thirds of that share receive income from a private pension. Among people aged 65 or older, income from pensions constituted one-fifth of their retirement income in 2010 (SSA 2012, Table 10.1). Thus, investigation of workers' participation in employer-provided pensions or retirement plans is important in understanding retirement income of future retirees.

Defined benefit (DB) pensions are funded by employers and traditionally provide a guaranteed monthly payment at retirement for the worker and if elected, for their surviving spouse. Thus, the employer assumes the funding and investment risk during the accumulation phase and the longevity risk during the distribution phase. Defined contribution (DC) plans, on the other hand, are investment accounts funded mainly by employees (often with matching contributions from employers) during their working lives who are responsible for investing their contributions. After retirement, workers are also responsible for managing and drawing down their account balances (Mackenzie 2010). Thus, the type of retirement plan available is important given plan differences in risks assumed during the accumulation and distribution phases.

This article presents descriptive statistics on the overall participation in employer-provided pension plans by plan type among married couples over a decade, from 1998 to 2009. The private sector's pension environment during this period was characterized by a continued shift from traditional DB pensions to DC retirement accounts. This decade saw a rising prevalence of employers "freezing" their DB plans while also establishing new DC plans or increasing the employer match to current DC retirement plans

Selected Abbreviations

DB	defined benefit [pensions]
DC	defined contribution [plans]
SIPP	Survey of Income and Program Participation

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and thus shifting the risks and responsibilities for retirement from employers to the employees (GAO 2008; Mackenzie 2010; Anguelov, Iams, and Purcell 2012). Furthermore, the 2006 Pension Protection Act, which permitted employers to automatically enroll their employees into DC plans, is likely to have had an impact on this trend. In addition, during the Great Recession of 2007–2009, the decline in the financial markets led to sharp declines in retirement account balances, whereas the drastic increase in unemployment led to decreases in participation and contributions to DC plans and increases in loan activities from those accounts. These changes revealed more clearly some of the causes that may derail employees in DC plans from accumulating sufficient funds for retirement (Gorton and Metrick 2012; Utkus and Bapat 2011, Figure 1; Butrica 2012; GAO 2012; Haaga and Johnson 2012; Johnson and Butrica 2012). Finally, the decade was a period when women's labor force participation declined particularly among unmarried women, those with no children, and women with more than 16 years of education (Macunovich 2010), which is likely to translate into lower participation in pension plans.

Evidence from previous research indicates that almost half of wage and salary workers participate in an employer-provided pension or retirement plan (Munnell and Sunden 2004; Copeland 2009, 2010; Purcell 2009; Gustman, Steinmeier, and Tabatabai 2010, Table 5.1). The common findings are that participation is higher among full-time workers, those with higher earnings, and those who work for larger firms. In addition, participation is higher among older workers, men, married people, whites, and those with higher levels of education.

Few studies estimate participation in retirement plans among couples. Those that do find that the participation rate of couples as a unit is higher than when looking at married men and women separately (Iams 1995, Table 5; Mackenzie and Wu 2008). Using data from the pension modules of the 1984 and 1993 Panels of the Survey of Income and Program Participation (SIPP), Iams (1995, Table 5) estimated that about 75 percent of married women aged 40–54 and their husbands participated in a pension plan through their current or previous job. The participation rate was lower when looking at married women's own pensions (33 percent and 40 percent, respectively in 1984 and 1993) and married men's own pensions (66 percent and 60 percent, respectively in 1984 and 1993). Using data from the 2004 Survey of Consumer Finance, Mackenzie and Wu (2008, Table A.6) found that 60 percent of working couples had pension coverage through their current job and 66 percent had coverage from their current or previous job (the authors do not provide separate estimates for married workers). In sum, previous research on trends in pension participation and pension type in general underestimates pension coverage of married workers by omitting coverage available through the spouse.

Data

The data for this analysis come from the 1996 and 2008 Panels of SIPP, which are matched with information from Social Security administrative W-2 records. We restrict the sample to respondents and spouses with matching administrative records. Retirement plan characteristics are collected in years 1998 and 2009, respectively, for the 1996 and 2008 SIPP Panels. The samples for this analysis consist of full-time wage and salary workers aged 25–60 who were either not married or married with a spouse present.[1] We create a couples unit comprised of married men working full time and merge their wives' information to their records.

We identify pension participation and the type of plan by combining respondent-reported information in the SIPP with information in the W-2 records regarding tax-deferred contributions for the same year. Using information from W-2 records, previous research has shown that respondents misreport either whether they participate in a plan or the type of plan they participated in (see Dushi and Honig (2008); Dushi and Iams (2010); Dushi, Iams, and Lichtenstein (2011)). Following Dushi and Iams (2010), we adjust respondents' reports and plan types as appropriate. Thus, respondents who according to W-2 records have positive tax-deferred contributions are defined as participating in a DC plan. In cases where a respondent reported not participating in a pension plan but W-2 records indicate that the respondent made a tax-deferred contribution, we assign him or her as participating in a DC plan. In cases where a respondent reported participating in a DB plan and W-2 records indicate that the respondent made a tax deferred contribution, we assign him or her as participating in both types of plans (DB and DC).[2] In cases where a respondent reported participating in a DC plan but the W-2 records indicate that he or she did not make tax-deferred contributions in the last 3 years, then we assume the respondent misreported his or her plan type and thus we assign that person as participating

in a DB plan (see Dushi and Honig (2008); Dushi and Iams (2010); Dushi, Iams, and Lichtenstein (2011)).[3]

Results

Participation rates in employer-provided pension plans were relatively constant between 1998 and 2009 (Table 1). Among all full-time workers, about two-thirds participated in a pension plan in both years. Nonmarried workers, both men and women, were less likely to participate in a pension plan than were their married counterparts. About 72 percent of married men (with spouse present) working full time participated in a retirement plan in 1998 and 2009. Similarly, 72 percent of married women (with spouse present) working full time participated in a pension plan in 2009, an increase of about 5 percentage points from the 1998 participation level. As expected, the participation rate is higher when looking at couples as a unit of analysis instead of just looking at married workers. Both in 1998 and 2009, about 80 percent of couples had at least one of the spouses participating in a pension plan, an increase of about 10 percentage points compared with looking at married men and married women separately. This suggests that the typical analysis that focuses on married workers without considering coverage of their spouses is likely to underestimate the participation rate in pension or retirement plans from which the couples are expectedly going to draw their retirement income.

An important aspect of retirement security is the type of plans from which workers are expecting to draw their income. About 20 percent of nonmarried full-time workers in 2009 participated in a DB-only plan, compared with about 25 percent in 1998. About 25 percent participated in a DC-only plan and around 16 percent participated in both types of plans in 2009, compared with about 21 percent in a DC-only plan and 14 percent in both types of plans in 1998 (Table 1). Among married men, the proportion participating in a DB-only plan decreased from 26 percent in 1998 to 21 percent in 2009, while the proportion participating in a DC-only plan increased from 24 percent to 29 percent, respectively. Similar trends to those for married men are observed for married women,

Table 1.
Percentage distribution of pension plan participation and plan type among full-time workers aged 25–60, by marital status, 1998 and 2009

	1998						2009					
		With pension by pension type						With pension by pension type				
Marital status [a]	Without pension	DB only	DC only	Both	Total	Total N	Without pension	DB only	DC only	Both	Total	Total N
All workers [b]	34	25	23	18	100	22,515	32	22	27	20	100	23,364
Nonmarried												
Men	42	24	21	13	100	3,596	43	20	23	15	100	3,796
Women	38	25	22	15	100	4,374	36	21	26	18	100	4,580
Married												
Men, separately	28	26	24	21	100	8,729	28	21	29	22	100	8,718
Women, separately	33	25	24	18	100	5,816	28	24	28	21	100	6,270
Couples as a unit [c]	20	25	22	34	100	8,729	20	20	25	36	100	8,718

SOURCE: Data are from the Survey of Income and Program Participation matched with Social Security administrative records.

NOTES: Samples are from the 1996 and 2008 Panels of SIPP matched with Social Security administrative W-2 records. The sample excludes self-employed workers. Percent values may not add to 100 because of rounding. Participation in a DB plan is defined based on whether respondents reported being included in a DB plan or whether they reported being included in a DC plan, but their W-2 record indicated they did not contribute to a plan in the last 3 years. Participation in a DC plan is defined according to the presence of a positive contribution in the W-2 record. For those who reported being included in a DB plan and the W-2 record indicated they made a tax-defined contribution, we assign them as being included in both a DB- and DC-type plan.

a. The nonmarried category includes those who were never married, divorced, widowed or separated. The married category includes all married individuals with spouse present.

b. The sample of all workers includes all nonmarried workers and married men (with spouse present) and their working spouses.

c. Couples as a unit consist of full-time working married men with spouse present. Pension participation takes into account both spouses' pensions.

although their level of participation in DB-only plans stayed more constant at about 25 percent in both 1998 and 2009.

About 20 percent of married workers were covered by both a DB and a DC plan in 1998 and 2009. However, looking at couples as a unit, the proportion participating in both types of plans increased to about 35 percent in 1998 and 2009. Thus, it is clear that when considering couples' joint participation in pension plans, more than one-third are expected to draw their retirement income from both a DB plan (at least potentially in the form of an annuity, if elected) and from a DC account (which is more liquid and can be drawn down depending on individual choices).

Among couples in both 1998 and 2009, 20 percent did not participate in a pension through either spouse, whereas 80 percent participated in a pension through either the husband or the wife (Table 2). About one-third of couples had both spouses participating in a DB pension or a DC retirement plan. In 2009, 8 percent of couples had the wife as the sole participating spouse, whereas 37 percent had the husband as the sole participant in the household (10 percent and 39 percent, respectively in 1998).

Among couples, 55 percent in 1998 and 60 percent in 2009 had at least one of the spouses contributing to a DC plan (Table 3), although the prevalence of contributing was higher among husbands. Thus, of the 60 percent with at least one spouse contributing in 2009, only in 18 percent of couples were both spouses contributing to a DC plan, whereas in 32 percent the husband was the only contributor to a plan, and in the remaining 10 percent the wife was the only contributor to a plan. A similar pattern is evident for 1998, although the proportion of couples where both the husband and wife contributed to a DC plan was 4 percentage points lower than in 2009.

Looking at the annual W-2 contribution amounts (expressed in 2009 dollars, Table 4), it is evident that both the mean and median tax-deferred contributions have increased between 1998 and 2009 for all workers, while contribution rates were relatively similar.[4] As

Table 2.

Joint percentage distribution of spouses' pension participation and plan type among couples,[a] 1998 and 2009

	Wife's pension					
Husband's pension	None	DB only	DC only	Both plans	Total	Total N
			1998			
None	20	3	3	2	28	2,529
DB only	15	6	3	2	26	2,310
DC only	13	3	6	2	24	2,061
Both plans	11	3	4	4	22	1,829
Total	59	15	16	10	100	8,729
Total N	5,129	1,355	1,379	866	8,729	. . .
			2009			
None	20	3	3	2	28	2,429
DB only	11	5	3	2	21	1,857
DC only	14	4	8	3	29	2,503
Both plans	11	3	3	5	22	1,929
Total	56	15	17	11	100	8,718
Total N	4,893	1,326	1,505	994	8,718	. . .

SOURCE: Data are from the Survey of Income and Program Participation matched with Social Security administrative records.

NOTES: The samples are from the 1996 and 2008 Panels of SIPP matched with Social Security administrative W-2 records. The sample excludes self-employed workers. Percent values may not add to 100 because of rounding. Participation in a DB plan is defined based on whether respondent reported being included in a DB plan or whether they reported being included in a DC plan, but their W-2 record indicated they did not contribute to a plan in the last 3 years. Participation in a DC plan is defined according to the presence of a positive contribution in the W-2 record.

. . . = not applicable.

a. Couples as a unit consist of full-time working married men with spouse present.

Table 3.

Joint percentage distribution of spouses' contribution to DC plans among couples,[a] 1998 and 2009

Husband contributes to a DC plan	Wife contributes to a DC plan			Total N
	No	Yes	Total	
		1998		
No	46	10	56	4,899
Yes	30	14	44	3,830
Total	76	24	100	8,729
Total N	6,665	2,064	8,729	. . .
		2009		
No	39	10	49	4,286
Yes	32	19	51	4,432
Total	71	29	100	8,718
Total N	6,214	2,504	8,718	. . .

SOURCE: Data are from the Survey of Income and Program Participation matched with Social Security administrative records.

NOTES: The samples are from the 1996 and 2008 Panels of SIPP matched with Social Security administrative W-2 records. The sample excludes self-employed workers.

. . . = not applicable.

a. Contribution is defined as having a positive contribution amount in the W-2 record. Couples as a unit consist of full-time working married men with spouse present.

Table 4.

Annual contribution amounts and contribution rates to DC plans, by sex and marital status, 1998 and 2009

Contributor	1998 contribution [a]					2009 contribution [a]				
	Amount ($)		Rate (%)			Amount ($)		Rate (%)		
	Mean	Median	Mean	Median	N	Mean	Median	Mean	Median	N
All workers [b]	3,008	2,064	6.3	5.2	8,472	4,611	2,600	6.5	5.2	10,351
Nonmarried										
Men	2,795	1,966	6.1	5.2	1,114	4,068	2,298	6.1	5.0	1,441
Women	2,227	1,426	5.6	4.8	1,464	3,083	1,673	5.3	4.2	1,974
Couples [c]										
Husband separately	3,469	2,571	6.4	5.6	3,830	5,697	3,528	6.7	5.5	4,432
Wife separately	2,309	1,500	6.7	5.2	2,064	3,943	2,188	6.9	5.2	2,504
Jointly [d]	3,891	2,637	5.0	4.3	4,705	6,655	3,861	5.6	4.5	5,322

SOURCE: Data are from the Survey of Income and Program Participation matched with Social Security administrative records.

NOTES: The samples are from the 1996 and 2008 Panels of SIPP matched with Social Security administrative W-2 records. The sample excludes self-employed workers.

a. Estimates are conditional on making a contribution in year 1998 and 2009 for each SIPP Panel respectively, the year when the information in the pension module was collected. Thus, the estimated mean and median contribution amounts exclude zeros (that is, those who do not contribute). Monetary values are in 2009 dollars.

b. The sample of all workers includes all nonmarried workers and married men (with spouse present) and their working spouses.

c. Couples as a unit consist of full-time working married men with spouse present. The husband's sample and the wife's sample are conditional on making a contribution.

d. Joint contributions are estimated for couples as a unit where at least one of the spouses makes a contribution.

expected, couple contributions were higher than husband or wife contributions separately, and they have increased substantially over the period from a mean of $3,891 in 1998 to $6,655 in 2009 and a median of $2,637 in 1998 to $3,861 in 2009. This increase is not only because husbands' contributions increased over the period but also because the proportion of wives contributing to a DC plan increased (Table 3), and conditional on contributing, wives' annual contribution amounts increased both at the mean and the median (Table 4).

When we look at the distribution of the wife's contributions as a proportion of total family contributions (Table 5), among couples where at least one of the spouses contributes to a plan, we notice that 56 percent of wives in 1998 (and 53 percent in 2009) did not contribute to a plan and the husband was the sole contributor. Conversely, 18 percent of husbands in 1998 (and 17 percent in 2009) did not contribute to a DC plan, and the wife was the sole contributor in the family. Among couples where both spouses contributed to a plan, for a majority of wives, their contribution share ranges from 26 to 75 percent of total family contributions. Among couples where both spouses contributed to a plan, both at the mean and the median, the wife's contribution comprised about 40 percent of the total family contribution in 1998 (42 percent in 2009; authors' calculations, not reported in the table).

Conclusion

The decade between 1998 and 2009 saw many changes related to retirement plans, including expanded access to DC plans, DB-plan freezes, expanded autoenrollment into DC plans after the implementation of the 2006 Pension Protection Act, and the Great Recession of 2007–2009. Using Census Bureau SIPP data matched with Social Security administrative records, we examine participation in employer-provided retirement plans by plan type among couples where both spouses are present and the husband is a full-time wage and salary worker aged 25–60. We focus particularly on measuring participation by specific plan type for married couples rather than married workers separately because couples share their retirement income, regardless of whether those contributions are through the husband or the wife.

Our findings show that the participation rate is much higher among couples as a unit than when looking at married men and married women separately. While about 30 percent of married men with a spouse present did not participate in a plan both in 1998 and 2009, when we accounted for their spouses' participation we found that in only 20 percent of couples did neither spouse participate in a pension plan. In about 10 percent of couples in 2009, the wife was the only one participating in a pension plan compared with

Table 5.
Wife's tax-deferred contribution to a DC plan as a percentage of the total family contributions among couples where at least one spouse contributes, 1998 and 2009

	1998			2009		
Percent	Overall	Among those with both spouses contributing	N	Overall	Among those with both spouses contributing	N
0 [a]	56	. . .	2,641	53	. . .	2,818
1–25	7	26	303	8	25	403
26–50	11	45	527	12	38	632
51–75	6	23	285	8	27	427
76–99	2	6	74	3	10	152
100 [b]	18	. . .	875	17	. . .	890
Total	100	100	4,705	100	100	5,322

SOURCE: Data are from the Survey of Income and Program Participation matched with Social Security administrative records.

NOTES: The samples are from the 1996 and 2008 Panels of SIPP matched with Social Security administrative W-2 records. The sample excludes self-employed workers.

. . . = not applicable.

a. This category is comprised of couples in which the husband contributes to a DC plan, but the wife does not.

b. This category is comprised of couples in which the husband does not contribute to a DC plan, but the wife does.

about 37 percent of couples where the husband was the only one participating. Regarding participation and contributions to a DC plan, 60 percent of couples in 2009 had at least one of the spouses contributing to a DC plan. In half of those couples, the husband was the only one contributing. Among couples where both spouses contributed to a plan, the wife's contribution comprised around 42 percent of the total family contribution both in 1998 and 2009. In sum, we find little change in participation rates and in the prevalence of plan types between 1998 and 2009. Given the major changes affecting retirement plan participation and types of plans offered by employers, further analysis is needed to investigate the reasons behind the stability in participation rates over this decade.

Notes

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[1] Our definition of the nonmarried category includes respondents who reported being single, divorced, separated, or widowed; it does not include those reporting being married with spouse absent.

[2] We measure DC contribution amounts as the amount of earnings that were tax-deferred to retirement plans, which is reported in a separate field in the W-2 records.

[3] Gustman, Steinmeier, and Tabatabai (2010, chapter 7), using data from the Health and Retirement Study, report that many respondents cannot accurately identify their retirement plan type, although they often can identify being in a plan. We use the presence of a positive tax-deferred contribution in the W-2 record to indicate DC-plan participation. Although in some plans employers contribute even if the employee is not contributing to the plan, a majority of employers require employee contributions in order for those employees to be included in a DC plan, and then the employers match their employees' contributions. Thus, we assign the DB type of plan to respondents who reported being in a plan but their W-2 record indicated that they did not have positive tax-deferred contributions in the past 3 years.

[4] Note that if respondents choose to contribute a given percentage of their earnings to DC plans, then any increase in earnings will lead to an increase in contribution amounts, but not in contribution rates. While the participation rate in DC plans has increased over this period, it may not necessarily translate into increased contribution rates for the most recent sample, particularly if new employees are automatically enrolled in plans with relatively low default contribution rates.

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NOTE

Youth Transitioning Out of Foster Care: An Evaluation of a Supplemental Security Income Policy Change

by Laura King and Aneer Rukh-Kamaa*

Youths with disabilities face numerous challenges when they transition to adulthood. Those who are aging out of foster care face the additional challenge of losing their foster care benefits, although some will be eligible for Supplemental Security Income (SSI) payments after foster care ceases. However, the time needed to process SSI applications exposes those youths to a potential gap in the receipt of benefits as they move between foster care and SSI. We evaluate the effects of a 2010 Social Security Administration policy change that allows such youths to apply for SSI payments 60 days earlier than the previous policy allowed. The change provides additional time for processing claims before the applicant ages out of the foster care system. We examine administrative records on SSI applications from before and after the policy change to determine if the change has decreased the gap between benefits for the target population.

Introduction

Research suggests that youths nearing transition out of foster care are a particularly vulnerable population (Arnett 2007). Detrimental outcomes are much more probable for those individuals than they are for youths who are not in foster care (Tweddle 2007). Youths transitioning out of foster care exhibit elevated rates of dropping out of high school, teen pregnancy, crime and recidivism, and homelessness (Reilly 2003). Additionally, researchers have found that children in foster care are more likely to have mental or physical disabilities than those who are not (Ringeisen and others 2008). For youths with disabilities, the transition out of foster care is even more challenging.[1]

Foster care youths with disabilities face the sudden loss of financial support when they age out of the system and many must find an alternative source of support. Some of those youths meet the Supplemental Security Income (SSI) program's adult standard of disability, making them eligible for payments administered by the Social Security Administration (SSA). Until recently, SSA accepted SSI applications from youths no more than 30 days before the applicant's 18th birthday. Because processing time for applications often exceeded 30 days, many eligible applicants leaving foster care endured a gap between foster care benefits and SSI payments.

In response, SSA changed its policy to allow foster care youths with qualifying disabilities to file for SSI payments as early as 90 days before turning 18. This note evaluates that policy change and addresses the following questions:

- How has the 90-day application period affected SSI application rates and timing for the study population?

Selected Abbreviations

ACF	Agency for Children and Families
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

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- Has the extended application period helped to shrink the gap between foster care benefits and SSI payments?
- What are the outcomes of SSI applications for youths transitioning out of foster care?

Background

Some youths with disabilities nearing transition out of foster care are eligible for SSI. The SSI program provides payments to people with low income who are aged, blind, or disabled and who meet strict eligibility rules. SSA determines low-income status based on current income and resources. The agency defines adult disability as the inability to engage in substantial gainful activity because of any medically determinable physical or mental impairment.[2] That impairment must have lasted (or be expected to last) for a continuous period of not less than 12 months, or be expected to result in death. SSA defines disability differently for children. Most children in foster care are not eligible for SSI payments, even if they meet the childhood disability definition, because their federal foster care payments exceed the income limit for SSI eligibility.

SSI rules identify an individual aged 18 or older as an adult. At age 18, an individual who received SSI payments as a child must undergo a disability redetermination to see if he or she meets the adult definition of disability. SSA policy requires the agency to contact SSI child recipients to inform them of the need for a redetermination. Reaching youths who are current SSI child recipients in the transition from foster care can be difficult because SSA often does not have current contact information. The state agencies that administer the foster care programs are better able to locate and notify those youths, and many do.

Until recently, SSA policy allowed an individual to apply for adult SSI no earlier than 30 days before attaining age 18.[3] In states that end foster care payments when a youth turns 18, affected youths would face a gap between the assistance programs if SSA did not receive and adjudicate the SSI application within 30 days. To better synchronize the award of SSI payments with the end of foster care benefits, SSA changed the policy on January 12, 2010, to accept SSI applications as early as 90 days before an individual's 18th birthday.[4]

When SSA began to examine the benefit gap, most individuals aged out of foster care at 18. Since then, many states have expanded their programs, and most states currently extend foster care past age 18 for at least some individuals (Table 1). Only four states do not offer any extension. While they are in foster care, youths receive federal foster care payments; some states also provide supplemental foster care payments.

Data Sources

We used the Supplemental Security Record (SSR) administrative data system to identify individuals who applied for SSI up to 90 days before their 18th birthdays and whose administrative records indicated association with foster care. The SSR contains

Table 1.
State policies regarding extended eligiblity for foster care as of August 2011

Policy	Number of states	States
		Eligibility extends beyond age 18
Mandatory	1	Maryland
Elective	15	Arizona, Arkansas, California, District of Columbia, Illinois, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Nebraska, New Jersey, New Mexico, North Carolina, North Dakota
Eligibility standards apply	31	Alabama, Alaska, Colorado, Connecticut, Delaware, Georgia, Hawaii, Indiana, Iowa, Louisiana, Michigan, Mississippi, Missouri, New Hampshire, New York, Nevada, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming
		Eligibility ends upon attaining age 18
Mandatory	4	Florida, Idaho, Montana, Ohio

SOURCE: Authors' review of official state sources.

information from SSI applications. Its data elements include the applicant's Social Security number, date of claim, citizenship status, income, resources, eligibility code, payment code, and payment amount.

To enhance proper identification of the study population, we acquired detailed data from the Department of Health and Human Services' Agency for Children and Families (ACF), the federal agency in charge of foster care programs. ACF maintains the Adoption and Foster Care Analysis and Reporting System to collect reliable and uniform data on all foster care children for whom state child welfare agencies have responsibility for placement, care, or supervision.[5]

Data Development

Before the policy change, there was no programmatic reason for SSA claims representatives to indicate on SSI records that an applicant was in or near transition out of foster care. However, some claims representatives provided remarks to that effect, which enabled us to select records for comparison purposes.

The policy change not only allowed applicants to file applications for SSI up to 90 days before reaching age 18, it also requested that the claims representative annotate the SSI record with the remark "Youth Transitioning out of Foster Care." However, claims representatives may not have annotated the records consistently. Additionally, over time, the remarks section could have been changed, deleted, or overwritten, causing the loss of such identifications.

Furthermore, the remarks section is a free-form text field, so there are many ways of indicating association with foster care. The remarks rarely indicate the period during which an applicant was associated with foster care, adding to the complexity of properly identifying the study population. Confirming the nature of an applicant's association with foster care would require an intensive manual review of his or her SSI record.

Considering those limiting factors, our approach was to first identify all individuals who applied for SSI up to 90 days before their 18th birthdays and whose records included remarks regarding foster care. We then refined the study sample by matching gender, place of residence, and birth date variables with those on the ACF records.[6] We identified 93 individuals who were likely to be in foster care and approaching their 18th birthdays when they applied for SSI.

Methodology

We divided the study population into two application-date categories. The "old policy" group refers to 41 individuals who applied before the January 2010 policy change. The "new policy" group refers to 52 individuals who applied after the change. Both groups include only individuals who have received an initial decision on their applications. With the SSR data, we were able to determine the length of the intervals between the SSI application date, the applicant's 18th birthday, and the initial decision date. We also determined the SSI allowance rate.

California and Pennsylvania contributed the most participants to our study population; the remaining participants were from Arkansas, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Missouri, New York, Ohio, Oklahoma, Oregon, Texas, Washington, and Wisconsin.

Preliminary Findings

In this section, we address the three research questions in turn.

- **How has the 90-day application period affected SSI application rates and timing for the study population?**

Our preliminary findings suggest that the policy change may have led to earlier SSI applications among foster care children with disabilities (Table 2). We found that 61 percent of those in the new policy group filed 31–90 days before their 18th birthdays, compared

Table 2.
Foster-care youths with disabilities who applied for SSI: Percentage distribution by period between application date and 18th birthday

Days	Old policy	New policy
0–30	48.1	39.0
31–90	[a] 51.9	61.0
Sample size	52	41

SOURCE: Authors' calculations based on matched SSR and ACF data.

NOTE: Under the old policy, youths could apply for SSI no earlier than 30 days before their 18th birthdays. Since January 2010, youths can apply up to 90 days before their 18th birthdays.

a. Youths who applied more than 30 days before their 18th birthdays did so as disabled children. Those who qualified for SSI were required to undergo an eligibility redetermination under the adult definition of disability at age 18.

with 52 percent of those who were subject to the old policy. (Most of those who applied 31–90 days before their 18th birthdays under the old policy lived in California and were able to take advantage of their state's workaround.) Under the new policy, only 39 percent waited until the last 30 days prior to their 18th birthdays to apply, while under the old policy, 48 percent applied within the 30-day window. Because the policy change is recent, we will continue to monitor the timing of applications to determine if the effect will last.

- **Has the extended application period helped to shrink the gap between foster care benefits and SSI payments?**

Our preliminary findings suggest that the policy change may have shortened the period between attaining age 18 and receiving SSI determinations (Table 3). Over 14 percent of those applying under the new policy received a determination within 30 days after their 18th birthdays, compared with about 6 percent of those who applied under the old policy. In addition, almost 27 percent of those affected by the new policy received a determination 31–60 days after their 18th birthdays, compared with only 21 percent of those in the old policy group. As with the analysis of the timing of applications, further monitoring over a longer observation period may yield more conclusive findings.

Table 3.
Foster-care youths with disabilities who applied for SSI: Percentage distribution by timing of initial SSI decision

Timing	Old policy	New policy
Before 18th birthday	7.7	7.3
After 18th birthday		
0–30 days	5.8	14.6
31–60 days	21.1	26.8
61 or more days	65.4	51.2

SOURCE: Authors' calculations based on matched SSR and ACF data.

NOTES: Under the old policy, youths could apply for SSI no earlier than 30 days before their 18th birthdays. Youths can apply up to 90 days before their 18th birthdays under the January 2010 policy change.

Rounded components of percentage distributions do not necessarily sum to 100.0.

- **What are the outcomes of SSI applications for youths transitioning out of foster care?**

Our data show that the policy change has not affected the outcomes of SSI applications for the study population. Before the change, the allowance rate was 40 percent; after the change, the allowance rate was 39 percent.[7]

Recent Changes in State Foster Care Policies

Most states extend foster care eligibility beyond age 18, at least for some youths (Table 1). In about one-third of the states, youths can simply elect to stay in foster care past age 18. In the rest of the extended foster care states, youths must meet other eligibility standards. Those standards vary: Some states allow an extension only for youths with disabilities while other states allow an extension only for youths finishing high school. Some states allow extensions for either of those situations and include other criteria as well.

The differences among state foster care policies posed obstacles to our analysis. They required us to restrict the size of our study population and they limited the observable effects of the policy change.

Conclusions and Next Steps

This note provides preliminary information on the potential effects of a new policy for youths with disabilities who may be eligible for SSI payments when they age out of foster care. The new policy allows youths to apply for SSI payments as early as 90 days before they turn 18, instead of the old policy's 30-day window. Our preliminary results indicate that the policy change led to an increase in earlier filing. In addition, more initial decisions occurred within 60 days of the applicant's 18th birthday under the new policy. The change did not affect the SSI allowance rate.

Our study has several limitations. The first is its time frame: We examine only the first 11 months after the policy change. The second is the sample size: Relatively few youths with disabilities age out of foster care in a given year, and we identified our sample only through indirect indicators. In addition, foster care policies differ vastly between states, especially regarding extended eligibility.

We plan to continue observing the population of youths with disabilities transitioning out of foster care. A longer study period may reveal more conclusive results. We plan to refine and enhance our study methods so that we will know if the policy change has been sufficiently effective or if the filing period should begin even earlier.

In addition, to identify the foster care population more effectively, we hope to acquire records from the Centers for Medicare and Medicaid Services that directly indicate foster care status. Those records also contain individuals' Social Security numbers, with which we could match the data to our existing dataset.

Finally, we propose investigating how differences in state policies influence SSI application rates. State policy determines the amount and funding source of foster care payments, both of which affect an individual's eligibility for SSI. Policies may also affect the timing of SSI applications and determination decisions, along with other important outcomes.

Examining the mutual effects of foster care and SSI may improve coordination between the two programs. Better coordination may in turn reduce the risk of homelessness among children with disabilities in foster care and lead to smoother transitions to adulthood.

Notes

[1] For further information on youths with disabilities transitioning out of foster care, see Broome and McGuinness (2007), Courtney and others (2001), Morris (2007), and Nicoletti (2007).

[2] SSA defines substantial gainful activity in terms of monthly earnings; for 2013, the amounts are $1,740 for blindness and $1,040 for disabilities other than blindness.

[3] Starting in January 2008, SSA granted an exception to California that allowed the state to charge youths to state benefits for the last month of their foster care instead of to federal foster care payments, which would cause the technical denial of an SSI application. That "workaround" for the income requirement enabled SSA to accept and process applications before an individual aged out of care.

[4] The new policy resembled an existing policy allowing individuals residing in many public and private institutions (such as prisons and medical treatment facilities) to apply for Social Security benefits up to 90 days before their release date.

[5] The system also collects and maintains data on children who are adopted under the auspices of the state's child welfare agency.

[6] For place of residence, we used American National Standards Institute (ANSI) codes provided in the ACF data and converted them to SSA state and county codes in order to merge the data sets.

[7] Most denials are based on the applicants' ability to work.

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OASDI and SSI Snapshot and SSI Monthly Statistics

Each month, the Social Security Administration's Office of Retirement and Disability Policy posts key statistics about various aspects of the Supplemental Security Income (SSI) program at http://www.socialsecurity.gov/policy. The statistics include the number of people who receive benefits, eligibility category, and average monthly payment. This issue presents SSI data for June 2012–June 2013.

The Monthly Statistical Snapshot summarizes information about the Social Security and SSI programs and provides a summary table on the trust funds. Data for June 2013 are given on pages 60–62. Trust fund data for June 2013 are given on page 63. The more detailed SSI tables begin on page 64. Persons wanting detailed monthly OASDI information should visit the Office of the Chief Actuary's website at http://www.socialsecurity.gov/OACT/ProgData/beniesQuery.html.

Monthly Statistical Snapshot

The most current edition of Tables 1–3 will always be available at http://www.socialsecurity.gov/policy/docs/quickfacts/stat_snapshot. The most current data for the trust funds (Table 4) are available at http://www.socialsecurity.gov/OACT/ProgData/funds.html.

Table 1.
Number of people receiving Social Security, Supplemental Security Income (SSI), or both, June 2013 (in thousands)

Type of beneficiary	Total	Social Security only	SSI only	Both Social Security and SSI
All beneficiaries	62,605	54,274	5,538	2,793
Aged 65 or older	41,075	38,981	920	1,174
Disabled, under age 65 [a]	14,186	7,948	4,619	1,619
Other [b]	7,344	7,344	. . .	. . .

SOURCES: Social Security Administration, Master Beneficiary Record and Supplemental Security Record, 100 percent data.

NOTES: Social Security beneficiaries who are entitled to a primary and a secondary benefit (dual entitlement) are counted only once in this table. SSI counts include recipients of federal SSI, federally administered state supplementation, or both.

. . . = not applicable.

a. Includes children receiving SSI on the basis of their own disability.

b. Social Security beneficiaries who are neither aged nor disabled (for example, early retirees, young survivors).

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Table 2.
Social Security benefits, June 2013

Type of beneficiary	Beneficiaries		Total monthly benefits (millions of dollars)	Average monthly benefit (dollars)
	Number (thousands)	Percent		
Total	57,469	100.0	66,606	1,158.99
Old-Age and Survivors Insurance	46,517	80.9	55,875	1,201.19
Retirement benefits	40,300	70.1	49,265	1,222.43
Retired workers	37,393	65.1	47,434	1,268.51
Spouses of retired workers	2,280	4.0	1,442	632.30
Children of retired workers	627	1.1	389	620.39
Survivor benefits	6,216	10.8	6,611	1,063.43
Children of deceased workers	1,909	3.3	1,530	801.60
Widowed mothers and fathers	148	0.3	133	897.19
Nondisabled widow(er)s	3,901	6.8	4,764	1,221.23
Disabled widow(er)s	257	0.4	182	708.68
Parents of deceased workers	1	(L)	1	1,075.63
Disability Insurance	10,952	19.1	10,731	979.76
Disabled workers	8,892	15.5	10,042	1,129.44
Spouses of disabled workers	159	0.3	48	303.20
Children of disabled workers	1,902	3.3	640	336.49

SOURCE: Social Security Administration, Master Beneficiary Record, 100 percent data.

NOTE: (L) = less than 0.05 percent.

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Table 3.
Supplemental Security Income recipients, June 2013

Age	Recipients		Total payments [a] (millions of dollars)	Average monthly payment [b] (dollars)
	Number (thousands)	Percent		
All recipients	8,331	100.0	4,649	527.43
Under 18	1,320	15.8	870	632.96
18–64	4,918	59.0	2,891	543.62
65 or older	2,094	25.1	889	423.07

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

a. Includes retroactive payments.

b. Excludes retroactive payments.

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Table 4.
Operations of the Old-Age and Survivors Insurance and Disability Insurance Trust Funds, June 2013 (in millions of dollars)

Component	OASI	DI	Combined OASI and DI
		Receipts	
Total	107,371	12,193	119,564
Net contributions	57,718	9,796	67,514
Income from taxation of benefits	15	a	15
Net interest	49,878	2,431	52,309
Other income [b]	-239	-35	-274
		Expenditures	
Total	60,396	12,575	72,970
Benefit payments	56,181	11,808	67,989
Administrative expenses	266	216	482
Transfers to Railroad Retirement	3,948	551	4,499
		Assets	
At start of month	2,624,643	111,235	2,735,878
Net increase during month	46,976	-382	46,594
At end of month	2,671,619	110,854	2,782,472

SOURCE: Data on the trust funds were accessed on July 19, 2013, on the Social Security Administration's Office of the Chief Actuary's website: http://www.socialsecurity.gov/OACT/ProgData/funds.html.

NOTE: Totals may not equal the sum of the components because of rounding.

a. Between -$500,000 and $500,000.

b. Includes reimbursements from the general fund of the Treasury and a small amount of gifts to the trust funds.

The SSI Monthly Statistics are also available at http://www.socialsecurity.gov/policy/docs/statcomps/ssi_monthly/index.html.

SSI Federally Administered Payments

Awards of SSI Federally Administered Payments

Table 1.
Recipients (by type of payment), total payments, and average monthly payment, June 2012–June 2013

Month	Number of recipients				Total payments [a] (thousands of dollars)	Average monthly payment [b] (dollars)
	Total	Federal payment only	Federal payment and state supplementation	State supplementation only		
2012						
June	8,183,565	5,980,403	1,979,686	223,476	4,494,996	517.80
July	8,225,892	6,014,046	1,988,511	223,335	4,554,428	516.90
August	8,216,619	6,006,681	1,986,567	223,371	4,513,180	517.10
September	8,246,916	6,031,047	1,992,752	223,117	4,515,351	517.70
October	8,277,694	6,055,075	1,999,285	223,334	4,564,279	516.40
November	8,241,018	6,028,214	1,989,793	223,011	4,438,512	518.80
December	8,262,877	6,047,037	1,992,947	222,893	4,593,773	519.43
2013						
January	8,291,772	6,071,217	2,000,021	220,534	4,615,591	525.84
February	8,295,013	6,077,037	1,998,103	219,873	4,612,279	526.41
March	8,297,503	6,079,289	1,998,848	219,366	4,637,309	527.51
April	8,331,703	6,109,475	2,003,156	219,072	4,717,880	527.95
May	8,311,121	6,093,238	1,998,472	219,411	4,635,807	527.22
June	8,331,212	6,109,560	2,002,432	219,220	4,649,323	527.43

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

a. Includes retroactive payments.

b. Excludes retroactive payments.

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Table 2.
Recipients, by eligibility category and age, June 2012–June 2013

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2012						
June	8,183,565	1,154,725	7,028,840	1,296,051	4,823,143	2,064,371
July	8,225,892	1,157,218	7,068,674	1,305,457	4,849,980	2,070,455
August	8,216,619	1,157,345	7,059,274	1,295,417	4,848,470	2,072,732
September	8,246,916	1,159,205	7,087,711	1,306,587	4,862,627	2,077,702
October	8,277,694	1,161,532	7,116,162	1,309,773	4,884,345	2,083,576
November	8,241,018	1,160,126	7,080,892	1,298,560	4,859,516	2,082,942
December	8,262,877	1,156,188	7,106,689	1,311,861	4,869,484	2,081,532
2013						
January	8,291,772	1,160,197	7,131,575	1,312,233	4,890,028	2,089,511
February	8,295,013	1,157,912	7,137,101	1,316,813	4,890,685	2,087,515
March	8,297,503	1,157,010	7,140,493	1,311,902	4,896,576	2,089,025
April	8,331,703	1,157,773	7,173,930	1,321,907	4,918,259	2,091,537
May	8,311,121	1,156,470	7,154,651	1,311,875	4,908,830	2,090,416
June	8,331,212	1,157,463	7,173,749	1,319,774	4,917,888	2,093,550

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

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Table 3.
Recipients of federal payment only, by eligibility category and age, June 2012–June 2013

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2012						
June	5,980,403	619,848	5,360,555	1,064,382	3,709,041	1,206,980
July	6,014,046	620,828	5,393,218	1,072,114	3,731,551	1,210,381
August	6,006,681	620,777	5,385,904	1,063,477	3,731,443	1,211,761
September	6,031,047	621,710	5,409,337	1,072,574	3,743,796	1,214,677
October	6,055,075	623,096	5,431,979	1,075,224	3,761,557	1,218,294
November	6,028,214	622,423	5,405,791	1,066,370	3,743,731	1,218,113
December	6,047,037	619,717	5,427,320	1,077,394	3,752,903	1,216,740
2013						
January	6,071,217	622,577	5,448,640	1,077,416	3,770,916	1,222,885
February	6,077,037	621,407	5,455,630	1,081,714	3,773,175	1,222,148
March	6,079,289	620,481	5,458,808	1,077,491	3,779,039	1,222,759
April	6,109,475	620,838	5,488,637	1,086,346	3,798,608	1,224,521
May	6,093,238	619,822	5,473,416	1,077,680	3,792,104	1,223,454
June	6,109,560	620,282	5,489,278	1,084,357	3,799,950	1,225,253

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

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Table 4.
Recipients of federal payment and state supplementation, by eligibility category and age, June 2012–June 2013

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2012						
June	1,979,686	464,066	1,515,620	230,501	1,000,883	748,302
July	1,988,511	465,637	1,522,874	232,202	1,005,371	750,938
August	1,986,567	465,902	1,520,665	230,737	1,003,971	751,859
September	1,992,752	466,888	1,525,864	232,892	1,006,000	753,860
October	1,999,285	467,938	1,531,347	233,362	1,009,788	756,135
November	1,989,793	467,406	1,522,387	230,977	1,003,014	755,802
December	1,992,947	465,726	1,527,221	233,290	1,004,546	755,111
2013						
January	2,000,021	468,210	1,531,811	233,600	1,007,611	758,810
February	1,998,103	467,285	1,530,818	233,971	1,006,380	757,752
March	1,998,848	467,494	1,531,354	233,335	1,006,735	758,778
April	2,003,156	467,979	1,535,177	234,588	1,009,041	759,527
May	1,998,472	467,543	1,530,929	233,086	1,006,052	759,334
June	2,002,432	468,154	1,534,278	234,427	1,007,319	760,686

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

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Table 5.
Recipients of state supplementation only, by eligibility category and age, June 2012–June 2013

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2012						
June	223,476	70,811	152,665	1,168	113,219	109,089
July	223,335	70,753	152,582	1,141	113,058	109,136
August	223,371	70,666	152,705	1,203	113,056	109,112
September	223,117	70,607	152,510	1,121	112,831	109,165
October	223,334	70,498	152,836	1,187	113,000	109,147
November	223,011	70,297	152,714	1,213	112,771	109,027
December	222,893	70,745	152,148	1,177	112,035	109,681
2013						
January	220,534	69,410	151,124	1,217	111,501	107,816
February	219,873	69,220	150,653	1,128	111,130	107,615
March	219,366	69,035	150,331	1,076	110,802	107,488
April	219,072	68,956	150,116	973	110,610	107,489
May	219,411	69,105	150,306	1,109	110,674	107,628
June	219,220	69,027	150,193	990	110,619	107,611

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month.

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Table 6.
Total payments, by eligibility category, age, and source of payment, June 2012–June 2013
(in thousands of dollars)

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
			All sources			
2012						
June	4,494,996	471,148	4,023,848	840,932	2,795,762	858,301
July	4,554,428	472,715	4,081,712	852,177	2,840,430	861,821
August	4,513,180	472,021	4,041,159	835,979	2,815,453	861,748
September	4,515,351	472,969	4,042,382	843,315	2,808,071	863,966
October	4,564,279	474,596	4,089,683	845,219	2,851,487	867,573
November	4,438,512	472,718	3,965,794	828,040	2,745,321	865,150
December	4,593,773	474,584	4,119,190	856,422	2,867,113	870,238
2013						
January	4,615,591	481,358	4,134,233	856,521	2,875,092	883,978
February	4,612,279	479,815	4,132,464	862,832	2,866,848	882,600
March	4,637,309	481,368	4,155,940	864,978	2,886,289	886,042
April	4,717,880	482,556	4,235,324	882,245	2,947,040	888,595
May	4,635,807	481,457	4,154,350	862,148	2,886,554	887,104
June	4,649,323	481,823	4,167,500	869,978	2,890,791	888,554
			Federal payments			
2012						
June	4,213,739	400,817	3,812,922	828,851	2,640,199	744,689
July	4,270,575	402,084	3,868,490	839,883	2,682,980	747,711
August	4,230,637	401,471	3,829,166	823,909	2,659,044	747,684
September	4,233,203	402,282	3,830,921	831,161	2,652,419	749,624
October	4,279,425	403,684	3,875,742	832,942	2,693,769	752,715
November	4,160,172	402,204	3,757,968	816,241	2,593,035	750,897
December	4,309,786	403,731	3,906,054	844,141	2,710,399	755,246
2013						
January	4,333,173	410,619	3,922,553	844,340	2,719,746	769,087
February	4,331,006	409,172	3,921,834	850,756	2,712,389	767,862
March	4,355,019	410,610	3,944,409	852,896	2,731,132	770,991
April	4,432,924	411,609	4,021,315	869,992	2,789,665	773,267
May	4,354,520	410,768	3,943,753	850,130	2,732,248	772,142
June	4,367,677	411,131	3,956,546	857,846	2,736,343	773,488

(Continued)

Table 6.
Total payments, by eligibility category, age, and source of payment, June 2012–June 2013 (in thousands of dollars)—*Continued*

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
			State supplementation			
2012						
June	281,258	70,331	210,927	12,082	155,563	113,613
July	283,853	70,631	213,222	12,294	157,450	114,109
August	282,543	70,550	211,993	12,070	156,410	114,063
September	282,148	70,687	211,461	12,154	155,651	114,342
October	284,854	70,912	213,941	12,277	157,718	114,858
November	278,339	70,514	207,826	11,800	152,286	114,253
December	283,988	70,853	213,135	12,281	156,715	114,992
2013						
January	282,418	70,739	211,679	12,181	155,346	114,892
February	281,273	70,643	210,630	12,076	154,459	114,738
March	282,290	70,758	211,532	12,082	155,157	115,050
April	284,956	70,947	214,009	12,253	157,375	115,328
May	281,287	70,690	210,597	12,018	154,307	114,962
June	281,646	70,692	210,954	12,132	154,448	115,066

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month and include retroactive payments.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

Table 7.
Average monthly payment, by eligibility category, age, and source of payment, June 2012–June 2013 (in dollars)

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
			All sources			
2012						
June	517.80	407.30	535.90	623.70	533.40	414.90
July	516.90	407.20	534.90	619.70	532.80	414.80
August	517.10	407.40	535.20	619.80	533.50	415.00
September	517.70	407.60	535.80	621.30	533.80	415.20
October	516.40	407.50	534.20	614.70	533.30	415.20
November	518.80	407.90	537.00	624.60	534.90	415.60
December	519.43	409.31	537.36	620.77	536.06	416.80
2013						
January	525.84	414.13	544.02	627.01	542.99	422.17
February	526.41	413.41	544.74	631.02	542.93	421.70
March	527.51	414.84	545.78	633.12	543.95	422.79
April	527.95	415.09	546.17	634.71	543.93	423.02
May	527.22	415.23	545.34	631.23	543.86	423.13
June	527.43	415.15	545.57	632.96	543.62	423.07
			Federal payments			
2012						
June	498.60	369.30	519.00	615.60	515.70	380.30
July	497.70	369.10	517.90	611.50	515.10	380.10
August	497.90	369.20	518.20	611.70	515.80	380.30
September	498.50	369.40	518.80	613.20	516.10	380.50
October	497.10	369.20	517.20	606.60	515.50	380.40
November	499.60	369.60	520.10	616.50	517.20	380.80
December	500.29	371.17	520.48	612.68	518.39	382.15
2013						
January	506.75	375.99	527.20	618.83	525.45	387.56
February	507.36	375.16	527.97	622.86	525.43	387.03
March	508.47	376.61	529.02	624.97	526.47	388.15
April	508.93	376.83	529.44	626.56	526.45	388.38
May	508.17	376.90	528.60	623.11	526.41	388.46
June	508.41	376.83	528.85	624.82	526.17	388.41

(Continued)

Table 7.
Average monthly payment, by eligibility category, age, and source of payment, June 2012–June 2013 (in dollars)—*Continued*

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
			State supplementation			
2012						
June	121.80	130.40	119.10	49.00	129.70	131.30
July	121.70	130.40	119.00	48.90	129.60	131.30
August	121.80	130.30	119.00	48.90	129.60	131.30
September	121.70	130.40	118.90	48.70	129.50	131.30
October	121.70	130.40	118.90	48.70	129.50	131.40
November	121.80	130.40	119.00	48.70	129.60	131.40
December	121.79	130.66	118.95	48.61	129.58	131.56
2013						
January	121.58	130.43	118.75	48.59	129.30	131.38
February	121.47	130.39	118.63	48.48	129.19	131.35
March	121.59	130.51	118.75	48.59	129.27	131.42
April	121.54	130.50	118.69	48.52	129.27	131.40
May	121.53	130.47	118.68	48.53	129.19	131.35
June	121.43	130.39	118.58	48.46	129.12	131.30

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for the end of the specified month and exclude retroactive payments.

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Table 8.
All awards, by eligibility category and age of awardee, June 2012–June 2013

Month	Total	Eligibility category		Age		
		Aged	Blind and disabled	Under 18	18–64	65 or older
2012						
June	76,499	9,105	67,394	15,605	51,675	9,219
July	90,605	9,458	81,147	18,290	62,701	9,614
August	80,464	9,665	70,799	15,810	54,863	9,791
September	77,606	9,462	68,144	14,387	53,623	9,596
October	87,026	9,395	77,631	16,836	60,654	9,536
November	58,337	9,338	48,999	10,868	38,037	9,432
December	82,821	8,679	74,142	16,404	57,626	8,791
2013						
January	72,260	8,293	63,967	14,109	49,729	8,422
February	73,445	9,512	63,933	13,883	49,917	9,645
March	75,522	8,819	66,703	14,154	52,405	8,963
April	87,879	9,743	78,136	16,511	61,470	9,898
May [a]	77,970	10,041	67,929	14,628	53,175	10,167
June [a]	72,685	9,448	63,237	14,257	48,850	9,578

SOURCE: Social Security Administration, Supplemental Security Record, 100 percent data.

NOTE: Data are for all awards made during the specified month.

a. Preliminary data. In the first 2 months after their release, numbers may be adjusted to reflect returned checks.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

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The *Social Security Bulletin* is the quarterly research journal of the Social Security Administration. It has a diverse readership of policymakers, government officials, academics, graduate and undergraduate students, business people, and other interested parties.

To promote the discussion of research questions and policy issues related to Social Security and the economic well being of the aged, the *Bulletin* welcomes submissions from researchers and analysts outside the agency for publication in its Perspectives section.

We are particularly interested in papers that:

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- consider the uncertainties that individuals and households face in preparing for and during retirement and the tools available to manage such uncertainties; and
- measure the changing characteristics and economic circumstances of SSI beneficiaries.

Papers should be factual and analytical, not polemical. Technical or mathematical exposition is welcome, if relevant, but findings and conclusions must be written in an accessible, nontechnical style. In addition, the relevance of the paper's conclusions to public policy should be explicitly stated.

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500 E Street, SW, 8th Floor
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To facilitate the editorial process, papers submitted for publication must be prepared in Microsoft Word (**except for tables and charts—see below**) and be formatted as outlined below.

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- **End Notes**—Number notes consecutively in the text using superscripts. Only use notes for brief substantive comments, not citations. (See the *Chicago Manual of Style* for guidance on the use of citations.) All notes should be grouped together and start on a new page at the end of the paper.
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Questions regarding the mechanics of submitting a paper should be sent to our editorial staff via e-mail at ssb@ssa.gov.

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OASDI and SSI Program Rates and Limits, 2013

Old-Age, Survivors, and Disability Insurance

Tax Rates (percent)	
Social Security (Old-Age, Survivors, and Disability Insurance)	
Employers and Employees, each [a]	6.20
Medicare (Hospital Insurance)	
Employers and Employees, each [a,b]	1.45
Maximum Taxable Earnings (dollars)	
Social Security	113,700
Medicare (Hospital Insurance)	No limit
Earnings Required for Work Credits (dollars)	
One Work Credit (One Quarter of Coverage)	1,160
Maximum of Four Credits a Year	4,640
Earnings Test Annual Exempt Amount (dollars)	
Under Full Retirement Age for Entire Year	15,120
For Months Before Reaching Full Retirement Age in Given Year	40,080
Beginning with Month Reaching Full Retirement Age	No limit
Maximum Monthly Social Security Benefit for Workers Retiring at Full Retirement Age (dollars)	2,533
Full Retirement Age	66
Cost-of-Living Adjustment (percent)	1.7

a. Self-employed persons pay a total of 15.3 percent (12.4 percent for OASDI and 2.9 percent for Medicare).

b. Certain high-income taxpayers will be required to pay an additional Medicare tax beginning in 2013. For details, see the IRS information on this topic (http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax).

Supplemental Security Income

Monthly Federal Payment Standard (dollars)	
Individual	710
Couple	1,066
Cost-of-Living Adjustment (percent)	1.7
Resource Limits (dollars)	
Individual	2,000
Couple	3,000
Monthly Income Exclusions (dollars)	
Earned Income [a]	65
Unearned Income	20
Substantial Gainful Activity (SGA) Level for the Nonblind Disabled (dollars)	1,040

a. The earned income exclusion consists of the first $65 of monthly earnings, plus one-half of remaining earnings.

Social Security Administration
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Office of Research, Evaluation, and Statistics
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