

CHAPTER II
BENEFIT PAYMENT ISSUES --INCLUDING PROPOSED INCREASES
IN THE FEDERAL INCOME FLOOR

A. PREAMBLE TO CHAPTER

The national perspective. The SSI program serves a population requiring assistance in obtaining at least the most basic of human needs: food, clothing, and shelter. Some may require only cash assistance while others may require help in getting SSI benefits for which they are eligible and/or in reaching other kinds of help in the form of medical care, nutrition, social services, or management of benefits.

In undertaking their broad-based review of the SSI program, the experts endeavored to make choices that would enable people who are aged, blind, or disabled to live their lives with dignity. In so doing, the experts saw the need to address a number of areas which are interrelated and contain issues with respect to payment amounts and the way in which they are determined.

SSI and poverty. Federal SSI benefits were designed to provide a nationally uniform income floor for people who have little or nothing on which to live. For this reason, efforts to measure the adequacy of benefits and related issues usually focus on such comparisons as poverty measures and benefits provided by other poverty-related programs. With this in mind, the experts were concerned with the effectiveness of SSI benefits in providing an acceptable standard of living.

The September 26, 1972 Report of the Senate Finance Committee stated that the legislation which established the SSI program would "create a new Federal program administered by the Social Security Administration, designed to provide a positive assurance that the Nation's aged, blind and disabled people would no longer have to subsist on below-poverty-level incomes." The initial Federal SSI benefit standard specified that all individual benefits would be determined on the basis of their relationship to a uniform Federal floor. However, the statutory income floor for 1974 was below the poverty line and has been so ever since.

B. BENEFIT ADEQUACY

Background Information:

Measures of poverty. There are two slightly different versions of the Federal Government's poverty measure. The Census Bureau's poverty thresholds are the official Federal definition of poverty for statistical purposes. The Department of Health and Human Services' poverty guidelines are a simplification of the poverty thresholds for administrative purposes. The guidelines are generally considered easier to use in such programmatic contexts as establishing benefit eligibility. The guidelines are updated annually to reflect changes in prices. However, the thresholds (and, by extension, the guidelines derived from them) have been subject to criticism because they do not take into account changes in consumption patterns over the past several decades.

SSI benefit standards and poverty guidelines. The 1992 Federal benefit standard or income floor for one eligible person (adult or child) is \$422 per month while the floor for a couple, both of whom are eligible, is \$633 per month. (In December 1991, nearly 10 percent of the adults who received SSI and/or federally-administered State supplementary benefits did so as members of couples.) The following table compares the poverty guideline for a 1-person unit with the annual Federal SSI benefit standard for an individual and the guideline for a 2-person family with the standard for a couple:

<u>1992</u>	<u>Poverty Guidelines</u>	<u>SSI Standard</u>	<u>Percentage</u>
Individual	\$6,810	\$5,064	74.4
Couple	\$9,190	\$7,596	82.7

Other programs' standards and poverty guidelines. A number of Federal programs use eligibility criteria which involve some percentage of the poverty guidelines. Because of differences in what indicates "need" for various kinds of assistance, 100 percent of the poverty guideline is not always considered adequate. For example, a number of food programs use 130 percent of the poverty guidelines as a cutoff for eligibility while several health service programs use a sliding fee schedule for persons with incomes up to 200 percent of the guidelines. See Appendix i (at the end of this chapter) for some Federal programs using a percentage of the guidelines which is more than 100 percent.

Areas Where Issues Arise:

Federal benefit standard for an individual. As indicated above, the 1992 Federal SSI benefit standard for an individual is approximately 75 percent of the poverty guideline. This percentage has remained essentially unchanged since the program began in 1974.

Federal benefit standard for a couple. An eligible individual and his or her eligible spouse are paid based on a benefit standard which is 150 percent (rather than 200 percent) of the standard for an individual. As a result, members of couples receive lower SSI benefits than would two eligible individuals. However, as shown above, the benefit standard for a couple is a higher percentage of the applicable poverty guideline than is the standard for an individual. (See C. below for more information concerning treatment of eligible individuals and their spouses.)

Experts' Discussion of Benefit Adequacy Issues:

Adequacy of Federal benefit standard. All of the 20 experts who took a position concerning the benefit standard viewed the current standard as inadequate and said that it should be increased at least to 100 percent of the poverty guideline. While they expressed several viewpoints concerning the amount and timing of an increase, most of them said that increasing the standard should be one of their highest priorities.

Benefit standard for an individual. The experts considered several approaches to increasing the adequacy of an individual's SSI Federal benefit standard (i.e., the national income floor). These approaches ranged from increasing the standard to 100 percent of the poverty guideline over a 7-year period to increasing it to 120 percent of the guideline over 3 years.

A majority of the experts favored increasing the individual's Federal benefit standard to 120 percent of the poverty guideline because they said the nation's neediest people who are aged, blind, or disabled could not attain a minimally decent standard of living at 100 percent of the guideline. One pointed out that often people with incomes at levels between 100 and 125 percent of poverty suffer the most because they become ineligible for important ancillary benefits such as Medicaid or Food Stamps. However, in order to soften the cost impact in the current fiscal climate, most preferred a 5-year phase-in period to a shorter one or to a significant one-time increase.

Benefit standard for a couple. All but one of the experts expressing a view on the point favored maintaining the couple's benefit standard at the current 150 percent of the standard for an individual. Setting the couple's standard at a percentage of the poverty guideline (as described above for **an individual**)--even though it would mean increasing the benefit amount--would also have the effect of reducing the couple's standard from 150 percent to 134.9 percent of that for an individual. The majority saw such a result as inequitable since it would ignore all the testimony that people living together cannot share certain expenses, such as food or medicine, and some couples would experience actual decreases in benefits.

Impact of Increased Benefit Standards. It is the experts' understanding that increasing the Federal benefit standards for individuals and couples, as described above, would result in 2,128,000 new Federal SSI recipients by the end of fiscal year 1997.

Measure of adequacy. A number of the experts were concerned over the need to update the indices used to compute the poverty guidelines. They recalled public testimony to the effect that, unless the poverty level were "modernized" (i.e., increased in real terms by being recalculated using post-1950s consumption data), not even 100 percent of that level would be sufficient to provide a proper diet or maintain health. These experts concluded that the poverty guidelines understate considerably the true cost of a minimal standard of living. Nevertheless, they accepted the poverty guidelines as a useful benchmark **because** they are widely recognized and easy to use.

Recapitulation of Experts' Opinions on Benefit Adequacy:

<u>Option</u>	<u>Experts Supporting</u>
1. Increase the benefit standard for an individual, in equal annual increments, to:	
a. 120 percent of the poverty guideline over 5 years	12

Comment: One of these experts **also** would support increasing the standard to 100 percent over 5 years if the poverty line were updated.

- b. 120 percent of the poverty guideline over 3 years

Comment: One of these experts, while preferring the 3-year phase-in, would also support a 5-year period and is included in the count for a. as well as for b.

- c. 110 percent of the poverty guideline over 3 years 1

- d. 110 percent of the poverty guideline over 10 years 1

- e. 100 percent of the poverty guideline over 3 years

Comment: One of these experts also supports a longer (unspecified) period if required by competing priorities.

- f. 100 percent of the poverty guideline over 7 years 1

General Comment: Several experts, most of whom support increasing the benefit standard beyond 100 percent of poverty, also support reconsideration of other SSI priorities once the standard reaches 100 percent of the poverty guideline.

- 2. Keep the Federal benefit standard for a couple at 150 percent of that for an individual. 13

Comment: One expert disagrees, saying that the couple's standard should be set at the same percentage of the two-person poverty guideline as an individual's standard would be of the one-person guideline.

C. COUPLES

Background Information:

The "couple" as an eligibility unit. The statute distinguishes between eligibility and payment determinations for an eligible individual with an eligible spouse (a "couple" for SSI purposes), and all other eligible individuals, including those with ineligible spouses and those who are children. Being a "couple" means that each

spouse is eligible to receive SSI benefits; i.e., each is aged, blind, or disabled and their combined countable income and resources do not exceed limits which are 150 percent of the income and resources limits for an individual.

The couple as an eligibility unit is a concept that carries throughout the program. When both members of a couple apply for SSI, they do so with a single application. In determining eligibility for the members of a couple, SSA deducts their combined countable income from the couple's benefit standard to determine the total payment amount; that amount is then divided equally and paid in separate checks.

When members of a couple separate, they are treated as individuals the month following the month of separation. If the members of a couple separate and reunite frequently, SSA must make adjustments in payment and eligibility status.

When one spouse is ineligible. If an eligible individual has an ineligible spouse, only the former can receive SSI benefits, thus qualifying automatically (in most States) for Medicaid. However, the statute requires that, under certain circumstances, the eligible individual's income and resources be deemed to include the income and resources of the ineligible spouse. This is a carryover of States' "relative responsibility" laws used in the antecedent assistance programs. It says that one spouse has some financial responsibility for the other spouse, even if they are not legally married. (See "Definition of 'spouse'" below.)

The statute sets the resources limit at \$3,000 for a person who has a spouse, whether or not that spouse is also eligible. The income limit for a person whose spouse is ineligible can be the same as for a person with an eligible spouse, depending on the results of the deeming formula.

Areas Where Issues Arise:

Couple's income and resources standards. Using income and resources standards for spouses which are 50 percent, rather than 100 percent, of those for individuals can be traced to the social insurance programs under which a spouse is entitled to a benefit equal to half the benefit paid to the wage earner. Today's use of such a ratio in the means-tested SSI program also reflects a premise that two people can live together more economically than they could live separately, but only if they are spouses. As a result, an eligible couple receives combined SSI benefits which are less than the benefits payable to two eligible nonspouses (e.g., an aged mother and her disabled son) who may live together.

Couple's income and resources exclusions. Income exclusions apply differently to couples than to individuals. Each individual receives a \$20 general income exclusion and a \$65 earned income exclusion. In contrast, a couple, as a unit, receives one \$20 general exclusion and one \$65 earned income exclusion.

With respect to resources exclusions, couples also receive treatment which differs from that given two eligible individuals. For example, a couple can have only one automobile excluded for necessary transportation and have a total of \$2,000 excluded in household goods and personal effects. In contrast, two individuals who are not spouses may each have an automobile excluded and may each have \$2,000 in excluded personal items even though they live in the same household.

Definition of "spouse". The SSI statute considers a formally married husband and wife to be spouses. However, the statute also requires that two people who are not legally married but who hold themselves out to the community as married be treated as spouses, whether one or both are eligible. This provision is known as "holding out."

Some effects of "couple" rules. When two people, each of whom is receiving disability social insurance benefits as well as SSI benefits, wish to marry, they may face a substantial reduction in combined income. Each remains entitled to the same full disability insurance benefit as before because entitlement to these benefits is not subject to a "means" test. However, marriage could make them both ineligible for SSI benefits and, often, for Medicaid.

Examples of effects of "couple" rules. Betty Barnes and Samuel Short each received \$350 in disabled adult child social insurance benefits before marriage and each was eligible as an individual for an SSI payment of \$92 (at 1992 standards). When they married, they became subject to the SSI "couple" rules. Since their combined social insurance benefits (\$700 less \$20 general income exclusion = \$680) exceeded the \$633 Federal benefit standard for an SSI couple, their total income dropped from \$884 a month to \$700. Losing their SSI eligibility caused a loss of Medicaid as well.

On the other hand, some people benefit from the "couple" rules. This can happen when a person with significant income is married to someone with little or no income. For example, Mr. Johnson is 63 and receives a social insurance retirement benefit of \$550 monthly; however, because of his income, he is not eligible for SSI or Medicaid. He cannot receive Medicare because he is neither age 65 nor disabled. His

57-year-old wife is disabled but does not qualify for a wife's benefit (she would have to be at least 62 or have a child in her care) and has no income. As an individual with an ineligible spouse, Mrs. Johnson is eligible for an SSI monthly cash payment of \$103, giving the Johnsons combined cash income of \$653. She is also eligible for Medicaid. When Mr. Johnson turns 65, he becomes eligible for SSI and they are an SSI "couple". While there is no change in their combined cash income, Mr. Johnson is now eligible for Medicaid as well as for Medicare.

Experts' Discussion of Couples' Issues:

Definition of "spouse". A majority of the experts favored retaining the existing concept of a "spouse" (for both "couple" and spouse-to-spouse deeming purposes) with just one modification. They said that the "holding out" provision should be eliminated so that only legally married persons would be considered spouses. The experts did not view favorably having a Federal statutory provision that considers people to be married simply because they live together. They saw no useful SSI purpose being served through establishing the existence of what is, in effect, a common-law relationship. The experts objected to the SSI "holding out" provision as having adverse and disturbing effects both with respect to claimants' personal privacy and to the administrative process.

The experts discussed briefly, but gave no support to, the possibility of permitting people to choose whether to be treated as spouses or as individuals. One expert remarked that both the Internal Revenue Service and the social security insurance programs give people such a choice. However, all of the experts taking a position on this issue felt that, for SSI purposes, such a choice would be prone to inequities because of the complex program rules and the linkages with programs such as Medicaid.

Income and resources exclusions. Most of the experts favored giving each member of a couple a full set of earned income exclusions. They stated that this would provide a greater incentive for both members of a couple to work, particularly if both are disabled. It would also help compensate for the higher costs generally experienced by members of a couple with both members aged, blind, or disabled as compared with costs for younger, nondisabled couples.

In view of the support for increasing the resources limits (see Part D of Chapter III), the experts did not entertain any options for changing resources exclusions with respect to couples.

Recapitulation of Experts' Opinions on Couples:

<u>Option</u>	<u>Experts Supporting</u>
<u>Definitions of "spouse" and "couple".</u>	
1. Eliminate the concept of "holding out".	14
2. Eliminate the concept of "spouse" and treat everyone as an individual.	2
3. Treat any two adult individuals who live together as a couple.	1
<u>Couple% income exclusions.</u>	
1. Give each member of a couple a full set of earned income exclusions; leave the unearned income exclusions unchanged.	18
2. Give each member of a couple a full set of earned and unearned income exclusions.	2

D. STATE SUPPLEMENTATION
WITH AN INCREASED FEDERAL BENEFIT STANDARD

Background Information:

Federal/State roles with respect to benefit levels. When designing the SSI program, Congress was aware that SSI beneficiaries might have special needs and appreciated the appropriateness of augmenting the Federal benefit level to account for those needs as well as for geographic variations in the cost of living. However, Congress viewed the Federal responsibility as limited to provision of a basic benefit and that benefit has been generally regarded as geared toward meeting a person's basic needs of food, clothing, and shelter. Payments for higher living costs or special needs were left to the States.

The role of State supplementation. States use optional supplementary payments to achieve more nearly adequate benefits for people who are aged, blind or disabled. Supplementary payments allow a State to provide an income "floor" that takes into account geographic differences in living costs and individualized special needs in a manner that is not possible with a nationally uniform Federal

benefit standard. In many States, supplementary payments serve as a link to Medicaid eligibility. In March 1992, more than 2.2 million SSI recipients received State supplementation while nearly 3 million did not.

The amount of optional supplementation varies significantly from State to State as do the conditions under which States provide supplementation. For example, California has a number of supplementation levels and supplements nearly all of its SSI recipients in a variety of living arrangements. In that State, most total benefits, SSI plus State supplement, exceed the Federal poverty level. On the other hand, Texas does not have any supplementation program while several other States supplement only persons in certain protected living arrangements variously known as "domiciliary care" or "board and care". In addition to basic meal preparation and laundry, these living arrangements may provide such services as minimal social supervision or personal care assistance. Outside of this kind of living arrangement, few State supplements increase the benefit standard above the Federal poverty level.

Administration of supplementation programs. States may administer their own supplementation programs or have SSA do so. When SSA administers a State's supplementation program, the Federal Government absorbs all related administrative costs while the State pays only the cash benefit amount. At present, 26 States administer their own optional supplementation programs while SSA does so for 17 States and the District of Columbia. There are 7 States which do not have optional supplementation programs.

Areas Where Issues Arise:

Statutory supplementation requirement. Soon after the SSI program began, some States reduced their costs by reducing their optional supplementation when SSI benefits were adjusted for the cost of living. The result was that some recipients were no better off after a Federal benefit increase than they had been before. To avoid this benefit erosion, the SSI statute was amended in 1976 to require States to pass along any SSI increases. That is, States must maintain their supplementary payment levels, or the total amount of supplementation, that they pay from year to year regardless of any SSI benefit adjustments for the cost of living. If a State fails to do so, it loses Federal matching funds under its Medicaid program.

Federal administration of supplementation. Under Federal administration, a State may have up to 18 different payment level variations: 3 based on geographic distinctions, 6 based on living arrangements, and 9 categorical variations such as aged individuals, blind couples, etc. Thus, SSA's agreement to administer such varied supplementary payments entails such administrative difficulties as the need to do additional living arrangement development, maintain State-specific operating instructions which are updated at least annually, provide detailed systems coding, and issue specialized notices to recipients. All this raises the cost of administration borne by the Federal Government.

Experts' Discussion of State Supplementation Issues:

Statutory supplementation requirement. The experts discussed possible changes in the role of State supplementation as the Federal benefit standard approaches or exceeds the Federal poverty line. (See B. above on benefit adequacy.) All but one of the experts taking a position on the issue favored giving States greater flexibility in use of funds, particularly considering that some States' costs of living are lower than the national poverty level. These experts concluded that States should be able to use funds, now required for cash supplementation, to provide their SSI populations with assistance in such other areas as social services, medical care, or nutrition once the Federal benefit standard reaches at **least** 100 percent of the poverty line. These same experts supported requiring States to "grandfather" existing supplementation levels for any beneficiary who would otherwise experience a net decrease in the amount of combined Federal/State benefits.

Alternative uses of supplementation funds. A majority of the experts also said that States should be required, for some period, to spend the amount "saved" on supplementation to provide other services to their SSI populations. One of these experts supported a specific and permanent requirement for States to continue to spend some funds either on supplementation or on other services for their SSI populations; however, the amount so spent would not have to be at the full rate required under current law. Another expert favored continuing to require States to maintain current supplementary payment levels.

None of the experts supported permitting States to reduce or eliminate supplementation levels until the Federal benefit standard increases at least to the poverty line. However, if States were allowed to eliminate supplementation without such an increase, three of them endorsed a variable Federal benefit standard tied to geographic living costs following

Bureau of Labor Statistics indices. One of these experts observed that this option should be relatively easy to administer since SSA already administers some geographically variable State supplementary payments.

Simplifying Federal administration of supplementation. A majority of the experts supported simplifying, and reducing SSA's costs for, Federal administration of State supplements by reducing the number of possible State payment level variations. Specifically, they concluded that allowable living arrangement variations should be reduced from 6 to 3 (not counting supplementation of the \$30 payment limit) and categorical distinctions from 9 to 6; the 6 allowable variations would consist of up to 3 for individuals and 3 for couples. Because of the dramatic differences in living costs, even within a State, the experts supported continuation of the existing three permissible geographic variations. Most of them said that, within a specified timeframe, States should be given the choice of limiting their payment level variations as described, paying SSA for administering them, or taking over the administration themselves.

Recapitulation of Experts' Opinions on State Supplementation:

<u>Option</u>	<u>Experts Supporting</u>
1. Permit States to reduce or terminate supplements once the Federal SSI benefit standard increases to 100 percent of the poverty line. "Grandfather" extant supplementation levels for current beneficiaries (but not new eligibles) who would otherwise experience a net benefit decrease. Require States, for at least 3 years after reduction or termination of supplementation, to spend any "freed up" supplementation funds for other services to their needy residents who are aged, blind, or disabled.	18
2. Require States, by July 1, 1995, to do one of the following:	16
a. have no more than 3 supplementary payment level variations based on living arrangements (in addition to one, if desired, for people subject to the \$30 payment limit) and no	

more than 6 variations based on categorical distinctions: up to 3 **each** for individuals and for couples: plus the existing limit of 3 variations based on geographic areas: or

- b. pay SSA for administering their supplements: or
- c. administer their own supplements.

Comment: The President's budget for fiscal year 1993 includes a proposal to charge States for the cost of administering State supplementation programs.

E. PAYMENT LIMITS FOR PEOPLE IN INSTITUTIONS

Background Information:

Residents of most public institutions. Individuals who reside in public institutions throughout a month generally are not eligible for SSI. This ineligibility rule applies because Congress has not wanted the Federal Government to assume the traditional responsibilities of State and local governments for residents of their institutions. Historically, Congress has shown some concern about subsidizing institutions if the Federal Government has no control over the quality of care.

Residents of certain public institutions. There are exceptions to the general ineligibility rule for residents of certain public institutions. Exceptions to the ineligibility rule relate to persons in public emergency shelters for the homeless, publicly operated community residences for 16 or fewer residents, public institutions for educational or vocational training, and, when certain conditions are met, persons in medical or psychiatric facilities, provided they were receiving SSI under the provisions of section 1619 (see Part C of Chapter IV) or are expected to have stays of limited duration. Also, certain residents of public medical facilities may be eligible but their SSI payments cannot exceed \$30 a month (see material on issues below).

Residents of private institutions. There is no statutory rule prohibiting eligibility for residents of private institutions. However, the \$30 payment limit may apply to a person in a private medical institution when the Medicaid program is paying a substantial portion of the cost of his/her care.

Supplementation of limited payment. Sixteen States supplement the limited SSI payment in amounts ranging from \$5 to \$45 for an individual. Nine of these supplements are administered by the Social Security Administration.

Areas Where Issues Arise:

Amount of payment limit. Residents of public or private institutions for whom Medicaid is paying more than 50 percent of the cost of care are subject to a monthly Federal payment limit of \$30 (minus any countable income). This limited amount is for the purpose of meeting incidental personal needs (e.g., toiletries, soft drinks and entertainment) not met by the institution. The amount of the maximum payment has changed only once since the creation of the SSI program--from \$25 to \$30. Automatic cost-of-living adjustments are not applicable to the \$30 payment limit.

Applicability of payment limit. The payment limit described above applies since most of the individual's subsistence needs are met by the institution, which is being paid by Medicaid, another Federal assistance program. However, in other situations where most of a person's needs are being provided by a third party (e.g., a State or local government, a relative, or private health insurance), that person remains ineligible, if in a public institution, or remains eligible at the full benefit rate, if in a private institution.

Experts' Discussion of Payments to Residents of Institutions:

Amount of payment limit. Nearly all of the experts said that there should be an increase in the \$30 payment limit for institution residents for whom Medicaid is paying more than 50 percent of the cost of care. There was discussion regarding the appropriate amount and whether an increase should be one time only or yearly, based on cost-of-living increases.

One expert indicated that a one-time raise to \$35 a month would eliminate the complications of cost-of-living adjustments and would be less costly than yearly increases. Another expert suggested combining the two approaches; that is, increase the payment limit to \$35 initially, and increase the limit yearly thereafter, based on the cost-of-living adjustment. This suggestion received the support of nearly all of the experts.

Applicability of payment limit. The experts discussed the possibility of expanding the applicability of the \$30 payment limit to institutionalized individuals for whom cost of care is being paid by any source (e.g., Medicare, private insurance, family members, charitable organizations or State funds) other than the individual's own income or resources. It was explained that this option would remove the prohibition against eligibility for residents of public institutions who otherwise meet the eligibility criteria; payments would be limited to no more than \$30. Additionally, some residents of private institutions who are currently eligible for the full SSI payment would become subject to the \$30 payment limit.

A few experts expressed the opinion that an expansion of the applicability of the \$30 payment limit would not be desirable because, in combination with the rules for computing income, ineligibility could result for some individuals in private institutions who, under current rules, are eligible for benefits without the payment limit. The experts considered a variation of the option which would address only the eligibility of people in public institutions who are now barred from receiving payments. Under the modified option, SSI eligibility would be possible for residents of public institutions without regard to payment for the cost of care; such payments would be limited to \$30. This option would allow limited payments to any otherwise eligible person who happened to be residing in a public institution, such as a county home, even though Medicaid is not paying a significant share of the cost. This option would not disadvantage anyone now on the SSI rolls. Neither option appealed to most of the experts.

Recapitulation of Experts' Opinions on Payments to Residents of Institutions:

<u>Option</u>	<u>Experts Supporting</u>
1. Increase the \$30 payment limit to \$35, indexing annually thereafter based on the cost of living, and rounding to the next higher dollar.	19
<u>Comments:</u> One expert, while supporting this option, prefers an initial increase to \$40. Another expert supporting this option also favors computing the cost-of-living adjustment retroactively to the beginning of the program, or at least to July 1, 1988 when the payment was increased from \$25 to \$30.	
2. Expand the applicability of the \$30 payment limit to apply to institutionalized individuals for whom more than 50 percent of the cost of care is being paid by any source other than the individual's own income or resources.	1
3. Allow SSI eligibility for residents of public institutions without regard to payment of the cost of care by an outside source, but limit the payment to \$30.	1

F. ACCOUNTING PERIODS

Background Information:

The Federal benefit standard functions as a limit on countable income. Thus, after applying all appropriate exclusions to arrive at countable income, the benefit to be paid is the amount by which countable income falls short of the benefit standard. Actual payment amounts are affected by the accounting period prescribed by statute. From 1974 to 1982, SSI benefits were computed using a quarterly prospective system. That is, income and benefit amounts were estimated prospectively for each calendar quarter and paid in equal increments for each month of eligibility in the quarter. A prospective accounting system makes it possible to respond promptly to changes in income. However, because income and benefits were spread over 3 months, the quarterly

aspect of the arrangement also entailed overpayments and underpayments and produced situations which were complicated to explain to recipients.

In 1982, a new statutory provision changed the accounting period and ever since SSI benefits have been determined on a monthly retrospective basis. Generally speaking, the benefit payment is now determined separately for each month using countable income from 2 months earlier. However, there are special rules for new eligibles and for recipients who lose eligibility for one or more months and then regain it. Certain aspects of the retrospective monthly accounting rules are considered by many observers to be inequitable.

Areas Where Issues Arise:

The accounting period. The 1982 change to retrospective monthly accounting was intended to allow time for people to report changes so that benefit payments could be made with greater accuracy. However, retrospective accounting is often less responsive to immediate need since it takes two months for payments to change in response to decreases in, or losses of, other income.

Triple counting and termination of income. Under the rules of retrospective monthly accounting, the current month's payment amount is usually based on the beneficiary's income from 2 months earlier. However, when a beneficiary becomes eligible for SSI benefits, either initially or after a period of ineligibility, any countable income received in the first month of new or regained eligibility is used to compute the payment amount for the first, second, and third months. This is true even when income terminates after the first month. In initial eligibility cases, the individual may have to choose between delaying the month of eligibility or taking a reduced benefit for 3 months. There is no way to avoid the benefit reduction in renewed eligibility situations.

Similarly, when a beneficiary with countable income experiences reduction or termination of that income, the SSI payment continues to be reduced for 2 more months. This can leave the person with total income which may be far below the income floor.

Varying numbers of paydays in a month. A beneficiary (or a parent or spouse whose wages are deemed available to the beneficiary) earning wages close to the eligibility limit may be paid every other week or once a week. For two- or four-payday months, income remains under the eligibility limit. However, under a monthly system, the extra earnings in a **three-** or five-payday month are enough to result in ineligibility. While less common, similar situations can arise with unearned income such as unemployment benefits which may be paid weekly or biweekly.

The most serious consequence of the "extra payday" phenomenon is the loss of Medicaid coverage. Blind or disabled recipients who are working, and would be eligible except for their earned income, continue to be entitled to Medicaid under the provisions of section 1619(b) of the Social Security Act (see Part C of Chapter IV). However, this protection is not available to a recipient who receives unearned, rather than earned income, nor does it extend to aged beneficiaries.

Monthly verification of wages. Because eligibility is determined monthly and benefits are computed monthly, it is necessary for SSA to know the amount of monthly earnings a claimant received. The law states that "relevant information will be verified from independent or collateral sources . . ." Thus, SSA requests monthly wage information from employers when a worker does not have pay slips.

The verification requirement has proven burdensome, particularly for employers who may not maintain their records in the format needed by SSA. Employers provide wage information to SSA for retirement and survivors insurance and income tax purposes and often resent the need to provide yet a different (monthly) breakout for SSI purposes.

State__supplementation payments__computation. SSA administers supplementary payments for some States. However, persons whose incomes are too high to receive Federal SSI benefits but low enough to qualify for federally-administered State supplementary payments are not "**eligible**" for Federal SSI under the law. This can lead to some unusual payment computations that are very difficult to explain either orally or in written notices.

For example, an individual may be receiving both a partial Federal payment and a full State supplementary payment. The individual's income may increase to the point that it exceeds the Federal benefit standard, but is below the combined Federal plus State supplementary payment level. In this instance, the individual will receive no Federal payment

because s/he is not eligible for one, but s/he will still receive a full State supplementary payment, because the computation for the State payment is based on income from 2 months ago. Only after 2 months will the State payment be reduced. In this situation, one change in income produces 2 payment changes. Such payment changes result in confusing notices to some people in States where SSA administers the supplement.

Experts' Discussion of Accounting Period Issues:

The accounting period. All of the experts who took a position on the accounting period favored keeping a monthly accounting system but making it prospective instead of retrospective. The experts noted that prospective monthly accounting solves the payment computation problems of triple counting, termination of income, and State supplementation. They also concluded that prospective monthly accounting could be more responsive to current needs by making timely adjustments in benefit payments.

Some experts felt that, in theory, annual accounting might solve the problems currently identified with retrospective monthly accounting. However, they acknowledged that annual accounting may result in new problems and adversely impact some beneficiaries. Therefore, they believed that extensive testing prior to seeking enactment of annual accounting would be appropriate. Other experts expressed concern that even testing this option suggests support for it which may not exist.

Varying numbers of paydays in a month. Because of the preference for retaining a monthly accounting system, the experts recognized that there would continue to be certain months in which some people would lose eligibility due to an extra payday. A majority of the experts viewed the principal problem in these situations as the loss of Medicaid eligibility. Therefore, they concluded that Medicaid coverage should continue whenever there is a loss of SSI eligibility due solely to calendar-related income fluctuations.

Monthly verification of income. A majority of the experts said that beneficiaries, employers, and SSA staff would all benefit from some easing of the requirement for income verification. These experts concluded that, when it is not cost-effective, SSA should not be required to verify income.

Recapitulation of Experts' Opinions on Accounting Period:

<u>Option</u>	<u>Experts Supporting</u>
1. Change from retrospective monthly accounting to prospective monthly accounting.	19
2. Continue Medicaid coverage when SSI eligibility is lost solely due to a calendar-related income fluctuation.	19
3. Do not require income verification when it is not cost effective.	19
4. Define eligibility for SSI in terms of income below the combined Federal/State payment level for beneficiariess in States for which SSA administers the supplement.	16
<p><u>Comment:</u> One expert expressed concern that, by supporting minor or "technical" improvements, such improvements might be perceived as sufficient and so blunt the impetus for prospective monthly accounting.</p>	
5. Test one or more methods of annual accounting, beginning with prospective annual accounting, by running a computer simulation of the method or methods proposed.	13

G. OPTIONS PREFERRED BY A MAJORITY OF EXPERTS
SUMMARY AND COST ESTIMATES

Federal benefit standards. Nearly all of the 20 experts who took a position on this issue view increasing the Federal benefit standard as one of the program's top priorities. A majority of these experts favors increasing the Federal benefit standard for an individual to 120 percent of the poverty guideline for one person and doing so in five equal annual increments.

At the same time, a majority of the experts also supports keeping the Federal benefit standard for a couple at 150 percent of the standard for an individual. They say that reducing the couple's standard to 135 percent of the individual's standard (the result of using 120 percent of the poverty guideline for a two-person family) would decrease benefits to some couples and ignore testimony concerning the fact that, even though people may live together, they cannot share expenses such as those for food or medicine.

The experts want to see the SSI program live up to the vision of the 1972 report of the Senate Finance Committee. They feel a sense of urgency about assuring those who are aged, blind, or disabled that they will no longer have to live in poverty. The experts agree with public testimony that it is unfair to provide a benefit which keeps such an at-risk population poor and on the brink of homelessness; that it is a national responsibility to provide sustenance to these people who cannot provide it for themselves--and to provide it in a measure that affords dignity and security to each life.

Estimated Cost
(In millions)

<u>Fiscal</u> <u>Year</u>	<u>SSI</u> <u>Program</u>	<u>SSI</u> <u>Administrative</u>	<u>Medicaid</u> <u>Program</u>
1993	\$ 2,567	\$ 250	\$ 435
1994	7,092	710	1,825
1995	12,706	460	2,950
1996	19,527	470	4,310
1997	27,707	510	5,995

* * * * *

Couples: definition of "spouse". A majority of the experts supports the existing definition of a "spouse" (for purposes both of couples' determinations and of spouse-to-spouse deeming) --with one exception. They say that the SSI program should not view a person as another person's spouse simply because they hold themselves out to the community as such.

This majority favors continuing the concept of an individual and spouse, eligible or ineligible, as an eligibility unit, using the combined income and resources of both spouses. However, they are concerned that the "holding out" provision represents an unacceptable invasion of people's personal lives and presents administrative complications to no useful end. These experts say that this is an area where SSI should differ from the social insurance programs under which establishing a common-law relationship can be beneficial.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
1993	\$ 2	Negligible	Negligible
1994	3	Negligible	Negligible
1995	3	Negligible	Negligible
1996	4	Negligible	Negligible
1997	4	Negligible	Negligible

* * * * *

Couples: income exclusions. All of the experts who expressed a view on this issue support giving each member of a couple a full set of earned income exclusions. They see this as an important adjunct of providing incentives for people to work, especially in helping compensate for the higher expenses of a working person who is aged, blind, or disabled.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
1993	\$ 1	Negligible	\$ 5
1994	2	\$ 10	20
1995	3	Negligible	25
1996	3	None	25
1997	3	Negligible	35

* * * * *

State supplementation: reduction/termination. Nearly all of the experts say that States should be permitted to reduce or terminate their supplemental payments once the Federal benefit standard reaches 100 percent of the poverty guideline; however, this should be coupled with grandfathering any current recipient who would otherwise experience a net benefit reduction. As part of this option, States would be required, for at least 3 years after reducing or terminating supplementation, to use their "freed up" funds to provide other services to their SSI populations.

This large majority says that States should be allowed the flexibility to assume new roles with respect to their needy populations and to use limited funds for purposes other than supplementation of SSI. These experts conclude that, once the Federal benefit standard reaches the poverty line, benefits in some States will move above local costs of living; therefore, other kinds of assistance for needy people may be more helpful than cash supplementation of the Federal benefit.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
1993	None	(a)	\$ 435
1994	None	(a)	1,825
1995	None	(a)	1,995
1996	None	(a)	2,195
1997	None	(a)	2,410

(a): Unable to estimate.

* * * * *

State supplementation: federally-administered variations.
 A majority of the experts supports requiring each State whose optional supplementation program is administered by the Federal Government, by July 1, 1995, to: (a) have no more than 3 living arrangement variations--not counting a supplementation level for persons subject to the \$30 payment limit, no more than 6 categorical variations (3 each for individuals and couples), and up to 3 based on geographic distinctions: or (b) pay SSA for administering the supplementation program: or (c) administer its own program. They view the federally-administered supplementation programs as having become overly complex and costly for Federal administration and say that an increased Federal benefit standard should reduce the need for so many variations.

Estimated Cost
(In millions)

<u>Fiscal</u> <u>Year</u>	<u>SSI</u> <u>Program</u>	<u>SSI</u> <u>Administrative</u>	<u>Medicaid</u> <u>Program</u>
All	None	(a)	None

(a): Unable to estimate.

* * * * *

Limited payment to residents of institutions. All of the 19 experts who expressed a view on this issue support an increase in the current \$30 payment limit applicable to certain residents of medical institutions. These experts say the payment should be increased to a maximum of \$35, followed by annual cost-of-living adjustments rounded to the next higher dollar.

This majority of experts views an initial increase of \$5 as necessary recognition of ongoing increases in the costs of the comfort items for which the limited payment was intended. Thereafter, annual adjustments would keep the payment limit in alignment with living costs. They also say that applicability of the payment limit should apply as it does now: to persons experiencing lengthy stays in public or private medical treatment facilities where the Medicaid program pays a substantial part of the cost of their care so that SSI should continue to fill in only in terms of personal incidentals not provided by the institution or Medicaid.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
1993	\$ 8	None	Negligible
1994	16	Negligible	Negligible
1995	20	None	Negligible
1996	23	None	Negligible
1997	27	None	Negligible

* * * * *

Accounting periods: prospective monthly period. Almost all of the experts support use of a prospective monthly accounting period for purposes of determining SSI eligibility and payment amount. The experts want an SSI accounting period that is as responsive as possible to changes in recipients' financial circumstances, that simplifies program administration, and that produces easily understood results in terms of eligibility and payment amount. They also want to protect Medicaid eligibility for those people affected by variations in the number of regular paydays per month. These experts conclude that, except for calendar-related income fluctuations which can occur under any kind of monthly system, a monthly prospective accounting period would meet all of the criteria more effectively than the present retrospective system.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
All	(a)	Negligible	(a)

(a): Unable to estimate.

* * * * *

Accounting periods: SSI eligibility-definition. For as long as the existing monthly retrospective accounting period remains in existence, a majority of the experts concludes that SSI eligibility should be defined in terms of the combined Federal/State supplementary benefit level for those States where SSA administers the supplement.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
1993	\$ 4	Negligible	Negligible
1994	5	Negligible	Negligible
1995	5	Negligible	Negligible
1996	5	Negligible	Negligible
1997	5	Negligible	Negligible

* * * * *

Accounting periods: annual period simulation. A majority of the experts, all of whom support a change to monthly prospective accounting, also favors computer simulation testing of methods of annual accounting, beginning with a prospective annual period. They wish to determine whether an annual period might be justified as simpler and more understandable than a monthly or quarterly one.

Estimated Cost
(In millions)

<u>Fiscal Year</u>	<u>SSI Program</u>	<u>SSI Administrative</u>	<u>Medicaid Program</u>
All	None	(a)	None

(a): Unable to estimate.

* * * * *

Accounting period: income fluctuations. Almost all of the experts favor continuing Medicaid coverage when a calendar-related income fluctuation causes loss of SSI eligibility. They see this as consistent with the statutory linkage between SSI and Medicaid, more equitable, and easier for the public to understand.

Estimated Cost
(In millions)

<u>Fiscal</u> <u>Year</u>	<u>SSI</u> <u>Program</u>	<u>SSI</u> <u>Administrative</u>	<u>Medicaid</u> <u>Program</u>
All	None	Negligible	Negligible

* * * * *

Accounting period: income verification. Nearly all of the experts also favor eliminating income verification in situations when such verification would not be cost-effective. They say that this would be an administrative simplification with little financial risk attached if the criteria for cost-effectiveness are carefully drawn.

Estimated Cost
(In millions)

<u>Fiscal</u> <u>Year</u>	<u>SSI</u> <u>Program</u>	<u>SSI</u> <u>Administrative</u>	<u>Medicaid</u> <u>Program</u>
All	(a)	(a)	(a)

(a): Unable to estimate.

* * * * *

**OTHER FEDERAL PROGRAMS' ELIGIBILITY STANDARDS
AS A PERCENTAGE OF THE POVERTY GUIDELINES**

The following Federal programs are chief among those which, by statute (or regulation), use more than 100 percent of the poverty guidelines in establishing income cutoffs for eligibility and/or for offering sliding fee schedules for services. 1/

<u>Program</u>	<u>Poverty Guidelines Percentage</u>
Medicaid	
Qualified Medicare Beneficiaries	1991-92: 100%
	1993-94: 110%
	1995 on: 120%
Children under 6, infants, and pregnant women	133% but State may go to 185%; 23 States are at 185% and 6 others are between 133% and 185%.
Spousal impoverishment, minimum protected income	1989-91: 122% of amount for 2 people 1991-92: 133% 07/92 on: 150% of amount for 2 people.
Food Stamps	130% for households w/o elderly or disabled member
Special Supplemental Food Program for Women, Infants, & Children	Set by States but cannot exceed 185%.
Commodity Supplemental Food Program	130% (elderly only)
National School Lunch Program	Free meals: 130%.
School Breakfast Program	Reduced-price meals:
Child/Adult Care Food Program	130% to 185%
Special Milk Program for Children	
Food Distribution Program on Indian Reservations	130%.
Food Commodities Program	Set by States. Often 130% but may be higher.

Community Services Block Grants Community Food and Nutrition	Usually 100% but States may go to 125%.
Low-Income Energy Assistance	Greater of 150% of the guidelines or 60% of State's adjusted median income.
Weatherization Assistance for Low-Income Persons	125%
Community Health Centers Migrant Health Centers Grants National Health Service Corps	Sliding fee schedule for those between 100% and 200%.
Family Planning Services	Sliding fee schedule between 100% and 200% (or 250% in some cases).
Senior Community Service Employment Program	125%
Foster Grandparent Program Senior Companion Program	Higher of 125% or of 100% + SSI State supplement.

* * * * *

NOTE: Benefits for SSI recipients are considerably higher than those for AFDC recipients but are generally lower than benefits provided to retired or disabled workers under the social insurance programs. (AFDC legislation does not refer to poverty guidelines although a few States have chosen to use a less-than-100-percent level of the guidelines.) SSI benefits for children with disabilities are basically the same as benefits for adults.

1/ Except for Medicaid, based on excerpts from "Federal Programs Using the Poverty Guidelines...as an Eligibility Criterion or to Target Assistance or Services", Gordon M. Fisher, ASPE/DHHS