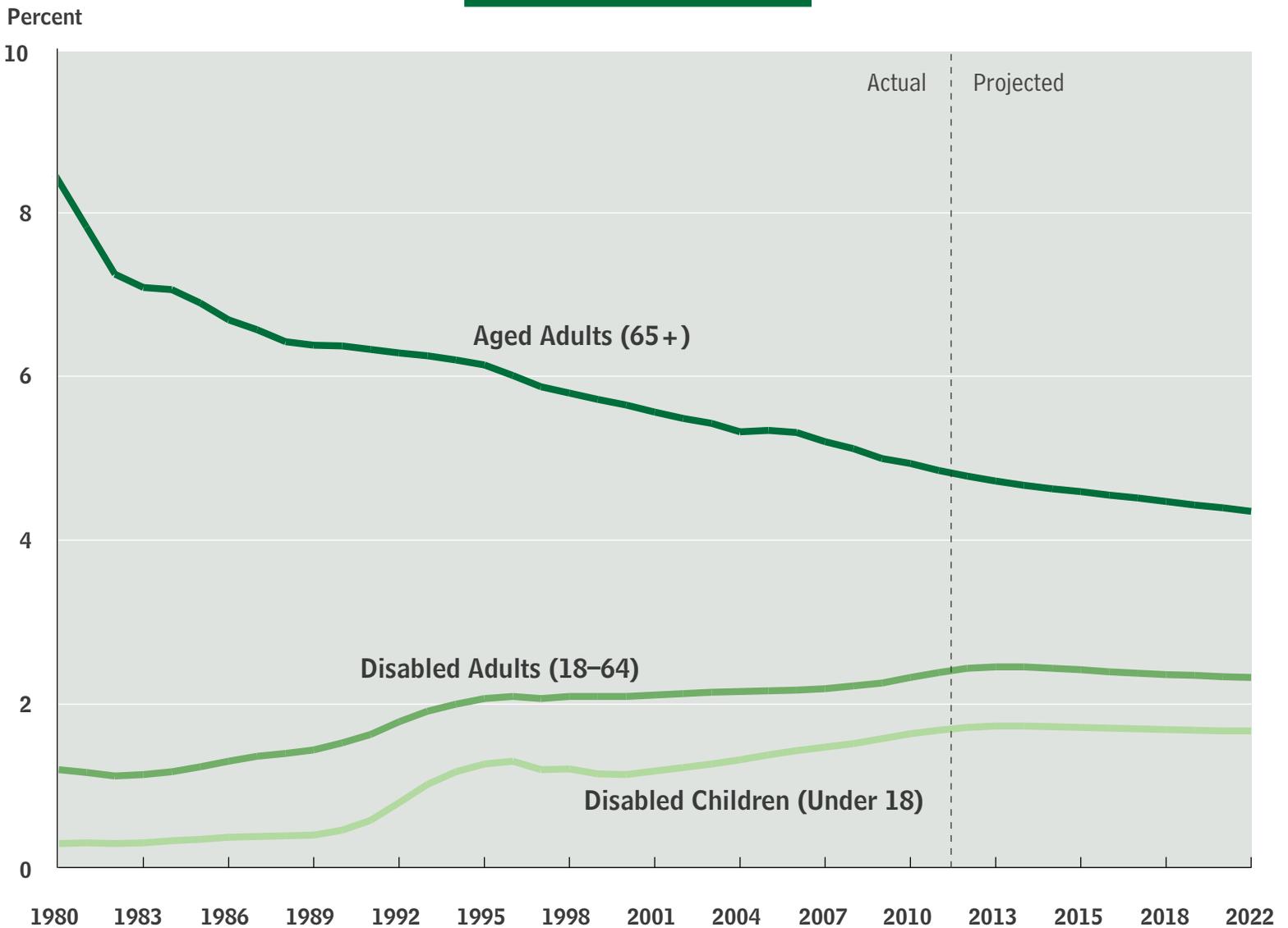


CBO

Supplemental Security Income: An Overview



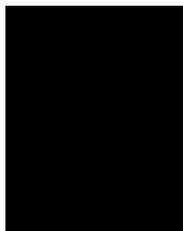
Supplemental Security Income Recipients as a
Share of the Total Population of the Same Age

DECEMBER 2012

Notes

Unless otherwise indicated, all years referred to are calendar years.

Figures 2, 3, and 4 use vertical bars to indicate periods of recession. (A recession extends from the peak of a business cycle to its trough.)



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Supplemental Security Income: An Overview

Summary and Introduction

In 1974, the federal government established the Supplemental Security Income (SSI) program to provide cash assistance to people who are disabled, aged, or both and who have low income and few assets. SSI replaced several state-run support programs that had been partially financed by the federal government. In fiscal year 2013, the program will make payments to more than 8 million people at a cost to the federal government of about \$53 billion, the Congressional Budget Office (CBO) estimates.¹

Currently, about 60 percent of SSI recipients are disabled adults (ages 18 to 64), about 15 percent are disabled children (under age 18), and about 25 percent are aged adults (age 65 or over) with or without disabilities.² SSI recipients generally are eligible for health insurance through Medicaid, and many also participate in other income-security programs that provide federal support to low-income people.

1. For additional background and data on the program, see Social Security Administration, *Annual Report of the Supplemental Security Income Program* (May 2012), <http://go.usa.gov/Y4rW>; *SSI Annual Statistical Report, 2011* (September 2012), <http://go.usa.gov/Y4rR>; and *Understanding Supplemental Security Income, 2012 Edition*, accessed October 12, 2012, <http://go.usa.gov/Y4rC>. SSI recipients also can qualify on the basis of blindness; about 1 percent do. For the purposes of this report, *disabled recipients* includes people who are blind.
2. In other analyses, the Congressional Budget Office and the Social Security Administration categorize as *disabled adults* recipients who are over the age of 65 and who receive payments on the basis of disability before they turn 65; in those other analyses, only those who are awarded payments solely on the basis of age are identified as *aged recipients*. About half of SSI recipients over age 65 first qualify for SSI on the basis of disability.

In the early 1990s, participation in SSI among people under the age of 65—that is, among disabled people—increased substantially, in part because of changes in eligibility rules. Such participation rose again between 2006 and 2011, mainly because of the recession. In contrast, the share of the aged who participate in SSI has declined steadily during the past few decades as more women have qualified for Social Security retirement benefits and as average Social Security benefits have increased, leaving fewer aged people poor enough to qualify for SSI. All together, the number of SSI recipients has increased faster than the overall population during the past few decades.

At the same time, the average SSI payment has increased more slowly than total output (gross domestic product, or GDP) per person. As a result, federal SSI outlays have remained at about 0.3 percent of GDP since the early 1990s.

In coming years, CBO projects that as the economy improves and average Social Security benefits continue to increase, the number of SSI beneficiaries will decline slightly as a share of the population. In addition, SSI payments per recipient are linked to prices, which tend to rise more slowly than GDP per person. As a result of those two factors, CBO projects that total outlays for SSI will decline slightly relative to total output over the next decade, reaching one-quarter of one percent of GDP.

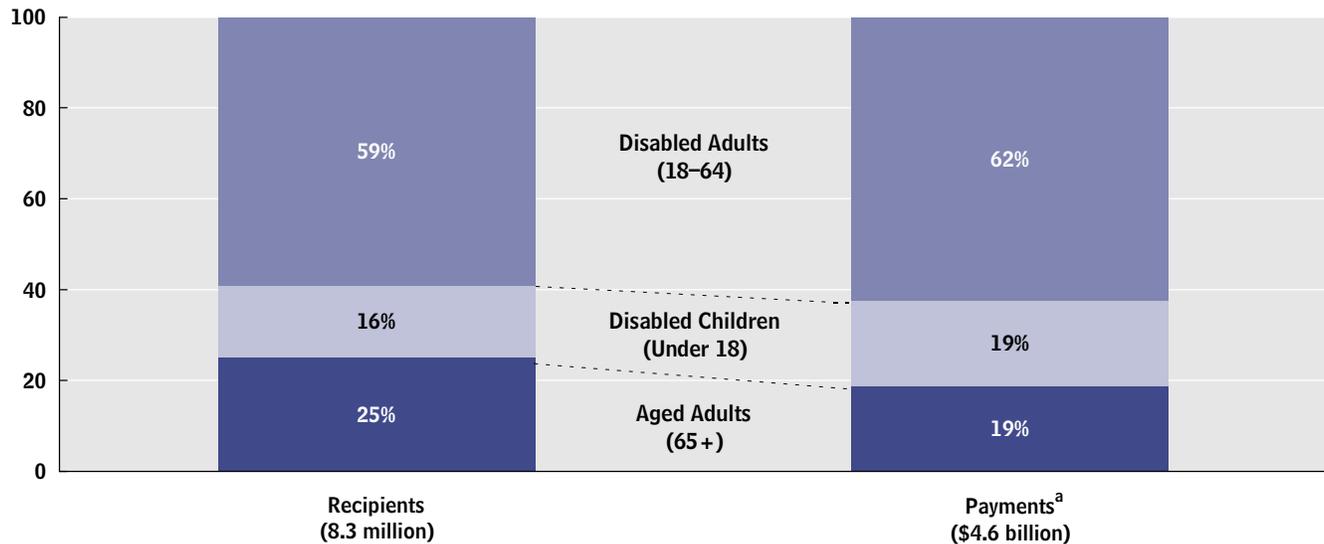
Proposals for changing SSI—some that would expand the program and others that would shrink it—can be grouped into four categories:

- Those that would adjust the parameters of the program, such as payment amounts or income or asset thresholds;

Figure 1.

Supplemental Security Income Recipients and Total Monthly Payments, by Type of Recipient

(Percentage of total)



Source: Social Security Administration.

Note: Data are for October 2012.

a. Includes federally administered state supplements.

- Those that would change the criteria used to determine who qualifies for SSI on the basis of disability;
- Those that would establish more frequent reviews of recipients' continuing eligibility; and
- Those that would more fundamentally change the program, for example by expanding programs to support work by people who qualify for SSI under current law, by creating a separate program for children, or by transferring control of the program to the states.

Who Receives SSI Payments?

As of October 2012, the SSI program had about 8.3 million recipients, classified into three groups (see Figure 1). The largest group consists of disabled adults ages 18 to 64. That group accounts for 59 percent of the program's recipients and receives 62 percent of the program's total payments.

Social Security Disability Insurance (DI), the other major federal program that provides cash benefits to people with disabilities, uses the same disability standard for

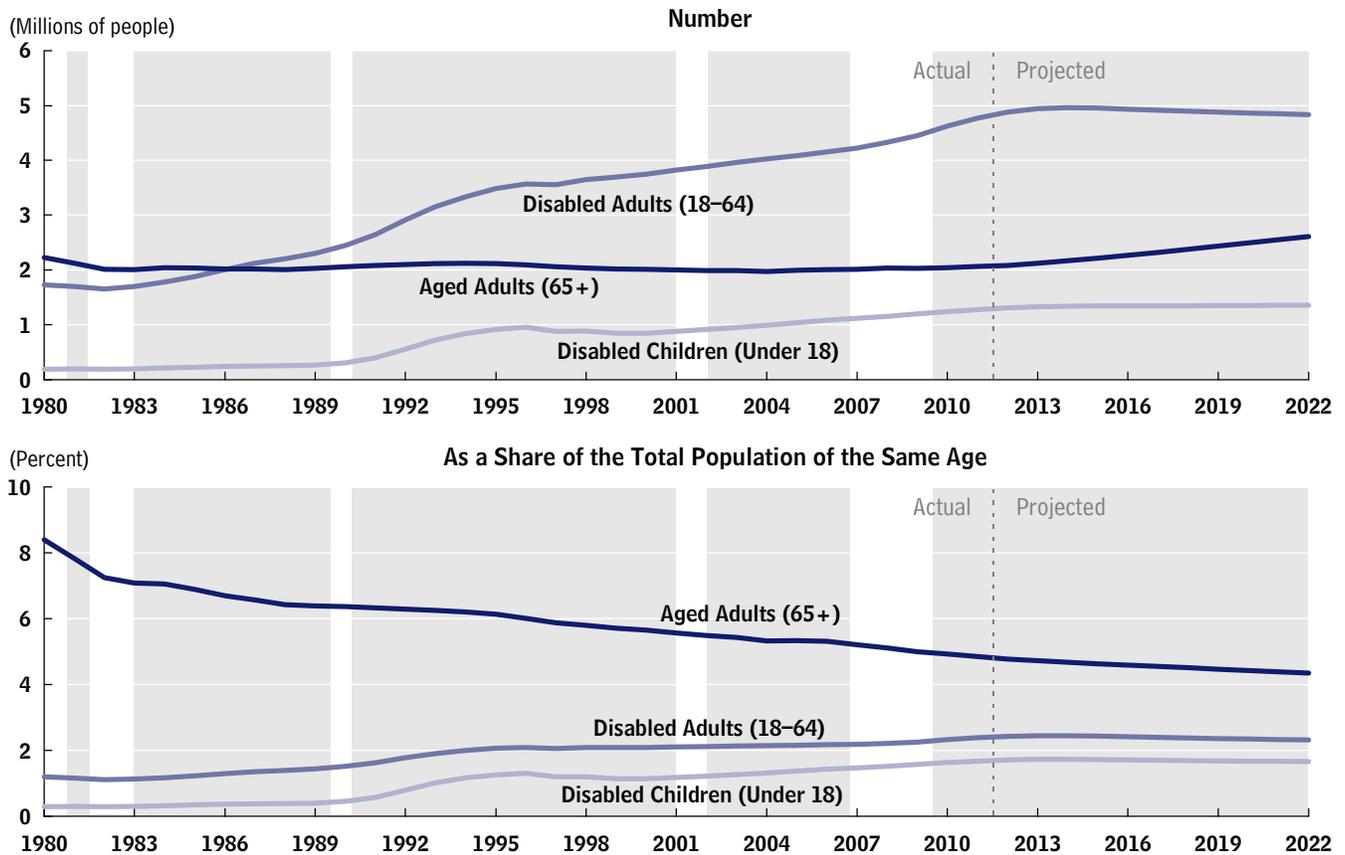
working-age adults that applies in SSI, but it differs from SSI in several respects. For example, DI is available only to adults (and their dependents) who have a sufficient record of work, but past work is not a requirement for SSI eligibility. DI also places no limits on beneficiaries' income or assets, but SSI recipients must have low income and few assets. In addition, DI is funded primarily by means of a dedicated payroll tax, but SSI is funded out of general revenue.³

Disabled children (under the age of 18) make up 16 percent of SSI recipients and receive 19 percent of the program's payments. The remaining 25 percent of SSI recipients are people age 65 or older; the average payments they receive are smaller, and they collect 19 percent of the program's total payments.

Most working-age and aged-adult recipients of SSI payments live in their own households. The most recent data

3. For more information, see Congressional Budget Office, *Policy Options for the Social Security Disability Insurance Program* (July 2012), and *Social Security Disability Insurance: Participation Trends and Their Fiscal Implications* (July 2010).

Figure 2.
Supplemental Security Income Recipients, by Type



Source: Congressional Budget Office.

available indicate that about half of working-age SSI recipients in 2006 had not graduated from high school or received a GED certification and that many lived in households with income below the federal poverty threshold.⁴

4. The actual share of SSI recipients in poverty is not known. One analysis of the 2006 National Beneficiary Survey, which surveyed only SSI and Social Security Disability Insurance beneficiaries, contained an estimate that 70 percent of SSI recipients lived in poverty; see Gina Livermore, David Stapleton, and Allison Roche, *Work Activity and Use of Employment Supports Under the Original Ticket to Work Regulations: Characteristics, Employment, and Sources of Support Among Working-Age SSI and DI Beneficiaries* (report submitted by Mathematica Policy Research, Inc., to the Social Security Administration, April 2009), p. 8, www.mathematica-mpr.com/disability/tickettowork.asp. An analysis of earlier data from the Current Population Survey showed a substantially lower poverty rate for that group, about 40 percent in 2002; see Joyce Nicholas and Michael Wiseman, “Elderly Poverty and Supplemental Security Income,” *Social Security Bulletin*, vol. 69, no. 1 (May 2009), pp. 45–73, <http://go.usa.gov/g4QQ>.

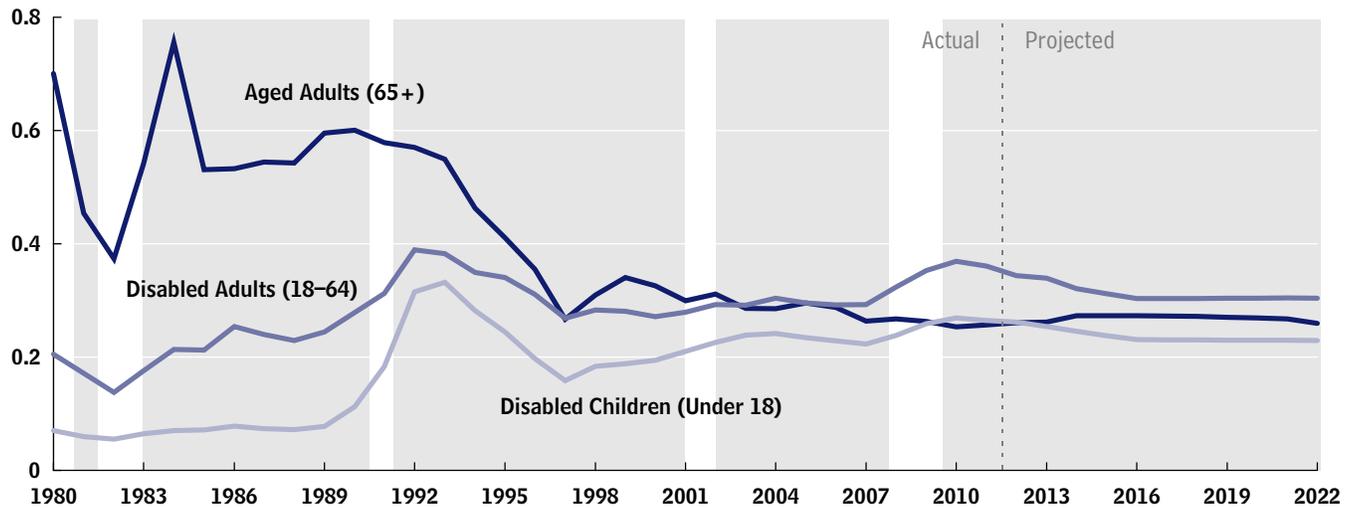
Disabled Adults Ages 18 to 64

About 4.8 million people in the 18-to-64 age group—about 2.4 percent of the U.S. population in that age group—received SSI payments in 2011 (see Figure 2). To qualify for SSI, those recipients must demonstrate that their disability prevents them from participating in “substantial gainful activity,” which in 2012 is considered to mean work that would produce earnings of more than \$1,010 a month. (That amount is adjusted annually for average wage growth.) Older adults are more likely than younger adults are to receive payments: Fewer than 2 percent of people between the ages of 18 and 29 receive payments; slightly more than 3 percent of people between the ages of 50 and 64 do. Especially among younger adults, eligibility for the program is determined most commonly on the basis of mental disability: Three-quarters of participants ages 18 to 39 were awarded payments primarily because of a mental disorder. That share declines with age, as conditions such as spinal

Figure 3.

New Supplemental Security Income Recipients as a Share of the Total Population of the Same Age

(Percent)



Source: Congressional Budget Office.

disorders and heart disease become more prevalent. Among SSI recipients between the ages of 60 and 64, for example, one-third receive payments because of mental disorders, one-quarter receive payments because of musculoskeletal disorders, and one-tenth receive payments because of circulatory disorders. Because people who qualify on the basis of a physical disorder tend to be awarded payments at later ages, they generally spend less time in the program.

The share of adults ages 18 to 64 receiving SSI payments has increased over time, rising from slightly more than 1 percent of the population 30 years ago to more than 2 percent today. The change accelerated in the early 1990s, in part because of a loosening of disability standards for mental and musculoskeletal disorders that was passed in the Social Security Disability Benefits Reform Act of 1984 and implemented in subsequent years. That rule change increased the weight placed on applicants' ability to function, thus reducing the weight put on medical diagnoses. Applications for SSI also increased in the early 1990s because the Social Security Administration (SSA) stepped up its public outreach regarding the program.⁵

The share of working-age adults receiving SSI payments also has increased when jobs have been especially difficult

to obtain, such as during the early 1990s and in the past several years. During those periods, SSI applications tend to rise, and more people enter the program (see Figure 3). CBO projects that, as the economy improves in coming years, the number of new, disabled-adult recipients will decline and then stabilize, falling from 734,000 in 2010 to about 600,000 in 2016 and thereafter. As a share of the population, the number of disabled-adult recipients will reach 2.5 percent in 2013, CBO projects, and will remain at about that percentage for the following decade.

Disabled Children Under Age 18

Children who qualify for SSI must be disabled and, in most cases, must live in a household with low income and few assets. To be considered disabled, a child must have a physical or mental impairment that results in marked and severe functional limitations and that is either expected to last for at least 12 consecutive months or to result in death. Most child recipients—three-quarters of recipients between the ages of 5 and 17 and one-third of those under the age of 5—qualify because of a mental disorder.

5. Jerry L. Mashaw and Virginia P. Reno, eds., *Balancing Security and Opportunity: The Challenge of Disability Income Policy* (Disability Policy Panel, National Academy of Social Insurance, 1996), p. 70. www.nasi.org/research/1996/balancing-security-opportunity-challenge-disability-income.

Disabled children normally require more support than other children do, and SSI payments help parents and other caregivers pay for disability-related expenses and help compensate for the lower wages that parents might earn because of the demands of caring for a disabled child. In all, 1.3 million disabled children are SSI recipients, or about 1 in 60 of those under the age of 18.

The rolls of disabled children receiving SSI payments increased gradually after the program was established in 1974, and by the 1980s, about 0.3 percent of children were SSI recipients (see Figure 2 on page 3). In that period, the determination of disability was based entirely on specific diagnoses, called medical factors. In 1990, the Supreme Court's opinion in *Sullivan v. Zebley* invalidated the SSA's child disability regulation, and children were then able to qualify on the basis of functional limitations, such as the inability to walk or to attend school.⁶ The number of new, disabled-child recipients spiked after the *Zebley* decision, growing from less than 0.1 percent of children to more than 0.3 percent in 1993 (see Figure 3). As a result, the number of new child recipients more than quadrupled, from about 50,000 in 1989 to 240,000 in 1993, by which time 1.0 percent of all children were SSI recipients.

The broad-based welfare reforms enacted in 1996 had countervailing effects on the number of children receiving SSI payments. On the one hand, lawmakers tightened the definition of functional limitations for children, which tended to reduce SSI applications for children. On the other hand, benefit rules for Temporary Assistance to Needy Families (TANF, a new program established at that time) that were stricter than those for Aid to Families with Dependent Children (the program that TANF replaced) led some poor parents to seek support for their children through SSI instead. In addition, because SSI is funded entirely by the federal government, whereas TANF is funded in part by the states, the states have an incentive to encourage residents to apply for SSI. On balance, the share of children receiving SSI payments declined slightly after welfare reform before resuming an upward trend in 2000.

Rising poverty also seems to have contributed to growth in the number of child SSI recipients. Simply being poor

is not a guarantee that an applicant will meet the SSI income and asset tests, but poor people are more likely to meet those tests, so an increase in the poverty rate generally leads to an increase in the number of SSI recipients. Between 2005 and 2011, both the number of poor children and the number of children who received SSI increased by about 25 percent; in 2011, 1.7 percent of all children were recipients. CBO projects that the share of children receiving SSI payments for the first time will decline slightly over the next few years as poverty rates fall because of an improving economy. However, the agency also projects that, as in past economic recoveries, the share of SSI recipients exiting the program will not change significantly, so the share of children in the program will remain almost stable for the next decade.

Adults Age 65 or Older

People age 65 or older can qualify for SSI on the basis of low income and assets alone; they need not be disabled. As a result, people in that age group are more likely than younger people are to qualify for the program; about 2.1 million, or 5 percent of the elderly population, do. (About half of those recipients qualified as disabled recipients before they turned 65.)

The share of the aged population that receives payments has fallen by more than half since 1974 because of the increase in the share of that population eligible for Social Security and because of the real (inflation-adjusted) increase in the average Social Security benefit. Many more women now have had sufficient earnings to qualify for Social Security benefits based on their own work. In addition, the Social Security benefits that each new group of beneficiaries receives are linked to average wages in the economy, which generally increase faster than SSI benefits, which are linked to prices. As more people qualified for Social Security benefits and as the benefit amounts rose, fewer people met SSI's income standard. CBO projects that this long-standing downward trend in the share of aged adults who receive SSI payments will continue, with the share falling from about 5 percent to about 4 percent over the next 10 years.

Spending for SSI

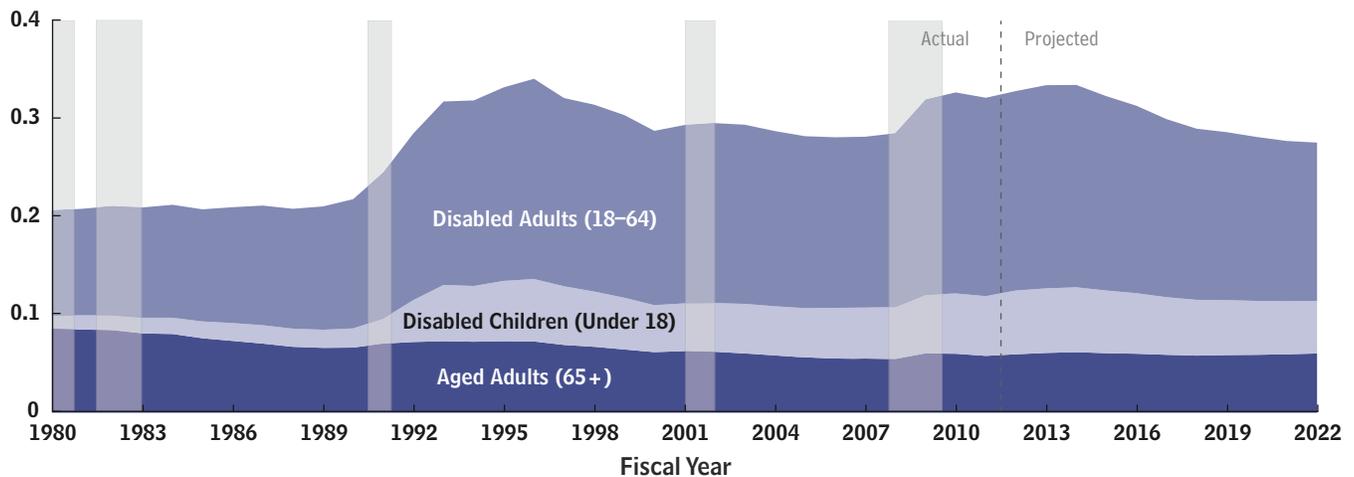
The federal government will spend about \$53 billion on SSI payments in fiscal year 2013, about 3 percent more than it did in fiscal year 2012 (after accounting for

6. 493 U.S.C. 521, 541 (1990).

Figure 4.

Federal Outlays for Supplemental Security Income Payments, by Type of Recipient

(Percentage of gross domestic product)



Source: Congressional Budget Office.

differing number of payments), and it will spend an additional \$4 billion to administer the program. Payments will represent about 1.6 percent of total federal outlays and 0.3 percent of GDP, roughly the same share of the economy that the program has claimed since the early 1990s (see Figure 4).

In the coming decade, CBO expects, the share of the population receiving SSI payments will decline slightly, for the reasons discussed above. In addition, SSI payments per recipient will grow more slowly than average earnings in the economy. As a result, total SSI outlays will grow more slowly than the economy, CBO projects, and fall to about one-quarter of one percent of GDP by fiscal year 2022.

Payments to Recipients in 2012

The maximum SSI payment is specified in law, and the amount someone receives is the difference between that maximum and the recipient's "countable income," a measure of that person's income (for details, see "Income and Asset Limits" on page 8). People whose countable income exceeds the maximum are not eligible to receive SSI payments.

The current maximum monthly SSI federal payment is \$698 for an individual or \$1,048 for a couple, but most actual payments are lower; in October 2012, federal

payments averaged \$497 for all recipients. Forty-four states and the District of Columbia supplement federal payments for some or all recipients, and states can choose to administer payments or to have the federal government determine eligibility and make payments. About one-quarter of all recipients receive federally administered state payments as well as payments funded by the federal government itself; federally administered state supplements total about \$3.5 billion annually, and state supplements administered by the states total about \$1 billion annually. (States also can choose to provide payments to people who are ineligible for federal SSI because of excess income. Only 3 percent of SSI recipients receive federally administered state payments without federal payments.) The average federally administered state supplement in October 2012 was \$122.⁷

Payments for aged adults tend to be lower than those for younger recipients, in part because many recipients who are 65 or older also receive Social Security benefits, thus reducing their SSI payments. In October 2012, federal monthly SSI payments to aged adults averaged \$380, disabled adults received \$516, and children received \$607.

7. For sample data on monthly payments by eligibility category, age, and source of payment, see Social Security Administration, Research, Statistics, and Policy Analysis, "SSI Monthly Statistics, October 2012," Table 7, <http://go.usa.gov/g45H>.

(As a result of federally administered state supplemental payments to some recipients, aged adults received a total of \$415 in monthly SSI payments, disabled adults received \$533, and children received \$615, on average.)

Trends in Payments

Since 1983, SSI payments have been indexed to inflation, as measured by growth in the consumer price index for urban wage earners and clerical workers (CPI-W). Therefore, the purchasing power of those payments (as measured using the CPI-W) has remained constant. However, the payments have shrunk relative to average earnings, which tend to grow faster than inflation. In 1984, the maximum individual SSI payment was 23 percent of average earnings (as measured by the national average wage index, according to SSA). By 2011, that ratio had declined by about one-fifth, to 19 percent of average earnings. CBO projects that earnings growth will continue to outpace inflation and that SSI payments will continue to gradually decline as a share of average earnings.

In CBO's baseline projections, which generally follow current law, outlays for SSI payments grow from \$51 billion in fiscal year 2012 to \$68 billion by fiscal year 2022. As a share of GDP, however, outlays are projected to decline by about one-fifth over that period, from 0.33 percent of GDP today to 0.27 percent in 2022. (Those projections adjust outlays to account for the variation in the number of monthly payments per fiscal year; in most years there are 12, but in some years the October 1 payment date falls on a weekend, resulting in 11 or 13 payments during a given fiscal year.)

How Does SSI Work?

Program eligibility rules differ somewhat for each type of recipient.⁸ People with qualifying disabilities, income, and assets who meet other eligibility criteria receive monthly payments based on current income or, in some cases, the income of a spouse or parent, and payments fall as income rises. Eligibility for payments ends if the disabling condition improves or if income or assets rise above the eligibility thresholds.

8. For details on issues summarized in this section, see Social Security Administration, *Understanding Supplemental Security Income* (2012), <http://go.usa.gov/g4NG>.

Qualifying Disabilities

Disability determination services (DDSs), which are run by states but funded by the federal government, assess whether children and adults under age 65 meet the disability criteria for SSI. Although SSI is separate from the Old-Age and Survivors Insurance and Disability Insurance (DI) programs of Social Security, SSA administers all three. Slightly fewer than half of adult applicants under age 65 who meet the financial criteria for the program are ultimately approved for payments.

Applications for SSI, like DI applications, are filed with SSA, which first determines whether an applicant's income and assets are low enough to meet the standards for eligibility (discussed below). If that determination is positive, a DDS then reviews a case file and rules on whether the applicant is sufficiently disabled to qualify. About one in three applications reviewed by a DDS is approved.⁹

Roughly 40 percent of all applications by disabled adults that initially are denied by a DDS are appealed. In 40 states and the District of Columbia, the appeals are then heard at what is known as the reconsideration level, in which, depending on the reason for rejection, the decision is reviewed either by the DDS or by SSA; only about 10 percent of such appeals result in an approval. In the 10 states without the reconsideration level, appeals advance automatically to the next level.

More than two-thirds of the people whose applications are denied at the reconsideration level appeal again, this time to an administrative law judge (ALJ); those judges also hear all cases from states without reconsideration.¹⁰ In most such cases, the earlier denial is reversed, and about one-quarter of all awards to disabled adults are made by ALJs. Although it is not known precisely why ALJs reverse so many earlier rulings, several factors probably contribute:

9. *SSI Annual Statistical Report, 2011* (September 2012), Table 69, "Outcomes of Applications for Disability Benefits," <http://go.usa.gov/Y4rR>. About one-quarter of applications are rejected by SSA for nonmedical reasons, such as income or assets that exceed the program limits, and about one-half are rejected by DDSs because the applicants are judged not to be disabled.

10. ALJs are judges who preside over administrative trials and hearings on claims made by individuals affected by agency determinations or decisions.

- More applicants have legal representation at a hearing before an ALJ than they have earlier.
- In some cases, the medical disorder worsens between the time of the initial application and the time of the appeal hearing.
- DDS employees have an incentive to deny applications because those results are not as likely to be reviewed by SSA as approvals are. In contrast, approvals handed down by ALJs are not reviewed, and their denials can be appealed first to an Appeals Council and then to the federal courts, although few applicants choose to do so.
- DDS examiners review only the case file, but ALJs typically meet applicants in person, thus allowing applicants to respond directly to questions. In addition, whereas it is common for applicants to have lawyers or other representation at the hearings, SSA has no legal representation to advocate against an application at a hearing.

Relatively fewer appeals are filed on behalf of children than are filed for adults whose applications have been rejected, and ALJs are less likely to reverse the decision to deny a child's application than an application for an adult. As a result, more than 90 percent of awards to children are made at the initial DDS review. In recent years, about 40 percent of child applicants have been accepted into the program.¹¹

Income and Asset Limits

About one-quarter of all applicants are disqualified on the basis of financial resources. To be eligible for payments, recipients' assets and their countable income must fall below statutory thresholds. The amount of payments is reduced by the amount of recipients' countable income. Several sources of income are not countable:

- The first \$20 of income received in a month from any source, in addition to other types of excluded income listed below;
- The first \$65 of wages and self-employment income, and half of the remaining amount;
- The value of in-kind benefits, such as food stamps or heating assistance, as well as need-based assistance from state and local agencies; and
- Money from loans, grants, and scholarships.

The income of parents of children under 18 is generally considered (or "deemed") to be available to those children and is included in the computation of countable income for a potential or accepted child recipient. For married adults of all ages, the income of a spouse with whom the recipient lives is deemed to be available to the recipient. Countable income includes cash received from friends or relatives but excludes money spent by other people for expenses other than food or shelter.¹² SSI recipients must apply for all other available private and public sources of income, including benefits from other means-tested programs, pensions, Social Security, and unemployment insurance.

In addition to meeting low-income criteria, recipients must have minimal assets. Specifically, their "countable resources" must total less than \$2,000 for a single person or \$3,000 in joint assets for married people. Countable resources include financial assets and most other items that could be sold. Exceptions include a home, household goods, and one vehicle. (Applicants who give away assets or sell them for less than their market value may have to wait up to 36 months to qualify for SSI payments.)

Other Eligibility Criteria

In general, SSI applicants must be U.S. citizens. (Until 1996, legal permanent residents also were eligible.) However, immigrants who arrived in the United States by August 1996 and those who have worked enough to qualify for Social Security retirement benefits can collect SSI payments if they are otherwise eligible to do so. In general, refugees and people who have been granted asylum are eligible for seven years after they enter or are granted asylum here. In 2008, that period was temporarily extended (until the end of fiscal year 2011) to nine years. In general, residents of nursing homes or other medical institutions for whom more than half the cost of care is paid by Medicaid receive a federal monthly SSI payment of \$30; residents of public medical facilities and prisoners are ineligible.

11. *SSI Annual Statistical Report, 2011* (September 2012), Table 69, "Outcomes of Applications for Disability Benefits," <http://go.usa.gov/Y4rR>.

12. However, payments are reduced by one-third for recipients who live in another person's household and do not pay for food and shelter.

Exiting the Program

SSI recipients become ineligible when a disabling condition improves sufficiently or their income or assets rise above the eligibility thresholds. To ascertain whether recipients continue to have qualifying disabilities, they are subject to continuing disability reviews (CDRs). By law, CDRs are required for low-birth-weight infants on their first birthday and for disabled children who have reached the age of 18. About half of the infants and more than one-third of the 18-year-olds are found to be no longer disabled.¹³ The frequency of review for other cases depends on the estimated likelihood of recovery and on funding available for reviews. Each year, about 1 percent of disabled adult SSI recipients leave the program after their disabling condition improves. Very few SSI recipients (less than 1 percent) leave the program each year because their own earnings increase.

How Does SSI Interact with Other Government Programs?

SSI recipients often participate in other government support programs, including Social Security, Medicaid, TANF, and the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp program).

Social Security

Many SSI recipients in the disabled-adult and aged-adult categories also qualify for Social Security benefits; such recipients are known as dual beneficiaries. About 25 percent of disabled-adult SSI recipients also receive Social Security DI benefits, and about 55 percent of aged-adult SSI recipients also receive Social Security benefits, mostly from Social Security's retirement program, Old-Age and Survivors Insurance. Because Social Security benefits represent countable income for SSI, SSI payments are reduced dollar-for-dollar by the amount of Social Security benefits after taking into account the \$20 monthly general income exclusion. In effect, the SSI payment is a floor on the sum of SSI and Social Security benefits.

Qualifying for SSI is valuable even for recipients who qualify for DI benefits that are equal to or larger than their SSI payments because qualifying for SSI can provide

earlier access both to cash and to medical benefits. First, SSI payments begin immediately after the payment is awarded, whereas DI benefit payments begin five months after the onset of disability. Second, SSI recipients qualify for Medicaid health benefits immediately, whereas DI recipients become eligible for Medicare 24 months after becoming eligible for DI benefits.

Medicaid

People who qualify for SSI also generally qualify for Medicaid benefits. (In 39 states and the District of Columbia, qualification is automatic; in 11 states, Medicaid eligibility rules differ from the SSI rules, but SSI recipients in those states generally qualify for Medicaid as well.) Gaining Medicaid eligibility through SSI is most valuable for disabled adults—and most costly to the government—because that group tends to have significant medical needs. Most disabled adults are not eligible for Medicare because they are too young to qualify on the basis of age and have not had enough work history to qualify for Social Security DI benefits. Medicaid is also valuable for disabled children, but most of them would qualify for that or other health care programs separately from SSI. Average Medicaid outlays for aged recipients are lower than they are for younger recipients because Medicare is usually the primary source of health insurance for the aged and Medicaid pays only the costs that Medicare does not cover. (However, average Medicaid costs are very high for those who receive long-term care.) In 2011, the annual federal Medicaid costs for disabled-adult recipients of SSI averaged \$9,250; for disabled-child recipients, they averaged \$8,300; and for aged-adult recipients, they averaged \$5,840.¹⁴

For people who expect to have large health care costs, a significant incentive for applying for SSI is to receive Medicaid benefits.¹⁵ However, about 70 percent of SSI recipients would qualify for Medicaid even if they were

13. Social Security Administration, *Annual Report of Continuing Disability Reviews, Fiscal Year 2010* (transmitted to the Honorable Joseph R. Biden Jr. and the Honorable John A. Boehner on May 1, 2012), <http://go.usa.gov/YyPC>.

14. Federal Medicaid costs for beneficiaries who were not on SSI were substantially lower because such beneficiaries are much less likely than SSI recipients to be disabled and therefore likely to use less health care. In 2011, those costs averaged \$1,350 for children, \$1,760 for adults, and \$3,430 for aged Medicaid beneficiaries.

15. For information on how eligibility for SSI and DI affects access to Medicare and Medicaid, see Kalman Rupp and Gerald F. Riley, "Longitudinal Patterns of Medicaid and Medicare Coverage Among Disability Cash Benefit Awardees," *Social Security Bulletin*, vol. 72, no. 3 (August 2012), pp.19–35, <http://go.usa.gov/g4Uh>.

not SSI recipients because they are members of other qualifying groups, such as low-income children or their parents.

Beginning in 2014, the Affordable Care Act will allow states to choose to expand Medicaid coverage to anyone whose income is below 138 percent of the federal poverty level.¹⁶ In states that do so, almost all SSI recipients will be eligible for Medicaid based on income alone, even if they do not qualify for SSI. SSI recipients who are not eligible for Medicaid but whose income is equal to or above 100 percent of the poverty level will be eligible for subsidized insurance through the exchanges that will be established under the Affordable Care Act.

Temporary Assistance for Needy Families

Poor families with children may qualify for cash payments through the state-administered TANF program, and they also may qualify for SSI if their children meet SSI's disability criteria. States receive federal funding for TANF in fixed amounts, in contrast with SSI, under which federal outlays change with the number of recipients. Because of that difference in funding structures, increasing SSI payments to TANF beneficiaries gives states additional overall resources. Families that receive TANF benefits also can be better off when they qualify for SSI because they generally receive larger total payments.¹⁷ Therefore, states have an incentive to ensure that TANF beneficiaries receive any SSI payments for which they qualify. In 2006, about one-sixth of TANF families included at least one person receiving SSI.

Supplemental Nutrition Assistance Program

Many SSI recipients also qualify for food assistance, most commonly through SNAP.¹⁸ About half of households that receive SSI payments also receive SNAP benefits. Although the eligibility criteria for the two programs

differ, a demonstration project, the SSI Combined Application Project, is experimenting with an integrated process for applications and benefit computations. Participation in that project is generally limited to aged people who live alone and have no income from earnings.¹⁹ In fiscal year 2010, 18 states had demonstrations of the project, and about 8 percent of all SSI recipients participated.

How Much Does SSI Affect People's Work and Saving?

Any program that provides benefits only to low-income applicants who have few assets will, to some extent, discourage work and saving. SSI is intended to provide income to adults with limited financial resources who cannot perform substantial work, but the dividing line between those who can and cannot perform substantial work is not always clear. Some people who are currently employed have medical conditions that would allow them to qualify for the program if they stopped working. That fact and the incentives inherent in the program suggest that if the program did not exist, if payments were lower, or if income and asset limitations were less stringent, at least some people receiving payments from such programs would work more or save more. However, SSI recipients who are disabled adults have been judged, through the disability determination process, to be unable to perform substantial work, and SSI payment amounts and asset limits are low, so most SSI recipients probably could not earn or save significant amounts.

Incentives Created by SSI Payments to Disabled Adults

Work behavior among disabled adults is affected by the fact that SSI payments are reduced by 50 cents for each dollar of earnings after the first \$65. That reduction in payments is effectively a tax on earnings, which reduces the incentive to work.

However, most adults who qualify for SSI on the basis of a disability probably would not work much even in the absence of SSI. Among the considerations supporting that conclusion are the following four:

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16. See Congressional Budget Office, *Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision* (July 2012). The Affordable Care Act comprises the Patient Protection and Affordable Care Act and the health care provisions of the Health Care and Education Reconciliation Act of 2010.
17. Steve Wamhoff and Michael Wiseman, "The TANF/SSI Connection," *Social Security Bulletin*, vol. 66, no. 4 (2005/2006), pp. 21–36, <http://go.usa.gov/g2rW>.
18. Brad Trenkamp and Michael Wiseman, "The Food Stamp Program and Supplemental Security Income," *Social Security Bulletin*, vol. 67, no. 4 (2007, released June 2008), pp. 71–87, <http://go.usa.gov/g2gB>.

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19. Mathematica Policy Research, *Technical Documentation for the Fiscal Year 2010 Supplemental Nutrition Assistance Program Quality Control Database and the QC Minimodel* (report submitted to the Department of Agriculture, Food and Nutrition Service, September 2011).

- Most disabled-adult SSI recipients have little or no work history; according to one study, fewer than one-third were working at the time they became disabled.²⁰
- A disabled adult with a significant work history can generally receive more from Social Security DI benefits than from SSI payments, so the availability of SSI is unlikely to affect such a person's decision to work.
- SSI payments are much lower than are earnings from even low-wage work: Excluding the effects of fringe benefits and taxes, which are generally small for people with low wages, the earnings for full-time minimum-wage work are more than twice the average SSI payment. However, some participants might only be able to work limited hours or sporadically, in which case the SSI benefit could be comparable to or greater than their potential earnings.
- As discussed below, few disabled-adult recipients return to work even though SSI includes provisions designed to mitigate work disincentives.

In the other direction, among the considerations that suggest that some SSI beneficiaries would work more in the absence of SSI are the following:

- Giving up SSI sometimes entails the loss of Medicaid benefits and the loss of benefits from other programs that assist low-income people.²¹
- For various reasons, including the time and effort required for work, some recipients probably prefer receiving SSI payments instead of working.

Because DI benefits can be higher than SSI payments and because DI sets no limits on assets or nonwage income, adults who qualified for SSI as children have an incentive to work for long enough to qualify for DI benefits. Still, that incentive is dampened by the existence of SSI payments.

20. John Bound, Richard Burkhauser, and Austin Nichols, "Tracking the Household Income of SSDI and SSI Applicants," in Solomon Polachek, ed., *Worker Well-Being and Public Policy: Research in Labor Economics* (Elsevier JAI Press, 2003), pp. 113–158.

21. See Congressional Budget Office, *Effective Marginal Tax Rates for Low- and Moderate-Income Workers* (November 2012).

The SSI asset limit is unlikely to have a large effect on savings. Most low-income families have little opportunity to save and few financial assets.

Incentives Created by SSI Payments to Aged Adults

In the years before they turn 65, some people who are not disabled probably work less and save less because they expect to receive SSI when they reach age 65, especially if they live in states where SSI supplements are larger.²² For example, a 60-year-old man could know that his Social Security benefit will be lower than his SSI payment no matter how much he works. In that case, any additional work by him would result in more earnings, but it would not increase the total payments he would receive after turning 65. In addition, if he expects to receive SSI payments, he might consider it less important to prepare for retirement by saving or by accruing pension benefits. Because only a small portion of workers expect to receive SSI, and because the behavior of only some of those workers is affected, the effect of SSI payments to aged adults on overall work and saving is small.

Incentives Created by SSI Payments to Disabled Children

When SSI recipients turn 18, the Social Security Administration assesses their eligibility for continuing in the disabled-adult program; about two-thirds of child recipients at that age meet the SSI eligibility criteria for disabled adults.²³ CBO is aware of no analysis that demonstrates the influence of SSI payments on the future work patterns of child recipients. On the one hand, disabled-child SSI recipients who anticipate continuing to receive payments as adults may be discouraged themselves, or be discouraged by their parents or other advocates, from pursuing entry-level jobs or from seeking the type of education that would prepare them to enter the workforce. In addition, some parents might believe

22. David Neumark and Elizabeth Powers, "Welfare for the Elderly: The Effects of SSI on Preretirement Labor Supply," *Journal of Public Economics*, vol. 78, nos. 1–2 (2000), pp. 51–80, www.sciencedirect.com/science/journal/00472727/78/1-2.

23. Jeffrey Hemmeter, Jacqueline Kauff, and David Wittenburg, "Changing Circumstances: Experiences of Child SSI Recipients Before and After Their Age-18 Redetermination for Adult Benefits," *Journal of Vocational Rehabilitation*, vol. 30, no. 3 (2009), p. 211. For additional information, see Jeffrey Hemmeter and Elaine Gilby, "The Age-18 Redetermination and Post-redetermination Participation in SSI," *Social Security Bulletin*, vol. 69, no. 4 (December 2009), pp. 1–25, <http://go.usa.gov/g24V>.

that a child's designation as disabled by a school system or other agency will improve the chance of a successful SSI application. That designation or actions that the parents might take to get the child's disability officially recognized could result in the child's being moved to a weaker educational track, or otherwise reduce the child's educational preparation, in a way that limits his or her prospects for adult work.²⁴ On the other hand, SSI payments to a disabled child might help his or her parents support the child's development, and a designation as disabled might give a child access to other support services that improve his or her ability to work upon reaching adulthood.²⁵

The availability of SSI payments for disabled children could reduce the work effort of those children's parents because the reduction of 50 cents for every dollar's increase in earnings is a disincentive for some parents to work. However, any effect of this sort appears to be small.²⁶

Programs to Encourage Work

Several provisions of SSI are designed to mitigate work disincentives for disabled-adult recipients. Two in particular reduce the cost of returning to work:

- People whose income is above what is known as the substantial gainful activity amount, currently \$1,010 a month, do not generally qualify for SSI. However, section 1619 of the Social Security Act provides that people who already receive SSI payments may continue to do so indefinitely, even when their earnings rise above that threshold, so long as they remain eligible otherwise. (Payments are still reduced by the amount of countable earnings, and no payment is

made if a person's countable earnings are greater than the maximum monthly SSI payment.) In addition, recipients whose payments stop because of high earnings can remain on Medicaid as long as their annual earnings are below a much higher threshold (which varies by state but typically is around \$32,000 per year), even after they become ineligible for SSI.

- SSI's "expedited reinstatement" program allows recipients whose eligibility has ended because of increased earnings to return to the program within five years without filing a new application if their earnings subsequently decline enough that they become eligible again.

Two other programs have been created to assist recipients in returning to work, although neither appears to have been very successful. Under one, recipients can set up what is known as a Plan to Achieve Self Support, or PASS, which allows them to exclude from SSI eligibility calculations any savings for education, equipment, or other resources needed to get a better job. Under such a plan, a recipient's monthly SSI payments are not affected by those savings. The other program, called the Ticket to Work Program, was designed to help recipients prepare for and find employment. Ticket to Work is federally funded, but its services are provided by state or local governments or by private organizations.

Despite those provisions of SSI and the existence of those two programs, however, most SSI recipients do not work, and most disabled-adult recipients remain on the program indefinitely. Each month just 5 percent of disabled SSI recipients report earnings, and each year only about 0.5 percent leave the program because their earnings increase.²⁷ The programs probably have a limited effect in part because some SSI recipients decide not to participate in them but also because some do not fully understand the opportunities to work while remaining on SSI.

Approaches to Changing SSI

Proposals for changing SSI—some that would expand the program and others that would shrink it—can be grouped into four categories:

24. See Subcommittee on Human Resources of the House Committee on Ways and Means, hearing on Supplemental Security Income for Children (October 27, 2011), <http://go.usa.gov/Ykqk>; and Patricia Wen, "The Other Welfare," *Boston Globe*, December 12–14, 2010, www.boston.com/news/health/specials/New_Welfare.

25. Shawn Fremstad and Rebecca Vallas, *Supplemental Security Income for Children with Disabilities*, Social Security Brief 40 (National Academy of Social Insurance, November 2012), www.nasi.org/research/2012/supplemental-security-income-children-disabilities.

26. One report identified "no evidence of a change in labor supply in response to child SSI enrollment." See Mark G. Duggan and Melissa Schettini Kearney, "The Impact of Child SSI Enrollment on Household Outcomes," *Journal of Policy Analysis and Management*, vol. 26, no. 4 (Fall 2007), pp. 861–886, <http://onlinelibrary.wiley.com/doi/10.1002/pam.v26:4/issuetoc>.

27. See *SSI Annual Statistical Report, 2011* (September 2012), Table 40, <http://go.usa.gov/Y4rR>; and Paul O'Leary, Gina A. Livermore, and David C. Stapleton, "Employment of Individuals in the Social Security Disability Programs," *Social Security Bulletin*, vol. 71, no. 3 (August 2011), pp.1–10, <http://go.usa.gov/g22P>.

- Those that would adjust the parameters of the program, such as payment amounts or income or asset thresholds;
- Those that would change the criteria used to determine eligibility for SSI on the basis of disability;
- Those that would establish more-frequent reviews of recipients' continuing eligibility; and
- Those that would more fundamentally change the program, for example expanding programs to support work by people who qualify for SSI under current law, creating a separate program for children, or transferring control of the program to the states.

Estimating the effects of those changes on the federal budget is not possible without detailed specifications for how each would work. CBO has previously produced cost estimates for three well-defined options for changing SSI (see Box 1): using an alternative measure of inflation to adjust for price changes over time, eliminating the \$20 exclusion for unearned income, and reducing total payments to families with more than one child recipient.²⁸ This report focuses on broader potential changes to the program but does not include cost estimates for those changes.²⁹

28. See Congressional Budget Office, *Budget Options*, vol. 2 (August 2009).

29. Policies to change SSI by changing the definition of disability or supporting work opportunities could also affect DI because the programs currently use the same definition of disability and some programs to support work are offered to participants in both programs. For additional discussion, see Congressional Budget Office, *Policy Options for the Social Security Disability Insurance Program* (July 2012). For discussion of possible approaches to supporting work for people with disabilities, see David H. Autor and Mark Duggan, *Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System* (Hamilton Project: December 2010), www.hamiltonproject.org/papers/supporting_work_a_proposal_for_modernizing_the_u.s._disability_insuran; David Mann and David Stapleton, *A Roadmap to a 21st-Century Disability Policy*, Issue Brief, 12-01 (Center for Studying Disability Policy, Mathematica Policy Research, January 2012), www.mathematica-mpr.com/publications/pdfs/disability/roadmap_ib.pdf; and Richard Burkhauser and Mary Daly, *The Declining Work and Welfare of People With Disabilities* (American Enterprise Institute, 2011), www.aei.org/book/economics/the-declining-work-and-welfare-of-people-with-disabilities/.

Program Parameters

SSI outlays could be adjusted by changing payment amounts or by changing the income and asset thresholds. For example, if policymakers wanted to increase future payment amounts relative to what they will be under current law, they could choose to link changes in those amounts to changes in wages. Under current law, the maximum monthly federal payment—in 2012, \$698 for an individual and \$1,048 for a couple—rises with average prices and thus has been unchanged in real terms since SSI was created in 1974; over that period, average real earnings in the economy have increased by about 30 percent. Alternatively, if policymakers wanted to decrease future payment amounts relative to what they will be under current law, they could choose to freeze those amounts in nominal terms (that is, at the dollar amount in effect at that time) rather than stay with current law, under which payments increase with changes in average prices.

Policymakers also could increase future SSI outlays relative to what they will be under current law by raising the asset thresholds and thereby increasing the number of people who would be eligible to receive payments. SSI's asset thresholds have been constant, with no adjustment for inflation, since 1984, whereas prices have more than doubled since then. To make the threshold match its amount in 1984 in real terms (as measured by the CPI-W), the asset threshold for a single person would have to increase from \$2,000 to about \$4,400. The asset rules also could be relaxed by narrowing the types of assets considered—for example, by disregarding assets held in retirement accounts.³⁰ Alternatively, policymakers could reduce future SSI outlays relative to what they will be under current law by setting asset thresholds below their current amounts.

Any increase in the program's total payments that stems from changes in monthly payment amounts or asset thresholds would increase federal outlays. If policymakers wanted to obtain offsetting savings within SSI, they could adjust other parameters of the program. For example, the substantial gainful activity amount could be reduced; or—as discussed in Box 1—rather than excluding the first \$20 of unearned income, all unearned income could

30. Robert Greenstein and Zoë Neuberger, *Removing Barriers to Retirement Saving in Medicaid and Supplemental Security Income*, Retirement Security Project Policy Brief 2008-3 (Brookings Institution, October 2008), www.brookings.edu/about/projects/retirementsecurity/resources.

Box 1.**Cost Estimates for Three SSI Options**

As part of its analysis of various options for the federal budget, the Congressional Budget Office (CBO) has estimated the cost of three well-specified changes to the Supplemental Security Income (SSI) program.¹ In each case, CBO estimated the effect on SSI spending over a 10-year projection period, from fiscal year 2013 to fiscal year 2022.

Option 1. Use an Alternative Measure of Inflation to Adjust for Price Changes Over Time

According to many analysts, the consumer price index for urban wage earners and clerical workers (CPI-W) overstates increases in the cost of living because of the limited size of the sample of goods used to compute it and because it does not fully account for the fact that consumers generally adjust their spending patterns as some prices change relative to others.²

One option for lawmakers would be to link SSI payment adjustments to another measure of inflation—the chained CPI—which is designed to account fully for changes in spending patterns. The chained CPI has grown more slowly than the traditional CPI-W—by an average of about 0.25 percentage points per year over the past decade—so indexing payments to the chained measure instead of the CPI-W would reduce federal spending. Applying the chained CPI starting in 2014 would reduce SSI outlays by \$6.7 billion over the 2014–2022 period, a reduction of about 1 percent of total SSI outlays over that period. (That estimate assumes that the same change would apply to Social Security benefits, and thus that those benefits also would be reduced relative to

current law. SSI payments for dual beneficiaries are lower when Social Security benefits are higher, so the reduction in SSI spending from this option would be larger if Social Security benefits were unchanged.)

Option 2. Eliminate the \$20 Exclusion for Unearned Income

Counting all unearned income in the formula for determining payments, instead of excluding the first \$20 of unearned income per month as under current law, would save \$8.6 billion over the 10-year projection period if it began in 2013 and continued thereafter. Some current recipients who receive \$20 or less in monthly federal SSI payments would no longer be eligible for the program; others would still receive payments, but the monthly amounts would be up to \$20 less.

Option 3. Create a Sliding Scale for Children's SSI Payments on the Basis of the Number of Recipients in a Family

Currently, families receive an equal amount for each child recipient. However, economies of scale in some types of consumption—housing, in particular—mean that two children generally do not need twice the income to be supported as well as one child. This option would not change the amount a family received for one child but it would reduce the amount for each additional child recipient. (A similar approach is followed by other programs, such as Temporary Assistance for Needy Families.) Under this option, proposed by the 1995 National Commission on Childhood Disability, payments would equal the SSI federal benefit rate multiplied by the number of child recipients in the family and raised to the power of 0.7. Creating such a sliding scale on the basis of the number of recipients in a family, beginning in 2013, would save \$4.6 billion over the 2013–2022 period.

1. See Congressional Budget Office, *Budget Options*, vol. 2 (August 2009).
2. See Ralph Bradley, "Analytical Bias Reduction for Small Samples in the US Consumer Price Index," *Journal of Business and Economic Statistics*, vol. 25, no. 3 (2007), pp. 337–346, <http://amstat.tandfonline.com/toc/ubes20/25/3>.

be included in the payment computation. Similarly, any decrease in total payments that stemmed from changes in monthly payment amounts or asset thresholds would decrease federal outlays; if policymakers wanted to use those savings within SSI, they could adjust other parameters of the program.

Determining Disability Status

Policymakers could adjust the rules used to determine whether applicants are disabled. Payments could be adjusted to account for the severity of a disability, for example, as is the case for veterans' disability compensation. Under such a system of partial disability, payments would be reduced for some current participants who would be classified as partially rather than fully disabled. But some people whose disabilities are not severe enough to qualify for SSI under current rules would probably be considered partially disabled and become eligible for SSI, thus increasing the total number of recipients. In addition, such a system would be more complex than the current system.

Program Administration

Increased administrative efforts, such as more frequent CDRs and redeterminations, would require additional federal outlays for administration but would probably reduce outlays for payments. CDRs are used to evaluate whether a recipient continues to meet SSI's definition of disability; redeterminations evaluate whether a recipient continues to meet SSI's other eligibility criteria, most of which concern income and assets. The required CDRs of low-birth-weight infants on their first birthday and of disabled children who have reached age 18 frequently result in a termination of payments. Such an outcome is a less likely result of CDRs for other disabled children or for adults, which SSA performs infrequently (less than 1 percent of those recipients are subjected to review each year). Eligibility is terminated in about 20 percent of the reviews for other disabled children and in less than 5 percent of reviews for adults.

In recent years, funding for CDRs and redeterminations has increased, rising from about \$500 million in fiscal year 2009 to \$758 million in fiscal year 2011 and to \$757 million in fiscal year 2012. (Those funds also support CDRs for the Social Security DI program.) In addition, the Budget Control Act of 2011 established adjustments to the caps on discretionary funding for

additional spending on such efforts through 2021. If appropriated by the Congress, moderate increases in spending for CDRs and redeterminations from the amounts projected under current law would probably reduce future SSI payments by more than the amount of the additional spending for program administration and therefore would reduce federal outlays overall. However, the resulting reduction in projected payments would not be taken into account under the Congressional scorekeeping rules that CBO follows when it estimates the budgetary effects of legislation.³¹ CBO estimated that the adjustments to spending for CDRs and redeterminations allowed in the Budget Control Act would generate savings in payments that would be more than three times the amount of additional spending for administration over the coming decade, and additional savings would occur in years after that.³² As such spending increased, however, the number of ineligible recipients would decline, and each additional dollar of spending beyond the specified adjustments would have a smaller effect on payments.

Changes in the way that the disability determination process is administered could alter the number and type of people who become SSI recipients. An applicant's likelihood of qualifying for SSI payments depends in part on the detailed federal regulations, known as listings, that define disability.³³ Other, less-well-defined aspects of the disability determination process also are influential, as evidenced by the large variation in state DDS approval

31. In guidelines published in the conference report for the Balanced Budget Act of 1997 (Public Law 105-33), Scorekeeping Rule 3 states that "entitlements and other mandatory programs . . . will be scored at current law levels . . . unless Congressional action modifies the authorization legislation." That is, even when additional discretionary funding for the administration of such programs would be projected to lead to budgetary savings from reduced benefit payments, such savings would not be counted as reductions in spending for the purposes of scorekeeping.

32. See Congressional Budget Office, letter to the Honorable John Boehner and the Honorable Harry Reid, concerning CBO's analysis of the August 1 Budget Control Act (August 1, 2011). For discussion of the frequency of CDRs for child recipients, see Government Accountability Office, *Supplementary Security Income: Better Management Oversight Needed for Children's Benefits*, GAO-12-497 (June 2012), <http://go.usa.gov/YkwT>.

33. See Social Security Administration, *Disability Evaluation Under Social Security*, Blue Book SSA 64-039, ICN 468600 (September 2008), <http://go.usa.gov/YkwA>.

rates and by the variation between the rulings of individual examiners and judges. For example, in 2010, the Mississippi DDS approved 24 percent of SSI disability claims, whereas the Alaska DDS approved 56 percent.³⁴ However, because the reasons for such variations are not well-understood, it is not known what the effects of specific administrative changes would be.

Broader Changes

Lawmakers also could choose to make more fundamental changes to SSI. For example, additional employment assistance could be provided in an attempt to reduce the number of SSI recipients; the child and adult components of SSI could be separated; or the funding mechanism for SSI could be changed to a block grant model, turning administrative responsibility for the program over to the states.

Employment Assistance for Applicants. If lawmakers wanted to reduce the movement of disabled workers into SSI, they could consider several policy changes. For example, to reduce the number of applicants for the program, the government could support the employment of people who appear likely to apply for it. Alternatively, or in addition, to reduce the number of people who become recipients, the government could provide employment support to those who chose to apply for SSI. Such efforts could be implemented through a new program or through the numerous other programs that support employment for people with disabilities.³⁵ Assistance also could be developed to improve the prospects for the future employment of child recipients of SSI.³⁶

The approach of offering employment support before an SSI application is made, rather than only after payments have been awarded, has received attention in part because of the lack of successful programs to encourage work

among SSI recipients. Earlier intervention might be more effective because participants would be more likely to have a recent work history. Participants also might be more open to trying to find work if they have not completed the SSI application process, which requires them to actively demonstrate that they cannot work.

Even if such an approach substantially reduced assistance to people who were not working, however, it could increase total costs to the government, depending on the form and extent of assistance supporting potential SSI applicants. For example, total costs could increase if employment assistance was not well-targeted and thus assisted many people who would not have qualified for federal payments in any case. Total costs also could go up if the new program was not effective at increasing employment and thus did not significantly reduce the overall number of SSI recipients.

Separate Program for Children. If lawmakers believed that the goals of SSI payments for adults were very different from those of SSI payments for children, they could create separate programs for adults and children. In particular, disabled adults receive SSI payments because they cannot work, whereas disabled children are not expected to work, and SSI payments to their families are intended to assist parents or guardians who can face additional costs because of the need to care for those children.

Limiting the current SSI program to adults and creating a separate program for children might make it easier to ensure that appropriate services are provided to children and their families and to integrate SSI with other educational, medical, and social services.³⁷ In addition, the Social Security Administration's expertise lies more in determining eligibility and distributing payments than in providing services to recipients, so a separate program for children might be better administered by state or local agencies. Whether such a change would increase or decrease administrative costs or total payment outlays would depend on how a new program was implemented.

Block Grants to States. If lawmakers wanted to limit federal responsibility for SSI, they might consider

34. See Social Security Advisory Board, "G. Variation in DDS Decision Making," in *Aspects of Disability Decision Making: Data and Materials* (February 2012), pp. 43–55, <http://go.usa.gov/YkGH>.

35. See Government Accountability Office, *Employment for People with Disabilities: Little Is Known About the Effectiveness of Fragmented and Overlapping Programs*, GAO-12-677 (June 2012), <http://go.usa.gov/YkzH>.

36. Ron Haskins, *The SSI Program for Children: Time for Change?* Princeton-Brookings Policy Brief (Spring 2012), http://futureofchildren.org/futureofchildren/publications/docs/22_01_PolicyBrief.pdf.

37. Michael Wiseman, "Supplemental Security Income for the Second Decade," *Poverty and Public Policy*, vol. 3, no. 1 (March 2011), pp. 16–19.

transferring control of the program to the states. One way to do so would be to provide block grants to states, essentially making SSI function more like TANF. That shift could transfer much of the decisionmaking power for SSI from the federal government to the states, depending on the conditions attached to the grants. For instance, the states' authority could be expanded to allow them to set full payment amounts instead of just state supplements, to devise their own eligibility requirements, and to decide whether to redirect funds to such support services as job training and education.

Federal policymakers could decide either to set the block grants at fixed dollar amounts or to allow the grants to

vary over time, perhaps along with average prices or some other variable. The cost of the program to the federal government would be determined by the structure of the block grants, the initial amount of spending, and the rate of increase over time. Under such an approach, the number of recipients and the type and amount of support provided could be lower or higher than under current law. Federal outlays probably would be more predictable, and if states kept the current practice of making payments to all people eligible for the program, their spending would be more variable. States would have much greater flexibility in designing system rules and would have an incentive to limit spending in excess of the grants they received.

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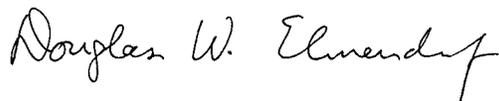
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