

January 2013

Recommendations to Update the Supplemental Security Income Program

President Nixon, in a 1972 radio address on the day he signed the SSI program into law stated: “For millions of older people, it can mean a big step out of poverty and toward a life of dignity and independence.” Four decades later the SSI program is far from that goal and it falls further behind each year. Yet eight million people, all of them at least 65 years old or unable to work because of a severe disability, rely on it for their survival. The majority of them are women and two-thirds of the SSI aged are women. The recommendations below are designed to bring the program closer to what it was forty years ago.

Recommendations

- **Calculate the annual cost of living adjustment in the SSI program by use of the CPI-E (Consumer Price Index for the Elderly) in place of the CPI-W (Consumer Price Index for Urban Wage Earners and Clerical Workers).** The CPI-W does not provide an accurate measure of increases in the cost of living for older people since the sample used to calculate the CPI-W is restricted to a working population under the age of 62. Most notably it fails to account for the greater role of out of pocket health care expenditures among those over age 62. It is thus not an appropriate basis for calculating a cost of living adjustment (COLA) for any benefit program serving older Americans.

However, reliance on the CPI-W is especially harmful to SSI recipients because of the unique way in which it is used to calculate SSI benefits. Unlike Social Security or VA or other benefits where the COLA is applied to the initial benefit which the individual receives, the SSI COLA is applied to the Federal Benefit Rate. Since it is the Federal Benefit Rate which determines whether an individual is eligible and the amount of benefits they will receive, that means that an individual who first receives SSI benefits in 2012 will from the first month suffer the cumulative impact of 40 years of an inadequate COLA. While the difference in a single year is not great, the cumulative impact of 40 years of systematically underestimating the COLA has a very significant impact on the standard of living for SSI recipients.

- **Increase the SSI General Income Disregard from the current \$20 to \$110 per month.** The general income disregard was established to reward work, by providing a \$20 boost to those who worked long enough to qualify for Social Security or other retirement benefit, but whose earnings were not high enough to give them a retirement benefit in excess of the SSI level. However, it has not been changed since President Nixon signed the SSI program into law in 1972. The cost of living is more than five and a half times what it was then and the general income disregard is no longer very meaningful. Twenty dollars today is the equivalent of less than \$4 in 1972. \$110.00 today is equal to just under \$20 in 1972 as measured by the CPI-W.
- **Increase the SSI Earned Income Disregard from the current \$65 to \$357 per month.** The earned income disregard was intended to encourage those who could to return to the work force. It too has not been changed since 1972. \$357 today is equal to just under \$65 in 1972 as measured by the CPI-W.
- **Increase the SSI Federal Benefit Rate from the current \$710 per month for an individual to the Federal Poverty Level of \$937 per month.** Many people unfamiliar with how the program works mistakenly believe that this is a payment that SSI recipients receive to supplement their other income and do not understand that the Federal Benefit Rate is just the income level that the SSI program is designed to bring people up to. Thus the SSI program falls far short of President Nixon’s ideal of being a “big step out of poverty.”
- **Provide a federal match for increases in state supplementation to SSI benefits.** In recent years states have cut back on state supplementation. This could provide an incentive for states to reverse this trend when state finances improve. At present, most states do not provide any state supplementation for individuals living in the community.
- **Repeal the In-kind support and maintenance provision.** Under current law, there can be a reduction in monthly benefit of an amount equal to one-third the Federal Benefit Rate if an SSI recipient receives in-kind food and/or shelter. This is most commonly applied where the SSI recipient is living with another family

member. Unfortunately this can sometimes make it very difficult for a family member to provide shelter.

In one particularly cruel application of this provision that has come to our attention, a man in California who is undergoing cancer treatment on an out-patient basis at a hospital several hundred miles from his home has been able to stay with family members in a community near the hospital. As a result of the in-kind support and maintenance provision, his SSI benefits have been suspended and he is unable to pay the rent on the home intends to return to. He now has the choice of continuing his cancer treatment, being evicted for nonpayment of rent and losing his household furnishings or foregoing cancer treatment.

In addition to being inconsistent with family values, the in-kind support and maintenance provision also places a significant administrative burden on the Social Security Administration at a time when their administrative resources are cut to the bone.

- **Increase the SSI Resource Limit from the current \$2,000 (\$3,000 for an eligible couple) to \$10,000 (\$15,000) for an eligible couple.** The resource limit has increased only 33% since 1972 and today it is woefully insufficient to deal with perfectly predictable needs. For the older person living in their own home, \$2,000 is not enough to make necessary home repairs or buy a reliable used car or to cope with other emergencies that will inevitably arise.
- **Eliminate time limits on SSI eligibility for refugees, asylees and other humanitarian immigrants.** Current law provides a seven year time limit on SSI eligibility for humanitarian immigrants unless they are able to naturalize during that time period or qualify for one of a few other very restrictive exceptions. Yet it is not realistic to expect refugees or asylees who come here late in life or who arrive with a significant disability to be able to naturalize or get by on their own within that time period.
- **Restore pre-1996 standards for SSI immigrant eligibility.** Prior to 1996 lawfully residing immigrants were eligible for SSI on the same basis as citizens. The Public Responsibility and Work Opportunity Reconciliation Act (PRWORA) enacted strict restrictions on SSI eligibility for immigrants. The restrictions were especially severe for those seeking to qualify on the basis of age and for those

who entered the country on or after August 22, 1996. It is time to revisit these restrictions as some of the post 1996 immigrants have now been here for 16 years.

- **Repeal the SSI transfer penalty.** In 1999 Congress enacted a penalty for the transfer of a resource for less than fair market value within 36 months of applying for SSI or while receiving SSI. The penalty is up to 36 months of ineligibility depending on the amount of the uncompensated transfer. There are four serious problems with this provision. First of all, it is designed to combat a problem which does not exist, i.e., the idea of people so eager to get on SSI that they are willing to dispose of valuable assets so they can live on the princely sum of \$698 a month. Second, the penalty is very severe, far more severe than the Medicaid long-term care penalty on which it is based since the amount of the penalty is determined by dividing the amount of the uncompensated transfer by the monthly benefit rate. Thus in many instances each \$698 in the value of the resource can mean an additional month of ineligibility. The third problem is that most SSI recipients know nothing about the transfer penalty or the byzantine rules governing its application. Thus some people run afoul of the transfer penalty when they repay an informal loan which they feel they have a moral obligation to repay. Still others, in an effort to avoid problems with SSI eligibility, will disclaim a small inheritance, not realizing that their action is a transfer of a resource for less than fair market value subjecting them to the transfer penalty. Finally, the byzantine rules that most SSI recipients don't understand are not easy for anyone to understand and consume an inordinate amount of time for the hard pressed Social Security Administration staff responsible for implementation of the transfer penalty.