

THE SUPPLEMENTAL SECURITY INCOME
PROGRAM: A 10-YEAR OVERVIEW

AN INFORMATION PAPER

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PREFACE

Ten years ago the supplemental security income (SSI) program was established to provide a nationally uniform guaranteed minimum income for the America's aged, blind, and disabled. In enacting SSI, Congress acted to substantially reform the Nation's welfare system by replacing a myriad of State-operated programs with a single Federal program administered by the Social Security Administration. SSI is federally financed, and is designed to distribute monthly cash benefits based upon nationally standard eligibility rules and requirements.

Congressional policy in enacting SSI incorporated three goals: To construct a coherent, unified income assistance system; to eliminate enormous disparities between States in eligibility standards and benefit levels; and to reduce the stigma of welfare through administration by the Social Security Administration. It was assumed that a central, national system would be simple and efficient to administer, and would protect recipients from many of the demeaning rules and procedures that had been part of the State-operated programs. Further, the program was designed to provide recipients opportunities for rehabilitation and incentives for them to seek employment.

This year marks the 10th anniversary of the implementation of the SSI program, and it is an appropriate time to examine the degree to which SSI has achieved its original objectives. The purpose of this committee print is to thoroughly assess the first decade of SSI, suggest what trends will be associated with its next 10 years, and review alternative policy directions for the future. The print is a compendium of six independent essays, each providing a different perspective on SSI.

In the first chapter, Dr. James H. Schulz, professor of welfare economics at Brandeis University, analyzes the historical context in which SSI was conceived, and examines the interrelationship between SSI and the social security system. He reviews the actual performance of SSI and finds that due to early legislative modifications, administrative complexity, low participation rates among the eligible population, and wide variation in State supplementation of the Federal limit, SSI has become a program somewhat different than originally anticipated. Schulz argues that though SSI "works," there remain a number of unresolved issues that Congress will have to consider in the future.

In chapter 2, Janice Peskin of the Congressional Budget Office, identifies the basic trends in benefit levels, outlays, and caseload characteristics that marked the first 10 years of SSI, and suggests what can be expected in the next decade. Generally, she empha-

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THE SUPPLEMENTAL SECURITY INCOME PROGRAM: A 10-YEAR OVERVIEW

Chapter 1

SSI: ORIGINS, EXPERIENCE, AND UNRESOLVED ISSUES

(Prepared by James H. Schulz,¹ Ph. D., Professor of Welfare Economics, Brandeis University, Waltham, Mass.)

The supplementary security income program (SSI) works. But like most private and public income maintenance programs, it is not at all clear how well it works.

That it works at all is no small accomplishment. What started out to be a fairly straightforward and simple national floor of minimum income quickly turned into an administrative nightmare. Originally designed as part of a broader program of welfare reform, SSI was to (a) simplify administration and reduce welfare costs; (b) provide more adequate, more uniform, and more equitable benefits; (c) reduce the stigma discouraging those in need from seeking aid; and (d) improve incentives for the poor to seek employment.

But in seeking to implement and carry out these four goals, Congress, through a series of decisions over the years, developed an additional set of SSI objectives. Congress decided:

(1) That SSI should take over quickly from the more than 1,300 State and local governmental units administering welfare, with a minimum amount of time available for implementation planning by the Social Security Administration.

(2) That the various State governments should be relieved of a significant amount of the costs they had previously assumed for the needy aged, blind, and disabled and encouraged (but not required) to turn over to the Federal Government the administration of any programs supplementing the basic benefits.

(3) That, in general, persons already receiving income from the old State welfare programs should not lose benefits as a result of the new Federal program.

(4) Furthermore, that this "grandfathering" principle should also be extended to eligibility issues related to the interaction of SSI with social security pensions, medicaid, and the food stamp program.

¹ My appreciation to the following persons for their comments and suggestions on a prior draft of this paper: William Birdsall, William Crown, Betty Duskin, John Harris, Leonard Hausman, Eric Kingson, Edward Lawlor, Thomas Leavitt, Robert Lerman, Phyllis Mutschler, and Denton Vaughan.

(3) That relatives were to be held responsible for support of their needy kinsmen.

However, over the years one other major principle has dominated the development of welfare policies in the United States: that those in need who were unable to work were to be viewed much more favorably than those able to work—whether or not the latter had a job and irrespective of whether they could earn a living wage. Children, the disabled, and the aged have always received more favorable treatment than the working poor. Just before the passage of the Social Security Act in 1935, for example, over half the States had an old age assistance law, and all but two had programs for needy widowed mothers. While the benefits available under these programs were small, their very existence contrasted sharply with the lack of assistance provided by governments in the United States to the unemployed and their families.

Thus, as industrialization undermined traditional economic structures and the family, the economic plight of one nonworking group, the elderly, was recognized and action taken early in our history. In the early 1900's, a number of States established commissions to study the growing problems of the aged.

These commissions reflected a shift in prevailing attitudes with respect to public assistance for the needy aged and needy dependent survivors in that these groups were increasingly assumed to be more the victims of circumstances than, say, low-paid workers and the unemployed.⁵

Writing on the situation before the Great Depression, Abraham Epstein (who went on to become a key figure in the push for social security legislation) estimated that about 30 percent of the aged were dependent on others for support, with the majority being assisted by relatives.⁶ With the onset of the serious economic situation in the thirties, three things happened. The proportion of dependent aged rose dramatically—probably exceeding 50 percent by 1935.⁷ In addition, rising unemployment (that exceeded 12 million people in the depths of the depression) seriously affected the ability of families to support aged relatives in need. And third, existing private charities and private pension plans found themselves overwhelmed by events, with many of the pension plans collapsing and unable to pay promised benefits.

Abraham Holtzman, in his insightful study of the Townsend Movement, dramatizes the rapidly changing character of the situation in the thirties:

A significant change * * * [occurred] in the composition and character of the dependent aged. Their jobs eliminated, businesses ruined and savings wiped out, an influx of despoiled professional men, retired farmers, skilled workers and small businessmen entered the ranks of dependent aged. These were the people who had attained a degree of

⁵ John G. Turnbull, C. Arthur Williams, Jr., and Earl F. Cheit, *Economic and Social Security*, 3rd edition (New York: Ronald Press, 1967), p. 83.

⁶ Abraham Epstein, *The Challenge of the Aged* (New York: Macy-Masius. Vanguard Press, 1928).

⁷ Abraham Epstein, *Insecurity: A Challenge to America* (New York: H. Smith and R. Haas, 1936).

key provisions and scope of the law.¹⁰ The importance of some of these decisions for the future treatment of the needy aged cannot be overstated.

For example, the old age pension program under social security was set up as an earnings related system. When that decision was made in the 1930's, it was not at all obvious that it should be done that way. At the time, many other countries had flat rate pensions. And the Townsend Movement was proposing a flat pension of \$200 per month for all aged persons in the United States.

Support for the Townsend plan was widespread. Opposition to the flat rate pension proposed by Dr. Townsend and his followers (especially in Washington) primarily centered around its huge cost and the problems that would result from having to raise the necessary revenue. However, there was more general opposition to flat rate plans. The decision of the social security drafters against a flat rate plan is explained by J. Douglas Brown, one of the architects of the system, as follows:

It was early recognized that a single flat rate of benefits for a country as diversified as the United States would fail to meet the needs of those living in the high-cost urban areas of the Northeast while being unduly favorable to those in the rural South.¹¹

So the architects of social security focused on an earnings-related structure of benefits but with benefits weighted to provide greater adequacy to low earners. Thus began a tradition extending to the present of attempting to deal in one program with, on the one hand, the economic risks and problems facing all citizens as they approached old age and, on the other, the crisis of poverty in old age facing so many of those currently old (and many of those to follow).

Thus, in 1935 we started down a road that led to a variety of problems and complexities related to balancing and reconciling the adequacy and equity aspects of Federal programs providing income in old age. Regarding the programs for the poor, Axinn and Levin make the following comment on that 1935 decision:

The Social Security Act established a dual system for federally supported income maintenance. The result for the country was a tripartite approach to public relief. The act provided for federally administered insurance programs and federally aided, State-administered assistance programs for selected groups. The grant-in-aid, State-administered financial assistance programs served to separate again the old poor from the new. The new poor, the unemployed, were covered by social insurance; the old "worthy" poor, by categorical public assistance. Left to the States was the third group, the "unworthy poor," for whom States and localities were to develop programs with Federal aid.¹²

¹⁰ For example, J. Douglas Brown, *An American Philosophy of Social Security* (Princeton, N.J.: Princeton University Press, 1972).

¹¹ *Ibid.*, p. 163.

¹² June Axinn and Hermann Levin, *A History of the American Response to Need* (New York: Harper and Row, 1975), pp. 185-186.

to deal with the problems of the needy aged in a significant but nontargeted way.¹⁶

Over the next three decades, this basic system of aged income maintenance—the old age and survivors program (OASI) and old age assistance (OAA)—continued to evolve, with old age assistance programs playing a major role. In the 1940's, both Congress and State legislatures repeatedly increased OAA levels; they were reacting primarily to inflation, as the Consumer Price Index rose 70 percent over the decade. In 1949, OAA reached a peak—providing benefits to nearly one-quarter of those age 65 and over. At the time, the number receiving OAA benefits exceeded by a wide margin (2,736,000 recipients) the number of OASI recipients (1,951,250) in the same year.¹⁷

The OAA rolls began to decrease in the 1950's. This resulted primarily from liberalizations of OASI that were legislated in 1950: extension of coverage to new groups of workers, higher benefit levels, and the reduction of eligibility requirements. Moreover, liberalization of OASI continued in the years that followed—with strong support from Presidents Eisenhower, Kennedy, and Johnson. All three presidents supported “the primacy of the social insurance program as the instrument of a national policy of preventing extreme need in old age.”¹⁸

By 1954, the number of aged receiving OAA had declined slightly to 2.6 million, while the number receiving OASI pensions mushroomed to 4.6 million. For those receiving OAA, payments averaged \$51 per month. But as Wilbur Cohen points out, in real terms (i.e., in terms of 1935-39 prices) these payments were equivalent to only about half the amounts paid out in the thirties when the programs were established.¹⁹

THE DECADE BEFORE SSI

A comprehensive background paper was developed in 1960 on the economic issues related to the aged. The paper, prepared for the 1961 White House Conference on Aging, looked at the prevailing economic status of the elderly and discussed issues of concern for the 1960's. The paper summarized the distribution of money income for 1958 and indicated the continuing seriousness of the economic situation for many. Table 1 reproduces the data presented in the background paper, showing the very low incomes of the aged during that period.

¹⁶ Questions regarding the original design of spouse benefits are an important component of the current equity controversy over the appropriate treatment of women under social security. See Virginia P. Reno and M. M. Upp, *op. cit.*

¹⁷ U.S. Social Security Administration, *Annual Statistical Supplement*, 1949. Of course there was overlap between the two programs, with some recipients receiving income from both programs.

¹⁸ Martin, *op. cit.*, p. 480.

¹⁹ Wilbur J. Cohen, “Government Policy Concerning Private and Public Retirement Plans.” In George B. Huff, ed., *Economic Problems of Retirement* (Gainesville, Fla.: University of Florida Press, 1954), pp. 55-114.

within States was the availability and cost of rental living units for assistance recipients.

Once a State established its full standards of need, financing considerations often played an important role. In some States, actual money payments to recipients were below the amount of determined need. This was a result of limits placed on the amounts of State funds made available to meet these needs.

Figure A shows the differences among States in the largest monthly payment that could be paid an elderly woman in 1972 under the laws and regulations of each State. The largest payments in 1972 were over twice the lowest payments:

	High ¹		Low
Michigan	\$224	Mississippi	\$75
Kansas	203	South Carolina	80
Wisconsin	201	Missouri	85
Vermont	196	Georgia	91
Massachusetts	189	Kentucky	96
Minnesota	183	Maryland	96

¹ Excluded from this list is Alaska, which has an unusually high cost of living.

Similar payment differences existed for elderly couples, with maximum levels of \$330 (California), \$290 (Colorado), and \$280 (Massachusetts) versus \$121 (South Carolina), \$131 (Maryland), and \$142 (Tennessee).

But differences in payment levels were only the beginning. Differences in eligibility requirements, estate recovery, and relatives' financial responsibility were also significant.

Seventeen States required grown children, if they had the means, to help support needy parents. Some of these States held an applicant ineligible when a child was able to contribute to his support even though the child did not and would not do so.²¹

More than one-half the States permitted the State or local public assistance agency to obtain unsecured or secured claims against the real or personal property of recipients. In extreme cases, claims on real estate might be exercised even though a surviving spouse or dependent was still occupying the premises.

Perhaps the most complex and widespread differences in State practices related to eligibility requirements:

Under the old system [of assistance to the aged, blind, and disabled], however, one State required an aged person to use up his last dollar before receiving relief; another allowed a cash reserve equal to 1 month's cost of living; six limited cash reserves to \$300 or \$350. Even "liberal" New York denied relief to an old person with liquid resources greater than \$500 and specified that this counted the face value of life insurance "for burial." One State barred relief to anyone whose house had a value more than \$750 above that of "modest homes in the community," and the rules of some States required applicants to sell their car before obtaining help.²²

In addition to the above, there were also differences in residence and citizenship requirements and differences in the treatment of residents in institutions.²³

THE UNUSUAL ORIGINS OF SSI

It would be wrong, however, to argue that SSI originated as a Federal response to the inadequacies of these State programs and dissatisfaction with the variation among these programs. The establishment of a new Federal program guaranteeing a minimum income to the aged, blind, and disabled came about in a much more indirect way. As we indicated above, Congress and Presidents over the years had been sensitive to the problems of the "deserving poor." And they were concerned about the elderly, especially given the perception that old age politics had been a significant factor in past elections and could be important in future elections.

²¹ Alvin L. Schorr, *Filial Responsibility in the Modern American Family* (Washington, D.C.: U.S. Government Printing Office, 1960), pp. 23-24 and Vincent J. and Vee Burke, *Nixon's Good Deed, Welfare Reform* (New York: Columbia University Press, 1974), p. 195.

²² Burke and Burke, *op. cit.*, p. 194.

²³ Certain types of regulations, however, were subject to Federal standards. For example, Federal standards required that there could not be a State residence requirement of a period longer than five out of the past nine years.

income-determined or means-tested welfare benefit" without imperiling the wage-related and contributory nature of the system.²⁵

When President Nixon initially proposed his family assistance plan in 1969, SSI as we know it today was not part of the package. Instead, Nixon recommended a new "national minimum standard" to determine the amount of aid for the aged, blind, and disabled needy. But the standard was to operate under the existing State programs and under the variety of State rules on eligibility and administration.

It was not until 1971, when the House Ways and Means Committee redrafted the family assistance plan as H.R. 1, that SSI was created. Although hailed by a few as a revolutionary development in income maintenance policy, SSI won congressional acceptance in 1972 with hardly any discussion and no floor debate. At the time, all the attention of Congress was on the family assistance plan, which was hotly debated but never passed, and on major changes in OASDI (benefit liberalization and indexation).

SSI's ADMINISTRATIVE SIMPLICITY IS SHORT-LIVED

Signed into law on October 30, 1972, as part of the Social Security Amendments of 1972, SSI went into operation 14 months later, replacing the State programs. Even before the law went into effect, however, two important changes in SSI were legislated. One of the changes raised basic Federal payment levels by \$20 per month for individuals and \$15 per month for couples. The other changes mandated that all States with pre-SSI benefits above the Federal minimum supplement the Federal payment so that the higher levels would be continued.

The matter of supplementation arose out of a basic question that confronted those in the 1960's who sought to federalize the American welfare system: was it acceptable for some current welfare recipients to lose benefits under a new system (acknowledging, of course, that many others would gain under the new system or at least be no worse off)? Certainly few policymakers wanted to worsen the situation of any recipient if there were no other factors to consider. In this case, however, there were other factors, factors that made the transition decision difficult. For example, if the SSI reformers had raised the Federal minimum guarantee to reduce or eliminate losses to State recipients, it would have meant massive and unacceptable increases in Federal program costs.

The other alternative was to encourage or mandate State supplementation to maintain the original State levels. In the case of SSI, the original bill passed in 1972 (similar to the provisions of the broader FAP bill) contained provisions to encourage state supplementation, but an amendment passed in 1973 mandated supplementation.²⁶

²⁵ Burke and Burke, *op. cit.*, pp. 4 and 200.

²⁶ Martin, *op. cit.*, p. 490, comments that Congress took the mandating action with little formal discussion (a one-day hearing by the Senate Finance Committee) and with little clear evidence on what might have been the action by various states under a voluntary supplementation scheme.

and disability, the SSI resources test, and the treatment of "essential persons"; and (d) a variety of income exclusions related to certain Indian tribal members, home energy assistance, the foster grandparents program, the Older Americans Act, and federal housing assistance.²⁹

THE IMPACT OF SSI ON THE INCOMES OF THE POOR

If the goal of administrative simplicity has not been achieved, what about the goal of providing more uniform and more adequate benefits? Table 2 shows the maximum payment levels (Federal plus State supplements) as of January 1, 1984, for aged individuals and couples living independently.³⁰ For individuals, the level varies from the Federal minimum of \$314 per month in 24 States to a high with supplementation of \$566 in Alaska and \$477 in California. For couples, the amount varies from the Federal minimum of \$472 to a high with supplementation of \$886 in California and \$830 in Alaska. Figure B shows the distribution of State payment levels, indicating the number of States with maximum payments over the Federal minimum. Half the States supplement the Federal payment, but about half of them supplement by less than \$50 per month.

TABLE 2.—MAXIMUM SSI PAYMENT LEVELS FOR AGED LIVING INDEPENDENTLY, JAN. 1, 1984

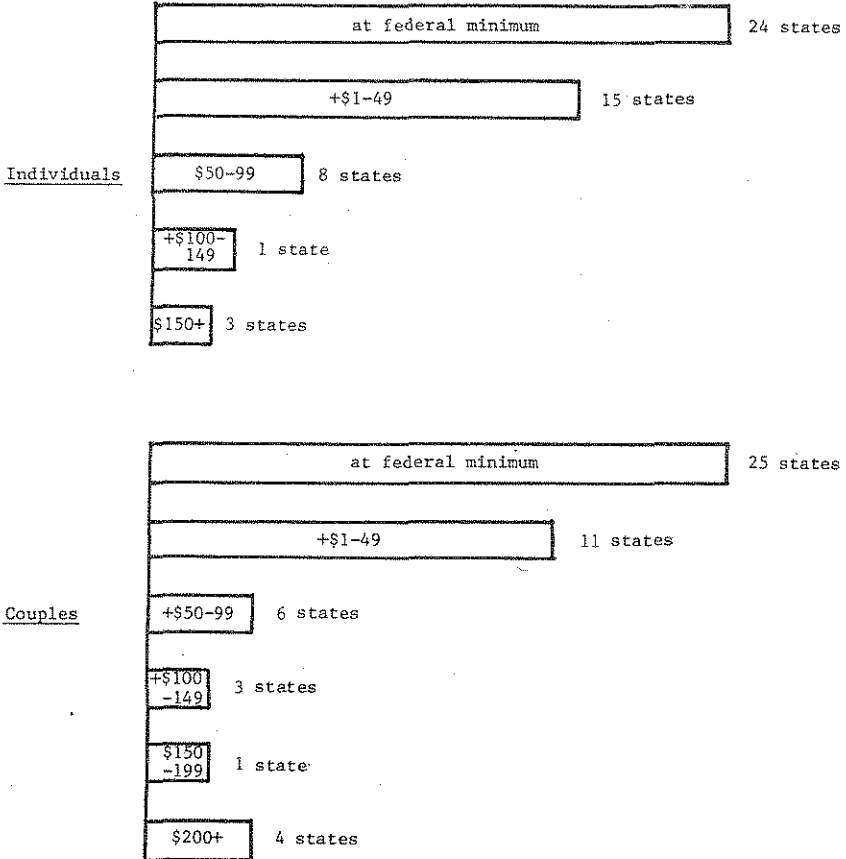
State	Individual	Couple	State	Individual	Couple
Alabama.....	\$314	\$472	Montana.....	\$314	\$472
Alaska.....	566	830	Nebraska.....	381	572
Arizona.....	314	472	Nevada.....	350.40	546.46
Arkansas.....	314	472	New Hampshire ⁴	328	483
California.....	477	886	New Jersey.....	343.17	495.28
Colorado.....	372	744	New Mexico.....	314	472
Connecticut.....	466.10	585.30	New York.....	374.91	548.03
Delaware.....	314	472	North Carolina.....	314	472
District of Columbia.....	329	502	North Dakota.....	314	472
Florida.....	314	472	Ohio.....	314	472
Georgia.....	314	472	Oklahoma.....	383	616
Hawaii.....	318.90	480.80	Oregon.....	315.70	472
Idaho ¹	382	510	Pennsylvania.....	346.40	520.70
Illinois.....	² 377	609	Rhode Island.....	365.98	570.30
Indiana.....	314	472	South Carolina.....	314	472
Iowa.....	314	472	South Dakota.....	329	487
Kansas.....	314	472	Tennessee.....	314	472
Kentucky.....	314	472	Texas.....	314	472
Louisiana.....	314	472	Utah.....	324	492
Maine.....	324	487	Vermont ⁵	364	563
Maryland.....	314	472	Virginia.....	314	472
Massachusetts.....	442	673.72	Washington ⁶	352.30	508.40
Michigan.....	338.30	508.40	West Virginia.....	314	472

²⁹ Regarding (c) and (d), see John Trout and David R. Mattson, "A Ten-Year Review of the Supplemental Security Income Program," Social Security Bulletin 47 (January 1984): 3-24. "Amendments to other Federal programs have established special relationships with the SSI program. These changes have not necessarily been consistent with the principles of the SSI program. More than not, they are intended to assure that the specific purposes of the other programs were not negated by the interplay between it and the SSI program" (p. 11).

³⁰ In 40 States and the District of Columbia, the benefit levels under SSI for blind and disabled persons were the same as those in table 2. The exceptions were Alabama, California, Colorado, Florida, Iowa, Massachusetts, Nebraska, Nevada, North Carolina, and Oregon.

FIGURE B

DIFFERENCES^a IN MAXIMUM PAYMENT LEVELS
FOR INDIVIDUALS AND COUPLES, 1984^b



^aFigure shows monthly differences.

^bSee footnotes, Table 2.

official poverty level in 11 States as a result of State supplementation.

Contrasting the situation in 1984 with 1978, table 3 indicates that over the 5-year period there has been a marked deterioration of payment standards in States with supplementation. Only two States (Illinois and Oklahoma) and the District of Columbia had a higher ratio in 1984 than in 1978. The other States had lower ratios in 1984—with declines of more than 5 percentage points in Alaska, California, Connecticut, Idaho, Massachusetts, Nevada, New York, Pennsylvania, Vermont, Washington, Wisconsin, and Wyoming.

TABLE 3.—RATIO OF COMBINED FEDERAL AND STATE AGED SSI PAYMENT MAXIMUMS TO POVERTY LEVELS IN 1974, 1978, AND 1984

State	Individuals			Couples		
	1974	1978	1984	1974	1978	1984
Alabama.....	.71	.73	.76	.93	.92	.90
Alaska.....	1.27	1.45	1.37	1.41	1.68	1.59
Arizona.....	.71	.73	.76	.85	.86	.90
Arkansas.....	.71	.73	.76	.89	.86	.90
California.....	1.19	1.24	1.15	1.77	1.83	1.70
Colorado.....	.84	.88	.90	1.33	1.39	1.42
Connecticut.....	1.21	1.14	1.13	1.15	1.51	1.12
Delaware.....	.76	.73	.76	1.00	.86	.90
District of Columbia.....	.71	.73	.80	.85	.86	.96
Florida.....	.71	.73	.76	.85	.86	.90
Georgia.....	.71	.73	.76	.85	.86	.90
Hawaii.....	.84	.79	.77	1.00	.94	.92
Idaho.....	.97	.93	.92	.94	1.05	.98
Illinois.....	.89	.71	.91	.88	.81	1.16
Indiana.....	.71	.73	.76	.85	.86	.90
Iowa.....	.71	.73	.76	.85	.86	.90
Kansas.....	1.03	.86	.76	.97	.86	.90
Kentucky.....	.71	.73	.76	.85	.86	.90
Louisiana.....	.71	.73	.76	.85	.86	.90
Maine.....	.71	.76	.78	1.05	.91	.93
Maryland.....	.71	.73	.76	.85	.86	.90
Massachusetts.....	1.13	1.21	1.07	1.27	1.46	1.29
Michigan.....	.81	.83	.82	.97	.99	.97
Minnesota.....	.90	.81	.84	1.04	.95	1.03
Mississippi.....	.71	.73	.76	.85	.86	.90
Missouri.....	.71	.73	.76	.85	.86	.90
Montana.....	.71	.73	.76	.85	.86	.90
Nebraska.....	1.05	1.07	.92	1.13	1.15	1.10
Nevada.....	.94	.88	.85	1.20	1.10	1.05
New Hampshire.....	.88	.83	.79	.92	.92	.91
New Jersey.....	.92	.79	.83	1.01	.89	.95
New Mexico.....	.71	.73	.76	.85	.86	.90
New York.....	1.05	.96	.91	1.19	1.10	1.05
North Carolina.....	.71	.73	.76	.85	.86	.90
North Dakota.....	.71	.73	.76	.85	.86	.90
Ohio.....	.71	.73	.76	.88	.86	.90
Oklahoma.....	.79	.89	.93	.97	1.10	1.18
Oregon.....	.83	.77	.76	.95	.89	.90
Pennsylvania.....	.76	.85	.84	.93	1.01	1.00
Rhode Island.....	.87	.86	.88	1.07	1.06	1.09
South Carolina.....	.71	.73	.76	.85	.86	.90
South Dakota.....	.96	.81	.80	.93	.91	.93
Tennessee.....	.71	.73	.76	.85	.86	.90
Texas.....	.71	.73	.76	.85	.86	.90
Utah.....	.71	.76	.78	.85	.89	.94

TABLE 4.—POVERTY RATIOS ¹ FOR AGED SSI RECIPIENTS, ² 1974

[In percent]

Ratio	Preassistance income	Total income
0 to 0.24.....	34.0	0.3
0.24 to 0.49.....	24.5	3.3
0.50 to 0.74.....	23.2	25.3
0.75 to 0.99.....	11.2	39.0
1.00 to 1.24.....	4.4	16.2
1.25 to 1.99.....	2.4	14.9
2.00 and above.....	.2	1.1
Total.....	100.0	100.00

¹ Ratio of cash income to the official poverty level for the nuclear family unit.² Includes only recipients receiving OAA in 1973.

Source: Sylvester J. Schieber, "First Year Impact of SSI on Economic Status of 1973 Adult Assistance Population," Social Security Bulletin 41 (February 1978): Table 8.

SHOULD WHERE YOU LIVE MAKE A DIFFERENCE?

Variations in supplementation levels are often explained as reflecting, at least in part, differences in costs of living from State to State. The best examples, of course, is the much higher SSI payments in Alaska, where costs for almost all goods and services are much higher than in the rest of the United States.

Currently there exist no good measures of geographic differences in poverty levels that incorporate differences in tastes and needs or differences in the costs of the "representative" goods and services consumed by the needy. The only data that have been available on a regular basis are from the family budget series published by the Bureau of Labor Statistics (BLS). This series has serious limitations, however, since it covers only 44 American cities, does not include cities in all 50 States, and excludes rural areas entirely. Nevertheless, data from this series do serve to crudely indicate the extent to which geographic differences exist.

Budgets have been estimated for a four-person family and a retired couple. The last year for which estimates are available is 1981.³⁸ Table 5 shows the indexes of comparative costs for a retired couple in 25 cities and various nonmetropolitan areas. Table 5 indicates relatively little variation in costs among cities, except for Anchorage, Honolulu, Boston, and New York City. Some differences are indicated between all the cities and the nonmetropolitan areas with populations of 2,500 to 50,000.

TABLE 5.—INDEXES OF COMPARATIVE COSTS FOR A RETIRED COUPLE, AUTUMN 1981 ¹

Area	Index ²	Area	Index
Urban United States.....	100	Urban United States.....	100
Northeast:		South:	
Boston.....	117	Atlanta.....	93
Buffalo.....	105	Baltimore.....	98
New York and New Jersey.....	114	Dallas.....	96
Philadelphia and New Jersey.....	104	Houston.....	98
Pittsburgh.....	103	Washington/Maryland/Virginia.....	108
Nonmetropolitan areas ³	101	Nonmetropolitan areas.....	86

³⁸ Estimates of the budget have been discontinued by BLS because of budgetary cutbacks.

pendently, lives in the household of others, or lives in a medical facility.⁴¹ The most controversial provision of the law in this area is the reduction of SSI payments by one-third if an individual receives food and shelter in someone else's household. This reduction was an attempt to take account of the in-kind income resulting from reduced living costs without administratively going through an elaborate determination of "value received" on a case-by-case basis.

The one-third reduction is defended as a way of maintaining equity among individuals with similar incomes (both money and in-kind) and, at the same time, keeping down "unnecessary" program costs. Those who advocate the elimination of the reduction, however, give a number of important reasons why serious consideration should be given to changing this provision:

(1) Administration of the program would be simplified by eliminating the need to determine if individuals meet the conditions for exemption from the reduction under provisions of the current law.

(2) The reduction discourages individuals from living in shared living arrangements, for example, with relatives who might provide care and assistance as personal care needs arise.

(3) The provision may fall disproportionately heavily on certain minority groups, notably Hispanics, among whom aged persons customarily live with other family members.

Recommendations for eliminating this provision were made by the 1975 SSI study group and the recent National Commission on Social Security. The 1979 Advisory Council on Social Security also questioned the provision and urged its liberalization.

ELIGIBILITY REQUIREMENTS

In order to qualify for SSI, there are two basic conditions that must be satisfied: (a) Income must fall under the guarantee level after taking into account certain "income disregards," and (b) assets must meet a variety of asset tests. These disregards and tests were set up under the original law and have not changed much since then. The two liberalizations that have occurred are the exclusions from the asset test of (a) the entire value of an owned residence (1976), and (b) the value of a burial plot (1982).

While the Federal SSI benefit levels have been adjusted annually by changes in the Consumer Price Index (CPI), both the income disregards and asset amounts involved in the eligibility test have not. The result is that as prices have increased over time, the unchanged disregards and asset test levels have become increasingly stringent. Table 6 shows the original (and current) amounts and what these amounts would be if adjusted for changes in the CPI. Only the asset test for the value of an owned automobile has been increased by an amount keeping up with inflation.

⁴¹ Inmates of public nonmedical institutions are not eligible for SSI. An amendment passed in 1976, however, exempted publically operated community based residences serving 16 or fewer individuals. An amendment passed in 1983 exempted individuals living in public emergency shelters for the homeless (up to 3 months in any 12-month period).

The best available published data are from a report to Congress on the food stamp program's asset test.⁴² Published tabulations from the spring 1979 wave of the 1979 Research Panel of the income survey development program show the nature and extent of assets for low-income households of *all* ages and some special tabulations of particular assets for households with at least one member age 60 or older. Table 8 shows the value of all assets other than owned homes and total "liquid" assets held by "low income"⁴³ households ineligible for food stamps because of these assets. Table 9 shows separately the car and life insurance assets of older households.

TABLE 8.—ASSETS OF HOUSEHOLDS INELIGIBLE FOR FOOD STAMPS WHO HAD QUALIFYING INCOMES BUT NONQUALIFYING ASSETS, ¹1979

Reported value of assets	All assets (except home) ²	Liquid assets ³
Zero	⁴ NA	3.1
\$1 to \$500	NA	3.6
\$501 to \$1,000	NA	1.5
\$1,001 to \$1,500	NA	.9
\$1,501 to \$2,000	2.6	5.5
\$2,001 to \$3,000	8.1	7.6
\$3,001 to \$5,000	21.5	25.1
\$5,001 to \$10,000 ⁵	39.6	52.7
\$10,001 to \$20,000	16.1	
\$20,001 to \$50,000	6.3	
\$50,001 to \$75,000	1.0	
Over \$75,000	4.8	
Total percent	100.0	100.0

¹ In 1979, countable assets over \$1,750.

² Also excluded is the value of personal possessions and household goods.

³ Cash, checking and savings accounts, stocks, bonds, mutual funds, and CDs.

⁴ Not applicable.

⁵ Specific values in excess of \$5,000 were not collected for some types of assets. Nonspecified amounts in excess of \$5,000 are assigned to this bracket.

Source: Food and Nutrition Service, U.S. Department of Agriculture Assets of Low Income Households: New Findings on Food Stamp Participants and Nonparticipants. Report to Congress (Washington, D.C.: mimeo, 1981), Tables 3-3 and 3-4.

TABLE 9.—CAR AND LIFE INSURANCE ASSETS OF OLDER ¹ HOUSEHOLDS WITH QUALIFYING INCOMES AND NONQUALIFYING ASSETS RELATED TO PARTICIPATION IN THE FOOD STAMP PROGRAM, 1979

Bluebook value	First car ¹	Face value	Life insurance
Zero	43.9	Zero	79.2
\$1 to \$500	17.2	\$1 to \$3,000	13.8
\$501 to \$1,000	9.4	\$3,001 to \$10,000	4.8
\$1,001 to \$2,000	10.2		
\$2,001 to \$3,000	8.3	\$10,001 to \$50,000	2.2
\$3,001 to \$4,000	8.0		
\$4,001 to \$4,500	1.6	\$50,001 to \$75,000	0
\$4,501 to \$6,000	0.2	Over \$75,000	(²)

⁴² Food and Nutrition Service, op. cit.

⁴³ Low income here refers to households with incomes low enough to meet the food stamp program's income test.

TABLE 11.—RESOURCE HOLDINGS OF SSI APPLICANTS DISALLOWED DUE TO EXCESS RESOURCES

Type of resource	Percent of applicants owning resource	Average value
Home	50	\$19,349
Other real property	21	9,524
Vehicle No. 1	57	1,469
Vehicle No. 2	18	878
Life insurance	20	3 6,454
Personal property (of unusual value)	1	450
Cash on hand (including unnegotiated checks)	56	126
Checking account	46	639
Savings account	58	2,834
Other liquid resources	8	4,092
Total "countable" resources	100	4,686

¹ Face value of policies; non-excludable cash surrender values were applicable for 13 percent of the cases and ranged from \$75 to \$8,000.

Source: Resource Holdings and Verification of Resources—New SSI Adjudications during 1977, Division of Program Measurement and Evaluation, Office of Payment and Eligibility Quality, Office of Assessment, Social Security Administration, July 1979. Reproduced in the report of the National Commission on Social Security.

Finally, Radner and Vaughan have analyzed more recent data from the income survey development program (ISDP) and provide another look at the asset situation of lower income aged. Data were analyzed for the fifth wave of the ISDP survey, which was carried out in early 1980. The survey data are tabulated based on the age and other characteristics of the person in whose name the living unit is owned or rented. Table 12 presents some of their findings.

Table 12.—The distribution of financial assets of lower income aged in 1980

Financial assets ¹	Low income ² aged households
\$0 to \$111	29
\$112 to \$793	19
\$794 to \$3,310	21
\$3,311 to \$15,248	21
Over \$15,248	10
Total percent	100

¹ Cash, checking and savings accounts, bonds, stocks, and other financial paper.

² Income in the lowest 20 percent of the income distribution for households of all ages, which for the sample was below \$7,269.

Source: Based on Table 11 in Daniel B. Radner and Denton R. Vaughan, "The Joint Distribution of Wealth and Income for Age Groups, 1979," paper presented at the C.V. Starr Center Conference on International Comparisons of the Distribution of Household Wealth, New York University, November 1983, mimeo.

Radner and Vaughan look at income and wealth for households at all ages and at all income levels. They tabulate the asset distribution by quintile classes; that is, the households are divided into five equal groups, each representing 20 percent of the total group. For our purposes, table 12 focuses on the aged in the lowest quintile, those with incomes below \$7,269.

Because the asset classes, income level, and income units do not correspond closely to the overall asset and income levels for SSI, we cannot make any precise estimates. However, these data (as do other data discussed) tend to support the National Commission on Social Security's belief that the "stringent assets test denies SSI payment to some people who have inadequate incomes."⁴⁷

⁴⁷ National Commission on Social Security, op. cit., p. 250.

errors, but ultimately changes the outcome of few eligibility reviews.

Thus, a strong case can be made that since the assets of the low-income elderly are generally low or nonexistent, the intrusion into people's lives, the costs of administration, and the stigmatizing resulting from the tests is hardly worth the relatively small effect that experience indicates the tests have on actual outcomes in the application process.⁵²

PARTICIPATION

When one thinks about SSI, one should also think about women. About two-thirds of all SSI recipients are women; moreover, women constitute about three-quarters of the aged receiving SSI. These statistics, of course, reflect a more general phenomenon; rising rates of divorce and widowhood among women have imposed on them rising economic hardship. In the years before SSI, women had the highest need for public assistance. In the years since, the need has increased and the imbalance in economic security between men and women has increased. Thus, when we discuss below the problems of nonparticipation in SSI, it is important to keep in mind the fact that this is an important women's issue.

In the year before SSI began there were about 3 million aged, blind, and disabled receiving public assistance. With the implementation of SSI the number of receiving assistance rose by almost a million people. Since then the numbers have not changed much, increasing to a peak of 4.3 million recipients in December 1974. There has been some shift, however, in the relative numbers in the three different programs. Figure C shows the decline that has occurred in the number of elderly recipients and the corresponding rise in those receiving payments as a result of disability.

⁵² The asset test is discussed further at the end of the chapter.

The increase in the number of recipients that occurred with the establishment of SSI has been much lower than expected. Instead of the 4.3 million that actually received assistance by the end of 1974, the Social Security Administration had projected that there would be over 6 million recipients. And the number of aged recipients turned out to be approximately half the official projection. Thus, right from the beginning, one of the major concerns regarding SSI has been the fact that millions of eligible needy persons did not participate in the program. Unfortunately this problem continues even today, despite much research to understand the nature of the problem and major outreach efforts to encourage and boost participation. It is currently estimated that 35 to 40 percent of the elderly eligible for SSI do not participate.⁵³

While there are many factors influencing whether or not people participate in SSI, it seems clear, based on the evidence to date, that two are of primary importance: knowledge of the program and attitudes of individuals toward "welfare." Two major studies of SSI participation have highlighted the importance of both these factors. The first study analyzed data from the 1973-74 SSA survey of low-income aged and disabled (SLIAD), and the second study analyzed a sample of 2,000 lower income elderly in 1979, some of whom were (a) not eligible for SSI, (b) eligible and participating, or (c) eligible but not participating.⁵⁴

In the SLIAD survey, only 12 percent of the disabled and 7 percent of the aged specifically mentioned knowledge of SSI as a source of assistance. In the "2,000 low-income elderly" study, "perhaps the most surprising and important survey finding is that 49 percent of nonparticipants have never heard of SSI or any program that would help elderly people with little money."⁵⁵

Over the years, SSA has made a major effort to inform people about the SSI program. In several years SSA has attempted to screen and contact everyone in the social security files who might be eligible for SSI. Special outreach efforts have been organized to reach eligible people through various community organizations. And millions of dollars have been spent on literature and media information dissemination.

Still, numerous critics have pointed out limitations and problems related to SSA's efforts.⁵⁶ Many remain unconvinced that efforts thus far have been adequate.⁵⁷ Whether this is true or not, the fact

⁵³ For many years there was speculation that the SSA estimates of eligibility for SSI were too high because of poor data. A recent study sponsored by SSA indicates, however, that they are probably too low. See Urban Systems Research and Engineering, SSI Aged: A Pilot Study of Eligibility and Participation in the SSI Programs, Final Report to SSA (Cambridge, Mass.: mimeo, 1981).

⁵⁴ John A. Menefee, B. Edwards, and S. J. Schieber, "Analysis of Nonparticipation in the SSI Program," Social Security Bulletin 44 (June 1981): 3-21 and Linda Drazga, M. Upp, and V. Reno, "Low-Income Aged: Eligibility and Participation in SSI," Social Security Bulletin 45 (May 1982): 28-35. The Drazga, et al. article summarizes the longer report by Urban Systems Research and Engineering, Inc., op. cit.

⁵⁵ Urban Systems Research and Engineering, Inc., op. cit., p. 97.

⁵⁶ See, for example, the discussion in Menefee, et al., op. cit., p. 18. In contrast, a 1977 staff study by the Senate Finance Committee concluded that outreach efforts were more than adequate. See The Supplemental Security Income Program, Staff Report (Washington, D.C.: U.S. Government Printing Office, 1977), pp. 16-17.

⁵⁷ SSA is currently engaged in another major outreach effort in response to a mandate by Congress as part of the 1983 Social Security Amendments.

that a sizable number of persons still do not participate in SSI because of this issue. The SLIAD survey in 1974 found, for example, that 65 percent of the nonparticipants in SSI would not willingly accept public aid.⁶¹

The 1979 survey of 2,000 low-income aged investigated this issue more thoroughly. This study found:

- That nonparticipants were more likely than participants to feel embarrassed about getting welfare (36 percent versus 24 percent).
- That nonparticipants were more likely than participants to think of SSI as welfare (30 percent versus 16 percent).
- That 31 percent of nonparticipants (who knew about SSI) said they would be embarrassed if their friends or relatives knew they were receiving SSI benefits.
- That almost all nonparticipants agreed that they would not feel embarrassed if their friends or relatives knew they were receiving social security benefits.

The study concluded that "stigma or negative attitudes toward SSI appears to be a potential barrier for * * * about one-third of nonparticipants."⁶²

While we have pointed to knowledge of SSI and attitudes toward "welfare" as key factors explaining nonparticipation in the program, there are no doubt many factors involved, but research thus far has been unable to clearly identify any one of them as having a clear and major impact. Together, however, along with knowledge and stigma, they pose a major challenge in raising participation in SSI to significantly higher levels.

SSI FOR THE FUTURE

In the 1930's when OASI and OAA were initiated, and still in the early 1970's, when SSI was established, Congress was faced with two major challenges regarding the aged:

- The development of policies to help all Americans prepare and provide for their old age at a time when support through employment was increasingly unviable.⁶³
- The provision of support for the millions of older people faced with economic destitution in the absence of income from government income maintenance programs.

As we indicated previously, Congress has clearly chosen over the years to emphasize an approach that provides broad and substantial support to the elderly through a nearly universal public pension program.⁶⁴ But despite the heavy emphasis placed on OASI,

⁶¹ Menefee, et al., op. cit., p. 13.

⁶² Urban Systems Research and Engineering, op. cit., pp. 139-140.

⁶³ For a history of the "institutionalization of retirement" in the United States, see James H. Schulz, *The Economics of Aging* 3rd ed. (Belmont, Calif.: Wadsworth, forthcoming, fall 1984), chapter 1 (or the 2nd edition, pp. 3-5); James H. Schultz, "Private Pensions, Inflation, and Employment," in Herbert Parnes, ed., *Policy Issues in Work and Retirement* (Kalamazoo, Mich.: W. E. Upjohn Institute for Employment Research, 1983); pp. 241-264; and William Graebner, *A History of Retirement* (New Haven: Yale University Press, 1980).

⁶⁴ I use the word pension rather than insurance to emphasize the similarities rather than the differences between public and private retirement benefit programs. For a similar point of view, which discusses both similarities and differences, see Alan S. Blinder, *Private Pensions and Public Pensions: Theory and Fact* (Ann Arbor, Mich.: Institute of Public Policy Studies, University of Michigan, 1983).

Despite a number of major attempts, general welfare reform remains more an aspiration than a likely reality. There are currently over 40 separate income maintenance programs in the United States and little interest in comprehensive reform.

With regard to substituting a universal flat benefit for SSI, there is more interest. When social security was originally designed the possibility of combining a flat pension with an earnings-related one was apparently rejected.⁶⁷ This so-called double-decker approach—with a universal, nonmeans-tested benefit paid to everyone and a supplemental benefit based on (and proportional to) earnings—has had numerous advocates in the United States over the years and currently exists in a number of industrialized nations.⁶⁸ And today, as Thompson has shown:

It is possible to design a double-decker system which will shift a significant portion of the current responsibilities of the means-tested SSI program to the nonmeans-tested social security program with only a modest increase in total transfer costs.⁶⁹

But opposition to the double-decker approach has been very strong over the years. It is important to note that the present system is preferred to the double-decker by two very different groups: those who fear that the first part of a double-decker would eventually be means-tested and those who seek to maintain the fiscal discipline and the limiting of benefits through the payroll tax.⁷⁰

Despite their intellectual attractiveness, much more work will have to be done to work out the various political and integration issues raised with regard to the first two options before they are likely to receive serious congressional consideration.⁷¹ The third option—an expanded SSI together with a less redistributive OASI program—is less easily dismissed, given the potential Federal cost reductions embodied in its claims to greater targeting efficiency.

The experience with SSI to date indicates, however, a major problem related to this approach. For a variety of reasons, it is extremely difficult to get large numbers of people to participate in

⁶⁷ Derthick observes: "Their resistance to universal flat pensions was so rigid, and the reasons for it so little articulated in public, that the logical content is hard to summarize." Martha Derthick, *Policymaking for Social Security* (Washington, D.C.: The Brookings Institution, 1979), p. 218.

⁶⁸ Eveline M. Burns, "The American System of Social Security: Agenda for the 1970s." In G. Rohrich, ed., *Social Economics for the 1970's* (New York: Dunellen, 1970), pp. 67-82 and Henry Aaron, et al., *Supplementary Statement on the Double-Decker Plan*. In Advisory Council on Social Security, Report (Washington, D.C.: The Council, 1979), pp. 216-220.

⁶⁹ Lawrence H. Thompson, "Discussion." In Irwin Garfinkel, *Income-Tested Transfer Programs—the Case For and Against* (New York: Academic Press, 1982), pp. 487-493.

⁷⁰ See the discussion of this point, for example, in Virginia P. Reno and M.M. Upp, "Social Security and the Family." In Rudolph G. Benner, *Taxing the Family* (Washington, D.C.: American Enterprise, 1983), pp. 139-164.

⁷¹ At the end of a long and persuasive minority statement advocating a double-decker plan, economists Aaron, Gardner Ackley, Eveline Burns, and Joseph Pechman state: "Admittedly there are a number of issues and technical problems to be resolved in the development of a specific double-decker plan, most notably those relating to benefits for children. Had the council devoted as much time and effort to developing a workable double-decker model as it devoted to earnings sharing, the country would have been in a better position to evaluate the double-decker as a possible desirable future alternative to the present system." (Report of the 1979 Advisory Council on Social Security, p. 229.) See also the paper by J. Habib and R. Lerman, which argues that the two-tier approach is generally less target-efficient in reaching the poor than some alternative approaches: "Options in Income Support for the Aged—a Critique of the Two-Tier Approach," *Journal of Public Economics* 11 (1979): 159-177.

the welfare role to SSI. Others think it may be reasonable and sensible to continue following a more incremental policymaking strategy.⁷⁸

Few people today are likely to call for returning our public assistance strategy to what existed in the pre-SSI days. Without doubt, SSI is generally viewed as a step forward. But many would characterize the improvements as modest and urge further changes.

Today, moreover, there is also greater awareness of the need to scrutinize the programmatic balance between social adequacy and equity. But as we pointed out earlier, concern about this matter is not of recent origin. It was there at the beginning of OASI and OAA, and it was one of the major issues considered when SSI was designed and originally legislated over a decade ago.

The social security financing problem that has dominated recent pension discussions has certainly heightened our sensitivity to the tradeoffs that have to be made. Giving greater attention to issues of targeting and equity, however, does not necessarily mean that a major new strategy is optimum.⁷⁹ Incremental change may still be appropriate. Thompson points out, for example, that the current benefit structure of social security might be viewed "as representing one particular compromise between the desire, on the one hand, to maintain certain labor supply and savings incentives, reduce administrative costs, reduce stigma and, on the other hand, to restrain total program costs."⁸⁰

Opportunities for improving SSI are many. But regardless of whether one is talking about incremental or major change, what is clearly needed is greater attention to the integration of various income maintenance programs (both public and private). We need to look carefully at their interrelated effects and assess the ultimate total impact. Unfortunately there is a serious dearth of statistics and studies of SSI on this and numerous other questions. This compendium is long overdue but represents only a start.

TWO ILLUSTRATIVE OPTIONS: CHANGING MINIMUMS AND THE ASSET TEST

Other papers in this compendium examine in detail policy options and the programmatic rules and administrative operations that in part determine the program's ultimate impact. To illustrate the points made above regarding incremental adjustments and integration, however, attention is called to two policy proposals: modification of the special OASI minimum benefit and changing the asset tests of means-tested programs.

The National Commission on Social Security recommended in 1981 a modified special minimum benefit as part of a set of incremental changes designed to deal with concerns about the treatment of women under social security. The Commission argued:

⁷⁸ See, for example, Robert J. Myers, "Incremental Change in Social Security Needed to Result in Equal and Fair Treatment of Men and Women." In R. V. Burkhauser and K. C. Holden, *A Challenge to Social Security* (New York: Academic Press, 1982), pp. 235-245.

⁷⁹ S. Schieber, *Social Security: Perspectives on Preserving the System* (Washington, D.C.: Employee Benefit Research Institute, 1982). Schieber, for example, proposes reducing the first OASI fromul "bend point" and having SSI pick up the income needs of low-income individuals.

⁸⁰ Lawrence H. Thompson, "The Social Security Reform Debate," *Journal of Economic Literature* 21 (December 1983): 1453.

having to seek help from the rest of society and as a warning (and hence deterrent) to others.

Apart from this philosophical or ideological issue, there is the more practical matter of asset tests in practice. As pointed out by Duskin:

It is generally the case that resource levels determine program eligibility, but not benefit levels—except to the extent that an asset produces a flow of countable income.⁸³

The fact is that tested assets frequently cannot be converted into the consumption expenditures vital to subsistence living. Or individuals are unwilling to utilize them because of the other roles served by savings.⁸⁴

The other reality is the high degree of arbitrariness and variation in the tests. An excellent example of this is the treatment of household goods and personal belongings. The SSI program places a value on these assets and places a \$1,500 limit on their value. In contrast, the food stamp program ignores them. Note the comments of the Department of Agriculture: Personal and household goods are almost “universally exempted from means-tested public benefit programs for practical reasons. Basic household and personal possessions are among the necessities of living; it is not reasonable to expect a household to divest itself of clothing or household furnishings. In practice, moreover, the valuation of such items would be a prohibitively expensive and intrusive task.”⁸⁵

The SSI overall test level is \$1,500 for individuals and \$2,250 for couples. The food stamp level was originally set at \$1,500 for individuals and \$3,000 for households of two or more only if one member was age 60 or older. The asset limit for food stamps was raised from \$1,500 to \$1,750 in 1977. But in order to restrict eligibility and reduce the cost of the program, the limits were lowered again to \$1,500 in 1980. This 1980 deliberalization highlights the major aim of the test. Asset tests are basically mechanisms to keep down costs.⁸⁶

The SSI asset test illustrates many of the challenges facing the program. It directly excludes many needy Americans who desperately need economic help. It indirectly discourages other people from participating because of its punitive nature and stigmatizing aspects. And it greatly complicates the administration of the program. It is these three issues—adequacy, participation, and efficient administration—that dominated the concerns of Congress when it passed SSI and during the chaotic early years. As our review has shown, these issues have not gone away and deserve again the attention of the Congress.

⁸³ Betty Duskin, “Asset Tests as a Component of Income Conditioned Programs,” paper prepared for the Federal Council on Aging (Washington, D.C.: mimeo, n.d.): 1.

⁸⁴ Other roles include: precautionary needs, bequests, overcoming imperfect capital markets, maintaining independence and flexibility, etc. Economists have recently been surprised to find high rates of saving (not dissaving) among the aged, contrary to the life cycle saving/consumption hypothesis.

⁸⁵ Food and Nutrition Service, *op. cit.*, p. 8.

⁸⁶ Deliberalization removed more than a million participants of all ages from the food stamp program.

Chapter 2

THE SUPPLEMENTAL SECURITY INCOME PROGRAM: TRENDS OF THE FIRST DECADE AND OUTLOOK FOR THE SECOND

(Prepared by Janice Peskin,¹ Budget Analysis Division,
Congressional Budget Office)

SUMMARY

Since 1974, the Federal Government and the States have provided cash assistance to low-income aged, blind, and otherwise disabled individuals under the supplemental security income (SSI) program. Now SSI is entering its second decade. How has the program evolved over its first 10 years? And will the decade ahead mirror the one just ended? A review of past trends can be useful in forecasting future SSI benefits, numbers of beneficiaries, and associated Federal outlays in the coming decade.

The CBO's analysis points to several major findings:

- Benefits and outlays under the Federal SSI program have grown steadily since the programs's inception. For example, individual basic monthly benefits increased from \$140 in January 1974 to \$314 in January 1984. Until recently, this growth was in nominal—not real—dollars. Almost exclusively, it reflected annual cost-of-living increases. Not until 1983 were benefits increased by more than the change in the cost of living—by \$20 a month for individuals and \$30 a month for couples.
- Numbers of Federal SSI beneficiaries, in contrast, have actually declined slightly since 1976, when the program stabilized. Moreover, aged beneficiaries have declined in number by about one-third, largely because of greater social security coverage and rising social security benefits while disabled beneficiaries have become more numerous. In 1976, aged and disabled (including blind) beneficiaries each accounted for about half of all beneficiaries; by 1983, the aged accounted for only 38 percent of all beneficiaries and the disabled for 62 percent.
- Trends in SSI during the next decade should resemble those during the past decade.
- Aged beneficiaries will continue to decline in number and disabled beneficiaries to rise, so that, by 1995, SSI will be largely a program for the disabled. The aged will account for only 21 percent of all beneficiaries and 13 percent of all benefit pay-

¹ Anne Manley assisted in the data development; Peter Taylor provided forecasts of the Consumer Price Index; and Charles Seagrave, Nancy M. Gordon, and Dorothy Amey gave helpful comments. The manuscript was edited by Johanna Zacharias and prepared for publication by Gwen Coleman.

SHIFTS IN THE BENEFICIARY POPULATION

While the total SSI beneficiary population declined only slightly during the past decade, the portions of that population made up by aged versus disabled (including blind) persons changed more sharply.⁴ Aged beneficiaries (that is, persons aged 65 or older) declined in number from 2 million in 1976 to 1.3 million in 1983; numbers of disabled beneficiaries rose from 1.9 million to 2.2 million over the same period (see table 2). In 1976, aged beneficiaries made up 51 percent of all Federal SSI beneficiaries, but by 1983, they accounted for only 38 percent. Simultaneously, the proportion of disabled beneficiaries rose from 49 percent to 62 percent.

TABLE 2.—COMPOSITION OF THE FEDERAL SSI POPULATION, 1976–83

[Numbers in millions of March each year]

	Aged beneficiaries		Disabled beneficiaries ¹	
	Numbers	Percent of total	Numbers	Percent of total
1976.....	2.0	51.2	1.9	48.8
1977.....	1.8	48.5	2.0	51.5
1978.....	1.8	46.2	2.0	53.8
1979.....	1.7	43.6	2.2	56.4
1980.....	1.6	43.4	2.1	56.6
1981.....	1.5	41.1	2.2	58.9
1982.....	1.4	39.4	2.2	60.6
1983.....	1.3	37.9	2.2	62.1

¹Includes blind.

What has caused this rather startling shift? One must look first to the eligibility criteria for SSI.

Individuals qualify for SSI because they are aged or disabled (or both), and because their incomes and assets fall below the maximum levels allowed in the program. Given these eligibility requirements, four major factors determined changing beneficiary levels:

- Demographics: the numbers of aged and disabled in the U.S. population.
- Incomes: the financial resources of the aged and disabled.
- Participation rates: the extent to which persons eligible for benefits actually receive them; and
- Legislation: changes made by the Congress that alter eligibility for, or receipt of, benefits.

DEMOGRAPHICS

The U.S. population aged 65 and older increased moderately during the last decade. Because aged SSI beneficiaries were declining in number at the same time, the percent of the aged population receiving SSI dropped significantly—from 8.1 percent in 1976 to 4.6 percent in 1983 (see table 3).

⁴ Aged beneficiaries who qualified as disabled are included in the disabled category; at the end of 1982, about 20 percent of disabled SSI recipients were aged.

could grow significantly.⁹ At the same time, disabled children have been one of the most rapidly growing groups of SSI beneficiaries, rising in number from 128,000 in December 1975 to 229,000 in December 1982—an increase of almost 80 percent.

Notwithstanding these patterns, the disabled SSI beneficiary population has remained a quite stable percent of the total U.S. population (see table 3). After rising slightly in the late 1970's and reaching a peak of 0.92 percent in 1979, the percent has remained fairly stable in the last few years. Because rising incomes among the population would imply a decline in the percent (as discussed below), the stability in the percent of the population receiving SSI disability benefits might imply growing numbers of disabled in the population.

INCOMES

As in any means-tested entitlement program, an SSI participant's income and resources must be below specified limits. Income may be no higher than the basic benefit plus excluded income. The main exclusions are \$20 a month of earned or unearned income and an additional \$65 a month plus one-half of the remainder of earned income. At no time may countable resources (assets) be higher than \$1,500 for an individual or \$2,250 for a couple. Not included in the tally are the value of a home, a car used for employment or medical treatment, life insurance with a face value of \$1,500 or less, burial plots and funds, and households goods or personal effects with an equity value of less than \$2,000.

The basic benefit is increased each year by a cost-of-living adjustment (COLA). Thus, it remains essentially constant in real terms. In contrast, the \$20 and \$65 monthly income exclusions and the resource limit have not been changed since the program's beginning. Both of the latter have thus decreased sharply in real terms, and they have been partially responsible for the decline in numbers of aged SSI beneficiaries.

Eligibility for SSI will change over time, as incomes of the aged and disabled rise more or less rapidly than the basic SSI benefit (plus exclusions). For low-income aged and disabled people, social security is the most important source of income. SSI beneficiaries, in fact, have few other income sources: fewer than 4 percent have any earned income, and fewer than 11 percent have "unearned" income other than social security. Yet, about 70 percent of aged SSI beneficiaries and 35 percent of disabled beneficiaries receive social security. So trends in social security benefits are critical in understanding eligibility for SSI and in particular, declining numbers of aged SSI beneficiaries.

Over time, more of the aged have qualified for social security worker benefits (see table 4). For men, whose coverage in 1970 was already 89 percent, the rise has been moderate. But for women, it has been dramatic, rising from 44 percent in 1970 to 56 percent in 1983—attributable at least partly to their increased labor force participation rates. Women—who now account for almost 75 percent of

⁹ The "baby boom" cohort encompasses persons born in the years 1946 through 1964. See Louise B. Russell, *The Baby Boom Generation and the Economy*, the Brookings Institution (1982).

PARTICIPATION

In SSI, participation rates—the percentage of eligible persons actually receiving benefits—have always been relatively low. Thus, any major change in participation rates could affect SSI outlays significantly. Unfortunately, estimates of participation rates have been scarce.

One study has estimated participation rates of 55 percent for the aged and 54 percent for the disabled in 1974.¹⁰ Another study has estimated a participation rate of between 54 percent and 61 percent for the aged in 1979.¹¹ Because estimated rates for the aged in the first study may have been biased upward, participation rates for the aged may have risen some during the 1970's. This rise was probably not large, however, in light of the decline in aged SSI beneficiaries over the same period.

Both studies identify similar causes of nonparticipation among eligible persons. First, eligible nonparticipants are financially better off than participants. Second, they have less experience with government assistance programs, and they may be more concerned about a social stigma they associate with public assistance. Finally, many nonparticipants seem to be unaware of the availability of SSI and/or of their own eligibility. Only this final cause seems amenable to much change over the short run or subject to influence by program administrators.

LEGISLATION

Though SSI has undergone many legislative changes since its inception, few have had more than a minor impact on the program. Two legislative changes have had major impacts, however: providing automatic COLA's and raising benefit levels.¹² On August 7, 1974, shortly after the start of the SSI program, the Congress enacted legislation providing for automatic cost-of-living increases in SSI benefit levels (Public Law 93-368). As a result of this law, SSI benefit amounts are adjusted annually if the past year's change in the Consumer Price Index (CPI) equals or exceeds 3 percent. Without this legislation or some other significant ad hoc increase in benefit levels, real benefits would have declined sharply over SSI's first decade, and fewer persons would have qualified for program benefits.

Then, in enacting the Social Security Amendments of 1983 (Public Law 98-21), Congress effected monthly increases in SSI basic benefits of \$20 for individuals and \$30 for couples. These increases have improved the adequacy of SSI benefits, though Federal benefits are still below the annual poverty threshold, which for a single person was \$4,630 in 1982 and is estimated to be \$5,000 in 1984. (For some persons in some States, Federal plus State SSI benefits provide income above the poverty threshold.) Individuals' Federal basic benefits, which were 71 percent of the poverty threshold in 1982, will rise to about 75 percent of poverty in 1984. For cou-

¹⁰ See John A. Menefee, Bea Edwards, and Sylvester J. Schieber, "Analysis of Nonparticipation in the SSI Program," *Social Security Bulletin*, Vol. 44, No. 6 (June 1981), pp. 3-21.

¹¹ See Urban Systems Research and Engineering, Inc., *SSI Aged: A Pilot Study of Eligibility and Participation in the Supplemental Security Income Program* (September 1981).

¹² For more details, see John Trout and David R. Mattson, "A 10-Year Review of the Supplemental Security Income Program," *Social Security Bulletin*, Vol. 47, No. 1 (January 1984), pp. 3-24.

Disabled beneficiaries have higher monthly SSI benefits than do aged beneficiaries, because fewer of the former receive social security benefits that partially offset SSI payments. As shown in table 7, average benefits of the disabled were \$208 in March 1983, compared to \$127 for the aged. Over the 1976-83 period, average benefits of the disabled rose slightly more than the COLA's—73.5 percent, compared to 69.7 percent for the COLA's. For the aged, average benefits rose only 60.6 percent, somewhat less than the COLA's. Thus, until the increase legislated in July 1983, real benefits of the disabled changed little, falling slightly in the late 1970's and rising slightly in the early 1980's. For the aged, real benefits fell—primarily in the late 1970's—reinforcing the evidence that non-SSI incomes of the aged have been rising.

TABLE 7.—AVERAGE FEDERAL SSI BENEFITS TO AGED AND DISABLED BENEFICIARIES, 1976-83

(As of March each year)

	Aged			Disabled		
	Nominal benefits	Real benefits ¹	Nominal percent change	Nominal benefits	Real benefits ¹	Nominal percent change
1976.....	\$76		6.1	\$117		13.1
1977.....	79	\$79	4.5	124	\$124	6.2
1978.....	82	78	4.1	131	123	5.2
1979.....	84	74	1.5	135	120	3.2
1980.....	94	76	12.3	148	120	10.0
1981.....	107	75	13.9	170	120	14.3
1982.....	119	75	10.9	191	121	12.4
1983.....	127	75	7.3	208	123	9.1
1976-83.....			60.6			73.5

¹ Nominal benefits deflated by SSI COLA's using 1977 as the base year.

FUTURE TRENDS

Will the SSI program's trends in the decade ahead resemble those in its first decade? In exploring this question, this section presents and analyzes forecasts of numbers of beneficiaries, basic and average benefit amounts, and associated Federal outlays to 1995, assuming that current legislation remains unchanged.

THE BENEFICIARY POPULATION BY 1995

Future trends in SSI beneficiaries during the remainder of this century should resemble those of the past decade. In only one area does the future seem likely to differ importantly from the past: the population aged 45 to 64—people who are more likely to become disabled than other age groups—will be rising more rapidly than before. Nonetheless, trends in beneficiaries should continue largely

Demographic patterns do not show larger increases in the disability-prone population (those aged 45 to 64) than in the recent past. Though this group will increase by only about 0.8 million from 1975 to 1985, it is projected to increase by 8.3 million from 1985 to 1995, as the baby boom generation ages (see table 9). In addition to uncertainty about how much effect this changing age structure will have on SSI, uncertainty exists about changing disability rates in the population at large. As noted in the "Past Trends" section of this chapter, disability rates appear to have risen recently. Whether they will continue to rise—or perhaps fall—is not clear and will depend partly on future changes in mortality rates, medical care, and even lifestyles (particularly with regard to diet, exercise, and stress management).¹⁴

Another source of uncertainty is the impact of the 1983 Social Security Act on numbers of SSI beneficiaries. Two provisions of the act—the increase in basic SSI monthly benefits and the newly required notification of social security and medicare beneficiaries of their potential eligibility for SSI—should increase numbers of SSI beneficiaries. The CBO estimates assume an increase of 0.3 million SSI beneficiaries. If the increase is much larger or somewhat smaller, numbers of beneficiaries in 1995 could differ significantly from the forecasts considered here.

AVERAGE BENEFITS BY 1995

The driving force in how average benefits increase over time is the COLA's. In real terms, average benefits have not changed much in recent years, and in this forecast they are assumed to remain constant. Average benefits are projected under three different COLA assumptions.

- CBO baseline: These COLA's through 1989 are assumed by CBO in its projections of federal outlays.¹⁵ The COLA's beyond 1989 are consistent with the baseline assumptions.
- Low inflation: These COLA's through 1989 are based on an alternative, low-growth set of CBO economic assumptions.¹⁶ The COLA's beyond 1989 are consistent with the low-growth and low-inflation assumptions.
- High inflation: Beginning in 1986, these COLA's are set equal to actual average COLA's in SSI during its first decade.

In CBO's baseline assumptions, COLA's range from 4.5 percent to 4.9 percent through 1989 (see table 10). During most the 1990-95 period, COLA's are 4.3 percent. In the low-inflation assumptions, COLA's decline during the late 1980's, and beginning in 1989, fluctuate between zero and 4 percent. (As noted earlier, the CPI increase must accumulate to at least 3 percent for the social security and SSI COLA to be granted.) The low-inflation assumptions incorporate CPI increases of about 2 percent a year beginning in 1989, resulting in a zero COLA 1 year, followed by a 4-percent COLA the

¹⁴ See Feldman, "Work Ability," and Colvez and Blanchet, "Disability Trends."

¹⁵ See Congressional Budget Office, *Baseline Budget Projections for Fiscal Years 1985-1989* (February 1984).

¹⁶ *Ibid.*

TABLE 11.—FORECASTS OF FEDERAL SSI MONTHLY BENEFITS WITH THREE COLAS, SELECTED YEARS
1983–95—Continued

[In dollars]

	Individual basic benefit	Average benefit ¹	
		Aged	Disabled ²
1985.....	329	148	235
1990.....	413	187	296
1995.....	510	230	365
High COLA's:			
1983–84 (actual).....	³ 314	⁴ 130	⁴ 208
1985.....	329	148	235
1990.....	486	217	345
1995.....	718	321	510

¹ Average monthly benefits for fiscal year.

² Includes blind.

³ Effective beginning January 1, 1984.

⁴ Average monthly benefits for fiscal year 1983.

OUTLAYS BY 1995

Federal SSI outlays in 1995 will be higher than they are today. How much higher depends on future inflation in the United States and the size of any resulting COLA's.

Under CBO's baseline assumptions, outlays would increase from \$8.7 billion in 1983 to \$14.5 billion in 1995—a rise of two-thirds (see table 12). Under the low-COLA assumptions, outlays in 1995 would be \$12.2 billion, a rise of about two-fifths over the 1983 level. Under the high-COLA assumptions, outlays—at \$20 billion—would be more than two times greater. Outlays under the high-COLA assumptions would be two-thirds above those under the low-COLA assumptions, illustrating the critical effect of COLA's on outlays.

TABLE 12.—ACTUAL AND PROJECTED FEDERAL SSI OUTLAYS WITH THREE ASSUMED COLAS,
1983–95

[In billions of dollars]

	Low COLA's	Baseline COLA's	High COLA's
1983 (actual) ²	8.7	8.7	8.7
1984 ²	8.4	8.4	8.4
1985.....	9.3	9.3	9.3
1986.....	9.7	9.7	10.0
1987.....	10.2	10.2	10.7
1988 ²	11.4	11.5	12.4
1989.....	10.7	11.3	12.6
1990 ¹	10.1	10.8	12.6
1991.....	11.1	12.2	14.6
1992.....	11.5	12.8	15.8
1993.....	11.6	13.3	17.1
1994 ²	13.1	15.0	19.5
1995.....	12.2	14.5	20.0

¹ Estimated outlays through 1989 are those in CBO's latest baseline.

² 1984 and 1990 include only 11 months of benefit payments; 1983, 1988, and 1994 include 13 months.

The projected increases in outlays are only nominal. In real terms, SSI outlays will remain essentially constant. Numbers of beneficiaries are projected to decline slightly, reducing real outlays.

Chapter 3

REHABILITATING THE SSI RECIPIENT—OVERCOMING DISINCENTIVES TO EMPLOYMENT OF SEVERELY DISABLED PERSONS

(Prepared by John H. Noble, Jr.,¹ Ph.D., Associate Commissioner, Virginia Department of Mental Health and Mental Retardation)

INTRODUCTION

This analysis was prepared in response to Senator John Heinz's request on December 15, 1983, for a critical review of "the complex network of relationships between participation in the supplemental security income program (SSI), medical coverage, rehabilitation, and gainful employment." The analysis was to address two basic questions. First, how is the individual beneficiary affected by administrative or institutional arrangements, and what are the psychological, economic, or informational barriers to engaging in productive employment? Second, what are the appropriate policy alternatives for the future?

More specifically, the following topics were to be covered:

- A review of the provisions of the Social Security Disability Amendments of 1980 pertaining to work disincentives in SSI, and an evaluation of their implementation to date, and their longer term significance.
- An analysis of the implications of the reimbursement provisions of the Omnibus Budget Reconciliation Act of 1981 upon the delivery of rehabilitative services to SSI beneficiaries; and
- A review of innovative rehabilitation techniques, including transitional employment, and a suggestion of what role they might occupy in the future of SSI.

The case of Wendy P. is presented here as a concrete example of the nature of the problems which severely disabled persons seeking gainful employment encounter everyday in connection with the SSI and medicaid programs. Her case will be used in the analysis to illustrate how certain statutory and/or regulatory provisions impact on affected individuals, as well as to show the implications of some of the statistics which will be reported.

Wendy P. is a developmentally disabled person in her late twenties who has been disabled from birth. She is intelligent, articulate, and very motivated. If she were not confined to a wheelchair with need for attendant care to function, Wendy P. would undoubtedly hold a responsible position paying an above-average salary. Instead,

¹ The views expressed in this chapter are those of the author and should not be construed as necessarily representing the official view or policies of the author's employer.

with it. Some States have spent money that would otherwise have paid for direct services on lawyers and the training of staff on how to provide successful documentation of eligibility for SSI. It is sad to see so much of society's scarce resources being allocated to dependency-creating activities instead of rehabilitation for total or partial self-support.

Succeeding sections of this analysis provide documentation on: (1) the background and selected characteristics of the SSI program; (2) the comparative utilization of health services by SSI and non-SSI recipients and its cost; (3) the provisions of the Social Security Disability Amendments of 1980 that affect the SSI program; (4) the impact on SSI recipients of the rehabilitation financing provisions of the Omnibus Budget Reconciliation Act of 1981; (5) innovative rehabilitation techniques that hold promise for severely disabled people; and (6) suggested changes in Federal programs affecting the severely disabled.

SSI BACKGROUND AND SELECTED CHARACTERISTICS

Congress created the supplemental security income (SSI) program in 1972 to replace three State-administered categorical programs for poor aged, blind, and disabled persons. The intent was to supplement the income of poor persons whose work experience or circumstances did not qualify them for coverage under the social security disability insurance (SSDI) program, or whose benefits under the SSDI program were inadequate for subsistence.

The SSI program took over financial and administrative responsibility for the 3,147,200 persons in the 1973 State caseload in the aged, blind, and disabled categorical programs, who were receiving \$3,457,410,000 in monthly cash payments. Federal takeover in 1974 was accompanied by an immediate 2.2 percent increase in the number of aged, blind, and disabled recipients of cash payments and a 26.7 percent increase in the amount of program expenditures.

The SSI program steadily expanded from 3,248,949 recipients of federally-administered payments in January 1974 to a high of 4,287,044 recipients in December 1977. Since 1977, there has been a steady decline in the number recipients, reaching 3,892,630 in August 1983. Annual program expenditures, on the other hand, have steadily increased since 1974 as a result of several factors: (1) Early program growth due to the Federal takeover; (2) indexed cost-of-living adjustments; and (3) expanded income and resource exclusions which determine basic eligibility and the monthly cash benefit amount for individuals and couples. Program expenditures have grown from a monthly total of \$365,149,000 in January 1974 to \$826,130,000 in August 1983—an increase of 126 percent. This trend, however, may have halted and even reversed direction. Public Law 98-139 authorizes a fiscal year 1984 appropriation of \$8.3 billion for the SSI program, almost \$205 million less than the fiscal year 1983 appropriation of \$8.5 billion.

To put this program growth in perspective, we should remember that from 1974 to 1983, the population of the United States increased by about 9 percent, and the cost of living, as measured by the Consumer Price Index (CPI), increased by about 96 percent.

Thus, rehabilitating SSI recipients for total or partial self-support will require substantial effort and careful manipulation of the incentive system for recipients and employers alike, if a cost-beneficial outcome for society is to be achieved. Not every blind or disabled SSI recipient is a suitable candidate for rehabilitation, nor should the whole SSI population be rejected as unfeasible candidates.

The living arrangements of SSI recipients offers a clue to the support system standing behind the individual recipient. Of the 3,968,000 persons on the rolls in July 1981, 3,369,800 (84.9 percent) lived in their own household; 198,400 (5 percent) lived in another's household; 132,900 (3.3 percent) lived in their parental home; and 266,900 (6.7 percent) received care within medicaid intermediate care (ICF) or skilled nursing (SNF) facilities (SSA, 1984). There are no remarkable differences in the distribution of living arrangements among blind, disabled, and aged SSI recipients. Keeping in mind people like Wendy P., one should not write off SSI recipients living in medicaid intermediate care facilities as unfeasible candidates for vocational rehabilitation and job placement efforts. On the other hand, persons living in their own household with a spouse as well as younger persons living in their parental home may be among the best SSI candidates for rehabilitation, since they enjoy an intact support system which may offer encouragement to the rehabilitant.

The SSI caseload is not static. In the course of a year, 3.6 percent of the SSI recipients die, and another 0.4 percent receive an adjustment in benefits because of the death of a spouse. Almost 3 percent are terminated because their income and/or available assets are too high. About 0.5 percent leave the rolls because their disability ceases, and another 0.5 percent are terminated because they failed to furnish a required report to the Social Security Administration.

The vast majority—nearly 90 percent—of SSI recipients continue on the rolls from one year to the other. In fact, the average blind or disabled SSI recipient remains on the rolls for 16 years, while an aged SSI recipient stays for 18 years (SSA, 1984). Applying the average 1980 monthly SSI payment of \$128.20 to the 1981 caseload, an estimated lifetime payment will be made of nearly \$25,000 to each of the 2,284,400 blind or disabled SSI recipients, without allowance for indexed cost-of-living adjustments. For each of the 1,683,600 aged recipients, the estimated lifetime payment will amount to nearly \$28,000, again without allowance for indexed cost-of-living adjustments.

But this is not the full story. In December 1982, more than 60 percent of the SSI recipients received income from some other source—social security benefits (49.4 percent), earnings (3.2 percent), and unearned income other than social security benefits (10.1 percent) (Social Security Bulletin, Statistical Supplement, 1982). Compared to the aged, a substantially smaller percentage of blind and disabled SSI recipients received income from some other source than earnings. Whereas 69.6 percent of aged SSI recipients received an average of \$233.83 per month in social security benefits, only 37.6 percent of the blind and 35.8 percent of the disabled recipients had average monthly social security benefits of \$244.53 and \$226.12, respectively. With respect to earnings as a source of

must decide whether or not to accept a job paying the substantial gainful activity (SGA) wage or higher. In this regard, we must put ourselves in the place of the individual faced with the choice in order to judge the risks and benefits of accepting the job. First, few—if any—SSI recipients have had a successful job experience which would lead them to believe they will succeed in this next one. Second, most of the jobs they are offered pay marginal wages. The SGA amounts to only \$300 per month—\$1.88 per hour, or 58 percent of the 1983 minimum wage of \$3.35 per hour. Thus, the average SSI recipient is often being asked to rely on his or her ability to perform in a job for wages that barely cover the necessities of life—not to mention the high costs of medical care in the event of recurring illness. Concern about recurring illness and its cost is well-founded, as indicated by the National Medical Care Expenditure Survey (NCHSR, 1984).

The National Medical Care Expenditure Survey (NMCES) was conducted over an 18-month period during 1977 and 1978 in approximately 14,000 randomly selected households in the civilian noninstitutional population of the United States. Data were collected via six successive household interviews, and supplemented by (a) a survey of the physicians and facilities that provided medical care to persons in the household sample during 1977, and (b) a survey of the employers and insurance companies that provided the health insurance coverage of the sample households. Among the major foci of the NMCES was the extent to which the burden of paying for health care services for the elderly and the poor falls on the medicare and medicaid programs.

Analysis of the NMCES data has been limited to health services utilization and its cost among SSI and non-SSI recipients under 65 years of age, because society does not expect retirement age persons to seek work. Reflecting this, section 1615(a) of the Social Security Act provides for referral to State rehabilitation agencies of SSI recipients who have not attained age 65.

In addition to documenting patterns of health service utilization, the NMCES data also portray the demography of the SSI caseload. Table 2 presents the differences between SSI and non-SSI recipients under 65 years of age along a variety of dimensions. The more salient differences and their significance are discussed below.

TABLE 2.—NATIONAL MEDICAL CARE EXPENDITURES SURVEY (NMCES) JANUARY 1977 TO JUNE 1978

Variable	SSI recipient, less than 65 years	Non-SSI recipient, less than 65 years
Sex (percent):		
Male.....	26.6	48.8
Female.....	73.4	51.2
Race (percent):		
White.....	79.0	74.0
Nonwhite.....	21.0	26.0
Age (percent):		
16 to 20.....	0.85	2.33
21 to 25.....	5.33	15.36
26 to 30.....	4.5	14.91
31 to 35.....	5.9	12.76

TABLE 2.—NATIONAL MEDICAL CARE EXPENDITURES SURVEY (NMCES) JANUARY 1977 to JUNE 1978—Continued

Variable	SSI recipient, less than 65 years	Non-SSI recipient, less than 65 years
Number of glasses/lens purchase and repairs.....	0.17	0.17
Mean per capita health care expenditures, 1977 (dollars):		
(1) Total expenditures, all types excluding health insurance premiums.....	\$1,336.50	\$496.13
(2) Total family share.....	\$162.05	\$164.90
(3) Total private health insurance share.....	\$181.50	\$225.66
(4) Total medicare share.....	\$110.42	\$12.41
(5) Total medicaid share.....	\$621.41	\$32.02
(6) Total share of other payers.....	\$216.73	\$50.97
(7) Total share paid by unknown payers.....	\$44.47	\$10.17

	Amount	Percent	Amount	Percent
Mean per capita expenditure for health care by type:				
(1) Medical equipment and supplies, total (dollars).....	\$15.29	100	\$3.75	100.0
Family share.....	10.18	66.6	2.66	76.2
Medicare share.....	0.53	3.5	0.15	4.9
Medicaid share.....	2.92	19.1	0.06	1.5
Private insurer share.....	0.29	1.9	0.44	11.8
Other payer share.....	1.38	9.0	0.24	6.3
Unknown payer share.....	0	0	0.002	0.04
(2) All physician outpatient contacts, total (dollars).....	\$172.96	100.0	\$106.36	100.0
Family share.....	35.39	20.5	45.88	43.1
Medicare share.....	15.40	8.9	1.43	1.3
Medicaid share.....	87.63	50.7	6.35	6.0
Private insurer share.....	19.83	11.5	38.83	36.5
Other payer share.....	12.50	7.2	11.32	10.6
Unknown payer share.....	2.21	1.3	2.55	2.4
(3) Dental visits, total (dollars).....	\$27.73	100.9	\$61.01	100.0
Family share.....	16.68	60.2	42.65	69.9
Medicare share.....	0	0	0.03	0.05
Medicaid share.....	8.04	29.0	1.14	1.9
Private insurer share.....	1.48	5.3	12.49	20.5
Other payer share.....	1.41	5.1	2.98	4.9
Unknown payer share.....	0.12	0.4	1.73	2.8
(4) Hospital admissions, total (dollars).....	\$838.79	100.0	\$195.64	100.0
Family share.....	41.20	4.9	21.46	11.0
Medicare share.....	75.22	9.0	8.38	4.3
Medicaid share.....	394.89	47.1	16.97	8.7
Private insurer share.....	117.77	14.0	122.96	62.8
Other payer share.....	170.27	20.3	21.78	11.1
Unknown payer share.....	39.43	4.7	4.09	2.1
(5) Physician phone contacts, total (dollars).....	\$0.31	100.0	\$0.70	100.0
Family share.....	0.02	7.8	0.32	45.9
Medicare share.....	0	0	0.004	0.6
Medicaid share.....	.020	63.5	0.03	4.8
Private insurer share.....	0.06	19.7	0.24	34.5
Other payer share.....	0.003	1.0	0.06	8.8
Unknown payer share.....	0.03	8.0	0.04	5.5
(6) Nonphysician outpatient visits, total (dollars).....	\$36.42	100.0	\$17.04	100.0
Family share.....	8.42	23.1	8.60	50.4

SSI recipients appear both physically and mentally more disabled than the rest of the population.

The NMCES measured employment status in two ways, one approximating the Department of Labor (DOL) measure and the other based on a series of questions about employment in two different rounds of the survey. Not unexpectedly, very few SSI recipients are working (9.6 percent), or unemployed looking for work (2.8 percent), compared to nonrecipients under 65 years of age. By DOL definition, more than 87 percent of the SSI recipients are "not in the labor force." By the other definition, 7.6 percent of the SSI recipients were employed throughout 1977, 5.7 percent part time, 84.8 percent not working, and 2.2 percent unknown as to employment status.

According to the NMCES data, SSI recipients obtain an average per capita annual SSI income of \$1,058. In addition, they receive somewhat less income than the rest of the population from such welfare sources as AFDC, other State or local public assistance, or their combination. Although SSI recipients are more than three times as likely to receive food stamps, the average monthly value (\$110) of the stamps is less than the value (\$126) of the food stamps received by the rest of the population under 65 years of age. In this regard, it is important to remember that SSI recipients who receive welfare payments from more than one source or who have earnings are subject to SSI rules which reduce the monthly SSI payment commensurate with these other sources of income.

When all sources of income are combined, it is clear that the majority of SSI recipients do not enjoy a high standard of living. Compared to nonrecipients under 65 years of age, total annual family income for SSI recipients is decidedly skewed toward the lowest end of the income continuum—31 percent receiving less than \$5,000 per year and 20.1 percent receiving less than \$3,600 annual yield of the SGA wage. The comparable figures for nonrecipients are 10.1 percent receiving less than \$5,000 per year and 7.3 percent receiving less than \$3,600. Relative to the poverty line, 25.7 percent of SSI recipients versus 9.9 percent of the nonrecipients have household incomes below it, and 13.9 percent of SSI recipients versus 3.3 percent of nonrecipients live on incomes in the "near poor" range. On the other hand, a number of SSI recipients do live in households with total incomes in the middle (26.9 percent) and high (15.2 percent) income range. This happens when an SSI recipient lives in a household where the income and resources of other members cannot be deemed as available in determining the amount of the SSI payment; e.g., children 18 years and older are not subject to parental deeming.

The NMCES data were collected 5 years ago. Wages, prices, unemployment, and indexed SSI benefits have all increased at differing rates since that time. Thus, it is not immediately apparent what the current distribution of income is among SSI recipients compared to the rest of the population. On the one hand, rising unemployment may have increased the percentage of the total work-age population in the lower income range; on the other hand, indexing should have maintained the value of SSI benefits relative to price and wage increases. If this indeed happened, then the percentage of SSI recipients now in the lower income brackets may

overhead costs, including the passthrough of bad debt to customers with insurance coverage. The main point to remember is that, whatever the causes, SSI recipients do face higher health care costs than nonrecipients and thus have a legitimate concern about the consequences of losing medicaid coverage when they take a job paying SGA wages without equal health insurance benefits.

SOCIAL SECURITY DISABILITY AMENDMENTS OF 1980

On June 9, 1980, the Social Security Disability Amendments of 1980 (Public Law 96-265) were signed into law. These amendments attempted to deal with some longstanding issues of equity and efficiency in the SSDI and SSI programs. Here we shall confine ourselves to: (1) Several general provisions which sought to strengthen work incentives in the SSI program; (2) the 3-year demonstration program to pay special cash benefits and provide extended medicaid coverage to persons who complete the 9-month trial work period and continue to earn more than the SGA wage (\$300 per month); (3) the 3-year pilot program to help States pay for medical assistance and social services to persons not receiving SSI, special benefits, State supplementary payments, or medicaid but whose ability to continue work is jeopardized by insufficient earnings to pay for needed medical or social services; (4) continuing benefits for persons in vocational rehabilitation plans who unexpectedly recover medically; and (5) the continuing disability investigations, as implemented by the Social Security Administration.

EXCLUSION OF EXTRAORDINARY WORK EXPENSES

Section 1612(b)(4)(B) permits the cost of extraordinary work expenses (e.g., attendant care services, medical devices, equipment, prostheses, etc.) to be excluded from income for purposes of determining ability to engage in SGA. For SSI recipients, this deduction may be used to compute the monthly benefit amount; however, initial SSI eligibility must be established without application of the deduction. This provision recognizes that a worker's gross earnings in the face of extraordinary disability-related expenses is an inadequate measure of ability to engage in SGA work. When earnings minus the deduction reach SGA after a 9-month trial work period, which may occur consecutively or nonconsecutively, benefits cease—unless subject to the special cash benefit payments allowed under the 3-year demonstration program authorized by section 1619(a) of the 1980 amendments, which will be discussed below.

The limitations of the exclusion for extraordinary work expenses are apparent. The worker whose extraordinary work expenses exceed the amount of his or her earnings plus the allowable SSI payment cannot take advantage of it. Effective January 1, 1984, monthly SSI payments may not exceed \$314 for an individual and \$472 for a couple. Even though Wendy P. did not know of the provision, she feared that the \$25,000 earnings from the job she was offered would not cover the total cost of living in an medicaid ICF-certified nursing home, an attendant to help her prepare for and get to work and return each day, transportation, repairs to her motorized wheelchair, etc. It is not inconceivable that Wendy P.'s care in the nursing home by itself amounts to \$25,000, leaving nothing

visions of sections 1619(a) and (b), which will be more amply described below. However, one must ask how effective this provision could hope to be in face of the tightening of SSA initial disability determinations through its increased sampling and review of State agency decisions and the continuing disability investigations, implemented under sections 221(c)(3) and 221(i), which have, respectively, prevented so many persons from qualifying or caused them to be removed from the rolls? In fact, Wendy P. would almost certainly be terminated if she took the \$25,000 job.

People these days worry about qualifying for or maintaining their disability status, not about the number of months for which they remain eligible for automatic reentitlement to benefits if they cease work activity because of a flareup of their disabling condition. On the other hand, those who provide rehabilitation counseling, training, or sheltered work for handicapped persons do worry about the tolling of the 9-month trial work period and counsel staying below \$300 monthly wages whenever they doubt the rehabilitant's ability to eventually achieve and sustain a job paying a living wage. In our opinion, the good intentions of the Senate Finance Committee behind section 1614(a)(3)(F) have been largely offset by the Social Security Administration's implementation of sections 221(c)(3) and 221(i).

THREE-YEAR EXTENDED BENEFITS DEMONSTRATION PROGRAM

The Social Security Disability Amendments of 1980 created a two-part demonstration program—one part (section 1619(a)) authorizing special cash benefits after an SSI recipient achieves SGA earnings and the other part (section 1619(b)) extending medicaid coverage under certain conditions.

Prior to 1981, a SSI recipient who engaged in SGA (i.e., who earned more than \$300 per month) would have had his or her benefits terminated after completing a trial work period of 9 months. Then and now, any month in which a person earns more than \$75 counts as part of the trial work period. Thus, a recipient who accepted employment paying \$400 per month would have received (based on the SSI payment of \$314 effective on January 1, 1984 for a single individual living in his or her own home) only \$86 per month more than the SSI payment at the end of the trial work period. It should also be observed that the former SSI recipient would also have had to pay social security and other tax liabilities as well as normal work-related expenses, all of which further reduce his or her net gain from taking a job.

After 1981, section 1619(a) of the demonstration authority permits SSI recipients to continue to be paid as long as their gross earnings remain less than the Federal monthly break-even amount. The Federal monthly break-even amount, effective on January 1, 1984, is about \$713 (\$85, consisting of an income disregard of \$20 from any source and the next \$65 of earnings, plus twice the allowable monthly SSI payment) for a single individual, at which point the \$1-for-\$2 reduction in payments wipes out the SSI benefit. In some States which supplement the SSI payment, the combined Federal-State break-even amount may even exceed the \$713.

Section 201(e) of Public Law 95-265, effective January 1, 1981 to December 31, 1983, required the Secretary of HHS to keep separate accounts of the benefits paid under section 1619(a) and (b) in order to evaluate the impact on titles II, XVI, XIX, and XX of the Social Security Act. As yet, the results of the mandated evaluation are not available. However, an informal survey of the States to learn how they are implementing sections 1619(a) and (b) has indicated that few even know of their existence, according to Allen Jensen, staff member of the U.S. House of Representatives, Committee on Ways and Means.

It is useful at this point to review how public programs create work disincentives for eligible disabled persons.

First, the cumulative effect of all potential losses of public benefits must be considered in assessing the extent of incentives and disincentives to accepting work. The combined monetary value of these losses can be quite large, not to mention the psychological threat to recipients even as intelligent as Wendy P. who do not understand the complicated rules which determine continuing eligibility for benefits. If the reader has found it difficult to follow the foregoing analysis of how the rules work, then consider the plight of the handicapped layperson trying to figure out the risks and benefits of accepting a job paying "*n*" amount of dollars.

Second, the tenuousness of the employment offered to many physically and mentally disabled persons, when measured against the greater security of the corresponding package of income support and health benefits available from Federal and State programs, is another very powerful disincentive to accepting work. Most persons, whether handicapped or not, are highly concerned about income security, as evidenced by our society's preoccupation with job protection through seniority, tenure, and other provisions of employment contracts.

Third, we should not forget the disincentive effect of the very eligibility determination process of Federal, State, and private disability programs such as SSI, SSDI, workers' compensation, and private insurance plans. The rules foster a sense of dependency and the belief by applicants that they cannot and must not work if they are to establish eligibility. The eligibility determination process is frequently lengthy, and from the moment of application the energies of the applicant, family, lawyer, and others who may become involved are devoted to proving that the applicant cannot work. Is it any wonder that once the desired benefits are achieved, the beneficiary is either convinced of the futility of efforts to return to work, or is frightened to death at the prospect of doing so?

Logical arguments pointing to the existence of work incentives and disincentives notwithstanding, do the complicated regulations of public benefit programs significantly impact on the employment decisions made by physically and mentally disabled persons, few of whom even understand them? Although systematic empirical evidence is hard to find, there is ample anecdotal substantiation of the fact from many cases like that of Wendy P. But also ask this question, "Will social workers, board and care home operators, lawyers, and relatives always be anxious to encourage handicapped persons to sacrifice secure benefits for an uncertain and marginally higher income?"

CONTINUING DISABILITY INVESTIGATIONS

Section 221(i) requires a periodic review at least once every 3 years for determining the continuing eligibility of persons who have qualified for SSDI or SSI benefits, except where a finding has been made that such disability is permanent. The manner in which this provision of the Social Security Amendments of 1980 has been implemented is a matter of record. The U.S. Senate Special Committee on Aging conducted hearings on April 7 and 8, 1983, concerning the impact of these reviews on mentally disabled persons (U.S. Senate, 1983). The case of Gordon D. of Eugene, Oreg., a childhood polio victim diagnosed as paranoid schizophrenic, while extreme in consequences, epitomizes the impact of these reviews. After the Social Security Administration dropped him from the disability rolls and denied his appeal, he wrote to his family:

I no longer have any income whatsoever and there is no way I can work * * * I have no life any more * * * I can't afford to eat * * * I don't even feel like a man any more.

In August 1983, he committed suicide (Mental Health Law Project, November 1983).

Until the U.S. Congress passes legislation such as H.R. 3755, reported out of the U.S. House of Representatives Committee on Ways and Means, there is no incentive for the social service community to counsel handicapped people to accept rehabilitation as a means of achieving gainful employment. As stated at the outset, it will take strong measures to win back a generation of severely disabled people and the social service community which serves them to the cause of total or even partial self-support through gainful employment. Increasing amounts of public and private funds will go into legal fees and successful documentation of SSI and SSDI eligibility. There is widespread knowledge that appeals to the level of the administrative law judge (ALJ) leads to a 91-percent rate of reversal and reinstatement of benefits for mentally impaired beneficiaries (U.S. Senate, 1983).

Lest the SSI and SSDI programs become as litigious and costly to administer as the State workers' compensation programs (Conley & Noble, 1980), it is essential that the U.S. Congress fashion and oversee implementation of the remedies such as those contained in H.R. 3755. In view of the heavy impact of the continuing disability investigations on particularly vulnerable mentally ill persons, it is necessary to:

- Place a moratorium on further reviews of mentally ill persons and require the Social Security Administration (SSA) to change its criteria for assessing the mentally ill, and to use outside medical and vocational experts.
- Make permanent the provisions of Public Law 97-455, scheduled to expire in October 1983, authorizing payments to beneficiaries through their appeal to the level of the administrative law judge.
- Require SSA to show good cause for terminating the benefits of anyone on the rolls, with a burden of proof for showing that the patient's condition had improved, that there was fraud involved, that the original decision was clearly wrong, or that ad-

the country, ranging from \$86,000 to less than \$2 (SSA, 1984). However, there may be some increase in the offing, since about 100 more claims were approved for payment in January 1984. The total dollar amount of reimbursements claimed is miniscule compared to available funding—nearly \$2 million in fiscal year 1982 and \$2.2 million in fiscal year 1983. Prior to 1981, State rehabilitation agencies had been receiving from the Social Security Trust Fund and Title XVI appropriations an average of \$150 million annually to serve SSDI and SSI beneficiaries (U.S. Department of Education, 1984).

Since the Omnibus Budget Reconciliation Act of 1981 was enacted, there has been a substantial drop in the investment by State rehabilitation agencies in SSI recipients, partly because of the change to a system of performance reimbursement and partly because of the general erosion since the mid-1970's of the purchasing power of State and Federal funding of vocational rehabilitation in the United States. Increases in the Federal-State vocational rehabilitation program budget have not been keeping pace with inflation for some time now, and has caused decline in the total number of cases served by State rehabilitation agencies. During the 5-year period from fiscal year 1975 to fiscal year 1979, for example, the number of cases served by State rehabilitation agencies declined by 0.71 percent for each percentage point reduction in 1975 constant dollar purchasing power (Noble, 1981). Erosion of the purchasing power of the vocational rehabilitation dollar continues. More recently, the fiscal year 1983 Federal appropriations of \$943,900 million for the Federal-State vocational rehabilitation program had a value of \$715.268 million in 1979 constant dollars.

In order to assess the possible impact of the Omnibus Budget Reconciliation Act of 1981, four States were surveyed—California, Oklahoma, West Virginia, and Michigan. The findings are summarized in tables 3 through 6.

TABLE 3.—SELECTED SSI REHABILITATION STATISTICS—CALIFORNIA STATE DEPARTMENT OF REHABILITATION

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served.....	116,430	119,382	102,569	90,462	94,769
Percent SSI.....	12.8	13.1	13.0	16.6	15.6
Total clients rehabilitated.....	14,903	15,124	12,664	11,064	12,712
Percent SSI.....	13.0	12.8	11.2	12.3	11.1
Average number of case services received, SSI.....	4.2	3.65	3.71	2.82	2.77
Average amount spent for:					
Case Services, SSI.....	\$1,673	\$1,988	\$2,428	\$3,053	\$2,517
1979 constant dollars.....		\$1,821	\$2,333	\$2,412	\$1,908
Percent of SGA achieved, SSI (percent):					
0.....	15.9	15.3	19.3	19.2	27.0
1 to 24.....	5.8	5.5	1.1	1.1	2.9
25 to 49.....	5.7	7.9	2.4	2.1	3.0
50 to 74.....	5.6	4.3	3.6	3.4	4.0
75 to 99.....	4.0	4.4	4.4	2.9	3.0
100 to 124.....	4.2	3.7	3.1	4.3	3.7
125 to 149.....	3.3	4.1	3.9	3.8	5.4
150 or more.....	55.6	55.0	61.4	63.2	53.0

TABLE 5.—SELECTED SSI REHABILITATION STATISTICS—WEST VIRGINIA DIVISION OF VOCATIONAL REHABILITATION

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served.....	24,999	25,184	24,178	23,943	17,925
Percent SSI.....	8.44	8.34	8.27	7.0	4.0
Total clients rehabilitated.....	4,725	4,566	4,070	3,636	3,263
Percent SSI.....	9.4	8.1	7.7	11.8	11.7
Average number of case services received, SSI.....	2.72	2.77	2.83	3.5	2.78
Average amount spent for:					
Case Services, SSI.....	\$2,482	\$2,043	\$2,556	\$2,407	\$1,525
1979 constant dollars.....		\$1,871	\$2,141	\$1,901	\$1,156
Percent of SGA achieved, SSI (percent):					
0.....	50.2	52.1	50.8	55.8	58.3
1 to 24.....	6.0	2.5	2.6	21.7	26.8
25 to 49.....	3.4	5.0	4.8	8.0	8.0
50 to 74.....	2.1	2.8	4.2	8.0	4.0
75 to 99.....	.5	1.4	1.9	2.9	1.3
100 to 124.....	1.2	2.8	3.8	1.4	.7
125 to 149.....	3.2	3.6	4.5	.7	
150 or more.....	33.5	30.0	27.5	1.4	.7
Major disabilities, SSI (percent):					
Blind.....	8.5	9.0	8.0	8.6	6.3
Vision impaired.....	4.5	4.9	4.1	5.4	13.6
Deaf.....	2.2	5.4	3.7	3.0	1.0
Hearing impaired.....	2.4	3.2	2.6	4.7	4.7
Orthopedic.....	33.4	27.8	28.4	27.3	14.4
Amputation.....	4.3	6.5	3.7	2.1	3.1
Cardiac and circulatory.....	8.0	5.9	8.6	14.0	14.6
Respiratory system.....	.6	1.8	.8	18.2	21.9
Mental illness.....	12.0	13.0	16.5	4.0	1.3
Mental retardation.....	10.1	11.5	13.7	1.4	.8
Other.....	14.1	11.0	9.8	11.4	18.3

TABLE 6.—SELECTED SSI REHABILITATION STATISTICS—MICHIGAN DIVISION OF REHABILITATION SERVICES

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served.....	25,530	24,743	24,738	22,250	16,347
Percent SSI.....	6.6	7.4	6.5	6.0	4.9
Total clients rehabilitated.....	8,787	8,057	7,769	6,256	6,063
Percent SSI.....	4.7	5.3	3.9	3.7	3.2

In all four States, there has been a substantial drop in the total number of clients served after 1981, when the total Federal-State vocational rehabilitation program in the United States lost an average of \$150 million per year in earmarked Federal funds for services to SSDI and SSI beneficiaries. This cutback and the erosion of purchasing power due to inflation have reduced the availability of rehabilitative services for all handicapped people, not just those receiving SSDI and SSI payments. The statistics begin to show the extent of impact in 1983 because the reduced intake of new clients in 1981 and 1982 is masked by the number of persons who were in the active caseload and continued to receive services. In other

no apparent impact on California SSI rehabilitants until 1983, at which time there was a 10-percent drop in the percentage of SSI recipients rehabilitated into jobs paying at least 150 percent of the SGA wage, and a sharp increase in the percentage closed out in unpaid work. In West Virginia, on the other hand, the impact was immediate and dramatic. The percentage of SSI recipients rehabilitated into jobs paying at least 150 percent of the SGA wage plummeted from 27.5 percent in 1981 to 1.4 percent in 1982 and 0.7 percent in 1983, with offsetting increases in the percentages ending up in unpaid work and jobs paying less than 25 percent of the SGA wage. But, unaccountably, the impact in Oklahoma was precisely opposite to the California and West Virginia experience: Closures into jobs paying at least 150 percent of the SGA wage rose from 15 percent in 1981 to 30.8 percent in 1982 and then dropped back to 24.9 percent in 1983.

While the available statistics by themselves do not fully explain these very different job placement and wage outcomes, State rehabilitation agency officials were able to provide at least partial answers. The very high and persistent unemployment (18 percent) in West Virginia has forced the State rehabilitation agency and its SSI clients to lower their job and wage expectations. A female SSI recipient in West Virginia has little choice but to return to housework after receiving rehabilitative services. Further, the loss of unconditional Federal reimbursement for services to SSI recipients has taken away the little incentive that existed to serve this very difficult population. The Republican administration in California, on the other hand, has placed high priority on reducing dependency through provision of rehabilitative services to SSI recipients. In Oklahoma, the apparent increase in the average case service expenditure among SSI recipients in 1983, despite the annual loss of about \$1 million in earmarked Federal funds, was the result of closure in that year of two cases on each of which \$50,000 had been spent in prior years. There was no known reason for the sudden rise in job placements paying at least 150 percent of the SGA wage.

The distribution of major disabling conditions in the State rehabilitation agency caseloads varies among States, and shows relative consistency from 1979 to 1981. Orthopedic handicaps and other physical conditions tend to dominate. After 1981, some shifting is evident in the relative percentages of the major disabling conditions found among SSI recipients receiving services from the State rehabilitation agencies. However, no common pattern emerges across the States for which we have data.

In Oklahoma, for example, after 1981, the percentage of mentally retarded persons slightly increased, while the percentage of mentally ill persons (primarily character/personality disorders) sharply declined. There were also a drop in the percentage of persons with cardio-pulmonary conditions, and an increase in the percentage of orthopedic conditions. In West Virginia, on the other hand, after 1981, there was a drop in the percentages of persons with mental illness, mental retardations, and orthopedic conditions, and an increase in the percentages of cardiac and circulatory, vision impaired, hearing impaired, and respiratory system conditions. In California, after 1981, the percentages of persons with deafness and physical conditions increased substantially, while the percentages

tation techniques and strategies to enable such persons to achieve total or partial self-support through gainful employment. Finding and investing in cost-effective methods of preparing and placing severely disabled persons in nonsubsidized jobs paying a living wage deserves high priority in the national agenda. According to a recent report of the U.S. Commission on Civil Rights (1983), unemployment among severely disabled people has increased from a pre-recession rate of about 45 percent to an estimated 50 to 75 percent. What is more, inability to perform regular, full-time work because of disability may be a minor part of the problem:

Often the employer makes erroneous assumptions regarding the effect of a person's disability on his or her ability to perform on the job. In most cases the disabled person is never given the opportunity to disprove those assumptions; in some cases, the disabled person never knows why he or she didn't get the job (Kaplan, 1981).

This section describes some of the more promising developments and assesses their possible utility in rehabilitating SSI recipients with various types of disability. We shall consciously look for interventions that go beyond the traditional rehabilitation model of providing vocational training and other services with referral to prospective employers after the client is considered ready. We also believe that nonsubsidized work outside of the traditional sheltered workshop is the goal to shoot for, since sheltered workshops seldom prepare the disabled person for work in the real world, offer minimal wages and benefits, foster the community perception that disabled people are minimally productive, and themselves depend on heavy subsidies to survive. In our view, there is need to aggressively seek out employers who can offer suitable nonsubsidized work and to do whatever is necessary at the job site to assure sustained employment of the disabled worker.

MENTAL ILLNESS

We start with the SSI recipient suffering a psychiatric impairment. As previously reported, 17.6 percent of the entire SSI caseload in 1975 had a diagnosis of mental illness. In 1980, 13.9 percent of all SSI recipients reported a mental health condition for which they received services (NCHS, 1984). The continuing disability investigations of the Social Security Administration (SSA) have heavily impacted this population with tragic results. But in fairness, we should note that the SSA's reaction to persons suffering psychiatric disorders is not unique. A considerable part of the problem is iatrogenic, i.e., caused by the practitioners who serve the mentally ill. Anthony, Howell & Danley (1983), for example, point out that the mental health system "has been something short of enthusiastic about the psychiatrically disabled person's work behavior." Instead of teaching clients the skills which will help them to be workers, too often clients are taught how to be clients. On the other hand, the vocational rehabilitation system very often expects psychiatrically disabled persons to be entirely "well" and free of symptoms before offering services.

ronmental supports rather than focusing on client pathology.

Certain psychosocial rehabilitation techniques, incorporating residential, social, and vocational programming as well as community outreach, may be cost-effective in restoring persons with histories of severe mental illness to work. But the evidence is scanty. Two programs—Thresholds in Chicago and Fountain House in New York—provide the best available information on what can be accomplished by committed and skillful mental health practitioners.

An economic analysis of the Thresholds program in Chicago showed that, 6 months after treatment ended, competitive employment was positively related to the length of program participation (Bond, 1982). Ninety-five percent of the sample of 101 chronically mentally ill persons was unemployed at intake. While 6 months may be too short a period from which to infer lasting employment results, the evidence suggests that the program participants had increased their employment potential, and did not suffer a significantly higher rehospitalization rate as a consequence of the increased stress associated with employment. The annual benefits from employment (\$4,083 per client) outweighed the costs of rehospitalization (\$962 per client) by \$3,121 per client. The author concludes that more attention should be given to isolating client characteristics which predict vocational success in order to select good candidates and provide them with intensive vocational preparation, while shunting poor candidates into alternative programs aimed at preventing rehospitalization, education, and other therapeutic goals.

Since 1958, Fountain House in New York and an expanding number of rehabilitation programs throughout the United States have been demonstrating the utility of transitional employment for mentally ill persons. The Fountain House approach to transitional employment has the following features:

- All jobs are located in normal places of business, and pay at least the minimum wage.
- All job placements are in entry-level employment, requiring minimal training or job skills.
- No subsidy is provided to the employer for the wages paid to the transitional employee.
- The collaboration between the employer and the rehabilitation program is not a charitable act, but an arrangement of mutual benefit to both the employer and the employee.
- Job placements are maintained only if the individual meets the work requirements of the employer, and no lowering of work standards is permitted.
- Almost all jobs are shared on a half-time basis by two transitional employees.
- Some placements involve work by groups of two or more individuals.
- All placements, both individual and group, are designed as transitional, and last from 3 to 9 months.
- All jobs are allocated by the employer to the rehabilitation program, and the responsibility to select candidates to fill the jobs rests with the rehabilitation program.

ees after they have satisfied the demands of the job and have reached the required level of productivity. While phase 2 jobs may be partially subsidized by the STETS program, the local employer is expected to pay a substantial part, sometimes the entire wage. During phase 2, the STETS program continues to provide counseling and support services to the participants, and assists line supervisors in establishing good working relationships between the participants and their coworkers.

Phase 3 participants become regular, unsubsidized employees of the local employer. Phase 3 begins when the employer is receiving no financial subsidy from STETS; counseling and other direct services can be curtailed; and the employer, the participant, and STETS agree that the training period has been satisfactorily completed, and the participant can become a permanent member of the employer's work force. STETS provides up to 6 months of post-placement support services, including tracking the progress of the participant and developing any needed linkages with local service agencies in anticipation of complete withdrawal.

The following information was obtained by telephone from Michael Bangser, the Manpower Demonstration Research Corp. (MDRC) project director of the STETS program.

The STETS program was to be a 3-year demonstration, involving a total of 1,000 mentally retarded persons in an experimental study design—one-half randomly allocated to the program treatment and the other half to a control group. As the result of budget constraints, the program and study design were limited to a total sample of 470—one-half program participants and the other half controls.

The STETS program began in the fall of 1981 and operated during the worst of the recent economic recession. It reached a maximum of 40 to 50 program slots in each of the five sites. The program participants were mildly retarded (average IQ of 64); averaged 20 years of age; 44 percent were nonwhite; 42 percent had multiple handicaps; about 75 percent were living with their parents or relatives at the time of enrollment; very few had "mainstream" schooling experience; and 33 percent were receiving SSI or SSDI because of their handicapping conditions.

Although the structured training component ran smoothly, job development was a problem in terms of obtaining appropriate and timely job opportunities for program participants because of the recession. Nevertheless, 40 percent of the participants were placed in competitive jobs paying an average hourly wage of \$3.68—33 cents higher than the \$3.35 minimum wage. Some of the unsuccessful cases were placed in less than minimum wage and sheltered workshop jobs. At 6 months followup, only 13 percent of the control group was in regular employment. The total program cost, including the extra costs at each site of implementing the research protocol, was about \$5,800 per participant for 7 to 8 months of services. While not cheap, this cost must be compared with the \$6,000 annual subsidy cost of a sheltered workshop slot in New York during the time of the demonstration.

A full cost-benefit analysis is underway, and is scheduled for completion by April 30, 1985. The implementation report describing

Table 7

Cumulative Data
 Disability, Rehabilitation Status, and
 Present Work Status: 145 Clients Placed
 Into Competitive Jobs May '78 through Dec '83

Reported Disability at Placement Date	Number Placed Into Competitive Jobs	Rehabilitation Department Status at Placement	Present Work Status ¹				
			PE	R	LO	T	LA
Mildly Mentally Retarded	16	Severe - 10 Non-severe - 1 None ² - 5	9	2		4	0
Moderately Mentally Retarded	69	Severe - 45 None - 24	34	9	9	16	1
Severely Mentally Retarded	4	Severe - 2 None - 2	3	0	0	1	0
Multiple Disabilities	54	Severe - 42 None - 12	24	15	5	10	0
Other: Behavior Disorders	2	Severe - 2	1	0	10	0	0
TOTALS	145	Severe - 101 Non-severe - 1 None - 43	71	26	16	31	1

¹PE - Presently Employed

R - Resigned

LO - Layed Off

T - Terminated

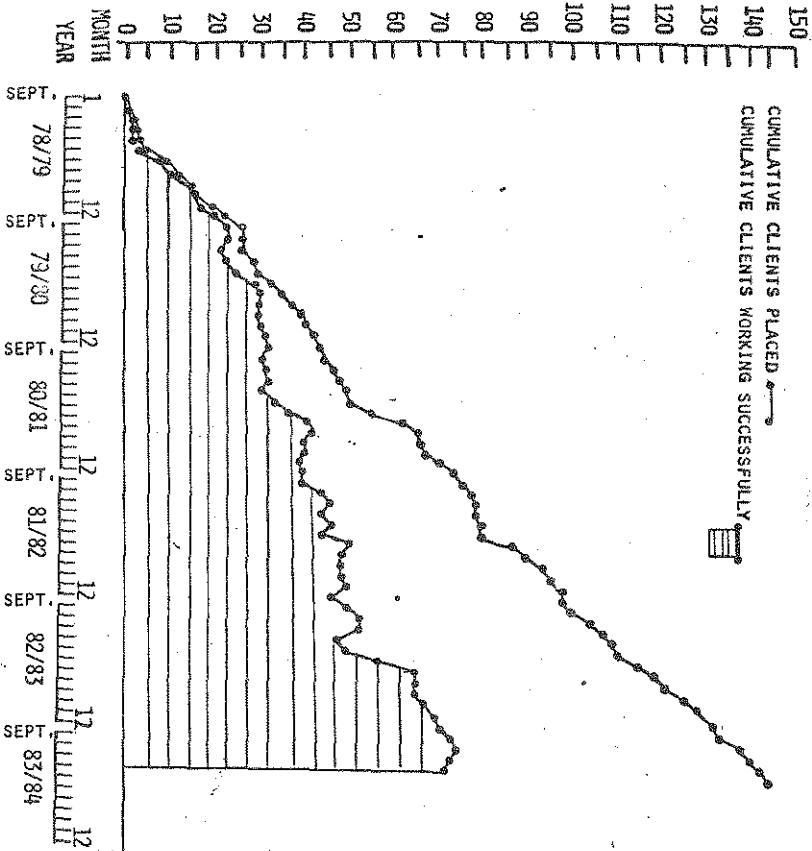
LA - Leave of Absence

² - Rejected as unfeasible for State agency services.

Source: VIRGINIA COMMONWEALTH UNIVERSITY. Year 2 continuation proposal for research and training center to NIHR. Richmond: Author, January 1984.

Figure 1

NUMBER OF CLIENTS PLACED
AND CONTINUING TO WORK SUCCESSFULLY



Source: VIRGINIA COMMONWEALTH UNIVERSITY. Year 2 continuation proposal for research and training center to NIHR. Richmond: Author, January 1984.

Considering the stereotypical thinking about the employability of the moderately and severely mentally retarded, "project employability" is a remarkable achievement. But it need not remain an isolated one. The techniques of supported work are replicable anywhere. Revell, Wehman & Arnold (1983) report the existence of other sites in Vermont, Washington, Ohio, Illinois, and Massachusetts where the supported work model is being successfully employed, and argue that "State vocational rehabilitation agencies must now take the lead in integrating the supported work model into community services if the Federal-State VR program is to fulfill its responsibility as the public program responsible for the employment of persons with severe handicaps."

GENERALIZABILITY OF THE SUPPORTED WORK MODEL

Should the availability of the supported work model of rehabilitation be expanded throughout the country? Will it work as well with severely disabled people with conditions other than mental retardation? Where can the needed funds be found for program expansion and controlled studies of its cost effectiveness across the disability spectrum?

Although the SSA is just now launching a major controlled study of the benefits and costs of the supported work model in relation to mentally retarded people, it will be several years before the results become available. In the meantime, no such studies are being planned to test the supported work model's cost effectiveness in relation to other handicapping conditions. In our opinion, the sheer logic and pragmatism of the supported work model argues for piloting it across the spectrum of major handicapping conditions with encouragement of adaptations to satisfy any idiosyncratic features of these conditions.

With respect to the mentally retarded population, there is little to lose by encouraging State rehabilitation agencies to purchase from providers services which are organized along the lines of the supported work model. Similarly, there may be advantage to having vocationally oriented special education programs test the model as an alternative to current practice, about which very little is known as to productivity. In school year 1980-81, only 543,213 (3.3 percent) of 16.3 million handicapped children in the Nation's schools received vocational education (U.S. Department of Education, 1984). The intensity and duration of the exposure are unknown—possibly varying from a few weeks to 2 or more years. One is struck by the opportunities for vocational training that are being lost by this apparently tiny school investment. In Yugoslavia, vocational training and summer apprenticeships begin for mentally retarded youth as early as 14 years of age, and make possible a smooth transition into the real world of work.

There are several ways to go in securing funding. Revell, Wehman & Arnold (1983) identify five options:

- Redirection of funds now spent by State rehabilitation agencies in purchase-of-service arrangements that lead to noncompetitive employment.
- Reorienting sheltered workshops to provide supported work job placement and followup services.

TJTC program. Favorable action by the Congress is essential to the job finding and placement efforts of all rehabilitation agencies, including those which apply the supported work model.

SUGGESTED CHANGES IN FEDERAL PROGRAMS

The U.S. Congress over the years has sought ways to encourage persons who receive benefits under the SSI, SSDI, medicaid, and medicare programs to return to work. As a result, although these programs still retain major disincentives to work, they also contain features designed to offset these disincentives. Many of the changes that will be suggested here do not represent major departures from the existing programs but instead extend or modify the reforms that the Congress has already introduced. Suggested changes of the provisions of the SSI and abutting programs are grouped by the rationale for their adoption.

ENHANCING THE ECONOMIC STATUS OF DISABLED PERSONS

It seems obvious that disabled persons who give up their SSI benefits and return to work should end up with a significant net increase in their disposable income. Otherwise, why bother? Unfortunately, the rules governing SSI virtually assure that some recipients who return to work will end up with a very small increase in disposable income over the public payment they would continue to receive from not working.

The SSI recipient's return to work causes three things to happen, all of which affect disposable income. First, the worker becomes liable, depending on the level of earnings, for payment of Federal and possibly State and local income taxes. SSI benefits, on the other hand, are not taxable. Second, the worker may begin to incur work expenses. Some expenses are normal (e.g., work clothes, bus fare, and lunches), while others are unusual and caused by the disabled worker's impairment. Third, the recipient who returns to work faces a reduction or termination of benefits.

Prior to 1981, the disincentives for SSI recipients to return to work were often substantial. Then as now, the procedure for determining the amount of the payable monthly SSI benefit was to disregard the first \$20 of income from any source, and to disregard the next \$65 of income if it was obtained from earnings. Thereafter, benefits are reduced by \$1 for every \$2 of earnings. At some level of earnings, the Federal SSI payment ceases. Based on the SSI benefit levels prevailing in 1984, the so-called Federal break-even point, where SSI payments cease, is \$713 per month in the case of a single individual (even if there is no income other than earnings), and \$1,027 per month in the case of an eligible couple.

Prior to 1981, after an SSI recipient began to work, he or she would be placed on a 9-month trial work period. If the recipient was gainfully employed and earning more than \$300 per month at the end of the trial work period, SSI payments would cease.

Let us consider two cases based on the benefit levels prevailing in 1984 but using the benefit determination rules which existed prior to 1981. The first case involves an SSI recipient who accepts a job paying \$250 per month, and the second relates to an SSI recipient who accepts a job paying \$350 per month. At the end of the

tion, or any other special and necessary expense related to the disability, to be disregarded when determining net income for purposes of calculating the SSI benefit—not just extraordinary work-related expense, as cited above.

INCOME SECURITY

Most people are as concerned about assuring a secure source of income as they are about increasing it. This is true not only for workers who stress the importance of seniority but also for presidents and vice-presidents of companies who seek long-term job contracts with bailout provisions. For the same reason, college professors eagerly seek tenure. It is no less true for severely disabled persons who often are offered jobs that are low paying and insecure.

The Congress began to cope with this issue in the 1980 Social Security Disability Amendments by providing a 15-month reentitlement period at the end of the trial work period, during which time the recipient would be automatically reentitled to SSI benefits if the work attempt proved unsuccessful.

OPTIONS

The present 15-month reentitlement period after the tolling of the trial work period is not sufficient to allay the fears of some SSI recipients; hence, it is appropriate to consider lengthening the reentitlement period. In fact, after a person has been judged too severely disabled to work, it is reasonable to assume that, even if he or she returns to work, there is always a substantial risk of that person having difficulty in securing another job if the present job is lost for any reason. Unless there is evidence of medical recovery or error in the original determination, it is not unreasonable to extend the reentitlement period throughout the disabled person's lifetime. The money spent on periodic redetermination of eligibility would be better spent on assisting the disabled person to find and hold onto a job.

HEALTH CARE

The loss of needed health care coverage can be a powerful disincentive to work. For some disabled persons, the ongoing cost of health care is as much, and sometimes more, than the amount of SSI benefits received. Other disabled people are at considerable risk of high and unexpected medical bills. The problem is complicated by the fact that some SSI recipients who return to work will be unable to obtain health care coverage either as a fringe benefit where they work or as an individual because some insurance companies will not cover people with certain types of preexisting conditions.

Prior to 1981, recipients who lost their entitlement to SSI benefits would often also lose their entitlement to medicaid, although some States maintained a "working poor" program to pay the medical expenses of working people unable to afford them. Section 1619(b) of the 1980 Social Security Disability Amendments, however, authorized a 3-year demonstration program to provide medicaid coverage under certain conditions to SSI recipients who return to

PREVENTING SSI DEPENDENCY

There are a number of features in the current SSI program that encourage people to seek SSI eligibility before returning to work. That one must be a former SSI recipient in order to become eligible for the special cash benefits under section 1619(a) or extended medicaid coverage under section 1619(b) provides an incentive to seek SSI eligibility before returning to work. That work-related expenses, whether normal or impairment-related, are not considered when determining eligibility for SSI also creates an incentive to seek SSI eligibility before returning to work. The options for preventing SSI dependency have as their common objective reward of continuing work efforts in face of severe disability.

OPTIONS

(1) Consider creating a national "working poor" medicaid program that would cover both former SSI recipients and other persons who find themselves in similar straits with respect to income and/or asset limitations when seeking health insurance coverage.

(2) Consideration should also be given to making persons eligible for SSI if they have a severe disability, meet the asset test, and their income falls below the Federal break-even amount.

(3) When evaluating whether a person is eligible for SSI, work-related expenses should be disregarded on the same basis as impairment-related expenses are in determining the amount of the SSI payment. At present, only impairment-related work expenses are disregarded when determining the amount of the SSI payment. Curiously, these expenses are not disregarded when determining SSI eligibility--thus creating obvious inequities. We recommended earlier that normal work expenses be disregarded for SSI recipients, subject to certain limitations, and we believe that the same disregard should be extended to SSI applicants.

ATTITUDES

It is unfortunate that an SSI applicant must convince the State disability determination unit of his or her inability to engage in substantial gainful activity (SGA) employment in order to be declared eligible for SSI. The very application process, which often takes 2 months and more, is harmful to the applicant's attitudes toward work. During the phase, the applicant is focusing on all the negative aspects of his or her condition. What is more, the applicant will be encouraged and coached by social workers, family, and others to prove that he or she cannot work. After eligibility is established, many SSI recipients and others around them are convinced that they cannot work. Thus, the application process becomes a self-fulfilling prophecy.

OPTIONS

Consider eliminating the emphasis on proving that an applicant cannot work. Instead, require applicants to prove that they have great difficulty in obtaining employment because of their disabling condition. In this approach, eligibility can be granted without assuming that until work disability has been proven, there is no

OPTIONS

(1) We recommend, as first priority, adoption of the remedies contained in H.R. 3755 in order to protect due process, improve the accuracy of disability determinations, and minimize the frictional costs of administering the SSI program, with revisions to refocus continuing disability investigations so that their primary objective becomes assessment of work capacity and referral for appropriate and adequately funded rehabilitative services rather than termination from the SSI rolls.

(2) The 3-year demonstration program providing special cash benefits and extended medicaid coverage under sections 1619(a) and (b) did not reach many people because its provisions were not widely known. If the Congress elects to extend this program, we recommend that it mandate an accompanying strong public information campaign as well as extensive training for SSA district office personnel to assure ample knowledge and active outreach to SSI recipients and applicants.

(3) We also recommend that a stronger emphasis be placed by the SSI program on the provision of cost-effective rehabilitative services such as the transitional employment and supported work approaches described above. Closer relationships should be forged between SSA district offices and the State rehabilitation agencies.

(4) Consideration should be given to modifying the conditions of performance reimbursement under the system created by the Omnibus Budget Reconciliation Act of 1981 so as to give State rehabilitation agencies greater incentive to invest in SSI recipients. Federal regulations for the Federal-State rehabilitation program require only a 2-month followup after job placement before declaring service recipients to be "rehabilitated." Under the rehabilitation financing provisions of the Omnibus Budget Reconciliation Act of 1981, payment for services will not be made until the SSI recipient has remained on a job paying the SGA wage for 9 months. This hiatus between the time resources are expended and the time reimbursement is made causes budget problems for State rehabilitation agencies. We recommend payment for services, either at the time that placement is made in a job paying the SGA wage or after a 2-month followup, with additional allowance of up to 10 percent per year of the original case service expenditure for post-placement or supported work services. As documented above, the structured training and supported work approach appears to be more cost-effective than other techniques for placing and maintaining severely disabled people in nonsubsidized employment paying significant wages.

(5) Consider expanding the availability of the supported work model for mentally retarded persons throughout the country by re-directing the use of existing program authorities and budgets, as well as mandating increased R. & D. efforts to test its cost-effectiveness for severely disabled persons other than the mentally retarded. We cited earlier several relevant sections of the Rehabilitation Act of 1973, as amended, the Vocational Education Act, and the Public Health Services Act that might accommodate this recommendation.

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Chapter 4

HOW EFFECTIVELY DOES SSI GUARANTEE MINIMUM INCOME FOR THE LOW-INCOME AGED?

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INTRODUCTION

Neither the problem of low income during old age nor Federal efforts to combat this problem are new phenomena. Legislation enacting the old age survivors insurance program (OASI) and authorizing grant-in-aid funding to the States for the creation of residual programs of aid to the aged (OAA) will celebrate its 50th birthday next year (1985). The supplemental security income program (SSI), a program of federally financed and administered uniform cash grants to the aged, blind, and disabled is a decade old this year. Indeed, when the combination of OASI, SSI, medicare, and reduced tax liabilities is considered, the aged stand out among all other adult categories of the population as a favored target of Federal income maintenance legislation.

These efforts have not been in vain. Since the U.S. Census Bureau first began to count the poor in 1959, the percentage of the aged population whose cash incomes fall below official poverty thresholds has fallen from 35.2 percent to 14.6 percent in 1982. Within this period, the greatest improvement occurred between 1959 and 1974: the incidence of poverty fell by 59 percent.¹ In the 10 years hence the incidence of cash poverty has fluctuated within the narrow range of 13.9 to 15.7 percent, peaking in 1980 (U.S. Bureau of the Census 1983).

At first blush, the stability of poverty among the aged since the advent of SSI is surprising. Congress enacted SSI in 1972 in recog-

¹ The accuracy of these statistics in describing changes in the economic status of the aged through time has been attacked in the literature from two opposing perspectives. According to one view, because the poverty rates cited above are based exclusively on cash income and ignore the contributions to economic well-being of in-kind transfers such as food stamps, medicare, and public housing, they overstate the true incidence of poverty among the aged (Smeeding 1977; U.S. Congress 1977a; Watts and Skidmore 1977; Hoagland 1982). Inclusion of these in-kind transfers has been shown to reduce poverty among the aged by as much as 74 percent in any 1 year. In addition, inclusion of in-kind transfers in the definition of incomes apparently increases the rate of poverty reduction over time. Measured over the period since the adjusted poverty rates first appears (1972) through the most current estimates (1980), the reduction in poverty appears to be 25 percent (Smeeding 1981). The decline in poverty for the same period considering cash income only is 16 percent.

Expressing an opposing view, Moon (1979) argues that poverty rates based on income measures adjusted for in-kind transfers dramatically understate the incidence of poverty in any 1 year because the measure of needs to which these expanded income measures are compared is not equally comprehensive. Moreover, she concludes that the poverty reduction occurring across time is substantially less pronounced than these statistics indicate. Even so, the progress against poverty among the aged has been substantial since 1959, inas much as the oldest of in-kind programs, food stamps, was not available to significant numbers of the aged poor until 1964.

count for 37 percent of all aged couples participating in SSI. Individuals living independently are assured above-poverty-level incomes in eight States accounting for 36 percent of participating individuals. In contrast, total benefits (as defined) to eligible individuals with ineligible spouses are below poverty thresholds in every State. But this result reflects the presumption that the spouses of eligible individuals who are not yet 65 years old are better able to provide non-SSI income to the couple.

TABLE 1.—ABSOLUTE AND RELATIVE SSI GUARANTEE LEVELS, 1978

	Benefit level (State and Federal) + \$240 nonemployment income disregard			Benefit level + \$240 disregard as a percent of poverty line		
	Couple	Eligible individual with ineligible spouse	Individual	Couple (\$3,944)	Eligible individual with ineligible spouse (\$3,944)	Individual (\$3,172)
Federal	3,304.80	2,203.20	2,203.20	89.88	61.95	77.02
Alabama	3,864.80	2,443.20	2,443.20	97.99	61.95	77.02
Alaska	5,657.80	3,786.20	3,786.20	143.45	96.00	119.36
Arizona	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
California	7,083.80	3,890.20	3,890.20	179.61	98.64	122.64
Colorado	5,591.80	2,918.20	2,918.20	141.78	73.99	92.00
Connecticut	5,186.80	3,612.20	3,612.20	131.51	91.59	113.88
Delaware	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
District of Columbia	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Florida	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Georgia	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Hawaii	3,834.80	2,625.20	2,625.20	97.23	66.56	82.76
Idaho	4,355.80	3,324.20	3,324.20	110.44	84.28	104.80
Illinois	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Indiana	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Iowa	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Kansas	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Kentucky	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Louisiana	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Maine	3,724.80	2,563.20	2,563.20	94.44	64.99	80.81
Maryland	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Massachusetts	5,833.80	3,914.20	3,914.20	147.92	99.24	123.40
Michigan	4,042.80	2,775.20	2,775.20	102.51	70.37	87.49
Minnesota	3,971.80	2,772.20	2,772.20	100.70	70.29	87.40
Mississippi	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Missouri	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Montana	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Nebraska	4,675.80	3,516.20	3,516.20	118.55	89.15	110.85
Nevada	4,468.80	2,924.20	2,924.20	113.31	74.14	92.19
New Hampshire	3,651.80	2,616.20	2,616.20	92.59	66.33	82.48
New Jersey	3,651.80	2,682.20	2,682.20	92.59	68.01	84.56
New Mexico	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
New York	4,455.80	3,173.20	3,173.20	112.98	80.46	100.04
North Carolina	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
North Dakota	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Ohio	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Oklahoma	4,432.80	2,917.20	2,917.20	112.39	73.97	91.97
Oregon	3,664.80	2,587.20	2,587.20	92.92	65.60	81.56
Pennsylvania	4,128.80	2,832.20	2,832.20	104.69	71.81	89.29
Rhode Island	4,279.80	2,833.20	2,833.20	108.51	71.84	89.32
South Carolina	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
South Dakota	3,634.80	2,533.20	2,533.20	92.16	64.23	79.86
Tennessee	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Texas	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Utah	3,604.80	2,503.20	2,503.20	91.40	63.47	78.92
Vermont	4,085.80	2,862.20	2,862.20	103.60	72.57	90.23

THE ACTUAL ANTIPOVERTY EFFECTIVENESS OF SSI

OVERVIEW

In addition to identifying the boundaries of SSI's maximum potential for alleviating poverty, table 2 also reports on its actual performance (column 3). In 1978, SSI distributed \$2.4 billion to an average monthly caseload of 2 million aged persons. Average total monthly benefits (Federal plus State supplement) equaled \$103 (Social Security Bulletin, Annual Statistical Supplement, 1982: 238-240). Almost 30 percent of these benefits were paid to persons whose pre-SSI incomes exceeded poverty thresholds. The remaining 70 percent of total SSI payments were received by persons whose cash incomes less SSI were below poverty thresholds. SSI benefits removed one-third of these recipients from poverty, reducing the overall incidence of poverty among the aged from 17.2 to 15.2 percent. The poverty gap, that is the amount of expenditures required to raise the incomes of all the poor to poverty thresholds, fell from \$3.4 billion to \$2.3 billion, a reduction of 32 percent.

THE PROBLEM OF NONPARTICIPANTS

Comparison of columns (2) and (3) of table 2 suggests that SSI's actual antipoverty effectiveness falls significantly below its potential. This difference is explained by the phenomenon of nonparticipation. Estimates of the percentage of the aged population who are eligible for SSI who actually receive SSI payments are consistently between 50 and 60 percent (Warlick 1982; Coe 1982; Menefee 1981; Urban Systems Research and Engineering 1981; U.S. Department of Health, Education and Welfare 1978). The simulation model described above indicates that participation among the aged was no higher than 57 percent in 1978. It follows that two of every five eligible aged persons do not receive SSI.

Nonparticipation is a perplexing problem which has been the subject of concern and investigation since the program's first year of operation (Report of the SSI Study Group; U.S. Congress 1977b). Although the average financial situation of nonparticipants is superior to the pre-SSI position of participants (see table 3) nonparticipants nevertheless forfeit considerable amounts in unclaimed SSI benefits as shown in table 4. Nonparticipants could on average increase their cash incomes by 160 percent through participation. Eight percent, a nontrivial proportion, could double their incomes or better. The increase in total economic well-being is potentially even greater than the numbers in table 4 suggest in view of the fact that enrollment in SSI confers upon many participants automatic eligibility for in-kind transfers from the medicaid and food stamp programs.

not appreciably altered (Report of the Comptroller General of the United States 1976). Systematic evaluation of these activities was not undertaken; indeed for the most part their design prohibited such. This is unfortunate as the experience could have provided valuable insight into a number of key issues including: (1) How much program information is optimal for accurate self-diagnosis of eligibility; (2) how effective is information dissemination in the absence of advocacy; (3) what techniques work best (leaflet, public communication, etc.); and (4) whether limited funds should be directed toward informing a large number of households of the programs availability or providing advocacy services for a few.

ANALYZING SSI'S EFFECT ON PARTICIPANTS

As was noted above, not all SSI participants have cash incomes below poverty thresholds prior to receipt of SSI. Similarly, not all pre-SSI poor recipients are removed from poverty by SSI. Those who are removed from poverty are distinguished from those who are not by several characteristics: State and region of residence, residence within an SMSA, sex of head, race, type of SSI filing unit, and level of education. This information is summarized in table 5 which shows for a number of demographic characteristics the percentage of the participating population with incomes below poverty thresholds prior to SSI who are removed from poverty by SSI. The numbers in table 5 are based on simple crosstabulations. Other characteristics are not held constant in the analysis of any single characteristic and thus the relative importance of single characteristics cannot be determined. Neither should the data be interpreted to imply causation. Bearing these qualifications in mind, the data in table 5 suggest that more sophisticated analysis will show that the probability of escaping poverty through SSI rises with residence in the West and Northeast, within a SMSA, and with the family head's education. Most likely the latter varies positively with pre-SSI income and thus negatively with the family's pre-SSI poverty gap. In only eight States (Alaska, California, Connecticut, Delaware, Massachusetts, Minnesota, New York, and Wisconsin) were a majority of prepoor SSI participants removed from poverty. With the exceptions of Delaware and Minnesota, these are States whose State supplements increase the Federal SSI guarantee to above poverty threshold levels. The probability of escaping poverty is also likely to be higher for SSI recipients living in a household headed by nonrecipients as opposed to those living independently and for individuals rather than couples. Escape appears most unlikely for blacks.

TABLE 5.—COMPARISON OF PREPOOR SSI PARTICIPANTS REMOVED FROM POVERTY BY SSI WITH THOSE WHO ARE NOT

(In percent)

Characteristic	Removed from poverty	Left in poverty	Total
Region of the United States:			
Northeast	46	55	100
Northcentral	25	75	100

that it is this subgroup of the nonparticipating eligible population who will be persuaded by rising benefits to enroll. It could be that the response to this policy approach is greatest among nonparticipants at the opposite end of the benefit distribution who currently forego relatively small benefits. A third problem with this policy is that raising the guarantee levels simultaneously raises the SSI breakeven levels and expands the eligible population. In an effort to entice current nonparticipants to enroll, this option must offer benefits to persons who current incomes exceed current eligibility limits. Finally, the cost of this approach may be prohibitive, particularly in view of its limited potential for eliminating all poverty among the aged.

More direct solutions to the problem of nonparticipation should be explored. In view of the fact that a vast majority of nonparticipating eligibles surveyed indicated that informational problems explain their nonenrollment, it is incumbent upon Congress to investigate the potential of outreach and advocacy programs to increase participation. Experimental programs whose primary purpose is to evaluate the efficacy of outreach and advocacy efforts should be implemented for fixed periods of time in several locations across the country. These programs should be carefully designed such that the effectiveness of alternate techniques can be compared and their overall impact measured from a cost-benefit perspective. Funding and implementation of nationwide outreach efforts should be contingent on the results from the experimental programs.

Beyond these measures it may be prudent to recognize the limitations of SSI as a solution to poverty during old age and concentrate instead on the causes of such poverty. Families headed by women and blacks are over represented among the poor aged (Warlick 1983). Understanding why this is so, and taking action to increase the pre-SSI incomes of these and other aged persons could prove to be a more effective solution to poverty during old age than is SSI.

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ness of SSI among current recipients is analyzed. Characteristics which distinguish between those recipients removed from poverty by SSI from those who remain in poverty are identified. In the concluding section, we discuss policy options to increase SSI's effectiveness and reduce current levels of poverty among the aged.

WAS SSI DESIGNED TO ELIMINATE POVERTY?

Three fundamental features of the SSI program distinguish it from the State OAA programs it was designed to supercede:

- (1) Nationally uniform standards are applied to determine program eligibility.
- (2) Eligible persons are guaranteed a nationally uniform minimum cash grant.
- (3) The minimum cash grant is wholly federally financed and administered by a Federal agency, the Social Security Administration (SSA).

These features were intended to remedy the following undesirable characteristics of State programs.

- (1) State-to-State variation in eligibility criteria.
- (2) Obstrusive eligibility investigations to determine individual need.
- (3) Application of lien and relative responsibility laws.
- (4) State-to-State variation in the cash grant available to persons with no other income (maximum payments ranged from \$75 to \$250 in 1972).

SSA was chosen as the administering agency because of its familiarity to the aged population and also because of its reputation for disbursing OASI in an efficient and impartial manner. Congress especially hoped that the later would become infused with the image of SSI so that the poor aged would come to view SSI payments as a matter of right rather than privilege (U.S. Congress 1977b).

Despite the contentions of its creators that SSI was " * * * 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 * * *" (U.S. Senate Report 92-1280), the original legislation set the SSI guarantee levels substantially below poverty thresholds. In 1974, the year of implementation, couples with no other income maintaining their own homes were eligible for benefits amounting to \$2,574; the comparable figure for individuals was \$1,716.² These amounts represented 85 and 71 percent of the SSA poverty thresholds for an aged couple and individual respectively. This decision is partially explained by the fact that SSI was conceived, as its name suggests, as a supplement to the social security program and other income sources. It was anticipated that only a few aged persons would be totally dependent upon SSI as a sole source of income. Setting SSI guarantee levels at the poverty

² SSI guarantee levels vary by marital status and type of living arrangement. There are six basic categories, or filing unit types: married couples (head and spouse over 65 years) living independently; married couples living in a home headed by another; individuals with ineligible spouses (less than 65 years living independently; individuals with ineligible spouses living in a home headed by another; single individuals living independently; and single individuals living in another's home. The guarantees for filing units living in homes headed by another is equal to two-thirds of that of units living independently. The benefit for a couple is 150 percent that for an individual. The guarantee for an individual with an ineligible spouse is equal to that for an individual.

Chapter 5

LEGISLATIVE HISTORY, TRENDS, AND ADEQUACY OF THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM

(Prepared by the Congressional Research Service, Library of
Congress)

OVERVIEW

The supplemental security income (SSI) program for the aged, blind, and disabled has now been in operation for 10 years. The SSI program is a federally funded and administered income assistance program under title XVI of the Social Security Act. Established by the 1972 amendments to the act (Public Law 92-603) and begun in 1974, SSI provides monthly cash payments based on uniform, nationwide eligibility rules to needy aged, blind, or disabled persons. The SSI program replaced the former Federal grants to States for old age assistance, aid to the blind, and aid to the permanently and totally disabled. These grants continue in Guam, Puerto Rico, and the Virgin Islands. SSI however, operates in the Northern Mariana Islands.

This chapter is separated into three parts. The first is a legislative history of the SSI program from 1969 to 1972 with a section focusing on congressional intent. The second discusses the trends and developments in the program for the period 1974 through 1983. The third discusses the adequacy of the program by examining cash and noncash benefits of enrollees and participation in the program.

LEGISLATIVE HISTORY OF THE SUPPLEMENTAL SECURITY INCOME PROGRAM: 1969-72

INTRODUCTION

January 1, 1974, marked the implementation of the supplemental security income (SSI) program for needy aged, blind, and disabled persons. This program, which was enacted into law in October 1972, grew out of a 3-year period of legislative consideration of welfare reform.

By the end of the 1960's, welfare rolls had swollen and Congress, the President, and the general populace were beginning to worry about the cost of the programs. They wanted to do something that would reduce the rolls, encourage people to work, and still provide adequate benefits for those in need. In August 1969, President Nixon introduced a welfare reform bill that proposed sweeping changes in the AFDC program as well as in the adult category pro-

Old age assistance—Wisconsin.....	139.00
States with lowest average monthly payment:	
Aid to the blind—Utah.....	55.35
Aid to the permanently and totally disabled—Mississippi.....	49.20
Old age assistance—Mississippi.....	39.80

In addition to widely varying payment standards, eligibility factors for the public assistance programs varied widely among the States. In order to receive Federal matching funds, the States were required to comply with certain Federal guidelines, but they were given much latitude regarding the general scope of their programs. The States were free to define resource limitations, duration of residence rules, recovery and lien provisions, and the terms "permanent and total disability" and "blindness."

THE FAMILY ASSISTANCE ACT OF 1969—H.R. 14173

On October 3, 1969, H.R. 14173, the Family Assistance Act of 1969, embodying the President's proposal, was introduced in the House of Representatives and referred to the Committee on Ways and Means. The bill was designed to deal with the problems of low benefits in some States and differences in eligibility requirements among the States. The bill proposed to continue as a Federal-State program a combined program for needy aged, blind, and disabled persons. However, the proposal established a Federal floor of income and assistance for adult recipients in any State.

Benefit Levels

H.R. 14173 established a Federal floor of \$90 per month of income and assistance which was to be assured to adult recipients in any State. A couple was to receive \$180 a month. (The level was increased from the \$65 level proposed in the President's August message.) According to Robert Finch, Secretary of the Department of Health, Education, and Welfare, this new Federal floor was to raise benefits for about one-third of the old age assistance recipients, or about 670,000 persons, and was to raise benefit levels in the 13 lowest payment States and the District of Columbia.¹ States with need standards at the time of enactment exceeding the \$90 limit were not permitted to lower those standards.

Federal Funding

The bill provided a liberalized formula for Federal financial participation in the cash assistance programs, giving substantial fiscal relief to most States. Under the plan, the Federal Government was to pay 100 percent of the first \$50 per recipient, half of the next \$15 per recipient, and 25 percent of any additional amount, not exceeding the maximum permissible level of assistance per person set in regulations to be issued by the Secretary (which could be lower in the cases of Puerto Rico, Guam, and the Virgin Islands than for other jurisdictions). The Federal contribution was to be calculated on the basis of the average payment in a State. During

¹ U.S. Congress. House. Committee on Ways and Means. Written statements submitted by administration witnesses appearing before the Committee on Ways and Means at hearings on social security and welfare proposals beginning on October 15, 1969. (Committee Print) Washington, U.S. Govt. Print. Off., 1969: 6.

percent Federal financing for the entire adult caseload would have been available. (The bill called for 100 percent Federal funding cost for the first \$50 per recipient on an average payment basis.)

Cost

The estimated new Federal cost for all of the proposals included in the Family Assistance Act was \$4.4 billion per year. The total new Federal cost of the changes in the adult assistance programs, according to the Department of HEW, was \$395 million—\$361 million in increased costs due to the revised matching formula and \$34 million in additional costs due to the \$90 minimum income standard. This estimate was based on data for calendar year 1968 and assumed 100 percent participation.

Administration

Although the legislation did not provide for total Federal administration of the adult category programs, it did make a significant move in that direction. The new title XVI included authority for States to contract with the Social Security Administration for Federal assumption of some or all of the administrative burdens of the program. The Secretary could enter into an agreement with any State under which the Secretary would make the payments of aid to the aged, blind, or disabled directly to individuals in the State who were eligible for such payments. In that case, the State was to reimburse the Federal Government for the State's share of those payments and for one-half of the additional cost to the Secretary of carrying out the agreement. Under existing law, the Federal Government provided the States with 50 percent matching funds for the cost of administration. Secretary Finch, in October 1969, indicated that "in this way, we should be able to move toward a single mechanism for transfer payments, taking advantage of all the economies of scale which such an automated and nationally administered system can have."³

Robert Finch, in describing the advantages of using the Social Security Administration to administer the Family Assistance Plan, said that "the Social Security Administration has developed over the past 34 years an expertise in the delivery of cash payments on a regular basis to millions of Americans. This experience and expertise will be brought to bear on many of the administrative problems in the family assistance plan."

Transition Features

Provisions were also made for according to States a grace period during which they could be eligible to participate in the new title XVI program without changing their tests of disability or blindness. The grace period was to end for any State with the June 30 following the close of the first regular session of its State legislature beginning after enactment of the bill.

³ U.S. Congress. House. Committee on Ways and Means. The President's Proposals for Welfare Reform and Social Security Amendments of 1969 including draft bills, summaries, and other material transmitted by the Department of Health, Education, and Welfare. (Committee print.) Washington, U.S. Govt. Print. Off., 1969: 45.

cluding U.S. citizens were continued. There was also a new requirement prohibiting any residency requirement excluding any resident of the United States. Duration of residence requirements under public assistance had been ruled unconstitutional by the Supreme Court. However, many of the States continued to apply such requirements; many others were then under court orders not to apply such requirements. Also there was a new prohibition against any disability or age requirement excluding a severely disabled person 18 years of age or older, and any blindness or age requirement excluding any blind person.

Eligibility standards

H.R. 14173 required that the States pay cash assistance in an amount which, when added to nonexcluded income from other sources, guaranteed an income of at least \$90 per month per recipient. In general, the mandatory and optional requirements in existing law regarding the counting of income were continued under H.R. 14173.

Earned income.—For the blind, the State agency was required to disregard the first \$85 per month of earned income plus one-half of earned income in excess of \$85 per month. In addition, the State agency was required to disregard additional income and resources considered to be necessary for the fulfillment of an approved plan for achieving self-support. For any individual having such a plan, this disregard was to be mandatory for 12 months and optional for a maximum of 36 months.

For the disabled, the State agency was permitted to disregard not more than the first \$20 of the first \$80 per month of earned income plus one-half of the remainder of earned income. The disabled were allowed, at the State's option, the same deductions for income necessary for achieving self-support as the blind.

For the aged, the State agency was permitted to disregard not more than the first \$20 of the first \$80 per month of earned income plus one-half of the remainder of earned income.

Unearned income.—In all three adult categories, there was a dollar-for-dollar loss of benefits for unearned income, including such income as social security payments. Under the existing law, the State agency was permitted to disregard \$7.50 per month of any income.

Resources.—Under H.R. 14173, the resource limitation was set at \$1,500. Disregarded as resources were the home, household goods, personal effects, and other property which might help to increase the family's ability for self-support. Under existing arrangements, States had varying limits on the value of the home and personal property which could be disregarded.

Relative responsibility and lien laws.—The bill included a new requirement under which a relative could be held financially responsible for an applicant only if the applicant were the individual's spouse or a child under the age of 21 or a blind or disabled child of any age. (As of February 1970, 19 States required adult children to contribute to the support of adult assistance recipients. See table 2.)

one applied in some States where the definition is so stringent that a person must be bedfast to be considered disabled."⁵

Institution.—Under H.R. 14173, payments were not to be made to inmates of public institutions (except for patients in a medical institution). Payments were not to be made to any individual under 65 who was a patient in a tuberculosis or mental institution.

Coordination With Other Programs

Food stamps

Adult assistance recipients were to be allowed to continue receiving food stamps.

Social services

Although the primary emphasis of the family assistance plan was on income maintenance, the legislation did acknowledge the use of social and rehabilitation services as an essential adjunct to income maintenance programs. The family assistance plan amendments provided, essentially, for the continuation of the existing arrangements for services. With respect to services for the aged, blind, and disabled, the Federal Government was to continue to pay the percentage under law; that is, 75 percent in the case of certain specified services and training of personnel and 50 percent in the case of the remainder of the cost of administration of the State's plan.

Disposition of H.R. 14173

Intermittently from October 15, 1969 to November 13, 1969 the House Committee on Ways and Means held hearings on social security and welfare reform proposals. On December 5, 1969, the Committee on Ways and Means reported out a bill to increase social security benefits. The committee promised further consideration of welfare proposals early in 1970.

THE FAMILY ASSISTANCE ACT OF 1970—H.R. 16311

On March 11, 1970, the Committee on Ways and Means reported a clean bill, H.R. 16311 (H. Rpt. 91-904) the Family Assistance Act of 1970. The provisions of H.R. 16311, as reported by the committee, were essentially patterned after the 1969 proposals of the President.

BENEFIT LEVELS

The minimum income standard was raised from \$90 proposed in the administration bill to \$110 in the committee bill (or, if higher, the standard in effect on the date of enactment). In its report, the committee pointed out that the administration's proposal had been submitted prior to the 1970 social security benefit increase. Since many of the recipients of adult assistance also receive social security benefits, increases in the latter program lower the Federal costs of public assistance. The savings due to the social security increases were estimated to be approximately \$100 million. These

⁵ *Ibid.*, p. 554.

prevent possible situations in which a State might make no contributions.

The bill assured that for two fiscal years after the year in which the AFDC supplementary payment provisions became effective a State's expenditures for AFDC supplementary payments and payments under title XVI (from its own funds) would not by reason of the requirements of that act have to exceed its non-Federal expenditures under existing law for the same year. The bill provided that for two fiscal years, the Federal Government would meet the excess of non-Federal expenditures made necessary by the bill over what the non-Federal expenses would have been under existing law. States and localities would thus have been guaranteed no required increase in expenditures for assistance payments as compared with what would have been expended under existing law for the same period. However, most States would not have been required to incur additional costs as a result of enactment of this bill and, thus, this provision would have acted as a savings provision for only a few States.

Under the law then in effect, States were required to provide medical assistance (medicaid) to all recipients of cash public assistance under any of the federally funded programs—AFDC, aid to the blind, old age assistance, and aid to the permanently and totally disabled. H.R. 16311 would have added approximately 1 million aged, blind, and disabled persons to the assistance rolls. State medicaid coverage was to be mandatory for these persons. The bill provided no fiscal relief for these additional costs.

COSTS

The cost of the committee bill to the Federal Government in calendar 1968 terms was estimated by HEW to be \$4.4 billion above expenditures under current law—the same as the cost of the welfare recommendations submitted to Congress by President Nixon in 1969.⁶ However, components of the costs differed; the cost of adult assistance was increased from \$400 million in the administration bill to \$500 million in the committee bill. The changes in the bill as they affected costs in the adult category programs were:

(1) H.R. 16311 deleted the "50 to 90" rule of H.R. 14173 which had assured the States a savings of at least 10 percent of their costs in the federally assisted public assistance programs and which also had required States to spend at least 50 percent of these costs. It was estimated that H.R. 16311's deletion of the "50 to 90" rule save \$100 million.

(2) The increase in the Federal income floor in the adult categories from \$90 per recipient per month to \$110 per recipient per month. HEW estimated that this provision increased costs by \$200 million.

The total fiscal savings afforded the States by the committee bill were estimated to be about the same as those which the States would have achieved under the administration's proposals. Howev-

⁶ HEW was not able to furnish all the cost information on the basis of fiscal year 1972 costs, the first full year under the proposed program. The costs, therefore, were expressed in terms of what the programs would have cost had they been in operation in 1968 (but including the effects of the 15 percent general increase in social security benefits effective in 1970).

directly to eligible individuals. The State was to reimburse the Federal Government for the State's share of the payments. The Federal Government was to pay all of the administrative costs. If a State chose to retain administration of the payments, only 50 percent of administrative costs were to be paid by the Federal Government. This incentive for Federal administration had not been included in the administration's proposal. The committee indicated that it felt that this authority would make possible economies in operation that are generally associated with unified administration.

The Committee on Ways and Means report on H.R. 16311 indicated that it was the intent of the committee that a new agency be established in the Department of Health, Education, and Welfare to administer the family assistance plan. The new agency, as the Ways and Means Committee saw it, was to be responsible for establishing and managing local family assistance plan offices and was to carry out other necessary functions with the exception of those which it might find appropriate to contract with other agencies to carry out. The committee indicated that it expected that other agencies within the Department, as well as other governmental agencies outside the Department, would lend their support to the extent that so doing would be consistent with the performance of the duties required to carry out their own programs, to assist the new agency in carrying out the provisions of the plan. For example, while the administration of the family assistance plan was to be completely separate and distinct from the social insurance programs, the committee indicated that it expected that the computer equipment and other capabilities of the Social Security Administration would be utilized in the administration of the family assistance plan to the extent that it was economical and efficient to do so, taking into account the mission of the new agency. No part of the cost of rendering such service, however, was to be chargeable to the trust funds administered by the Social Security Administration. The committee's discussion of the administration of the family assistance plan did not make specific reference to the adult programs.

The committee further stated that because the full development of administrative policies, procedures, and methods to carry out the program would require considerable time and since the time permitted between enactment and the effective date was limited, it would be desirable for the Department to request an advance appropriation to cover the costs of full-scale administrative planning for implementing the program.

During April hearings before the Committee on Finance, Secretary Finch stated that "We feel that this move toward a federally administered welfare program is an important one. We are convinced that income maintenance is a problem requiring a national solution and that uniform administration of eligibility determination and payments is essential to this solution." Secretary Finch further stated that "We feel that the Federal Government can pay out money more efficiently than 50 different systems can."⁷

⁷ U.S. Congress. House. Committee on Ways and Means. Family Assistance Act of 1970; Report on H.R. 16311. Washington, U.S. Govt. Print. Off., 1970. 91st Congress, 2nd session. House. Report No. 91-904, p. 27.

Resources

Under H.R. 16311 the resource limitation was set at \$1,500 per individual. Disregarded were the home, household goods, personal effects and property necessary for self-support.

Relative responsibility

Under H.R. 16311, the States were not permitted to impose as a condition for payments any responsibility for a relative to support the individual except that a State could require that a spouse support the recipient or that parents support a child under 21 or a blind or a disabled child of any age.

Liens

H.R. 16311 did not include the provision included in the administration bill prohibiting the imposition of liens. The committee concluded that this subject should remain a matter of State discretion.

Definition of Disability

Under existing law, States were to provide disability assistance only to those who were found to be permanently and totally disabled. The committee felt that this definition denied assistance to many disabled individuals who were unable to support themselves and who were not entitled to social security benefits. As remedy, H.R. 16311 defined disabled to mean "severely disabled." The bill also specified that whether an individual were blind or disabled was to be determined in accordance with criteria prescribed by the Secretary. The committee indicated that it expected "severely disabled" to be interpreted to mean "persons whose physical or mental conditions substantially preclude them from engaging in gainful employment or self-employment." It was also expected that the disability would have to be one "that had lasted or could be expected to last for a period of 12 months or result in death." Thus, the committee report stated that the "definition of severely disabled would have followed closely the definition used for disability insurance benefits under title II."

Secretary Richardson, in July hearings before the Committee on Finance, indicated that the administration intended to follow a definition of disability that would be very close to that used under title II of the Social Security Act.

Most States were already using identical definitions of blindness insofar as central visual acuity was concerned, i.e., less than 20/200 in the better eye with maximum correction. The committee bill provided for a uniform national definition of blindness using this same definition.

Institutions

Payments were not allowed for inmates of public institutions (except for patients in a medical institution) or patients under 65 in tuberculosis or mental institutions.

the Secretary of Labor submitted the result of their review to the Committee on Finance.

JUNE AND OCTOBER REVISIONS OF H.R. 16311—A SENATE BILL, H.R. 17550

THE JUNE REVISION

Fiscal Impact on the States

In order to provide greater certainty to the States on the cost impact of welfare reform, the administration's June revision proposed an extension of the "hold harmless" provisions of the House bill. Under the House-passed bill, States had been assured that for each of the 2 years after the effective date of the program, they would have to spend no more on welfare than what was estimated to be their costs under existing law. Under the new proposal, the Federal Government was to pick up any State costs required by the bill which were in excess of their actual expenditures in fiscal year 1971 plus a factor for cost-of-living increases. This so-called "hold harmless" was to be permanent, although optional State benefit increases in the AFDC supplementary program, while still matched by the Federal Government were not to be included.

The Department estimated that under such a plan the States would save \$166 million in connection with aid to the aged, blind, and disabled. California and New York together would receive 60 percent of that fiscal relief—about \$98 million. The savings to the States for the entire bill—adult categories and family assistance—were estimated by HEW to be \$661.5 million.

Costs

The House report on H.R. 16311 stated that the cost of the entire bill was \$4.4 billion over expenditures in existing law in 1968 terms. The cost of President Nixon's bill had also been estimated at \$4.4 billion over expenditures in existing law. However, the components of the total cost were changed. As mentioned in the previous chapter, in calendar year 1968 terms, adult assistance under the President's proposal would have cost \$400 million over expenditures in existing law. The cost of the changes in the adult assistance categories under the committee bill would have cost \$500 million.

The Senate Committee on Finance requested new data on the costs of the House-passed bill, taking into account the existing 5 percent unemployment rate and updated to 1971. In a report issued in June, the administration estimated that costs for the changes in the adult categories would be \$600 million in fiscal year 1971 terms.

TABLE 7.—COMPARISON OF 2 ESTIMATES OF 1971 COSTS OF PAYMENTS IN ADULT CATEGORIES

(In billions of dollars)

	Estimates appearing in—		Difference
	Senate committee print	House report	
Additional costs due to proposed changes	0.6	0.7	-0.1
Estimated cost under current law	2.2	2.0	.2
Total cost	2.8	2.7	.1

Source: Committee on Finance hearings on H.R. 16311, p. 479.

Caseloads

Below is a comparison of projected adult category recipients under the administration's June revision of the family assistance plan and existing law for the years 1971 through 1976.

TABLE 8.—COMPARISON OF PROJECTED ADULT CATEGORY RECIPIENTS UNDER H.R. 16311 AND CURRENT LAW 1971-76

(In millions)

	1971	1972	1973	1974	1975	1976
June revision, H.R. 16311	3.2	3.3	3.5	3.6	3.8	3.9
Current law	3.1	3.2	3.4	3.5	3.7	3.8

Source: Finance Committee print. Family Assistance Act of 1970. June 1970, p. 24.

These estimates submitted by the Department projected an increase of only 100,000 adult recipients, yet a Social Security Administration study showed that over 1 million aged persons and nearly 1 million disabled persons who were not in receipt of welfare had incomes below \$110 per month. When asked why the Department assumed that so few of those persons would receive benefits under the bill, Secretary Richardson stated:

The programs have existed for a long time, and the people who are eligible for them are well aware of the availability of benefits. The only real significant changes brought about by this legislation would be establishment of uniform national minimum benefits and a change in the basis of Federal matching.

The bill wouldn't significantly affect the kind of things that influence eligible individual's decisions to apply for benefits. So the 100,000 caseload increase that is shown is an increase that results from expanding coverage to a larger number of people through an overall increase in the minimum level of benefits.⁸

⁸ U.S. Congress. Senate. Committee on Finance. Family Assistance Act of 1970. Hearings, 91st Congress, 2nd session on H.R. 16311. April 29-August 8, 1970. Washington, U.S. Govt. Print. Off., 1970: 624.

21 major areas of secretarial discretion, as itemized by the Committee on Finance. According to the Committee on Finance, the June revision eliminated discretion in seven sections, reduced it in four, and retained it in ten. The committee was not satisfied with the changes made in the area of secretarial discretion. In a committee print, the committee staff stated:

In most cases the administration revision neither changes the language of H.R. 16311 nor has the administration indicated the policy it will follow under the discretionary authority. In some cases, the language of the bill specifically authorizing the Secretary to issue regulations has been deleted in the administration revision, although there is still no indication of policy—thus the deletion has no practical meaning.⁹

Below are some examples of areas of secretarial discretion contained in the June revision of H.R. 16311 relating to the adult category programs.

(1) The Secretary was to prescribe criteria for determining disability or blindness.

(2) The State agency was required to submit any reports required by the Secretary.

(3) The Secretary was authorized to design a simplified statement for use in establishing eligibility.

(4) The Secretary was authorized to issue regulations prescribing the means of verifying eligibility.

(5) Disregarded as a resource was property essential to the family's means of self-support, as determined in accordance with and subject to limitations in regulations of the Secretary.

Legislative Action (Committee on Finance)

From July 21 through September 1970, the Committee on Finance held hearings on the revised bill. On October 8, the committee took a tentative vote on the bill and rejected it by a vote of 14 to 1. The committee at the same time rejected, by a vote of 9 to 4, a substitute introduced by Senator Ribicoff (D.-Conn.) to test the family assistance plan in selected areas of the country and then put it into effect nationally on January 1, 1972. By a vote of 9 to 3, the committee adopted a measure to allow limited test runs of the program, but provided no date for putting it into effect nationally.

THE OCTOBER REVISION

On October 13, 1970, Under Secretary Veneman presented to the committee another revision of H.R. 16311. Throughout the month of October, the Department continued to make changes. Following are the major changes made in the October revision as they affected the adult categories:

(1) The June revision had limited the work-related expenses that could be disregarded in determining earnings to those expenses necessitated by the individual's age, blindness, or dis-

⁹U.S. Congress. Senate. Committee on Finance. Material related to administration revision of H.R. 16311. (Committee print) Washington, U.S. Govt. Print. Off., 1970: 36.

H.R. 17550

Benefit Levels

The bill established a national minimum income level of \$130 per month for an individual and \$200 per month for a couple. In the aged category, this provision was to increase assistance for eligible aged individuals in about 31 States and for eligible aged couples in about 36 States. The bill provided that persons receiving such assistance would be ineligible to participate in the food stamp program. In effect, the Committee on Finance amendment was intended to give needy persons cash in lieu of food stamps.

Fiscal Relief to the States

The Committee on Finance adopted an amendment which generally would not have required States in future years to spend more for assistance to the aged, blind, and disabled than 90 percent of their expenditures for this purpose in calendar year 1970. The 10 percent savings was to be paid from Federal funds as would be the full amount of any increased expenditures resulting from mandatory provisions of the bill, such as the \$10 pass-along of social security increases and the \$130 per month national minimum standard for assistance to the aged, blind, and disabled. Increases in case-loads resulting from normal program growth were also to be paid for fully with Federal funds, but increased expenditures resulting from liberalizations in State welfare programs not required by Federal law were not covered by the 90 percent limitation. The costs of such nonmandatory program liberalizations were to be shared by the Federal and State governments in accordance with regular matching provisions.

Pass-Along

Under a previously announced decision of the committee, social security benefits were increased by 10 percent with the minimum basic social security benefit increased to \$100 per month from the existing \$64 per month level. If no modification were made in the welfare law, however, many needy aged, blind, and disabled persons would have gotten no benefit from these substantial increases in social security since offsetting reductions would have been made in their welfare grants. To assure that such individuals received at least some benefit from the social security increases, the committee approved an amendment requiring the States to raise their standards of need for those in the aged, blind, and disabled categories by \$10 per month for single individuals and \$15 per month for couples. As a result of this provision, recipients of aid to the aged, blind, and disabled who were also social security recipients were to have an increase in total monthly income of at least \$10 per month (\$15 in the case of a couple).

Definitions of Blindness and Disability

The Committee on Finance bill made applicable to these programs the definition of blindness and disability which were used in

On December 18, the Senate rejected by a 31 to 58 roll call vote a motion by Senator Long to table the Williams amendment. Ribicoff was then free to offer his amendment and thus demand a vote on welfare reform before the Senate could proceed to the Social Security or trade provisions of the bill.

On December 19, Senator Long moved to table the Ribicoff amendment. He felt that there was little realistic possibility of passing the family assistance plan and he did not want to spend further time debating it. His motion was defeated by a vote of 15 to 65.

On December 28, Senator Long proposed that the entire bill be recommitted to committee with instructions to report back only the sections covering social security, medicaid and medicare reforms, and certain changes in the existing welfare system.

The Senate adopted the Long motion by a 49 to 21 vote thus killing any further chance in the 91st Congress of passing the family assistance plan.

On December 29, the Senate by an 81 to 0 vote passed the revised version of H.R. 17550. The House refused to go to conference on the social security measure and thus both the family assistance plan and the social security measures as well as the provisions relating to adult assistance died in the 91st Congress. Representative Wilbur Mills, House Ways and Means Committee chairman, pledged early action in the new Congress.

H.R. 1, THE SOCIAL SECURITY AMENDMENTS OF 1971

In his January 1971 State of the Union message, President Nixon repeated his support for welfare reform by listing it as one of his "six great goals" for action by the 92nd Congress.

On January 22, 1971, H.R. 1, the Social Security Amendments of 1971, was introduced in the House of Representatives. The bill contained welfare provisions representing the latest version of the family assistance plan. In general, the provisions of H.R. 16311, the Family Assistance Act of 1970, which passed the House in April 1970, were incorporated in H.R. 1.

Between January and May, the Department of HEW submitted numerous proposals for changes in H.R. 1. The Committee on Ways and Means held many executive sessions during which time the bill was studied and refined.

WAYS AND MEANS REPORTS H.R. 1

On May 26, 1971, the bill was reported to the House (H. Rept. 92-231). In its committee report, the Committee on Ways and Means stated that adult programs were more susceptible to rapid and efficient reform than the family programs because of the smaller numbers of people involved, smaller budgets, and more nearly static beneficiary rolls. Contributory social insurance and other sources of income—private pensions, annuities, and other income from assets—were sufficient to keep the total income of the majority of the aged, blind, and disabled from falling below the poverty line. The committee stated that it was its belief that, to the extent possible, contributory social insurance should continue to be relied on as the basic means of replacing earnings that had been

Your committee recognizes, however, that because of the variations in living costs from one area to another and for other reasons, a complete uniformity of assistance levels throughout the Nation is not presently attainable nor even necessarily desirable. In general, it is anticipated that those States which now provide assistance at a level below that of the new Federal programs of your committee's bill will find the Federal benefits adequate to meet the essential needs of the poor in their areas while those States which currently have higher payment levels would find it desirable to supplement the Federal assistance payments. Your committee's bill accordingly leaves each State completely free either to provide no supplementation of the Federal assistance payments or to supplement those payments to whatever extent it finds appropriate in view of the needs and resources of its citizens.¹³

The committee report also made this statement regarding special needs payments:

Your committee recognizes, however, that it is customary in many States to take into account, on a case-by-case basis, certain special needs of some families and of some aged, blind, or disabled people who are in unusual circumstances leading to financial needs that are not met under the general standards established by the States. In these instances, many State welfare programs provide a payment for the special need on top of the general need standard. For example, an aged, blind, or disabled person may be unable to provide housekeeping services for himself but not be in need of expensive care in a nursing home or extended care facility. In such a case he sometimes needs the services of a housekeeper who comes in on a regular basis to perform this task for pay; or, he may live in a private home where these services are provided for him for a specified amount of payment. In these circumstances the basic assistance standards of the State may not be high enough to meet his needs and the extra expense may be budgeted and met by the State as a "special need." Your committee believes, however, that the responsibility of the Federal Government in administering a State program of supplemental payments should generally be limited to administration of a basic uniform payment which does not vary according to such "special need" and is the same throughout the State and that any additional "special need" payments should be generally made directly by the State. Thus, a State could also pay an additional amount on an individual case-by-case basis to recompense the special needs cases. This additional payment would have no effect on either the amounts payable under the Federal program or the federally administered State uniform supplementation program.¹⁴

¹³ Ibid., p. 199.

¹⁴ Ibid., p. 200.

begin taking applications for assistance under the new program before July 1972 and provided for technical assistance to the States to facilitate the takeover of State records.

Because of the problems inherent in determining administrative costs related to the SSI program as a result of the fact that the same offices were to be providing services for both SSI and the OASDI program, the bill provided authority for making the initial disbursements from the OASDI trust fund. This provision was to be an administrative convenience and the monies were to be promptly repaid to the trust fund, with additional payments to make up for interest earnings that had been lost to the trust fund as a result of the transaction.

FEDERAL ELIGIBILITY STANDARDS

The bill provided that each aged, blind, and disabled individual was to receive assistance sufficient to bring his total monthly income up to \$130 in fiscal year 1973, \$140 in fiscal year 1974, and \$150 thereafter. For couples the levels were \$195 for fiscal year 1973 and \$200 thereafter. In order to be eligible, an individual had to be a resident of the United States, Puerto Rico, the Virgin Islands, or Guam, and a citizen of the United States or an alien lawfully admitted for permanent residence.

Income

In determining an individual's eligibility and the amount of his benefits, both his earned and unearned income were to be considered. The definition of earned income followed generally the definition of earnings used in applying the earnings limitation of the social security program. Unearned income meant all other income, including benefits from other public and private programs, prizes and awards, proceeds of life insurance not needed for expenses of last illness and burial, gifts, support, inheritances, rents, dividends and interest, and so forth. For people who lived as members of another person's household, the committee established a separate rule:

In recognition of the practical problems that would be encountered in determining the value of room and board for people who live in the household of a friend or relative, the bill would provide specific rules for use in these situations. Under the bill, the value of room and board, regardless of whether any payment was made for room and board, would be assumed to be equal to one-third of the applicable benefit standard. For example, an individual who was entitled to a monthly benefit of \$150 on the basis of a disability and who lived in the home of his son would have his monthly benefit reduced to \$100 whether or not he paid for his room and board. On the other hand, if the individual lived in a rooming or boarding house, there would no reduction in his benefit.¹⁶

¹⁶ *Ibid.*, p. 152.

DEFINITIONS OF BLINDNESS AND DISABILITY

Under H.R. 1, as introduced, the Secretary was empowered to set the definitions of disability and blindness in regulations. As reported, H.R. 1 specified the definitions in the bill, thereby eliminating that significant area of secretarial discretion. The bill provided that the definitions of blindness and disability which were used in the disability insurance program under title II of the Social Security Act be generally applicable to the disabled and blind under the new adult assistance program.

The bill also included disabled children under the new program. The committee report made this statement with respect to the need to include disabled children in the program.

It is your committee's belief that disabled children who live in low-income households are certainly among the most disadvantaged of all Americans and that they are deserving of special assistance in order to help them become self-supporting members of our society. Making it possible for disabled children to get benefits under this program, if it is to their advantage, rather than under the programs for families with children, would be appropriate because their needs are often greater than those of nondisabled children. The bill, accordingly, would include disabled children under the new program. Parent's income and resources would be taken into account in determining the eligibility and benefits of children under age 21.¹⁷

A person was to be considered disabled if he were unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which could be expected to result in death or had lasted, or was expected to last, for not less than 12 months. A child under 18 who was not engaging in substantial gainful activity was to be considered disabled under the bill if he suffered from any medically determinable physical or mental impairment of comparable severity. An individual (other than a child) was to be found disabled if he were not only unable to do his previous work, but could not, considering his age, education, and experience, engage in any other kind of substantial gainful work which existed in the national economy, regardless of whether such work existed in the immediate area in which he lived, or whether a specific job vacancy existed for him or whether he would be hired if he applied for work.

The bill provided that those blind and disabled persons who were on the benefit rolls in June 1972 under existing State programs were to be considered blind or disabled for purposes of the program.

Recognizing that under a needs-tested program securing medical evidence might be difficult for a claimant, the committee bill included a provision allowing the Secretary to secure the needed medical evidence.

A disabled individual who went to work was to have been allowed a trial-work period in which to test his ability to work before

¹⁷ Ibid., P. 147.

tute an overpayment if the individual were later found not to have been disabled.

The bill authorized the Secretary to arrange for adjustment and recovery in the event of overpayments or underpayments and to waive overpayments, if necessary, to achieve equity and avoid penalizing persons who were without fault.

The right of any persons to any future benefit was not transferable or assignable, and no money payable under the program was to be subject to execution, levy, attachment, garnishment, or other legal process.

REDETERMINATIONS

The bill required the Secretary to determine an individual's eligibility for benefits for each quarter in a year. The committee indicated, however, that that did not mean that quarterly investigations of all aspects of eligibility would be required in each case.

Disability and Blindness

The report stated that quarterly redeterminations of disability in many cases, or blindness in most cases, would serve no useful purpose. The Secretary therefore was given the authority to make redeterminations of blindness or disability at such intervals as he considered reasonable and necessary, considering the severity of the individual conditions and the purpose of the program.

Income and Resources

Eligibility determinations were to be made on a quarterly basis. However, the committee stated that "somewhat less frequent redeterminations of income and resources would be required in the cases of the very old, blind, or aged recipient or the extremely disabled—cases where large increases in income are unlikely." Whenever changes in income did occur, however, such persons were to report the changes and appropriate adjustments were to be made.¹⁸

COORDINATION WITH OTHER PROGRAMS

Beneficiaries and applicants for benefits were required to apply for, and make every effort to obtain, any other payment—whether or not based on need—for which they might be eligible. The committee indicated that the new program, financed from general revenues and with the benefits based on need, should pay people only to the extent that their needs are not met from other sources, including social security payments, Veterans Administration payments, and payments from private pension plans. Therefore, an individual who did not take all appropriate steps to obtain such payments within 30 days of the date that he applied for adult assistance benefits would not qualify for any payments under the new program.

¹⁸ Ibid., p. 149.

Institutionalized Persons

In general, persons residing in public institutions were ineligible for benefits under the committee's version of H.R. 1. However, persons who were residents of certain public institutions, or hospitals or nursing homes which were receiving medicaid funds on their behalf were to receive SSI benefits of up to \$25 per month reduced by countable income. No assistance benefits were to be paid to individuals in penal institutions.

HEARINGS AND REVIEW

The bill required that there be notice and opportunity for hearings for any person who disagreed with a determination with respect to eligibility for payments or the amount of payments. The individual was required to request a hearing within 30 days of receiving a notice of the determination. Decisions were to be rendered within 90 days following the request, except in cases regarding a disability determination. Payments made during the hearing process were to be considered overpayments if the initial determination was sustained. Final determinations were subject to judicial review in Federal district court, but the Secretary's decisions as to any fact were to be conclusive and not subject to review by the court.

The bill provided that the Secretary be empowered to establish the requirements to be used in selecting hearing examiners; i.e., examiners would not be selected under the conditions set forth in the Administrative Procedure Act. In all other respects, however, the hearings were to be conducted in accordance with the requirements of the Administrative Procedure Act.

PASS-THROUGH

The Social Security Amendments of 1969 required that the States increase their payments for the aged, blind, and disabled by \$4 per month beginning with April 1970, the first month in which the social security benefit increases provided in that law were paid. Alternatively, States were permitted to disregard \$4 per month of such increase for the aged, blind, and disabled assistance recipients who were also social security recipients. This provision was to expire on January 1, 1972. Under the committee bill, this provision of the Social Security Amendments of 1969 was made permanent and was made to apply to any optional State supplementary payments made under the new program.

CASELOADS

The Department estimated that in the first year of the program, 6.2 million aged, blind, and disabled persons would be eligible for benefits. In fiscal year 1975, the first full year in which the program would reach the ultimate benefit level provided for in the bill, it was estimated that 7.1 million aged, blind, and disabled persons would receive \$5.4 billion in benefits.

Below is a comparison of the estimates of numbers of adults eligible for assistance under H.R. 1 and under the existing programs.

TABLE 10.—POTENTIAL FISCAL YEAR 1973 COSTS OF ASSISTANCE PROVISIONS UNDER H.R. 1 AS REPORTED BY THE HOUSE COMMITTEE ON WAYS AND MEANS—Continued

[In billions of dollars]

	Federal			State and local ¹			Net cost to all governments
	Current law	H.R. 1	Net cost	Current law	H.R. 1	Net cost	
Total cost of program.....	9.4	15.0	5.6	5.1	3.5	-1.6	4.0
Impact on other programs.....		-.1	-.1				-.1
Grand total.....	9.4	14.9	5.5	5.1	3.5	-1.6	3.9

¹ Assumes that the States, through supplemental programs, maintain benefit levels including the value of food stamp bonuses.
² Includes only 6 months of payments to families in which both parents are present, neither is incapacitated, and the father is employed. The effective date for this provision is Jan. 1, 1973.
³ Net benefit increases to recipients.

Source: House Ways and Means Report on H.R. 1, p. 208.

GROWTH RATES

The following annual growth rates were used in making projections:

TABLE 11.—PROJECTED ANNUAL GROWTH RATES UNDER EXISTING LAW AND H.R. 1

[Amounts in percent]

	Current law	H.R. 1
Caseload:		
Aged.....	2.0	2.0
Blind and disabled.....	5.0	2.0
Payments: Aged, blind, and disabled.....	2.5	0

Source: House Ways and Means Report on H.R. 1, p. 224.

It was assumed that benefit levels would not change except as specified in the bill. For both current and proposed programs for the aged, and for the proposed disability program, it was assumed that income growth would offset population growth. In contrast, it was assumed (based on recent experience) that the disabled program, if left unchanged, would continue to grow.

STATE SAVINGS

The following chart shows estimated savings in welfare expenditures for State and local governments under H.R. 1 as reported for fiscal year 1973.

TABLE 12.—ESTIMATED SAVINGS IN WELFARE EXPENDITURES FOR STATE AND LOCAL GOVERNMENTS UNDER H.R. 1, FISCAL YEAR 1973

[In millions of dollars]

State	State and local savings in welfare expenditures ¹				
	Total	Adult categories	Family category	Hold harmless payment	Administrative cost
Alabama.....	32.4	15.7	10.1		6.6
Alaska.....	2.5	-12.0	-.6	14.5	.6
Arizona.....	21.5	5.8	² 12.2		3.5
Arkansas.....	19.7	12.4	4.6		2.7

The estimates of State savings assumed that all States would turn over administration of any supplemental programs to the Federal Government and would, thus, incur no administrative costs. These administrative costs savings were estimated by projecting forward current State costs at the rate that wage and salary income was expected to grow (6.3 percent per year). It was also assumed that States would maintain their current benefit levels including food stamp benefits.

LEGISLATIVE ACTION

House Floor

On June 22, 1971, H.R. 1 passed the House by a 288 to 132 roll-call vote. Earlier the same day the House had defeated a motion to delete the Family Assistance Plan from the bill.

Senate Action

On July 27, 1971 the Senate opened hearings on H.R. 1. Hearings were also held on July 29. The committee took no further action on the measure, but Chairman Long promised that action would resume in 1972.

ADULT ASSISTANCE IS FEDERALIZED; MAJOR WELFARE REFORM DIES

On October 17, 1972, Congress passed H.R. 1 (Public Law 92-603) which federalized the existing Federal-State programs of assistance for the aged, blind, and disabled. Individuals with no other income were to receive a minimum monthly Federal payment of \$130 per month (\$195 for a couple). States were permitted to supplement if they wished to do so.

Provisions aimed at reforming the AFDC program were deleted from the bill by House and Senate conferees. The consideration of H.R. 1 in the Senate was limited, with that body only beginning debate on the comprehensive bill on September 27, 3 weeks before the adjournment of Congress.

The remainder of this chapter details the events of 1972 leading to the ultimate passage of welfare reform for adults and deletion of any major program changes for the family programs.

SENATE ACTION

From January 20 through February 15, 1972, the Senate Committee on Finance held hearings on the House-passed bill. On June 13, the committee announced tentative approval of H.R. 1. With respect to the adult program, the Finance Committee proposed to abandon the House plan to eliminate the current Federal-State programs of aid to the aged, blind, and disabled and to replace them with a single Federal program. The committee proposal continued State administration of the programs of aid to the aged, blind, and disabled (in contrast to the federalized administration called for by the House bill) but set a Federal guaranteed minimum income level for the aged, blind, and disabled.

abled. However, there would be an incentive for the States to exercise control over caseload growth since they would be required to pay a part of the costs related to all additional recipients once the Federal base amount is exceeded.

In 1974, it is estimated that this formula would result in Federal Payments to the aged, blind, and disabled of \$4.2 billion (compared with \$2 billion under existing law). State costs under the bill would be \$0.2 billion compared with \$1.4 billion under existing law, yielding fiscal relief for the States of \$1.2 billion. The same formulas would apply with respect to assistance for the aged, blind, and disabled in the remaining months of 1972 and in 1973. It is estimated that this will result in State savings of \$0.2 billion this year and \$1 billion in 1973.¹⁹

FEDERAL ELIGIBILITY STANDARDS

Income

In addition to providing for a monthly disregard of \$50 of social security or other income, the committee approved an additional disregard of \$50 of earned income plus one-half of any earnings above \$50. The committee also provided that any rebate of State or local taxes received by an aged, blind, or disabled person was not to be counted as income or assets.

Eligibility for Other Benefits

The committee proposal required applicants to apply for any other benefits for which they might be eligible.

Definitions of Blindness and Disability

The committee approved amendments setting a Federal definition of blindness and disability. Disability was defined an "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months." This definition is the same as the definition of disability used in the social security disability program. The definition further specifies that disability is met only if the disability is so severe that an individual is "not only unable to do his previous work but cannot, considering his age, education, and work experience engage in any other kind of substantial gainful activity which exists in the national economy regardless of whether such work exists in the immediate area in which he lives or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work."

Blindness was defined as central visual acuity of 20/200 or less in the better eye with the use of correcting lens. Also included in

¹⁹ U.S. Congress, Senate, Committee on Finance, Social Security and Welfare Reform—Summary of the Principal Provisions of H.R. 1 as Determined by the Committee on Finance. (Committee print) Washington, U.S. Govt. Print. Off., June 13, 1972: 115.

TABLE 12.—*Aid to the aged, blind, and disabled—1974 (estimated)*

	[In millions of dollars]	Cost
Present law:		
Welfare payments to aged, blind, disabled.....		2.2
Administration.....		.2
Food stamps.....		.3
		2.7
Subtotal.....		2.7
Committee bill increases:		
Welfare payments (including food stamp cash-out).....		2.2
Administration.....		.3
Food stamps.....		.3
		2.2
Total increase.....		2.2

Source: Committee Print, June 13, 1972, Summary of the Principal Provisions of H.R. 1 as determined by the Committee on Finance, p. 127.

FINANCE COMMITTEE REPORT

From June through October, the committee intermittently held executive sessions on the bill, modifying many of the provisions which had been approved in the June 13 tentative bill.

On September 26, 1972, the Senate Finance Committee reported the bill (H.R. 1, S. Rept. 92-1230) overhauling the Nation's welfare system and replacing the existing programs of aid to the aged, blind, and disabled with a new Federal program of supplemental security income.

Below is a detailed description of the adult category provisions of the bill:

Benefit Levels

Aged, blind, and disabled persons with no other income were guaranteed a monthly income of \$130 per month (\$195 for a couple). States were free to supplement if they so chose.

Federal Funding/Fiscal Relief

The income levels under the bill were high enough to largely replace the payments then being made to the needy aged, blind, and disabled under State public assistance programs. Thus, the new program represented a considerable savings to the States. For 1974, it was estimated that the States would save \$0.9 billion in their adult category program. In addition, the States could save administrative costs since the bill authorized agreements between the States and HEW for Federal administration of State supplemental payments without cost to the States.

Administration

The bill provided that if a State chose to make supplemental payments, and contracted with the Federal Government for Federal administration of the supplemental payments, the Federal Government would pay the full cost of administration. If the State chose to administer its own supplemental program, it would have to pay the full cost of administration.

The committee report indicated that the committee was convinced that by utilizing the administrative structure of the Social Security Administration excessive expansion of the Federal bu-

regardless of whether any payment was made for the room and board.

The bill provided for the following additional exclusions:

- (1) Contributions of an employer into a health insurance or retirement fund.
- (2) Rebates of State or local taxes.
- (3) Payment provided on the basis of need by a State or local government (including from Indian tribes) to supplement the Federal SSI benefit (basically the SSI State supplement).
- (4) Irregular and infrequent unearned income of \$60 or less a quarter.
- (5) Home produce used by members of the household for their own consumption.
- (6) One-third of any payment received from an absent parent for the support of a child eligible for SSI payments; and
- (7) Income received by eligible individuals for the care of a foster child placed in the individual's home by a public or non-profit child placement or child care agency.

Resources

Individuals or couples were not to be eligible for payments if they had countable resources in excess of \$2,500. The House bill had set a resource limit of \$1,500. The following items were excluded from resources:

- (1) The home to the extent that its value did not exceed a reasonable amount, to be determined by the Secretary.
- (2) Household goods and personal effects and an automobile not in excess of a reasonable amount, to be set by the Secretary.
- (3) Resources essential to an individual's means of support.
- (4) Life insurance policies if the total face value is less than \$1,500. In the case of a couple, each could have a life insurance policy of up to \$1,500 face value. Otherwise, the cash surrender value of an insurance policy would count as a resource; and
- (5) Income producing property not used as part of a trade or business would be excluded from the resource limitation only to the extent that it was producing a reasonable return. The exclusion would be based on a fixed percentage return, to be set forth in the regulations of the Secretary, in order to permit adjustments for changing economic conditions.

The bill also provided that assets such as buildings or land not used as the individual's abode which were not readily convertible to cash must be disposed of within a time limit prescribed by the Secretary. The Secretary may, however, pay conditional benefits during the period allowed for disposal.

The bill also provided that an individual was ineligible if he disposed of property to a relative for less than fair market value within one year prior to his application for benefits if retention of the property would have made him ineligible.

Definition of disability and blindness

The committee bill provided that the definitions of blindness and disability which are used in the disability insurance program estab-

Coordination with Other Programs

Food stamps

Under the committee bill (as under the House-passed bill) individuals receiving an SSI payment were not eligible for food stamps. They also were not eligible for surplus commodities.

Social services

H.R. 1 contained provisions regarding Federal matching for social services. A new title VI of the Social Security Act covered services for beneficiaries of SSI.

The new title authorized the provision of rehabilitation and other services to help aged, blind, and disabled individuals to obtain or retain capability for self-care. Federal matching was subject to the limitation which had not then been acted upon by Congress but which was contained in the conference committee substitute for the Senate amendment to the State and Local Fiscal Assistance Act of 1972.

Under the substitute, Federal matching for social services under programs of aid to the aged, blind, and disabled and AFDC were subject to a State-by-State dollar limitation effective beginning fiscal year 1973. Each State was limited to its share of \$2.5 billion based on the proportion of population in the United States. Child care services, services provided to a mentally retarded individual, services related to the treatment of drug addicts and alcoholics, and services provided a child in foster care could be provided to persons formerly on welfare or likely to become welfare recipients as well as current welfare recipients. At least 90 percent of expenditures for all other social services had to be provided to individuals receiving aid to the aged, blind, and disabled of AFDC. Until a State reached the limitation on Federal matching, 75 percent Federal matching would continue to be applicable for social services as in existing law.

Medicaid

Under existing law, the States were required to cover all cash assistance recipients under the medicaid program. The committee bill, like the House-passed bill, exempted from this requirement persons who were eligible for SSI but who would not have been eligible for assistance under the State welfare programs for the aged, blind, and disabled as they were in effect prior to the initiation of the new program. The Secretary of HEW was authorized to enter into contracts with the States for Federal determinations of eligibility for medicaid. The States were required to pay 50 percent of the administrative costs incurred by the Federal Government in making the medicaid determinations which are in addition to the costs of making the determinations for cash payment eligibility.

Vocational rehabilitation

Under H.R. 1, as reported by the Committee on Finance, all individuals under the age of 65 who received SSI benefits based on disability or blindness were to be referred to the State vocational rehabilitation agencies for rehabilitation services. The Secretary was authorized to pay the full costs of the vocational rehabilitation

Food stamps.....	- 3
Total increase.....	3.1

Source: Committee on Finance report on H.R. 1, p. 403.

SENATE FLOOR ACTION

On September 27, 1972, the Senate opened debate on H.R. 1. On September 29, the Senate by a unanimous vote of 75 yeas passed the Long amendment to provide a Federal supplemental security income program for the aged, blind, and disabled to replace the existing State programs effective January 1, 1974. The adopted amendment was, essentially, the version of the supplemental security income program which had been reported by the Senate Finance Committee. It guaranteed the aged, blind, and disabled an income of \$130 per month (\$195 for couples) and included a disregard of the first \$50 of income. The program was to be administered and fully financed by the Federal Government.

Amendments Adopted

(1) Provided that an individual would not suffer a reduction in assistance payments if he shared rent or room and board with another individual. Senator Long indicated that this amendment was in keeping with the intent of the committee.²⁰

(2) Made individuals eligible for assistance if their resources were within allowable limits in their respective States but over the maximum limits of the committee version of H.R. 1.

(3) Retained food stamp program eligibility for recipients of assistance to the aged, blind, and disabled. Senator Case of New Jersey, who introduced this amendment, pointed out that "While H.R. 1 establishes a benefit floor for these categories where previously the States set their own levels, the welfare bill in section 508 also deletes food stamps for all aged, blind, and disabled welfare recipients. Moreover, while section 509 establishes a mechanism for the States to pay out the difference to current food stamp recipients in cash, it does not guarantee that the States will maintain their current benefit levels, or that the amount of cash in addition to the minimum floor will be equal to the loss in dollars accrued through the food stamp coupons."²¹ Senator Long argued against this provision, explaining that the benefit levels set in the bill already included a cash-out.

(4) Persons living in the household of another were not to be subject to the one-third reduction if they made reasonable payment for such support and maintenance.

(5) Expanded the citizenship requirement to include an alien permanently residing in the United States under color of law. This was defined so as to include Cuban refugees lawfully present in the United States.

²⁰ Long, Russell, Social Security Amendment of 1972. Remarks in the Senate. Congressional Record, v. 118, October 5, 1972: 33368.

²¹ Case, Clifford. *Ibid.*, p. 33986.

programs were deleted from the bill by the House and Senate conferees.

The bill as it finally went to the President federalized the existing Federal-State programs of assistance to the aged, blind, and disabled effective January 1, 1974. Individuals with no outside income were to receive a minimum monthly Federal payment of \$130 (\$195 for a couple). Up to \$20 per month in unearned income and \$65 plus one-half of the remainder in earned income were to be disregarded in determining eligibility for assistance.

The bill was signed into law on October 30, 1972.

CONGRESSIONAL INTENT IN ESTABLISHING THE SSI PROGRAM

Under the Social Security Amendments of 1972, the program of supplemental security income (SSI) for the aged, blind, and disabled began on January 1, 1974. This new program replaced the former programs of aid to the aged, aid to the blind, and aid to the permanently and totally disabled, which had been operated by the States with Federal financial assistance for close to 40 years.

The Congress intended the new SSI program to be more than just a Federal version of the former State adult assistance programs that it replaced. The report of the House Committee on Ways and Means said that although social security payments and other sources of income were sufficient to keep the total income of the majority of the aged, blind, and disabled from falling below the poverty line, some such people received relatively small social security benefits because they had not been able to support themselves through work. The social security program, therefore, had to be complemented by a new assistance program, stated the committee report.²³

The House report said that "under the new Federal program, uniform eligibility requirements and uniform benefit payments would replace the multiplicity of requirements and benefit payments under the existing State-operated programs."²⁴ The new program was designed with a view toward providing:

- (1) An income source for the aged, blind, and disabled whose income and resources were below a specified level.
- (2) Incentives and opportunities for those able to work or to be rehabilitated that will enable them to escape from their dependent situations; and
- (3) An efficient and economical method of providing this assistance.²⁵

The report of the Senate Committee on Finance stated:

The committee bill would make a major departure from the traditional concept of public assistance as it now applies to the aged, the blind, and the disabled. Building on the present social security program, it would create a new Federal program administered by the Social Security Administration, designed to provide a positive assurance that the Nation's aged,

²³ U.S. Congress. House. Committee on Ways and Means. Social Security Amendments of 1971. Report to accompany H.R. 1. May 26, 1971, p. 146-147.

²⁴ *Ibid.*, p. 147.

²⁵ *Ibid.*, p. 147.

the first \$20 of monthly income from any source (other than need-related income) and the first \$65 of monthly earned income plus one-half of remaining earnings. (The conference report does not explain why the specific dollar amounts of the disregards were chosen.)

(4) The Social Security Administration (SSA) was to administer SSI, and to do so in a manner as comparable as possible to that used for the social security program. While it was understood that modifications would be necessary to make the systems of the SSA work for the new SSI population, this was seen as an add-on rather than a new system. The SSA had a longstanding reputation for dealing with the public in a fair and considerate way, but with scrupulous regard for the requirements of law. Thus, it was expected that both recipients and taxpayers would be pleased with the new program.

For the most part, the nature of the SSI program is expressed by its title. It was conceived as a guaranteed minimum income for the aged, blind, and disabled that would supplement income received from the social security program and as an income-related program to provide for those who were not covered under social security or who had earned only a minimal entitlement under the program. During the Senate debate on H.R. 1, Mr. Long said SSI was "one of the most ambitious things" recommended that year by the committee.²⁷ He said that the benefits of the new program would go so far beyond those offered under the State relief programs that "we think it should not be regarded as a welfare program." For that reason, he said, the committee referred to it as supplemental security income for the aged, blind, and disabled.

THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM: 1974-83

OVERVIEW

The supplemental security income (SSI) program provides a cash income floor for aged, blind, or disabled persons, in the 50 States, the District of Columbia, and the Northern Mariana Islands. It was enacted as title XVI of the Social Security Act by the Social Security Amendments of 1972 and became effective January 1, 1974. The program provides federally funded and administered monthly payments to aged, blind, or disabled persons who have little or no income and counted resources.

SSI replaced the Federal-State programs of old age assistance and aid to the blind established by the original Social Security Act of 1935 and the program of aid to the permanently and totally disabled established by the Social Security Amendments of 1950. Under the former programs, Federal matching funds were offered to the States to enable them to give cash relief, "as far as practicable" in each State, to persons in eligible categories whom the States deemed needy. The States set benefit levels and administered these programs.

²⁷ Congressional Record, Sept. 29, 1972. Senate. p. 32898.

TABLE 18.—SSI FEDERAL PROGRAM COST BY ACTIVITIES—Continued

[In million of dollars]

	Fiscal year—	
	1982 (12 payments)	1983 ¹ (13 payments)
5. Federal fiscal liability.....	16	27
Total Federal direct program.....	7,604	8,799
6. State-financed State supplements.....	1,812	2,010

¹ Estimated.

Source: Office of Research and Statistics, Social Security Administration.

ELIGIBILITY

The basic eligibility requirements of age, blindness or disability have not changed since the program began in January 1974. The aged are defined as persons 65 years and older. The blind are individuals with 20/200 vision or less with the use of a corrective lens in the person's better eye or those with tunnel vision of 20 degrees or less. If a person's visual impairment is not severe enough to meet the definition of blindness, he or she still might qualify as a disabled person. Disabled individuals are defined as those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. The test of "substantial gainful activity" (SGA) has increased over the years. In calendar years before 1976, if a recipient had counted earnings averaging more than \$200 a month he was considered to be engaging in SGA. Beginning with calendar year 1980 the SGA level had remained constant at \$300 monthly in counted income, which is smaller than gross income. Impairment-related expenses are subtracted from earnings. The eligible individual or couple also must reside in the United States or the Northern Mariana Islands and be a U.S. citizen, an alien lawfully admitted for permanent residence, or an alien residing in the United States under color of law.

Disabled or blind children, as well as adults may be eligible for SSI, in contrast to the former programs, which gave such aid only to adults. It makes no difference how young a person is. A child under 18 may be found disabled if he or she has a physical or mental impairment that is comparable in severity to one that would prevent an adult from working and that is expected to last at least 12 months or result in death. Persons who are retarded may be considered disabled, depending on their IQ and other factors.

Since SSI payments are reduced by other income, applicants and recipients must apply for any other money benefits due them. The Ways and Means Committee report on H.R. 1 said that the SSI program, financed from general revenues and with the benefits based on need, should pay people only to the extent that their needs were not met from other sources. The SSA works with recipients and helps them get any other benefits for which they are eligible, such as social security. However, a person who participates in the aid to families with dependent children (AFDC) program cannot also re-

condition of the alien's admission for permanent residence in the United States. Thus, in determining the eligibility of aliens applying for SSI, the income and resources of their sponsors are considered. After allowances for the needs of the sponsors and their families, the remainder is deemed available for the support of the alien applicant for a 3-year period after entry into the United States. This provision does not apply to those who become blind or disabled after entry into the United States, to refugees, or to persons granted political asylum.

TABLE 19.—Basic Eligibility Conditions

Aged	65 or older.
Blind	Vision no better than 20/200 or limited visual field of 20" or less with the best corrective eyeglasses.
Disabled	A physical or mental impairment which prevents a person from doing any substantial work and is expected to last at least 12 months or result in death.
Resource ¹	\$1,500 for an individual.
Limits	\$2,250 for a couple.
Income ²	Below \$314 a month for an individual.
Limits	Below \$472 a month for a couple.
U.S. citizen or immigrant lawfully admitted for permanent residence.	
Resident of the United States or the Northern Mariana Islands.	
Disabled must accept vocational rehabilitation if available.	
Disabled addicts and alcoholics must accept appropriate treatment if available.	

¹ Not all resources are counted in determining eligibility.

² Not all income is counted in determining eligibility. Also, a person may have income above the limit and be eligible for a State supplement only, but the income levels vary with each State.

INCOME AND RESOURCE LIMITATIONS

Individuals and couples are eligible for SSI if their counted incomes fall below the Federal maximum monthly SSI benefit, currently \$314 per individual and \$427 per couple. If only one member of a couple qualifies for SSI, part of the ineligible member's income is considered to be that of the eligible spouse. If a couple has been separated or living apart for more than 6 months, each person treated as an individual. If an unmarried child living at home is under 18, some of the parent's income is considered to be that of the child.

The term "income" includes cash, checks, items received "in kind" such as food and shelter, and many items that are not considered income for Federal or other tax purposes. Wages, net earnings from self-employment, earned income tax credits, and/or income from sheltered workshops are considered earned income. Social security benefits, workers' or veterans' compensation, annuities, rent, and interest are examples of unearned income.

An individual does not have to be totally without income to be eligible for SSI payments. Maximum SSI payments are made (assuming the other conditions of eligibility are met) if the individual or couple has no "countable" income in that particular month. If the individual or couple has "countable" income, a dollar-for-dollar reduction is made against the maximum payment.

Not all income is counted for SSI purposes. Major exclusions include the first \$20 of monthly income from virtually any source

(\$1,500 for an eligible individual and \$2,250 for a couple) for a period of 24 months from the date of transfer.

BENEFITS

The amount of monthly Federal SSI benefits is determined by the recipient's countable income, living arrangement and marital status.³¹ The original maximum monthly SSI benefit was \$130 for a single person and \$195 for a couple. But before the program started legislation was enacted that raised the maximum benefits to \$140 for an individual and \$210 for a couple (see table 20). Effective July 1, 1974, these amounts were raised to \$146 for an individual and to \$219 for a couple. Benefits are indexed to the Consumer Price Index. (CPI) and are increased by the same percentage as social security benefits. Until 1983, cost-of-living increases were provided annually in July if the CPI for the first quarter of the calendar year increased by at least 3 percent over the first quarter of the previous year. Public Law 98-21, the Social Security Amendments of 1983, provided for a benefit increase of \$20 for an individual and \$30 for a couple on July 1, 1983, increases of 7 percent, and postponed the cost-of-living adjustment until January 1, 1984. The January 1984 cost-of-living increase equalled 3.5 percent and was based on the CPI for the first quarter of 1983, over that for the first quarter of 1982. All future adjustments are to be provided annually in January if the CPI for the third quarter of the current year increased by at least 3 percent over the third quarter of the last year in which a cost-of-living increase was provided. The maximum monthly SSI benefits are currently (January-December 1984) \$314 for an individual and \$472 for a couple. Public Law 98-21 also required that SSI eligibility amounts and monthly payments be rounded down to the next lower dollar instead of rounded up to the next higher 10 cents. Rounding down was to begin after the next cost-of-living adjustment had been made.

³¹ A couple need not be ceremonially married. Section 1614(d) of the Social Security Act says that if a man and woman are found to be holding themselves out to the community in which they reside as husband and wife, they shall be so considered for SSI purposes

If the individual or couple has retirement or other unearned income—such as social security benefits, annuities, rents, interest—\$20 a month is excluded from countable income, and the rest causes a reduction in the SSI payment, dollar-for-dollar.³²

If the individual or couple has earnings from current work, \$65 a month is excluded and 50 percent of remaining earnings are subtracted from the SSI payment, that is, the SSI benefit is cut \$1 for each \$2 of earnings above \$65 a month.³³

If earnings are the only type of income the individual or couple has, then \$85 a month is exempted and 50 percent of remaining earnings are subtracted from the SSI payment³⁴ (see table 21). For the blind and disabled only, the cost of an approved plan to achieve self-support is also disregarded and reasonable work expenses associated with the disability are disregarded, too. The Social Security Disability Amendments of 1980, Public Law 96-265, defined income received in sheltered workshop and work activity centers as earnings and thus qualified it for the earned income disregards.

TABLE 21.—FEDERAL INCOME ELIGIBILITY CEILINGS UNDER SSI, JANUARY–DECEMBER 1984

	Receiving only social security or other income other than wages		Receiving only wage income	
	Monthly	Annually	Monthly	Annually
Individual.....	\$334	\$4,008	\$713	\$8,556
Couple.....	492	5,904	1,029	12,348

As countable income (total income minus disregarded income) increases, a recipient's SSI payment level decreases dollar for dollar. Eligibility for SSI ends when countable income equals the Federal SSI benefit plus maximum State supplementary payment levels.

The value of in-kind assistance is counted as income unless such in-kind assistance is specifically disregarded by statute. Generally, in-kind assistance provided by or under the auspices of a federally assisted program, or by a State or local government (for example, nutrition services, food stamps, housing or social services), will not be counted as income. However, the SSI payment is reduced by one-third if an SSI recipient or couple is living in another person's household and receiving support and maintenance in kind from that person in the form of both food and shelter. Thus, instead of counting the value of the in-kind support and maintenance as

³² The formulas for deriving the SSI payment for individuals or couples with only unearned income (U) in 1984, when the Federal guarantees are \$314 per individual and a \$472 per couple:

$$314 - (U - 20) = \text{SSI payment,}$$

$$334 - U = \text{SSI payment,}$$

$$472 - (U - 20) = \text{SSI payment,}$$

$$492 - U = \text{SSI payment.}$$

³³ The formulas for deriving the SSI payment for individuals or couples with both earned (E) and unearned income (U) in 1984 are:

$$314 - [(E - 65)/2 + U - 20] = \text{SSI payment,}$$

$$334 - U - (E - 65)/2 = \text{SSI payment,}$$

$$472 - [(E - 65)/2 + U - 20] = \text{SSI payment.}$$

³⁴ The formula for deriving the SSI payment for individuals or couples with only earned income (E) in 1984, when the Federal guarantees are \$314 per individual and \$472 per couple, are:

$$314 - (E - 85)/2 = \text{SSI payment,}$$

$$472 - (E - 85)/2 = \text{SSI payment.}$$

DEEMING OF INCOME AND RESOURCES

The income of an ineligible spouse who lives with an adult SSI applicant or recipient is considered in determining the eligibility and amount of payment to the individual. The income of the parents of a disabled child under the age of 18 is also considered in determining the eligibility and payment for the child. In determining the amount of the income of the ineligible spouse or parent to be deemed to the SSI applicant or recipient the needs of the spouse or parent and other children in the household are taken into account. In addition, the SSI earned income disregards are applied in determining the amount of income to be deemed to the SSI applicant or recipient. For example, if the countable income of an ineligible spouse exceeds the difference between the SSI benefit standard for an individual and a couple in that State (including State supplementation) the excess is deemed available to the SSI applicant or recipient.

For example, in a State with no State supplementation the deeming procedure would work as follows for an ineligible spouse earning \$400 per month living with an eligible individual with \$180 of social security benefits:

Earned income of ineligible individual	\$400.00
Less \$65	- 65.00
Less one-half of remaining earnings (\$335)	-167.50
Countable income	167.50
Less difference between SSI payment standard for an individual and couple	158.00
Amount deemed to eligible individual	9.50

Thus, the benefit for the eligible individual will be \$144.50 [\$314 - (\$180 less \$20 exclusion) - \$9.50]. Without deeming, the individual would have received \$154 [\$314 - (\$180 less \$20 exclusion)]. The \$20 exclusion can only be used once and is first applied to unearned income.

Resources of the spouse or parent may also be deemed to a recipient when they are in excess of the amount that would be excluded if the spouse or parent were applying for SSI payments. Parental resources are not deemed to a child who is 18 years or older.

This process of deeming involved 60,000 recipients in December 1980. Two-thirds of those with deemed income were adults, the majority of whom were disabled. The average monthly amount of deemed income was \$125.73, \$125.29 for adults and \$126.66 for children.

STATE PAYMENTS

The SSI program establishes a basic Federal floor of income for the aged, the blind, and the disabled regardless of where they live in the country. However, under the former adult assistance programs, some States, because of their greater resources or the higher cost of living, were making larger payments to recipients than were provided by the new Federal SSI program. To deal with this situation, the SSI law encouraged States to supplement the basic Federal payment by offering Federal administration of the supplementation at Federal expense and "hold harmless" protec-

who live alone, and those in an old-age home, or those who live in an urban area where the cost of living is high and to those who live on farm. The States are limited to a total of eight variations per aged, blind, and disabled category. Under Federal administration, the Federal Government issues one check combining the Federal and State payments, and the State government later reimburses the Federal Government for its share of the combined check.

Under State administration, the State retains system flexibility and control, issues its own checks, and assumes full responsibility for program and administrative costs. While State administration enables a State to retain control of the supplementary program, the SSA is required to monitor the mandatory supplementation payments. Therefore, the States must agree to provide pertinent records and additional data as needed to enable the Secretary and the Comptroller General to review compliance with the mandatory minimum income level provisions.

HOLD HARMLESS PROTECTION

Hold harmless payments, now being phased out, were established to protect States that chose Federal administration of State SSI supplementation from having to pay out of State funds any more than their calendar year 1972 assistance expenditures for the aged, blind, and disabled to maintain pre-SSI benefit levels.³⁶ This hold harmless protection compensated States for the increased costs caused by the growth in the recipient population, but did not cover increases made in supplementation levels. Hence, when the Federal SSI benefits were increased, the amount of the State's mandatory supplement was decreased by an equal amount, since the State was required to make supplementary payments only up to the December 1972 level. The result was that increases in Federal SSI payments reduced the protected portion of a State's supplementary payments, thereby reducing hold harmless payments.

By fiscal year 1977, only Hawaii, Massachusetts, and Wisconsin were entitled to hold harmless protection.

Public Law 94-585, enacted in 1976, provided that cost-of-living increases or any general increase effective after June 30, 1977, would be disregarded in computing the amount of protected payments to be credited toward reaching hold harmless. This change in law helped perpetuate hold harmless protection for the States of Hawaii, Massachusetts, and Wisconsin through fiscal year 1982. In fiscal year 1982, only Hawaii and Wisconsin remained eligible for hold harmless protection. The 1982 continuing resolution provided for a reduction in hold harmless payments for Hawaii and Wisconsin. Public Law 97-248 continued the phase out of hold harmless payments as follows: hold harmless payments were reduced to 40 percent of what they would otherwise have been in 1983, to 20 percent in 1984, and to zero in 1985.

³⁶ In fiscal year 1975, California, Hawaii, Massachusetts, Nevada, New York, and Wisconsin benefited from hold harmless protection.

TABLE 22.—NUMBER OF PERSONS RECEIVING PAYMENTS, BY TYPE OF PAYMENT AND REASON FOR ELIGIBILITY, JANUARY 1974 AND DECEMBER 1974-82—Continued

Month and year	Total	Federally administered ¹	Federal SSI ²	State supplementation				
				Total	Federally administered		State administered	
					Total ³	Only	Total ⁴	Only
December 1979	1,903,384	1,871,716	1,593,486	859,101	718,207	278,230	140,894	31,668
December 1980	1,838,406	1,807,776	1,533,366	837,411	702,763	274,410	134,648	30,630
December 1981	1,707,125	1,678,090	1,429,871	783,599	649,758	248,219	133,841	29,035
December 1982	1,578,959	1,548,741	1,329,485	727,640	597,080	219,256	130,560	30,218
BLIND								
January 1974	73,850	72,390	55,680	45,828	37,326	16,710	8,502	1,460
December 1974	75,528	74,616	(⁵)	(⁵)	(⁵)	(⁵)	5,898	912
December 1975	75,315	74,489	68,375	36,309	31,376	6,114	4,933	826
December 1976	77,223	76,366	69,083	38,215	33,484	7,283	4,731	857
December 1977	78,368	77,362	69,534	38,868	34,401	7,828	4,467	1,006
December 1978	78,027	77,135	68,192	39,214	35,022	8,943	4,192	892
December 1979	78,110	77,250	67,973	39,603	35,666	9,277	3,937	860
December 1980	79,139	78,401	68,945	39,847	36,214	9,456	3,633	738
December 1981	79,185	78,570	69,261	39,816	36,327	9,309	3,489	615
December 1982	77,929	77,356	68,584	39,006	35,584	8,772	3,422	573
DISABLED								
January 1974	1,285,201	1,278,122	1,209,783	769,501	672,575	68,350	96,926	7,068
December 1974	1,644,322	1,635,539	(⁵)	(⁵)	(⁵)	(⁵)	101,769	8,783
December 1975	1,950,625	1,932,681	1,800,279	922,229	808,725	132,402	113,504	17,944
December 1976	2,032,675	2,011,876	1,862,668	939,711	830,463	149,208	109,248	20,799
December 1977	2,130,868	2,109,409	1,943,175	981,524	869,057	166,234	112,467	21,459
December 1978	2,191,162	2,171,890	2,000,820	1,014,467	907,037	171,070	107,430	19,272
December 1979	2,220,824	2,200,609	2,025,660	1,036,240	930,410	174,949	105,830	20,215
December 1980	2,276,258	2,255,840	2,080,100	1,050,118	945,788	175,740	104,330	20,418
December 1981	2,280,408	2,262,215	2,090,971	1,044,932	939,194	171,244	105,738	18,193
December 1982	2,251,080	2,231,493	2,075,232	1,024,934	917,741	156,261	107,193	19,587

¹ All persons with Federal SSI payments and/or federally administered State supplementation.

² All persons with Federal SSI payments whether receiving Federal payments only or both Federal SSI and federally administered State supplementation.

³ All persons with federally administered State supplementation whether receiving State supplementary payments only or both Federal SSI and federally administered State supplementation.

⁴ All persons with State administered State supplementation whether receiving State supplementary payments only or both Federal SSI and State administered State supplementation.

⁵ Data not available.

Source: Social Security Bulletin, Annual Statistical Supplement, 1982.

BLIND PERSONS

The number of blind SSI recipients increased from almost 74,000 in January 1974 to more than 78,000 in December 1977, then dropped slightly in 1978 and began to rise again in 1979 reaching a peak of 79,000 in December 1981. The number of recipients dropped back to 78,000 in 1982 (see table 22). As of September 1983, there were approximately 79,000 SSI recipients who were blind. Of these, 23,000 were over 65 years old.

DISABLED PERSONS

The number of disabled SSI recipients has increased steadily from the 1.3 million in January 1974 to the nearly 2.3 million in December 1981, a 77-percent increase. In December 1982, the number of disabled SSI recipients declined slightly; however, ap-

TABLE 23.—SUPPLEMENTARY SECURITY INCOME: NUMBER AND PERCENTAGE DISTRIBUTION OF ALL ADULTS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND AGE—Continued

Age	Total	Aged	Blind	Disabled
75-79.....	12.1	27.6	5.1	.5
80 or older.....	16.3	37.5	10.2	.1

Source: Social Security Administration.

In December 1982, only 55 percent of the adult SSI population were age 65 or older; of these a little more than half were 75 years of age or older. More than three-fourths of disabled recipients were under 65; almost half of the disabled were between the ages of 40 and 64 (see table 23).

Due to the large numbers of nonaged disabled persons receiving SSI, the proportion of the SSI population aged 65 or older has declined from 60 percent in 1975 (61 percent in January 1974) to 55 percent in 1982. This change in the age distribution would have been greater had not the percentage of disabled persons aged 65 or older doubled.

LIVING ARRANGEMENT

In December 1974, 85.8 percent of SSI recipients lived in their own household, 9.8 percent lived in another person's household, and 4.4 percent were in a medicaid facility (see table 24). The comparable figures in December 1982 were 89.1 percent, 5.3 percent, and 5.5 percent, respectively (see table 24).

TABLE 24.—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED: NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND LIVING ARRANGEMENTS

Living Arrangements ¹	Total	Aged	Blind	Disabled
December 1974:				
Total number.....	3,996,064	2,285,909	74,616	1,635,539
Total percent.....	100.0	100.0	100.0	100.0
Own household.....	85.8	88.5	87.3	82.1
Another's household.....	9.8	8.0	9.3	12.2
Institutional care covered by medicaid.....	4.4	3.5	3.4	5.7
December 1982:				
Total number.....	3,857,590	1,548,741	77,356	2,231,493
Total percent.....	100.0	100.0	100.0	100.0
Own household.....	89.1	90.9	89.7	87.8
Another's household.....	5.3	4.2	6.1	6.1
Institutional care covered by medicaid.....	5.5	4.9	4.1	6.0

¹ As used for determination of Federal SSI payment standards.

Source: Social Security Administration.

In 1974, aged recipients were somewhat more likely to be living independently than blind or disabled recipients. Disabled recipients were more often living in another person's household or a medicaid facility than were aged or blind recipients. In 1982, a similar pattern existed.

TABLE 25.—CHANGE IN TOTAL INCOME AND WELFARE BENEFITS FROM 1973 TO 1974: PERCENTAGE DISTRIBUTION OF ADULT ASSISTANCE POPULATION, BY TYPE OF RECIPIENT AND TYPE OF CHANGE, 5 STATES—Continued

Amount of income and welfare benefit change	California, change in		Georgia, change in		Mississippi, change in		New York, change in		Texas, change in	
	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits
Increase in welfare benefits as a percentage of increase in total income.....		109.6		91.7		118.0		136.3		91.2

Source: Social Security Bulletin. First Year Impact of SSI on Economic Status of 1973 Adult Assistance Populations [by] Sylvester J. Scheiber. Feb. 1978. p. 33.

New York showed the highest median welfare benefit increase for the aged, followed by Georgia, Texas, California, and Mississippi. Mississippi had the highest increase in median welfare benefit for the blind and disabled, followed by California, New York, Georgia, and Texas.

The report cautions the reader that "many things could have happened to the individuals between the time they were interviewed in 1973 and again in 1974 that could account for changes in their economic status—changes in marital status or other household composition, or changes in the amount of public assistance payments, as well as in income from non-assistance sources."³⁹

In terms of the overall economic status of aged recipients measured by median income the ranking shows California with the highest median income followed by New York, Georgia, Mississippi, and Texas. The ranking also shows blind and disabled recipients in California having the highest median income, followed by New York, Mississippi, Georgia, and Texas.

The study concludes by stating that the poorest of those individuals who were transferred to SSI benefited most from the SSI program.

SEX

In June 1975, 34.2 percent of SSI recipients were men, 61.8 percent were women; the sex of the remaining 5 percent was not reported (see table 26). In March 1983, 34.4 percent of SSI recipients were men and 65.6 percent were women (see table 26).

TABLE 26.—SSI: NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY, SEX AND RACE

Sex and race	Total	Aged	Blind	Disabled
June 1975:				
Total number.....	4,188,500	2,326,300	73,800	1,788,300
Total percent.....	100.0	100.0	100.0	100.0
Sex:				
Men.....	34.2	28.6	44.3	41.1
Women.....	60.8	64.7	51.2	56.2
Not reported.....	5.0	6.7	4.5	2.7

See footnote 37, p. 40.

social security benefits that averaged \$128.55 just below the average amount of all dual recipients (\$130.01) and the blind and disabled recipients received larger social security benefits averaging \$131.50 and \$133.59, respectively (see table 27).

TABLE 27.—SSI: PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND NUMBER AND PERCENT IN CONCURRENT RECEIPT OF INCOME, BY REASON FOR ELIGIBILITY, SOURCE OF INCOME, AND AVERAGE MONTHLY AMOUNT

Type of income	Total	Aged	Blind	Disabled
December 1975:				
Total number.....	4,314,275	2,307,105	74,489	1,932,681
Number:				
Social security benefits.....	2,271,815	1,604,030	26,408	641,377
Other unearned income.....	452,160	265,054	5,699	181,407
Earned income.....	120,775	61,286	4,860	54,629
Percent with income:				
Social security benefits.....	52.7	69.5	35.5	33.2
Other unearned income.....	10.5	11.5	7.7	9.4
Earned income.....	2.8	2.7	6.5	2.8
Average monthly amount:				
Social security benefits.....	\$130.00	\$128.55	\$131.50	\$133.59
Other unearned income.....	\$61.10	\$55.43	\$68.17	\$69.17
Earned income.....	\$80.60	\$66.48	\$237.13	\$82.52
March 1983:				
Total number.....	3,867,445	1,539,549	77,950	2,249,946
Number:				
OASDI benefits.....	1,906,902	1,071,166	29,188	806,548
Other unearned income.....	392,041	193,878	8,633	189,530
Earned income.....	126,516	22,545	5,038	98,933
Percent with income:				
OASDI benefits.....	49.3	69.6	37.4	35.8
Other unearned income.....	10.1	12.6	11.1	8.4
Earned income.....	3.3	1.5	6.5	4.4
Average monthly amount:				
OASDI benefits.....	\$230.88	\$233.92	\$244.74	\$226.35
Other unearned income.....	\$80.75	\$71.14	\$80.45	\$90.60
Earned income.....	\$106.58	\$106.70	\$413.31	\$90.93

Source: Social Security Administration.

In March 1983, 49.3 percent of the persons receiving SSI benefits also received social security benefits. The rate of receipt of social security varied from 69.6 percent for the aged, to 37.4 percent for the blind, and 35.8 percent for the disabled. The average monthly social security benefit was \$230.88. The disabled received social security benefits that were lower than the average amount (\$226.35), and the aged and the blind received social security benefits in excess of the average amount, \$233.92 and \$244.74, respectively (see table 27).

The number of dual beneficiaries declined in part because the average social security benefit increased at a faster rate than the SSI standards. Between December 1974 and December 1983, the Federal SSI payment level for an individual increased by 208 percent, compared with 235 percent for the average social security payment. Social security benefits increased in response to both cost-of-living increases and the higher earnings of new beneficiaries, whereas the SSI standard increased only for the rise in the cost of living. Other

caseload reductions occurred because some recipients died and because Federal SSI payment levels and social security benefit levels were increased several times during this period. The income levels were thus raised for many recipients in these States, and subsequently the need for mandatory supplements were diminished. At the end of 1981, nearly all of the persons who qualified for aid under the SSI program in these States therefore received only a Federal SSI payment. In fact, had it not been for legislation enacted in 1976 that required States to pass along to their recipients Federal cost-of-living increases, all of the persons receiving mandatory supplements would have been removed from the rolls by now.

For the seven States still providing mandatory supplements, the change in expenditures was dramatic: the annual amount expended dropped from \$29 million in 1974 to \$504,000 in 1981. Further, not only were fewer persons receiving supplementary payments in the mandatory-only States, but also smaller supplements were made to those who remained on the rolls (see table 28).

TABLE 28.—NUMBER OF PERSONS RECEIVING STATE SUPPLEMENTATION IN STATES WITH ONLY MANDATORY PROGRAMS: 1974 AND 1981

State	Number of persons			Amount of payments (in thousands)		
	December		Percentage change 1974-81	December		Percentage change 1974-81
	1974	1981		1974	1981	
Total	75,945	2,911	-96.2	\$29,111	\$504	-98.3
Arkansas	17,137	328	-98.1	3,499	58	-98.3
Georgia	12,553	400	-96.8	5,874	71	-98.8
Kansas	1,466	199	-86.4	1,241	71	-94.3
Louisiana	24,481	1,099	-95.5	9,292	141	-98.5
Mississippi	10,659	400	-96.2	2,822	60	-97.9
Ohio	6,414	442	-93.1	4,453	103	-97.7
Tennessee	3,235	43	-98.7	1,930	NA	—

Source: Social Security Administration.

A State provides an optional supplement to help persons meet needs not fully covered by Federal SSI payments. The State determines whether it will make a payment, to whom, and in what amount. These supplements paid on a regular monthly basis, are intended to cover such items as food, shelter, clothing, utilities, and other daily necessities. Some States provide optional supplementation to all persons qualifying for Federal SSI benefits (broad coverage), while others may limit them to certain SSI recipients such as the blind or residents of domiciliary care facilities (limited coverage), or may extend them to persons who would be eligible for Federal SSI payments but for excess income.

At the end of 1981, 42 States including the District of Columbia had optional supplementation programs. Twenty-four States limited their coverage to selected categories of SSI recipients. Eighteen States including the District of Columbia offered coverage to nearly all persons who qualified for the Federal SSI program and extended coverage to persons who would have qualified had their income not exceeded the basic Federal payment level.

Among States that provided limited optional State supplementary payments, caseloads tended to drop, but expenditures tended to

TABLE 30.—NUMBER OF PERSONS RECEIVING STATE SUPPLEMENTATION IN STATES WITH BROAD OPTIONAL PROGRAMS: 1974 AND 1981—Continued

State	Number of Persons			Amount of payments (in thousands)		
	1974	1981	Percentage change 1974-81	1974	1981	Percentage change 1974-81
Washington.....	46,221	40,312	-12.8	15,168	16,738	10.4
Wisconsin.....	50,854	58,065	14.2	36,018	57,465	59.5

Source: Social Security Administration.

THE QUESTION OF ADEQUACY

OVERVIEW

Ideally, an income tested transfer system, along with the employment and work related benefit programs, should enable both those who can work and those who cannot work to have access to a level of income judged sufficient for basic needs. The usual approach to judging adequacy is to compare the maximum benefits of a given program with an income standard such as the poverty threshold.

In our discussion of how adequate the SSI program is we will look at both cash and noncash benefits.

SSI AND CASH PROGRAMS

SSI provides a minimum income guarantee that is determined by Federal law and administered by the Social Security Administration. The Federal income floor in July-December 1983 was \$304.30 monthly per individual and \$456.40 per couple. These amounts included a 7 percent ad hoc benefit boost (\$20 per individual, \$30 per couple) that was paid in July 1983 after Congress postponed the scheduled 1983 cost-of-living allowance.

On January 1, 1984, when the 1983 cost-of-living allowance was paid belatedly, Federal SSI guarantees were increased to \$314 per individual and to \$472 per couple. These amounts were 79 percent and 94 percent, respectively, of the estimated 1983 poverty thresholds.

Like poverty thresholds, SSI benefits normally are adjusted annually for price inflation, but the measuring periods have been different. As a result, the poverty thresholds for aged persons rose about 10 percent more in 1973-81 than Federal SSI benefit levels in 1974-82.

States may provide additional payments to SSI recipients at their own expense. In January 1984, 25 States plus the District of Columbia offered supplements for aged persons living independently. The State payments ranged from \$1.70 in Oregon to \$252 in Alaska, \$166.30 in Connecticut, and \$163 in California.

Provision of State supplements lifted maximum benefit levels for aged individuals above the poverty threshold in six States, and for aged couples, in 19 States. For example, the January 1984 SSI guarantee level in California for an individual was \$477, 120 percent of the estimated 1983 poverty threshold for an aged person (See tables 31 and 32).

- ⁴ SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.
⁵ Estimated maximum paid for aged individual with average shelter cost of \$200 monthly. Higher if shelter costs are higher or special needs exists. State decides benefit on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produced only \$22 excess shelter deduction for food stamp calculation.)
⁶ State disregards \$20 of SSI payment in determining the State supplementary payment.
⁷ Estimated usual maximum paid for aged individual. Assumes shelter allowance of \$97. State decides benefits on case-by-case basis. Estimate provided by State official.
⁸ Payment level for Hennepin County. State has 10 geographic payment levels.
⁹ State disregards \$13 of an individual's income in determining the supplementary payment. The State supplementary payment amount is rounded to the next higher dollar.
¹⁰ Benefits shown include \$16.68 per case for energy aid, disregarded by the food stamp program.
¹¹ State supplement paid only if recipient has no income other than Federal SSI payment.
¹² State has two geographic payment levels—highest are shown in table.
¹³ Sum paid in King, Pierce, Kitsap, Snohomish, and Thurston Counties.
¹⁴ State supplement paid only if recipient has less than \$20 income.

*Data obtained from State by CRS.

Source of SSI data: Social Security Administration except for States marked with asterisk. Table prepared by Congressional Research Service.

TABLE 32.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED COUPLES LIVING INDEPENDENTLY,¹ JANUARY 1984

State	Maximum SSI benefit	Food stamp benefit ²	Combined benefits	
			Monthly	Annual
Alabama.....	\$472.00	\$63.00	\$535.00	\$6,420.00
Alaska.....	³ 830.00	67.00	897.00	10,764.00
Arizona.....	472.00	63.00	535.00	6,420.00
Arkansas.....	472.00	63.00	535.00	6,420.00
California.....	886.00	⁴ 0	886.00	10,632.00
Colorado.....	744.00	10.00	754.00	9,048.00
Connecticut.....	⁵ 760.60	10.00	770.00	9,247.00
Delaware.....	472.00	63.00	535.00	6,420.00
District of Columbia.....	502.00	54.00	556.00	6,672.00
Florida.....	472.00	63.00	535.00	6,420.00
Georgia.....	472.00	63.00	535.00	6,420.00
Hawaii.....	480.80	147.00	627.80	7,533.60
Idaho.....	⁶ 530.00	46.00	576.00	6,912.00
Illinois.....	⁷ 494.45	56.00	550.45	6,605.40
Indiana.....	472.00	63.00	535.00	6,420.00
Iowa.....	472.00	63.00	535.00	6,420.00
Kansas.....	472.00	63.00	535.00	6,420.00
Kentucky.....	472.00	63.00	535.00	6,420.00
Louisiana.....	472.00	63.00	535.00	6,420.00
Maine.....	487.00	58.00	545.00	6,540.00
Maryland.....	472.00	63.00	535.00	6,420.00
Massachusetts.....	673.72	10.00	683.72	8,204.64
Michigan.....	508.40	52.00	560.40	6,724.80
Minnesota.....	⁸ 538.00	43.00	581.00	6,972.00
Mississippi.....	472.00	63.00	535.00	6,420.00
Missouri.....	472.00	63.00	535.00	6,420.00
Montana.....	472.00	63.00	535.00	6,420.00
Nebraska.....	579.50	31.00	610.50	7,326.00
Nevada.....	546.46	41.00	587.46	7,049.52
New Hampshire.....	⁹ 493.00	57.00	550.00	6,600.00
New Jersey.....	¹⁰ 495.28	61.00	556.28	6,675.36
New Mexico.....	472.00	63.00	535.00	6,420.00
New York.....	548.03	40.00	588.03	7,056.36
North Carolina.....	472.00	63.00	535.00	6,420.00
North Dakota.....	472.00	63.00	535.00	6,420.00
Ohio.....	472.00	63.00	535.00	6,420.00
Oklahoma.....	616.00	20.00	636.00	7,632.00
Oregon.....	472.00	63.00	535.00	6,420.00
Pennsylvania.....	520.70	48.00	568.70	6,824.40
Rhode Island.....	570.30	33.00	603.30	7,239.60
South Carolina.....	472.00	63.00	535.00	6,420.00
South Dakota.....	¹¹ 487.00	58.00	545.00	6,540.00
Tennessee.....	472.00	63.00	535.00	6,420.00
Texas.....	472.00	63.00	535.00	6,420.00
Utah.....	492.00	57.00	549.00	6,588.00

The SSI guarantee per individual is \$314. Benefits are reduced by 50 percent of earnings after the first \$65 earned monthly (\$85 if the person has no unearned income). That is, for every dollar of earnings above \$65, the SSI payment is reduced by 50 cents. Thus it takes earnings of \$65 plus \$628 (two times \$314) to phase out the guarantee. An aged person is, thus, eligible for SSI assistance if his gross earnings are below \$693 monthly, 174 percent of the estimated 1983 poverty threshold. However, for the disabled, counted earnings in excess of \$300 a month are used as an indicator that an individual is no longer disabled. Previous law (expired January 1, 1984) allowed an individual whose impairment continued, to remain eligible for a gradually reduced amount of SSI and for medicaid. In March 1982, 3.3 percent of the SSI population reported having some earnings.

AFDC

A person who is receiving AFDC benefits is not eligible for SSI. Thus, a needy mother of a disabled dependent child would choose the program that is more beneficial, probably SSI. A disabled child SSI recipient who is a member of a family receiving AFDC benefits would not be included in the AFDC grant.

SOCIAL SECURITY

It was noted in an earlier section that 50 percent of SSI recipients also receive social security benefits. Since any amount of social security payments in excess of \$20 monthly is deducted dollar for dollar from SSI payments, the level of income for persons who receive both SSI and social security is currently \$334 for an individual (\$314 plus \$20) and \$492 for a couple (\$472 plus \$20), no matter what the amount of the social security benefit is, as long as it is below the implicit floor (\$334 and \$492). It is therefore reasonable to assume that some workers who expect to receive a social security monthly benefit below this implicit floor may choose to retire before the age of 65 and accept the early retirement reduction in social security benefits, realizing that as soon as they reach age 65, the SSI income guarantees will nullify that reduction. It is also reasonable that many dual beneficiaries may regard the extra \$20 a month as a very small return for their preretirement work and payroll taxes.

SSI AND NONCASH PROGRAMS

In 1982, 95 percent of the 2,743,000 SSI households received at least one of the following noncash benefits—medicaid, food stamps, school lunch, or public housing (see table 33). Below is a discussion of some of the noncash programs.

In the very early days when the system still contained numerous errors, there was a new version about every 2 weeks. By 1975, when things settled down, the version was changed to monthly. In 1981, as the situation stabilized even further, the version schedule was changed to bimonthly. It is likely that the version release schedule will stay at this level indefinitely because bimonthly is proving to be optimum.

The concept of version releases requires some discipline because of the innate desire to modify and improve the software. But it yields big dividends in terms of systems stability and simplifying the process of tracing malfunctions.

Each version of the system is documented, labeled, and a backup is retained. As new versions are implemented, old versions are retired.

EVOLUTIONARY PHASES

The SSI system has gone through several evolutionary phases:

Phase:	Period
Implementation of major subsystems.....	1973-76
Enhancement of major subsystems.....	1975-81
Implementation of major legislation.....	1980-84
Systems modernization.....	1982-

As explained earlier, implementation of the basic subsystems to establish initial claims, to pay recurring benefits, and to process the various posteligibility actions took until about the middle of 1976. At that point, efforts were devoted to refining, updating, and enhancing the subsystems to bring them up to a level above that which met minimal requirements. This phase continued until about 1980 when a series of major legislative changes were mandated.

The following summarizes the most significant of these:

Public Law	Section	Purpose/subject	Effective date
96-265.....	203	Elimination of parental deeming at age 18.....	Oct. 1, 1980.
96-265.....	201 (a) and (b)	Benefits for those recipients engaged in substantial gainful activities despite severe impairments.	Jan. 1, 1981-Dec. 31, 1983.
96-265.....	302(b)	Provisions relating to exclusions of extraordinary work expenses due to severe disability.	Dec. 1, 1980.
96-265.....	501	Offset of SSI for retroactive title II payments (sec. 1147).	July 1, 1980.
96-265.....	504	Sponsor to alien deeming establishment.....	Oct. 1, 1980.
97-35.....	2176	Home and community based services (K. Beckett cases).	Aug. 13, 1981.
97-35.....	2341	SSI eligibility/payment determinations changed to retrospective monthly accounting basis.	Apr. 1, 1982.
97-248.....	181	Proration of SSI benefits.....	Oct. 1, 1982.
97-248.....	183	COLA coordination establishment.....	Do.
98-21.....	403	Emergency shelter payment establishment.....	May 1, 1983.

In 1982, the Commissioner formulated a systems modernization plan to overcome serious deficiencies in SSA's computer systems. The primary thrust of the plan was directed toward the title II system, but the SSI system was a benefactor too. The plan was divided into the following parts: ⁷

⁷ Systems Modernization Plan, Executive Summary, SSA, 1982, figure 3.1.

records on it within the limits of that which can be efficiently manipulated by computers.

Another technique used to facilitate handling the SSR is the periodic removal of inactive records to a separate offline file. The inactive records can be recalled at any time if necessary; but otherwise, they do not have to be housed on the active master file nor processed in daily operations.

The SSR is a dynamic file and must be periodically reorganized to allow for new fields and to expand the area used to store historical data. These periodic reorganizations/expansions of the master file are very traumatic because they require the revision and revalidation of every program that uses the SSR. However, they are a necessary fact of life, and are performed every 1 to 2 years.

In addition to the regular SSI master file, there is a skeletal version which is kept active for the purpose of providing an immediate response to queries from the field offices. The skeletal master file is updated every time the real master is updated.

TRAINING

The SSI program created special challenges for SSA in terms of training field office employees. SSI has undergone frequent major changes in the past 10 years. Changes have resulted from legislation, shifts in policy, and court actions impacting operations in various States and nationwide. Also, because client circumstances tend to change from month to month, field offices must contend with workloads marked by constant posteligibility development, intricate systems input and output, and the frequent need to compute payments and prepare notices manually. Field employees have faced increasing demands to remain knowledgeable, skillful, and flexible in an environment of ongoing program change and increasing workloads and processing goals. Over the past decade, SSA has focused attention on development and maintenance of SSI training courses and training materials. Development of structured courses, better qualified and better prepared instructors, and advanced training techniques have yielded benefits both to SSA and to the general SSI population. We believe the enhancements made in SSI training have contributed to the overall improvements in payment accuracy and timeliness.

For the first 2 years of the program, training was largely unstructured and informal. CR's already knowledgeable in OASDI claims adjudication, were provided with a series of lessons on SSI eligibility rules and claims processing procedures. Beginning in 1975, formalized lesson plans were developed and incorporated into title II CR basic course. The concept of "specialization" was introduced in SSA field offices in 1978, and with it came the need for intensified SSI training. The CR basic course was reformatted to include more SSI material. Newly hired or promoted CR's were given 6 weeks of general training on the OASDI and SSI programs. Following this, SSI CR's received an additional 6 weeks of training on SSI issues.

In 1980, the title XVI CR basic course was developed, essentially separating SSI and OASDI CR training. The course was fully revised in June 1983. It consists of 9 weeks (12 weeks for employees

In 1982, SSA reemphasized its commitment to improved service delivery in the SSI program. A March 1981 report issued by the SSI error reduction workgroup recommended greater management attention to interviewing as a means of reducing payment errors caused by poor recipient reporting. The recommendation led, among other things, to the production of a 28-minute videotape entitled, "Effective Interviewing for SSI." The tape was designed for presentation to new as well as seasoned interviewers and employed mock interviews to demonstrate proper interviewing techniques and those to be avoided. About 800 copies of the videotape were released to district offices (to be shared with branch offices) in mid-1983; field reaction thus far has been favorable, and some offices plan to repeat use of the tape on a yearly basis.

We are continuing to analyze the effectiveness of current SSI training materials and training methods. In the future, we plan to rely more heavily on user-feedback as part of this process. We are also exploring a number of new approaches to SSI training, including use of programmed learning texts and computer-based training. Further advancements in SSI training are expected this year as part of our goal of improving service to the public.

CLAIMS PROCESS

The claims process includes all activities related to processing an application for payments. It includes the application interview, obtaining necessary evidence and documentation, and the adjudication of the claim. While requirements for entitlement differ between titles II and XVI, the claims process as it relates to the claimant is similar. In many situations, claimants file for benefits under both programs at the same time. For ease of discussion, we deal with the claims process in several segments:

INTERVIEW

Potential claimants initially contact SSA by phone, mail, or in person. In some cases, friends, relatives or other interested parties will make the initial contact on behalf of the claimant. Depending on the contact, the field office will conduct an interview with the claimant and/or his/her representative through a face-to-face interview in the office, or by phone. Personal contact at the residence is done when for some reason, the phone cannot be used and the claimant cannot make a personal visit to the field office. These situations usually involve severely ill or handicapped individuals or persons residing in institutions such as hospitals or nursing homes. The field office interviewer, usually a CR, assists the claimant in completing the prescribed application form. Because of the length of the application form and the detailed information required, interviews can take several hours to complete.

PROOFS

"Proofs" is an internal SSA term used to describe the evidence and documentation required in order to make a determination about eligibility for payments. Section 1631 of the Social Security Act requires SSA to verify relevant facts with information from in-

SSI PROCESSING TIME: INITIAL APPLICATION TO PAYMENT OR DENIAL ¹—Continued

Number of days elapsed	Percent of all claims completed in—				
	September 1974	March 1975	September 1975	March 1976	September 1976
31 to 60		24	27	34	32
Over 60		55	33	28	42
B. Aged claimants:					
0 to 20	18	25	43	51	33
21 to 30	7	14	16	16	16
31 to 60	12	20	22	22	30
Over 60	63	41	18	10	21
C. Blind/disabled:					
0 to 20	13	6	27	18	10
21 to 30	7	7	8	13	10
31 to 60	15	26	28	36	33
Over 60	66	61	37	33	47

¹ Data show the elapsed time from claim to disposition for claims disposed of in certain months. Comparable data concerning the length of time claims have been pending within the administration at any given time are not available.

Following is a table displaying processing time data for fiscal year 1981 through 1983:

SSI FISCAL YEAR PROCESSING TIME: INITIAL APPLICATION TO PAYMENT OR DENIAL

Number of days elapsed	Percent of claims completed in fiscal year—		
	1981	1982	1983
A. Aged:			
0 to 20	77.5	66.9	65.1
21 to 30	11.3	15.7	17.2
31 to 60	9.2	13.9	14.6
over 60	2.0	3.5	3.1
B. Blind/disabled:			
0 to 20	20.9	49.9	2.0
21 to 30	10.4	17.0	16.8
31 to 60	35.5	15.7	13.3
over 60	33.2	17.4	49.9

EMERGENCY AID AND DELAYS IN THE CLAIMS PROCESS

The SSI program, unlike the programs it replaced, was not designed to respond to the immediate needs of claimants. The application process, which was patterned after OASDI claims processing, requires, on average, approximately 20 days for aged applications and approximately 69 days for disability applications to be completed. Added to these timeframes is the time needed to release the SSI check from the Treasury disbursing center in Birmingham, Ala., and to deliver it to the recipient. Despite numerous improvements in the claims and payment processes since 1974, the average aged claimant still waits almost 27 days from the application date to receive an SSI check. Disability claimants wait almost 76 days to receive an SSI check, if found eligible. Claims processing delays, whether the result of the claimant's failure to supply needed evi-

gency needs on the part of claimants. Rather, during the early months of the SSI program, many recipients who were converted from State assistance rolls were not entered properly on SSA's computer system. The emergency advance payment was, in many instances, the only method SSA could utilize to get funds to such individuals.

The steady decline in emergency advance payments since 1974 can be attributed to saturation of the universe of potential claimants, availability of other assistance (such as State interim assistance) prior to applying for SSI, and the overall decline in new claimants. Also, where delays occur in issuing the first SSI payment, SSA field offices have become more adept at using other means to issue a check such as the force payment process which bypasses normal systems payment processes or the manual one-time-payment process. Both of these methods can issue a payment in an amount greater than the \$100 which can be issued through emergency advance payment procedures.

PRESUMPTIVE DISABILITY PAYMENTS

The legislation which established the SSI program provided that payments on the basis of disability or blindness may be made for up to 3 months to "presumptively eligible" individuals. When there is a reasonable indication that his or her impairment will meet the definition of disability or blindness, an individual may be paid SSI payments while evidence is being obtained and evaluated to establish disability or blindness. This mechanism assures the individual payments with which to meet living costs during the time the application is being processed. These payments are not considered overpayments and are not recovered in rare cases where the claimant later is found not to be disabled or blind.

Initially, the determination of presumptive disability by SSA was limited to some of the most severe and identifiable impairments (i.e., those most likely to be found disabling) such as (1) amputation of two limbs; (2) amputation of a leg at the hip; or (3) allegations of total deafness. In 1975, six additional categories of impairments were included among those resulting in a finding of presumptive disability. Regardless of the nature of the impairment, payment cannot be made unless the nondisability requirements for SSI eligibility are met. State disability determination services (DDS's) also can find presumptive disability in any case in which medical evidence received during the course of development indicates a "high degree of probability" that the claimant is disabled.

SSA operating instructions regarding presumptive disability determinations permit interviewers to make presumptive disability decisions, with few exceptions, based solely on their observations of the claimant. Once a presumptive disability determination is made, an initial SSI check will be issued in approximately the same length of time required for an SSI aged claim (27 days). In cases of extreme emergency the presumptive disability decision may be coupled with the emergency advance payment procedure, and a one-time \$100 payment can be issued immediately.

The following table summarizes the number of presumptive disability decisions made during fiscal years 1974 through 1983, and

rent, and prospective amounts of SSI payments and SSA administered State supplements are correct. The redetermination can be a face-to-face interview conducted in an SSA office, a telephone interview, or the completion of a mail-out form.

The length of time between redeterminations depends on the likelihood and amount of erroneous payments. Those recipients more likely to be ineligible or significantly overpaid are scheduled for redetermination annually. Less error-prone cases are scheduled for redetermination once every 3 years. Recipients in medicaid institutions and limited to a \$25 benefit cap are currently not scheduled for redetermination after their first redetermination.

The first redeterminations were scheduled for 1975, one year after the SSI program went into effect. However, because of the deluge of work associated with converting recipients from State to Federal rolls and of signing up millions of new participants, SSA was unable to process all redeterminations in a timely fashion until the end of 1977. There are, and have been, approximately 4 million recipients on our rolls since 1975. We processed 2.3 million redeterminations in 1975, 3.5 million in 1976 and finally became current by handling 5.8 million in 1977.

During the early years of the redetermination effort, all recipients were treated alike, each undergoing a lengthy in-depth interview and required to submit substantial documentation of reported events and circumstances. All redeterminations were carried out by technical field personnel usually in the local SSA office. The redetermination procedure was a costly, labor-intensive operation for SSA and a considerable burden on all recipients.

In 1979, SSA took a major step to gain better control over the redetermination process and to lessen the reporting burden on recipients. In that year, a sophisticated method of identifying error-prone recipients was implemented nationwide. Called the error profile concept, the method is based on SSA quality assurance data which indicate that the majority of errors occur in cases with certain recipient characteristics (e.g., income, living arrangements, payment amount, etc.). A computer program developed to evaluate those characteristics was used to break down the selected cases into error strata or profiles. SSA is now able to separate the more error prone recipients from the less error prone and tailor the redetermination development procedures according to the amount of error likely to be received.

At the same time profiles were being developed, the posteligibility operations section (PEOS), was created in Baltimore to process, by means of a brief mail contact with recipients, those redetermination cases which the profiling method had determined to have the least amount of payment error. With the introduction of the mail redetermination process, both the administrative cost of redeterminations and the burden on the recipients redetermined by mail were reduced.

A significant improvement in the profiles was made in 1980. Within the overall category of scheduled redeterminations, previously unredetermined recipients were identified and profiled separately. Quality assurance data showed that a significant number of payment errors (particularly underpayments) occur during the early months of a recipient's eligibility. By identifying and correct-

any questions he/she can contact the local social security office for information.

INTERFACES

BACKGROUND

The title XVI legislation requires that title II benefits, as well as benefits paid by other Federal agencies, be considered as income in calculating the SSI payment. This fact, coupled with the mandates in sections 1631(e)(1)(B) and 1631(f) of title XVI established the need for the SSI system to be notified when such types of income are received or changed. Moreover, GAO recommendations also highlighted the need for electronic verification and updating of income from independent, collateral sources.¹⁰

To meet the above requirements, the SSI system was initially designed and subsequently modified to provide for data exchanges (interfaces) between SSA-maintained systems and between the SSI system and systems of other Federal agencies. It also provides data exchanges directly with the 50 States and the District of Columbia.

INTERFACES CURRENTLY IN EFFECT

(a) Title II Benefit/Payment System

(1) Implemented: March 1974.

(2) Obtains title II benefit (entitlement) and payment information:

- To verify and to apply automatically to the supplemental security record (SSR) title II benefit amounts received by SSI-involved individuals, including any changes in the amount.
- To verify the identity of the SSI recipient/applicant, including verification of SSN and title II claim number; and
- To verify other factors affecting SSI entitlement such as death, marriage, family composition, and representative payment.

(3) Frequency: Daily.

(4) Volume: Of the 4 million active SSI recipients, 2.5 million are concurrently receiving title II benefits. The SSI system receives 15,000 transactions weekly from the title II system reflecting accretions, terminations and changes in title II benefits.

(5) Efficiency: Daily exchange of data between the title II and SSI systems supports timely and accurate processing of changes without requiring recipient contact in local field offices. With enactment of retrospective monthly accounting and SSI offset (Public Law 96-265), overpayments as a result of these changes or accretions have been reduced. Absence of this data exchange would result in at least 15,000 additional recipient visits to field offices weekly and could result in annual overpayments in excess of \$250 million.

(b) Earning Reference File

(1) Implemented: September 1976.

¹⁰ GAO, SSI Payment Errors Can Be Reduced, Washington, Nov. 18, 1976.

(e) Office of Personnel Management

- (1) Implemented: June 1978.
- (2) Obtains civil service retirement and survivor annuity payment and entitlement information:
 - to verify and to automatically update to the SSR, civil service pensions received by SSI individuals.
 - to identify other factors affecting SSI entitlement such as death, receipt of other income, marital status, U.S. residence.
- (3) Frequency: Twice yearly, at time of COLA and 6 months after COLA.
- (4) Volume: Approximately 30,000 SSI recipients are concurrently entitled to civil service pensions.
- (5) Efficiency/effectiveness: Each COLA run results in monthly SSI payment reductions of \$100,000. Each non-COLA run results in SSI payment reductions of \$30,000. Automatic application of COLA reduces recipient contact with field offices and reduces possible continuation of SSI overpayment.

*(f) Numerical Identification (SSN Enumeration) System
(NUMIDENT File)*

- (1) Implemented: July 1981.
- (2) Data obtained and uses:
 - original SSN application and change data (identifying data) verifies the SSN and identity of the SSI recipient/applicant.
 - identifies death information.
 - verifies U.S. citizenship.
- (3) Frequency: daily.
- (4) Volume: all SSI claims.
- (5) Efficiency/effectiveness: Prior to implementation of this exchange, the SSI system interfaced with the summary earnings record file to verify SSN's. This file was updated only five times yearly and recent identifying information was, therefore, not available. Additionally, corrections to the file as a result of field office investigations of discrepancies could not be made timely.

By using the NUMIDENT file, the SSI System is able to reduce identification discrepancies by over 50 percent. Corrections are facilitated by the increased frequency of runs by the NUMIDENT System. Additionally, the NUMIDENT file contains citizenship information which allows for automatic verification of U.S. citizenship. The availability of this information reduced by 1,600 claims per week, the need for recipients to secure and submit proof of U.S. citizenship.

(g) Recovery of Overpayments, Accounting, and Reporting System

- (1) Implemented: February 1983.
- (2) This interface automatically adjusts current title II payments to recover SSI overpayments once the recipient has agreed to this method of recovery.
- (3) Frequency: daily.
- (4) Volume: As of December 1983, the total monthly amounts of overpayments being recovered was \$1,699,052.50 for 56,000 records. Upon completion of conversion activity, the estimated monthly

six States which receive SDX files immediately following each cutoff via wire transmission). Additionally each State and the District of Columbia receives a monthly payment (Treasury) file delineating SSI check amounts for the subsequent month. An optional SDX file is created quarterly, upon State request, providing the latest record for each applicant within a State. The purpose of the quarterly (reconciliation) file is to allow States to ensure agreement between the SSA master file and individual State master files.

SDX records contain data relevant to SSI eligibility and payment as well as data relevant to eligibility for various social programs not administered by SSA. Based upon written contractual agreement State supplementary eligibility and payments administered by SSA, medicaid eligibility determinations made by SSA, as well as minimal food stamp eligibility information and third-party medical insurance data are included to support State processing.

SDX provides data to the States usually within 1 week of its input by the SSA district office. A posteligibility change to any SDX data causes generation of an updated SDX record.

Several files and options for files exist and are created as necessary utilizing SDX processes and programing:

503 Leads File

Under the provisions of section 503 of Public Law 94-566 of 1976, medicaid eligibility was extended indefinitely for those recipients who: Are entitled to title II, were entitled to title XVI prior to a title II cost-of-living increase, and would still be eligible for title XVI if the amount of the title II cost-of-living increase were deducted from their income.

To assist the States in enactment of this provision, special files are produced annually immediately following the title II cost-of-living increase. The first 503 files were produced in July 1977. The 503 files provide the States with leads on potential cases of extended medicaid eligibility. It remains a State responsibility to investigate the leads.

Boarding Home Listings

Section 1616(e) of the Social Security Act requires that the States monitor and enforce existing regulations governing the existence of unlicensed boarding homes and additionally requires that HHS provide aid in this endeavor. Pursuant to this requirement, analysis and programing effort were employed to create a three-part listing, available to the States upon request, of all addresses within a State where three or more title XVI checks are sent to unrelated recipients (relationship is assumed based on surname). The listing provided consists of a master listing detailing specific names and addresses; an index by address; and a graphic representation of numbers of recipients by address.

The initial boarding home listings were created in December 1979. Based upon comments received from the initial users, two versions of the listing were made available tailoring listings to State demographics.

The adoption of a quarterly accounting period in the original SSI legislation was apparently based on the fact that the Social Security Administration receives quarterly reports of all wages in employment covered by social security. Thus, the use of a quarterly accounting period for SSI could simplify the use of social security wage records to verify an SSI beneficiary's reported income from wages.¹¹

In practice, changes in monthly benefit payments were not minimized by the quarterly computation. Overpayments and underpayments occurred often due to recipients' frequent changes in income or living arrangements, especially when changes could not be predicted before the start of a quarter. The quarterly computation also was difficult to administer from the viewpoint of the recipient. Often, when reporting a change in income or living arrangement which would affect their payment, recipients believed that their only obligation was to report the change. However, since changes of this type usually caused a decrease in payment amount, and usually occurred too late in a quarter to provide due process rights and have the computer system adjust the check amount, an overpayment occurred. When notified of the overpayment and asked to repay, recipients on occasion expressed feelings that they were being penalized despite having fulfilled their reporting requirements.

The quarterly computation became a topic for consideration for many oversight groups reviewing the SSI program. Most notably, the SSI study group report (i.e., Rutledge report) of January 1976 and the Senate Finance Committee staff report in April 1977 both recommended changing the SSI computational period from quarterly to monthly and further recommended consideration of retrospective, rather than prospective, monthly accounting. The General Accounting Office (GAO), in a report to the Senate Finance Committee dated May 26, 1978, also supported legislation to institute retrospective monthly accounting (RMA) for SSI.

Public Law 97-35, which was enacted August 13, 1981, changed the method of computing SSI payments from quarterly and prospective to monthly and retrospective. The computational change became effective April 1, 1982. Under the RMA computation, a recipient's payment amount usually is based on the income and living arrangements which existed 2 months prior to the payment month being computed. Some exceptions to this computation exist to address situations involving new applications or reinstatements following a period of ineligibility. Also, beginning January 1984 as required by Public Law 97-248, the retrospective computation is not used for title II income for the first 2 months in which a cost-of-living increase is received in the title II benefit. The increased title II benefit is used to compute the SSI payment for the same month as the effective month of the increase.

From the SSI recipients' viewpoint, changing to RMA should reduce the incidence of overpayment caused by changes in income or living arrangements which affect payment amount. If the recipient reports changes of this type on time, the SSI computer system

¹¹ Staff to the Committee on Finance, the SSI Program, p. 80.

made on individual computer records. Although recalculation occurs normally as a result of various computer processes, it also occurs when information is reported by the recipient and input to the computer system from an SSA field office. Generally, changes are reported by recipients during redetermination interviews and the changes often are reported after the fact, resulting in overpayments. Prior to RMA, overpayments occurred even if the events were reported timely.

Once an overpayment occurs, the computer system sends an electronically transmitted message to the field office requiring the field office to take appropriate action. The field office issues to the recipient a manually prepared overpayment notice stating the cause and amount of overpayment. The notice also proposes SSA's method of recovery and discusses the right to appeal or request waiver of repayment of the overpayment. Prior to January 1982, SSI overpayment notices to recipients who remained eligible for payment proposed recovery by adjustment of future payments. Beginning January 1982, all SSI overpayment notices to recipients who continue in payment status request full refund of the overpayment and propose, in lieu of full refund, full withholding of the SSI payment to recover the overpayment. The recipient may request, at any time, that less than the full SSI payment be withheld to repay the overpayment.

SSA has enhanced its computer system to control overpayments more carefully and require more field office input to resolve an overpayment. For example, the diary system mentioned earlier keeps alerting a field office to the existence of an overpayment and the diary cannot be removed until the overpayment is resolved, preventing accumulation of a backlog of overpayments. The computer system also has been improved to record more specific information about how an overpayment was resolved. Field offices can now update the master record to indicate that an overpayment was referred to another government agency for collection or that the field office intentionally suspended collection activity. Further improvements are planned for resolving overpayments such as computer generated overpayment notices for SSI, which will save considerable field office processing time, and an automated system to bill and follow up on overpayments which are being repaid in installments. These improvements, while not preventing overpayments, will assure that the overpayment is resolved quickly, with the minimum amount of administrative expense, and with consideration of the rights and circumstances of the overpaid SSI recipient.

THE SSI PAYMENT SYSTEM

The development of the SSI payment system required close cooperation with the Bureau of Government Financial Operations (BGFO) within the Department of the Treasury. SSA officials began meeting with BGFO officials shortly after passage of the SSI legislation. A joint SSA/Treasury work group was organized and an overall project control outline developed for implementation of the SSI payment programs. Regular weekly meetings were held to discuss the various aspects of SSA/Treasury operation and how

With an upgrading of transmission equipment in the Treasury Birmingham disbursing center, SSA began transmitting all daily payments directly to the Birmingham office in August 1977.

Monthly recurring payments for the SSI program are processed by the following Treasury Disbursing Centers: Austin, Birmingham, Chicago, Denver,¹² Kansas City, Philadelphia, and San Francisco. The Birmingham disbursing center has total program accountability and is the central contact for SSA concerning all accounting matters dealing with check issuance.¹²

The SSI system splits the recurring payment files for each participating disbursing center. The tapes are in social security account number sequence within ZIP code sequence and are fragmented as follows:

Beginning ZIP code(s):	Disbursing center
0-1.....	Philadelphia.
2-3.....	Birmingham.
4-5.....	Chicago.
6.....	Kansas City.
7.....	Austin.
8.....	Denver. ¹
9.....	San Francisco.

¹ Beginning with the January 1984 recurring file, the Denver office is no longer handling SSI payments. The file is now sent to the San Francisco office.

A further breakdown of files within each disbursing center's file is made by SSA based upon the entire ZIP code. Also, all direct deposit payments are in bank routing number sequence after the ZIP code breakdown. This additional breakdown facilitates processing a portion of the file when problems are encountered with tapes, creation of electronic funds transfer (EFT) payment file for the Federal Reserve System, and allows SSA/Treasury to save money on postage rates since all the checks are created in strict ZIP code sequence for delivery by the postal service.

SSA/Treasury original plans were to have master files in each of the participation disbursing centers and for SSA to submit transaction files to update prior to Treasury's payment issuance. However, due to the size of the files (estimated volume of 6 to 7 million payments was not realized) and systems considerations, it has been easier to send each disbursing center a complete file each month.

The payment files are shipped to the various cities via the postal services "Express Mail." The SSA/Treasury agreements outline the basic processing schedule needed for each organization in order to effect a timely receipt of the check by the recipient.

DIRECT DEPOSIT

SSA and the Treasury Department signed an agreement in early 1974 to implement a direct deposit program for social security and supplemental security income claimants. There were three phases. The first phase involved converting the SSI recipients' records to correctly show bank routing data plus signing up new recipients.

¹² Beginning with the January 1984 recurring file, the Denver office is no longer handling SSI payments. The file is now sent to the San Francisco office.

The volume of returned checks during the first year of the SSI program was quite high and extraordinary steps were taken by SSA and Treasury to handle the returned checks in conjunction with the nonreceipt procedure. For example, from January 1974 through June 1974, checks returned for "address" reasons were held in the Birmingham RDC and compared against each manual nonreceipt claim. If the recipient's missing check was being held, it was remailed to the correct address. There were 63,403 SSI checks remailed. During the same period, 441,834 checks were canceled and credited back to SSA. The total number of SSI checks cancelled during calendar year 1974 was 912,387 while during calendar year 1983, only 409,193 checks were returned and cancelled. The number of returned checks has dropped due to improved systems processing of past eligibility event, enabling accurate and timely delivery of payments.

OUTSTANDING SSI CHECKS

From the beginning of the SSI program, SSA was concerned about what would happen to unnegotiated SSI checks. The various States had a "limited negotiability" on their checks which alerted them to situations where recipient's did not cash their check. However, with Federal Government checks there is "unlimited negotiability." SSA wanted information and credit for unnegotiated checks for two purposes. First, to obtain intelligence on possible nonentitlement situations and second, to credit State moneys back where State supplemental moneys were included in the payments.

The General Accounting Office (GAO) reported to Congress in a report, "Action Needed to Resolve Problem of Outstanding Supplemental Security Income Checks," HRD-81-58, dated March 3, 1981, that there were over 300,000 SSI checks representing some \$41 million outstanding. They recommended that SSA and Treasury work together to identify and resolve SSI unnegotiated checks.

The Congress passed and the President signed Public Law 97-35 which contained a provision for Treasury to identify and credit to SSA all SSI checks which are still unnegotiated 180 days after issuance. The effective date of the provision was October 1, 1982.

SSA currently receives a magnetic tape of unnegotiated SSI checks each month from the Treasury Department. These unnegotiated checks are posted to the recipient's SSI record and if he/she is still in payment status, an alert is sent to the DO servicing the recipient's address. The system also credits any State moneys represented in the check to the original State via monthly accounting exchanges.

The DO investigates the recipient's continuing eligibility and reports the facts to the SSI record. For example, if this is a nonreceipt situation which has not been reported to the Treasury Department the check is repaid.

If the missing check is subsequently presented to the Treasury Department, SSA receives a debit charge which is posted to the recipient's SSI record and investigated for a possible overpayment (only if the check had been repaid or credited against an earlier overpayment).

the Congress, SSA determined that the SSA/Treasury nonreceipt system was still not responsive enough. On April 16, 1977, the current SSI nonreceipt system was implemented. The following is a description of the nonreceipt process.

The SSI checks are delivered on or about the first of the month. The nonreceipt procedure starts by the beneficiary contacting the district office (DO). If it is prior to the third mail delivery day after the check date, the beneficiary is told to contact the office again. The DO will verify from the SSI data base by means of a query that a check was issued, and once verified, the DO will then electronically key in the nonreceipt allegation.

The electronic nonreceipt allegation is directed to SSA's central computer in Baltimore where, each night, the nonreceipt traffic is specially prepared for transmission directly to the Treasury Department regional disbursing center in Birmingham, Ala. This disbursing center maintains Treasury's master records pertaining to all SSI issuances. Nonreceipt transmissions are sent to Birmingham each night before 1 a.m. Once received at the disbursing center, Treasury reviews the claim by screening it against the "checks issued" file and the "checks returned" file. For current month nonreceipt allegations, if Treasury finds a check was issued and has not been returned, a substitute check will be immediately issued. Substitute checks will be mailed by 8 a.m. of the morning following the DO transmission. The nonreceipt tapes are then passed to the Treasury Department facility in Washington, D.C. (Division of Check Claims) where an after run search is made to determine if the original check was negotiated. The Treasury Department places a "flag" in its records to intercept any double negotiation situations. If a double negotiation does occur, Treasury retrieves the original and substitute checks to examine the endorsement signatures. If the signatures appear to be similar, SSA is immediately charged for the disbursement of excess funds. If the endorsement signatures are dissimilar, the case may be referred to the U.S. Secret Service for investigation.

The previously described nonreceipt process is the fastest check replacement operation in the Federal Government. This procedure can replace a missing SSI check in 3 to 4 days from the date of DO input including mail time. Of course, expeditious replacement does carry with it certain risks. Because there is not sufficient time for Treasury to know if an original check has been cashed (this information is often not available for 3 weeks even when the check is cashed promptly), double payments may occur. To obtain the expedited replacement process, SSA agreed to have Treasury debit us with any such double payments and SSA would be responsible for collecting the overpayment.

Related Facts

Through the use of the SSADARS online data base, DO's are able to screen out approximately 50 percent (10,000 to 15,000) erroneous allegations of nonreceipt each month. The following are the number of nonreceipt claims transmitted to Treasury each month.

receipt claims as a regular nonreceipt case (i.e., no immediate issuance of a substitute check until the "negotiated" check file has been searched).

RECLAMATION PROCESS

Whenever there is a payment made to an SSI recipient for which he/she is not entitled (i.e., excess income, living arrangement, or termination events such as death), an erroneous payment or overpayment is established. For cases where there is an overpayment and the recipient alleges nonreceipt, or in cases where the recipient is deceased or legally incapacitated, a reclamation action is processed by SSA to Treasury. This action is almost identical to the nonreceipt process except that the credit for the payment is returned to SSA if the claimant did not negotiate or receive the proceeds of the check.

From the beginning of the program until May 1982, this was a manual process. The SSA regional offices prepared a form SF-1184 (Unavailable Check Cancellation) based upon an investigation by the SSA DO. The form SF-1184 was processed through the Treasury Birmingham regional disbursing center by verifying that a check was paid and not returned. They provided complete check description (check symbol, serial number, date, and amount) to the Treasury Division of Check Claims (DCC). The Treasury, DCC verified whether the payment was negotiated, and if not, credit for the outstanding check was transferred to SSA. If the check was paid, they investigated the possibility of forgery. If confirmed, the presented financial organization was requested to return the money to Treasury for SSA's credit. If the recipient was alive, the SSA DO usually helped interview the recipient regarding the check.

This process is significantly different if electronic funds transfer (EFT) payments are involved. The request for Treasury investigation is the same, however, the Treasury Birmingham disbursing center (for all SSI payments) after verifying an EFT payment and the fact that it has not been returned contacts the financial organization. It should be noted that EFT reclamations are only processed on cases where the recipient is deceased or declared legally incompetent.

This manual process worked fairly well except for some cases where photocopies of the checks could not be obtained or were illegible. Also, some financial organizations failed to cooperate fully in returning monies to Treasury for forgeries. This has improved since the Treasury now has authority to charge interest (since May 1981) on financial organizations failing to cooperate and offset (since early 1980) against monies due the financial organization, if necessary. The Treasury DCC also improved quality control over photocopies and the identification and control of negotiated check microfilms.

SSA and Treasury negotiated and developed an automated reclamation system in late 1981 which was implemented in May 1982. This process allows transmission of the SF-1184 actions through the SSI system and the valid reclamations are included on the daily SSI nonreceipt tape transmitted to Treasury's Birmingham disbursing center each evening. The average processing time for

have produced some anomalous results. Because of the Secretary's discretion, current deeming policy attempts to mitigate some provisions that the statute mandates for SSI eligible individuals, and applies others. The complexities in our deeming formulas are designed to address those not-always-harmonizing considerations.

Section 405 of Public Law 96-285 added a new kind of deeming: Effective October 1, 1980, the income and resources of sponsors of aliens are considered to be those of aliens they sponsor. A sponsor is an individual who has signed an affidavit agreeing to support an alien as a condition of the alien's admission for permanent residence in the United States. Under the new law, the Department of Justice and State will inform sponsors that information they supply will be given to SSA and that they may be asked for additional information if the aliens apply for SSI payments.

There are some exceptions. Under the terms of the statute we do not deem a sponsor's income and resources to aliens who have been admitted as refugees under certain provisions of the Immigration and Naturalization Act or to aliens who have been granted political asylum by the Attorney General of the United States. Nor do we deem to aliens of any age beginning with the time they meet the statutory definition of blindness or disability, if this occurs after their admission to the United States. Deeming stops if it applied before the blindness or disability begins.

A sponsor's income and resources are deemed to aliens who first apply for SSI benefits after September 30, 1980, and are deemed to aliens for 3 years after their admission to the United States.

CURRENT DEEMING WORKLOAD

300,000 to 350,000 SSI cases require deeming computations once or more during a year, even though actual deeming (that is, deeming which reduces the benefit) occurs in only about 54,000 spouse-to-spouse cases, and 17,000 parent-to-child cases, which total 71,000 deeming cases.

72 percent of spousal and parental income deeming cases are automated.

91 percent of all spousal income deeming cases are automated. (A CR only has to enter income data.)

25 percent of all parental income deeming cases are automated. (A CR does not have to do any deeming computation. For the remaining 75 percent, an online computation program is available to assist with the manual computation.)

There are about 15,000 sponsor-to-alien deeming cases per year; a further breakdown is not yet available.

ONE-THIRD REDUCTION

The SSI program is designed to provide a minimum income level to needy aged, blind, and disabled individuals whose income and resources are below levels established in the statutes. Section 1612 of the act provides that in determining an individual's eligibility for and amount of SSI payment, the individual's earned and unearned income must be taken into account. This section also provides that income includes support and maintenance. However, in recognition of the practical difficulties involved in determining the actual

viduals who live in households, including those who own or rent their homes and those who do not.

If an individual receives in-kind support and maintenance from within the household, SSA values the in-kind support and maintenance under one of two rules—the statutory one-third reduction rule or the regulatory presumed maximum value rule (20 CFR 416.1131 and 416.1140, respectively).

Two criteria must be met in order for the one-third reduction to apply. The individual must live in the household of another throughout a month and receive both food and shelter from within the household. The first of these criteria, "living in the household of another," is met when the individual does not own or rent the household, does not contribute his/her pro rata share of expenses, does not live in a noninstitutional care situation, and does not live in a household where everyone else receives specified public income maintenance payments. An individual meets the second criterion when both food and shelter are received from within the household. Examples of when this criterion is not met are when the individual buys all of his/her own food apart from everyone else's food or buys and eats all meals outside the household.

When SSA determines that in-kind support and maintenance from within the household is subject to the one-third reduction rule, it is valued at one-third the Federal benefit rate (FBR). Regardless of whether the actual value of the in-kind support and maintenance is more or less than one-third the FBR (i.e., the individual's pro rata share of household operating expenses minus his/her contribution), SSA counts one-third of the FBR.

When in-kind support and maintenance from within the household cannot be valued at the one-third reduction because one of the criteria is not met, the in-kind support and maintenance is valued under the presumed maximum value rule. SSA presumes that the value of the in-kind support and maintenance is equal to one-third the FBR plus \$20. If the individual wishes, he/she may submit evidence to rebut this presumption. If the evidence submitted establishes that the actual value is less than the presumed value, SSA counts only actual value. However, even if the evidence establishes that the actual value is greater than the presumed value, only the presumed value is counted.

When there is an indication that in-kind support and maintenance may be received from within a household, SSA FO personnel ask the individual questions about household operating expenses and his/her contribution toward them. If the individual's answers clearly show that he/she received both food and shelter while living in the household of another or that he/she receives in-kind support and maintenance and its actual value is more than the presumed maximum value, SSA obtains no further evidence. In these cases, the individual's own allegations support SSA's administrative presumption that an individual living in the household of another receives in-kind support and maintenance subject to the one-third reduction or that the individual receives in-kind support and maintenance actually worth the presumed maximum value or more. However, if the individual's own allegations raise a question about charging in-kind support and maintenance at the one-third reduction or presumed maximum value, SSA FO's explain to the

State data exchange (SDX) subsystem.—The SSI State data exchange subsystem is a comprehensive system for exchanging SSI data with the States.

File search subsystem.—This subsystem provides a mechanism for dealing with only those records which require updating. This results in faster processing time.

Direct deposit subsystem.—This subsystem provides the facility for directing recipients' payments to participating banking institutions.

By mid-1977, the following two subsystems were implemented.

Online edit of district office communications to the central system.—This subsystem edits transmissions submitted by field offices via SSADARS. It performs a "surface" edit on the data, and returns any errors detected immediately.

Interface with other agencies.—This subsystem includes several ongoing interfaces between the SSI master file and the files of other agencies such as the Veterans Administration, the Railroad Retirement Board, and the Office of Personnel Management.

This completed initial implementation of 21 out of 22 subsystems. The only subsystem not implemented is the automated case composition subsystem which provides for the automated changing of a family composition due to death, divorce, etc. Work on this subsystem was deliberately delayed several times in order to permit work on projects which were more significant in terms of providing service to the public. The project is currently underway, however, and will be implemented in fiscal year 1984.

DAILY UPDATES

As previously mentioned, initial claims and posteligibility transmissions are stored for processing at a later time. Only query requests for data from the online, skeletal master file are processed immediately. The stored transactions are then processed in the off hours at night when there is less demand on the host computer. The original plan was to have a daily process which would follow each normal workday (in other words, five daily updates each week). However, computer resources have been such that there have rarely, if ever, been as many as five "daily" updates in any week. The system has actually averaged about three updates per week since inception of the program.

The significance of the number of weekly updates to the filed offices and to the claimants/recipients in general is that there is direct relationship between the frequency of file updates and the speed with which initial claims and posteligibility transactions are processed. In addition, some complex transactions must be accomplished in strict sequence by multiple transmissions, each of which must be processed in separate consecutive updates.

VERSION CONCEPT

From the very beginning, the SSI system has followed the practice of freezing the computer software and of updating it only at regular, scheduled intervals. These periodic updates are called versions.

THE MAJOR SSI SUBSYSTEMS

Broadly speaking, the total SSI system called for the development of 22 subsystems which would interact with each other and would collectively represent the entire SSI computer system. These subsystems perform the major tasks of the initial claims process, the posteligibility events process, the benefit computation process, and the payment, control and accounting processes.⁶

On January 1, 1974, when the SSI system first went "live," only 12 of these subsystems were operational, and they contained numerous errors. This is the reason why the first 6 months of life under the SSI program were extremely hectic, with frequent delays in processing reported changes. However, the subsystems in place were the most vital ones, the bugs were quickly ferreted out, and work proceeded rapidly on bringing up the remaining subsystems. Also, the system provided the following mechanisms to insure that recipients' needs were met:

(1) Emergency advance payments—up to \$100 in cash from imprest funds could be advanced to claimants in dire need.

(2) Manual one-time payments—the normal routines could be circumvented by authorizing the Treasury Department to release one-time-only payments immediately. This eliminated the normal 1 to 2 week delay in delivering the first check, and was a way to tide the recipients over until the normal system processes took control.

(3) Force payment—bars and limitations in the automated system could be overridden to "force" it to pay a desired amount.

Following is a brief description of each of the 12 subsystems that were operational on January 1, 1974:

Input edit subsystem.—This subsystem receives data via the telecommunications network from the field offices and edits and formats the incoming data for subsequent processing in the initial claims and posteligibility subsystems.

Index subsystem.—This subsystem sets up an intricate indexing system of social security account numbers and claim numbers of all SSI recipients. This subsystem provides great flexibility in detecting duplicate applications and further provides a means of working with eligible couples as one entity within the SSI data base.

MBR/SER interface subsystem.—This subsystem provides for interfacing with, and extracting data from, the two basic social security files—the master beneficiary record (MBR), containing data on every person receiving title II benefits, and the summary earnings record (SER), containing data on every social security account number holder.

Initial claims subsystem.—This subsystem provides for monitoring and perfecting a new SSI application to the point of making the first systems generated payment.

Post entitlement subsystem.—This is basically a data maintenance subsystem which allows changes to be made to any and all data elements contained within the master record. Initially this

⁶ SSA, Office of Advanced Systems, Present Process Documentation, OAS publication No. 014, 1977.

range of service to the public but are dependent on their parent office for systems support.

CONTACT STATIONS

Contact stations are established in remote areas to provide intake service only. Workloads that are initiated at a contact station are processed in the parent district or branch office. Contact stations usually are located in space provided by community organizations, local governments, churches, etc., and are open for specific times on specific dates. Normally field representatives (FR's) and/or claims representatives (CR's) travel to the contact station, serve the public, and return to the DO/BO with any work requiring further action.

FIELD OFFICE STAFF

Although SSA has a variety of facilities to serve the public, the major point of public contact with SSA is in district and branch offices. Appendix B contains a description of the management and staff of a district or branch office. Note that we have outlined the job duties in general terms. Each employee type has additional duties other than those described.

Except for the management positions (DM, ADM, OO), the number and type of employees in an office is related to the office's workload. Small offices may have as few as two or three CR's, while some of the larger metropolitan offices have as many as 50 or more CR's.

SYSTEMS

BACKGROUND

The SSI legislation presented a unique challenge to the Social Security Administration (SSA) because the SSI program had characteristics that were different from those SSA had previously faced. These included:

- (1) Lack of a Federal system of any kind for processing SSI claims.
- (2) Presence of an early deadline, January 1, 1974, for the issuance of checks.
- (3) Special needs of the claimant and recipient groups.
- (4) Frequency of changes in the status of the claimant and recipient groups.
- (5) Need to transfer millions of existing State and local records; and
- (6) The fact that SSI is a joint Federal-State program.³

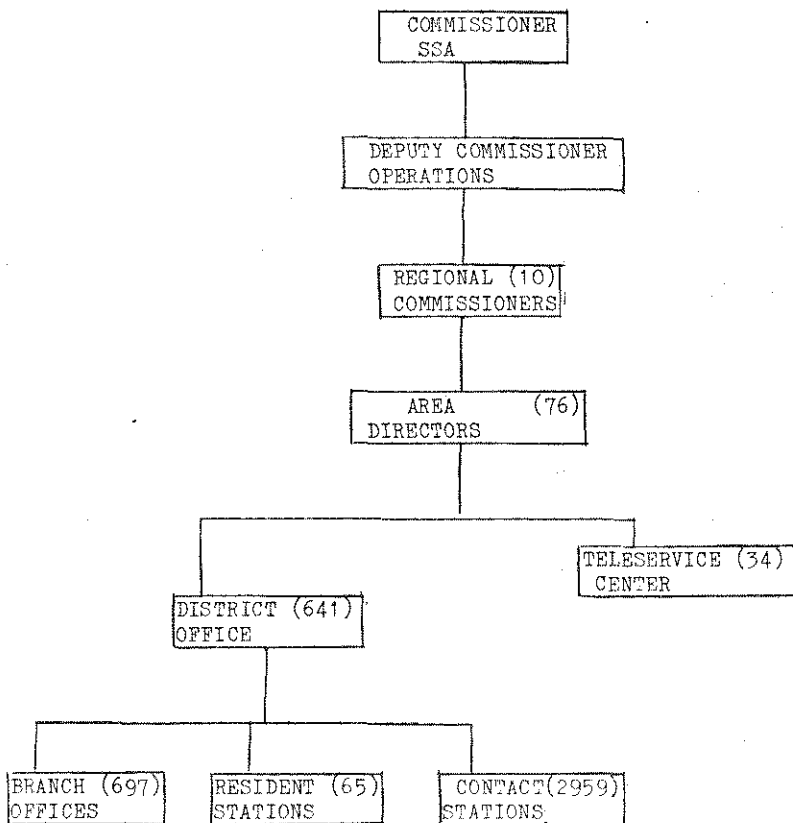
The initial benefit rate effective January 1974 was \$130, but this was raised to \$140 retroactively in February. This caused an immediate revision to the computations subsystems, and created a large notices workload.

At the same time that the initial SSI computer programs were being developed, there was an effort underway to convert recipients from the rolls of the various States. This was a complex job

³ Philip J. Rutledge, Report of the SSI Study Group, 1976, p. 190.

STRUCTURE OF SSA'S FIELD ORGANIZATION

All field offices are directed from SSA headquarters through a series of management levels. The diagram illustrates the chain of command for field office operations. The numbers in parentheses indicate the number of such offices throughout the country.



LOCATION AND NUMBER OF FIELD OFFICES

SSA has the largest network of field offices of any Federal agency. All of these offices are open to the public during established business hours. In addition to formal FO's (i.e., district and branch offices), SSA operates a number of contact and resident stations to serve the public in remote or sparsely populated areas. As of October 1983, SSA had a total of 1,388 district and branch offices, 34 teleservice centers, 2,959 contact stations, and 65 resident stations.

Field offices are established and located using guidelines published in SSA's administrative directives system. However, the public is free to use whatever facilities it chooses in handling social security business. Nothing in these guidelines implies "assign-

the Federal program where necessary to at least maintain assistance recipients' incomes at their December 1973 levels if they received benefits at that time; this is mandatory supplementation. States which do not maintain their current assistance recipients' December 1973 income levels are not eligible for Federal matching funds for the Federal-State medical assistance program.

After Congress provided cost-of-living adjustments (COLA's) based on increases in the Consumer Price Index (CPI), there was concern that the increased Federal benefit levels would not be passed on to recipients because States might reduce the dollar amount of their State supplementary benefits by the amount of the increase in the Federal benefits.

Under the provisions of Public Law 94-585 (October 21, 1976), Congress required the States to pass through increases in the Federal benefit rate to the SSI recipients. States were given two options in meeting this requirement—maintaining the December 1976 payment levels to all categories of recipients, or maintaining the previous year's total supplementation expenditures (compliance is measured on a July 1 through June 30 basis prior to January 1984 and on a January through December basis beginning January 1984). A State electing to use the second method was free to adjust payment levels of various categories of recipients so long as its aggregate yearly expenditures equaled expenditures over the previous 12-month period.

Congress, some 6 years after the institution of mandatory pass-through, made three changes in passthrough requirements in rapid succession. These changes were made in response to States' fiscal worries and in recognition of the interaction of a declining SSI caseload and the two options available to States under the passthrough provision. Because there were fewer eligibles to pay, States that had chosen to maintain expenditure levels could not meet that requirement easily. The alternatives were either to raise payment levels so that the expenditures would equal the previous year's or to switch to the individual payment level methods which would entail going back to the December 1976 level and passing through all cost-of-living increases since that time.

The first amendment, a provision in Public Law 97-248 (September 3, 1982) allowed States using the aggregate expenditure method to switch to the payment level method by maintaining the levels in effect in December of the previous period rather than those in effect in December 1976. This permitted States to adjust their supplementary programs to current conditions and still operate them in the most economical manner at little or no risk to recipients.

The second amendment, contained in Public Law 97-377 (December 21, 1982), waived certain requirements of the passthrough provision to protect States from losing medicaid funding because their expenditures for SSI supplementation in the period July 1980-June 1981 had fallen short of expenditure levels in the preceding 12-month period. Once again, this result was obtained without risk to recipients because the shortfall in expenditures had not been caused by the States having lowered their benefit levels, but by a declining caseload.

Mandatory passthrough was modified a third time by a provision of Public Law 98-21 (April 20, 1983). A State using the payment

SSI: LEGISLATIVE HISTORY

FEDERALIZATION OF WELFARE CATEGORIES

The SSI program was enacted as part of the Social Security Amendments of 1972 (Public Law 92-603). Prior to enactment of this law four cash benefit assistance programs were operated by State and local jurisdictions under titles of the Social Security Act: Old age assistance (OAA), aid to families with dependent children (AFDC), aid to the blind (AB), and aid to the permanently and totally disabled (APTD). The Federal Government provided grants-in-aid which matched State funds spent on the basis of formulas contained in the respective titles of the law.

According to committee reports, Congress expected that under the new Federal program, uniform eligibility requirements and benefit payments would replace the multiplicity of requirements and payments under State-operated programs. Eligibility and payment amount are clearly defined in the law and are related to facts that can be objectively determined. The area of administrative discretion is limited. The Federal eligibility requirements and payment level are identical throughout the 50 States and the District of Columbia.

The basic eligibility requirements are that the individual be 65 or over, or blind or disabled and meet the statutorily defined income and resource limitations as well as the citizenship and residency requirements.

For the blind and disabled, generally the same definitions of disability and blindness as used in the contributory social insurance program are used for determining eligibility for benefits.

The payment amount is determined by subtracting countable income from the payment standard. In determining income, both earned and unearned income are taken into account. Earned income includes wages and net earnings from self-employment, and unearned income includes all other income. A certain amount of each type of income is excluded from consideration.

In addition to the consideration of income in determining eligibility, there are resource limits established by law. In determining resources, a home, household goods, personal effects, and certain other items are excluded.

SIGNIFICANCE OF SSA ADMINISTRATION

The SSI program was envisioned as a basic national income maintenance system for the aged, blind, and disabled which would differ from the State programs it replaced. * * * It would be administered by the Social Security Administration in a manner as comparable as possible to the way in which benefits were administered under the old age, survivors, and disability insurance (OASDI) program. * * * The intent was not to give the Social Security Administration a new type of job to do which would be similar to the job previously done by welfare agencies, but rather to take the income maintenance functions previously handled by the State welfare agencies and transform them into something which would be handled by the Social

individuals to 84 percent of the poverty threshold and for couple to 98 percent of the poverty threshold. Provisions of State supplements lifted maximum benefit levels for aged individuals above the poverty level in six States.⁴⁹

Census Bureau data show that in 1983, 55 percent of the 2,743,000 households receiving SSI benefits had incomes below the 1982 poverty threshold (see table 3). However, data also show that had cash assistance (SSI, AFDC or general assistance) to persons 65 or older not been available in 1982, 442,000 more persons would have had incomes below the poverty threshold (see table 35). That is without case welfare, the poverty rate of the aged would have been 10.6 percent higher (a rate of 16.3 rather than 14.6). Further the data indicate that if persons age 65 or older who received cash assistance (SSI AFDC, or general assistance) had received \$31 more a week, they would have had incomes equal to the poverty threshold (see table 36).

TABLE 35.—PERSONS IN POVERTY UNDER VARIOUS INCOME CONCEPTS, BY AGE GROUP: 1982

	Total income official poverty measure	Only earnings, dividends, interest, and misc. income	Social security railroad retirement	Total income less—			Total income plus— food stamps
				Pensions	Unemployment compensation, workers compensation, veterans pension	AFDC, SSI, general assistance	
Total (in thousands).....	34,398	57,495	48,230	36,853	37,619	36,539	32,734
Children (less than 18).....	13,647	16,214	14,536	13,855	14,603	14,284	12,905
Persons age 18-64.....	17,000	25,238	20,642	18,404	18,894	18,061	16,185
Persons age 65 and over.....	3,751	16,043	13,053	4,594	4,122	4,194	3,643
Total (percent).....	15.0	25.1	21.0	16.1	16.4	15.9	14.3
Children (less than 18).....	21.9	26.0	23.3	22.2	23.4	22.9	20.7
Persons age 18-64.....	12.0	17.9	14.6	13.0	13.4	12.8	11.5
Persons age 65 and over.....	14.6	62.3	50.7	17.8	16.0	16.3	14.2
Total (percent change).....			-28.7	-6.7	-8.6	-5.9	-4.8
Children (less than 18).....			-6.1	-1.5	-6.5	-4.5	-5.4
Persons age 18-64.....			-17.6	-7.6	-10.0	-5.9	-4.8
Persons age 65 and over.....			-71.3	-18.3	-9.0	-10.6	-2.9

Source: Congressional Research Service.

⁴⁹ Alaska, California, Idaho, Massachusetts, Nebraska, and Wisconsin.

cost of the services to be offset by future savings in SSI payments.

The criteria are intended to exclude those whose impairments are responding to treatment and who can be anticipated to go off the SSI roll without the need for vocational rehabilitation services. The emphasis on "productive activity" rules out services that might be aimed at restoring an individual to nonremunerative activity or to a marginal earnings capacity that would fall short of substantially reducing dependence on SSI payments.

Disabled individuals who are medically determined to be drug addicts or alcoholics can receive SSI only if they accept appropriate treatment for their conditions at an approved facility. Under the monitoring program State vocational rehabilitation agencies, or other State agencies under contracts with the Secretary of HHS, are to refer drug addicts or alcoholics to approved treatment facilities, monitor their treatment, and report noncompliance and successful treatment to the Social Security Administration.

Public Law 94-566 enacted October 20, 1976 added a new category of services. Under the 1976 provision, medical developmental and social services were to be provided for disabled child SSI recipients under age 16. Previously the law did not contain specific provision for services or referral to services appropriate for children. The vocational rehabilitation provision in the law was designed for people who enter or reenter the work force and generally did not provide the types of services that disabled children require. Services for blind and disabled children were transferred out of the Department of Health and Human Services and into the Public Health Service in 1980.

The law requires that each blind and disabled SSI recipient under the age of 65 must be referred to the State vocational rehabilitation agency. Any individual may be found ineligible for SSI benefits if he refuses to accept any vocational rehabilitation services.

Prior to the 1981 Budget Reconciliation Act, the SSI law provided that Federal funds be used to reimburse State vocational rehabilitation agencies for the cost of rehabilitation services provided to disabled and blind SSI recipients. In October 1981, a substantial change was implemented. As a result of the Reconciliation Act, the SSA now provides funds only to reimburse vocational rehabilitation agencies for costs incurred in successfully rehabilitating SSI recipients. A successful rehabilitation is defined by law as one in which vocational rehabilitation services result in performance of substantial gainful activity for a continuous period of 9 months.

LOW-INCOME ENERGY ASSISTANCE

States have considerable discretion under the low-income energy assistance program to determine eligibility criteria and the types of assistance to be provided to low-income households to deal with high energy costs.

Federal funds may be used to make payments to households in which one or more individuals is receiving AFDC, food stamps, SSI or certain veterans' benefits or to households with incomes that do not exceed the greater of 150 percent of the poverty level or 60 per-

States may also cover persons receiving State supplementary SSI payments or persons who would be eligible for cash assistance except that they are residents in medical institutions (such as skilled nursing facilities). As noted earlier, the SSI payment to recipients who are in medical facilities in which medicaid pays more than half of the cost of their medical services and treatment is reduced to \$25 a month.

States are required to extend medicaid eligibility to aged, blind, and disabled persons who were eligible for medicaid in December 1973 as long as they meet the 1973 criteria; to persons receiving mandatory State supplements; and to persons actually receiving SSI and/or State supplements who lose their eligibility for SSI or State supplements solely because of social security cost-of-living increases.

States are required to offer the following services to categorically needy recipients under their medicaid programs: inpatient and outpatient hospital services; laboratory and X-ray services; skilled nursing facility (SNF) services for those over age 21; home health services for those entitled to SNF care; early and periodic screening, diagnosis, and treatment (EPSDT) for those under age 21; family planning services and supplies; and physicians' services. They may also provide additional medical services such as drugs, intermediate care facility (ICF) services, eyeglasses, inpatient psychiatric care for individuals under age 21 or over 65. States are permitted to establish limitations on the amount of care provided under a service category (such as limiting the number of days of covered hospital care or the number of physicians' visits).

MEDICARE

In 1983, about 12 percent of aged and disabled medicare enrollees were also covered by State medicaid programs. While coverage under medicare part A (hospital insurance) is automatic for most aged and certain disabled persons with insured status under the social security system, coverage under medicare part B (physician services) requires the payment of a monthly premium.

For dual recipients, medicaid usually pays the medicare deductibles, copayments, and monthly part B premiums. Even so, medicare benefits are worth little to most SSI recipients because SSI recipients are in most cases automatically eligible for medicaid. In most States, not only does medicaid furnish some combination of outpatient prescriptions, false teeth and other dental care, eye glasses, orthopedic shoes, and hearing aids, but it also provides significantly better protection against the cost of nursing home care.

SOCIAL SERVICES

In fiscal year 1980, 11 percent of those who received one or more services from State social services programs under title XX of the Social Security Act were SSI recipients. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) amended title XX to establish a block grant to States for social services. The Federal funds are available to States without a State matching requirement, compared to the 25 percent State matching requirement under the old title XX law. Title XX social services block grant

FOOD STAMPS

Originally, the 1972 SSI law stipulated that SSI recipients would not be eligible for food stamp benefits. Congress anticipated that the increased cash assistance received by those in the SSI program would cover any loss of food assistance benefits. Instead, during planning for implementation of the new SSI program, it was found that significant numbers of SSI recipients would lose aggregate benefits if denied food stamps, and Congress changed the SSI law to allow continued receipt of food stamps except in States where the SSI payment was increased to replace lost food stamp benefits. At present, food stamps are denied to SSI recipients in California and Wisconsin, in return for an increase in their SSI benefit.

In addition, the food stamp law authorizes a set of pilot projects in which households composed entirely of SSI recipients receive their food stamp benefit in cash, separate from their SSI check. These pilot projects include; the State of Vermont; the State of Utah; Hennepin County, Minn.; Monroe County, N.Y.; Cuyahoga County, Ohio; Portland area, Oreg.; Darlington, Dillon, Florence, and Marion Counties, S.C.; and Arlington County, Va.

An SSI recipient who lives in one of the States without supplementary cash benefits is eligible for \$47 in food stamps (or cash in the pilot project areas); a couple is eligible for \$63 (see tables 31 and 32). Both of these benefit amounts assume that the recipient qualifies for major adjustments in their food stamp benefit on account of their shelter and medical expenses. Combined (food stamp and SSI) monthly benefits (January-December 1984) are \$361 per individual and \$535 per couple, equal to 91 percent of the estimated 1983 poverty thresholds, respectively.

MEDICAID

In most States, a person receiving a Federal or State SSI payment is automatically eligible for medicaid. However, States have the option of limiting medicaid coverage of SSI recipients to persons meeting their more restrictive eligibility requirements carried over from the pre-SSI programs.

States choosing the more restrictive eligibility requirements must allow applicants to deduct medical expenses from income in determining eligibility. That is, applicants can receive medicaid coverage if they are able to "spend down" their income, other than the SSI payment, to the medicaid eligibility level in effect in January 1972. Fourteen States currently use the pre-SSI criteria⁴⁴ (see table 34).

⁴⁴ Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, Nebraska, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, Utah, and Virginia.

- mine whether that claimant receives both food and shelter there at less than cost" (section V, tab G).
- Operational policy since 1974 has recognized that an individual living in the household of another may rebut the one-third reduction rule by establishing that he/she contributes an amount equal to his/her pro rata share of household operating expenses (also known as "sharing").
 - In 1976, the House Ways and Means Committee stated, "The committee wished to reemphasize its approval of this "sharing" policy by stating its intention that any SSI recipient living in the household of another who contributes his pro rata share toward household expenses should not be subject to the one-third reduction by reason of his living arrangements."
 - While the April 1977 report of the staff to the Senate Finance Committee stated that SSA's "sharing" policies are contrary to Congress' original intent, it also went on to admit that the conditions imposed by the statute have proven difficult to administer. Regarding any attempt to undo existing policies, the report states that " * * * a change * * * should be made through corrective legislation."
 - In a pretrial settlement to a civil action suit filed by the Action Alliance of Senior Citizens of Greater Philadelphia in May 1977, SSA agreed that the one-third reduction could apply only if an individual living in the household of another receives both food and shelter and eats and sleeps in the household. As a result of this agreement, SSA developed a policy in 1978 that an individual who eats all meals outside the household or who buys his/her food separately is not subject to the one-third reduction.
 - A major effort has been underway for several years to entirely revise operating instructions on in-kind support and maintenance (including the one-third reduction) and other in-kind income. A larger portion is complete and was issued in April 1983. While the general consensus from the field is that the new version and operational changes are logical and equitable, they, nonetheless, are still cumbersome and complex.

QUALITY ASSURANCE

Since the inception of the supplemental security income (SSI) program, one of the agency's primary commitments has been to improve the effectiveness and efficiency of its policies and their administration. Recognizing the need to provide a mechanism in the complicated cash-assistance program to assure accountability to the States and to Congress for the hundreds of millions of dollars being disbursed monthly, the Social Security Administration (SSA) established as an integral part of the Federal administrative structure a QA system.

The QA system provided for full field reviews of sample cases, with home visits and third party contacts included. The system was designed to be based upon a universe of all payments issued so that

the various programs within its jurisdiction. The review staff are located in 10 regional field assessment offices and 17 satellite offices around the country.

ADJUDICATION PROCESS REVIEW

This represents the more traditional review function common in most QA programs—an end-of-line evaluation of completed claims to measure adherence to operating policies and procedures. This review samples both initial claims taken by SSA district offices and redetermination actions processed each month. Over 8,000 initial claims and 5,000 redeterminations are reviewed monthly by OA personnel.

The reviews examine individual claims folders, taking an in-depth look at whether the development and documentation in the casefile follow national program operations manual system (POMS) instructions. Based on the material in file, an evaluation is made of the adequacy of documentation and evidence and whether the payment decision is supportable. Errors are categorized as being either merely evidentiary in nature, or as leading to an error in the amount of payment issued.

In addition to providing a measure of line performance in adhering to operating policy and procedures, the adjudication process reviews are able to give management data relatively quickly on the effectiveness and degree of consistent implementation of new policy initiatives and procedural changes. This information can be used to pinpoint particular areas where problems exist or where corrective action may be necessary.

PAYMENT ACCURACY REVIEW

Above and beyond a simple assessment of adherence to operational guidelines, SSA is able to measure the quality of the program through ongoing reviews of payment accuracy. These reviews are based on the law and regulations themselves and serve to provide a consistent overview of the effect of any procedural tolerances SSA may be introducing through its instructional guidelines.

These reviews go beyond merely examining the beneficiary's claims folder. Quality reviewers meet with randomly sampled individuals in their homes and redevelop all factors of eligibility (including income, living arrangements, resources, etc.). The reviewers also go the additional step of verifying eligibility factors, except for the medical aspects of disability and blindness, with third-party sources (such as banks, employers, landlords).

Each month a stratified random sample of approximately 1,850 cases is selected and reviewed for the correctness of both eligibility and payment amount. Overpayments and underpayments are compiled and recorded by entitlement factor and cause of error. These figures serve as the basis for evaluating the relative "health" of the SSI program, as well as the degree of Federal liability for SSA-administered State payments.

The payment quality data is broken out to provide information on not only the numbers of errors but also the specific program areas in which deficiencies are found to occur. This information serves as the basis for SSA's profiling system which allows re-

During the 10 years of its operation, 4 major deficiency types have figured most prominently in causing SSI overpayment/underpayments:

BANK ACCOUNT OWNERSHIP

A bank account ownership error occurs when a beneficiary is found to have funds in savings accounts, checking accounts, or saving certificates totaling over the applicable resource limit (\$1,500 for an individual; \$2,250 for a couple). Virtually all bank account error is in the form of payments to beneficiaries who should get no benefits and results from faulty beneficiary reporting practices.

HOUSEHOLD LIVING ARRANGEMENTS

Deficiencies of this type result because the beneficiary's Federal benefit rate (FBR) did not reflect his correct household living arrangement (i.e., living in own household, living in the household of another). A major problem involves determining that an individual can be considered to be living in his own household because he is paying his pro-rata share of expenses.

WAGES

This type of error happens when earned or deemed wage income is not reflected on the SSI payment record, or an incorrect amount is used to compute the SSI payment.

SUPPORT AND MAINTENANCE

This deficiency type occurs when a beneficiary receives support and maintenance income either in cash or in-kind (in-kind includes free housing, low rents, free food, etc.), and this income was omitted, or an incorrect amount was used, in determining the SSI payment.

The following charts show how the QA data is broken out for both overpayment and underpayments in a particular sample period (in this case October 1982-March 1983). As has typically been the case, bank accounts are the primary cause of excess payments and incorrectly recorded household living arrangements the primary cause of underpayments.

EXCESS PAYMENT DEFICIENCY SOURCES, NATION, OCTOBER 1982-MARCH 1983

	Percent of Excess Dollars	Percent of Excess Payment Cases
Beneficiary caused:		
Inaccurate or incomplete information (beneficiary/representative payee/third party)	34.3	33.2
Failure to report charges (beneficiary/representative payee/third party)	32.0	31.9
Total	66.3	65.1
Agency failure to take correct action:		
Operations:		
Incomplete development and verification by DO or PSC	16.2	12.6
Failure to take action/followup on known change	1.9	2.9

TOP THREE DEFICIENCIES, UNDERPAYMENTS, NATION, OCTOBER 1982-MARCH 1983

[In millions of dollars]

Deficiency type	Percent of underpayment dollars	Percent of underpayment cases	Projected underpayment deficiency dollars
Living arrangements (household).....	40.5	28.8	21.8
Support and maintenance.....	17.0	25.2	9.2
Wages.....	16.0	15.2	8.6

In addition to SSA's ongoing reviews, which gather data necessary to produce the above reports, special studies are also carried out to further identify areas requiring corrective actions which improve the efficiency and integrity of the SSI program. Since the QA system was implemented back in 1974, literally hundreds of corrective action proposals have been generated, and refinements to the program made as a result.

Through data on the source of the error and the overall dimension of the problem, SSA is able to direct resources toward training personnel (in areas where the agency is found to be frequently "at fault") or in educating beneficiaries on their reporting responsibilities and strengthening application requirements (in areas where the beneficiary has been found to be primarily responsible for the error occurring).

Among the many management initiatives carried out during the past years to reduce error have been the following:

(A) Prioritizing redeterminations according to QA data error profiles.

(B) Prepayment review of large retroactive payments.

(C) Special bank account development procedures by district office claims personnel.

(D) A computerized computation system to avoid manual processing miscalculations.

(E) A public awareness campaign to assist in making beneficiaries aware of their reporting requirements.

(F) Special interviewing training to make SSA claims personnel better able to make the complex SSI requirements understandable to claimants.

(G) A program to reduce the volume and complexity of SSA's documentation requirements.

IMPROVEMENTS CURRENTLY UNDERWAY

FIELD OFFICE SYSTEMS ENHANCEMENT

The field office systems enhancement (FOSE) project is part of SSA's system modernization plan (SMP). The objective of the FOSE project is to provide field offices with new automated capabilities to support programmatic, administrative and management information processes. This entails delivery of advanced processing technology to automate many of the annual functions presently being performed. These tasks will be accomplished using a phased-in approach.

APPENDIX A. OTHER MAJOR STUDIES

SENATE FINANCE COMMITTEE STAFF REPORT

On January 28, 1975, the Senate Committee on Finance directed its staff to conduct a study of the SSI program because there were indications that the program was not living up to expectation.

The staff's evaluation of the program covered the first 3 years of operation—1974 through 1976—and was based on a variety of sources. These included conferences with administration officials; a mail survey of State Governors; a telephone survey of and staff visits to social security offices; interviews with State and local welfare officials, and interviews and communications with individuals and agencies interested in the program.

The staff submitted its study report to the chairman of the Finance Committee on April 18, 1977.

The following summarizes the Staff's findings and recommendations;

PROBLEM AREAS

The Staff found major problems in the administration of the program, the formation of policy, SSA's interrelationships with the States and the SSI population, and the disability aspects of the program.

Some of the specific problems included:

- (a) An inadequate and incomplete computer system.
- (b) Shortages in staffing and materiel resources (inadequacy of staffing was the most severe and persistent problem).
- (c) Poor "product" quality—i.e., a high error rate in payments, inaccurate disability determinations, incomplete redeterminations.
- (d) Policy decisions counter to requirements of the statute.
- (e) Confusion about the program's interrelationship with the States.
- (f) Inadequate mechanisms for dealing with emergency situations faced by recipients.
- (g) A large volume of litigations challenging SSA's processes.
- (h) A growing proportion of disabled recipients, which involved lengthy claims processing and complex factors.

RECOMMENDATIONS

The staff made numerous recommendations, ranging from suggestions for SSA action to proposals for legislative changes. Recommended actions included the following:

- (a) Commit additional resources as needed to bring the SSI computer system to completion and adequate functioning.
- (b) Reevaluate SSI personnel requirements and request the additional positions needed.
- (c) Modify the quality assurance program—eliminate the \$5 monthly tolerance for error; establish a continuing sample of initial claims and post-eligibility actions; establish procedures for a mandatory second professional review of sensitive and error-prone claims; establish a simple quarterly reporting pro-

FEDERAL SSI PAYMENTS

The long-term goal should be a basic payment level equal to the poverty level. Eliminate the one-third reduction for living in another person's household; count only cash contributions as income. Amend the law to include only liquid assets in the value of resources, to exempt the home in which the recipient lives, and to exclude household goods, personal effects, and a car from resources. Modify the program to provide the same earned or unearned income exemptions for an ineligible spouse as for an eligible individual, and to disregard deemed income of parents when a child reaches 18. Shorten the duration of disability requirement to 6 months.

ELIGIBILITY PROCEDURES

Develop specific rules on informal denials. Establish processing goals—30 days for initial decisions on aged claims, 45 days for initial decisions on disability/blind claims.

PROGRAM QUALITY

Make and periodically update an analytic systems review to concentrate resources where risks are the greatest. Conduct an audit of the quality assurance system to ensure that target deficiencies and resulting errors are corrected. Negotiate revisions needed to make the accounting system acceptable to the States for the SSA reports of supplements paid on their behalf. Involve the States in revising the quality assurance system so that the system becomes the basis for determining Federal fiscal liability.

ADMINISTRATION

Utilize the current SSA reorganization to create strong program bureaus with full responsibility and authority for their programs. Achieve better distribution and use of available staff and stop inappropriate use of temporary and term employees. Establish mandatory case responsibility from interview through authorization. Develop performance goals and standards and institute periodic formal reviews of actual performance against goals. Make employee specialization the norm instead of the exception in SSA offices. Establish a means of interrelating with advocacy and legal aid groups. In administering the program, place major reliance on projections based on the existing caseload, rather than on original projections of the SSI universe. Decide whether to permit the States to use the SDX for outreach efforts. Modify personnel policies to recruit and retain persons trained in the computer sciences and related fields, to encourage present employees to obtain degrees in these fields, and to use the probation period of employment and promotional opportunities to reward quality.

COMPUTER SYSTEMS

Freeze the SSI system and regularly update it. Document and label each version of the system and retain a backup. Retire old versions as new versions are implemented. Name a project leader

(f) SSA did not adequately coordinate State and local services, nor did it provide adequate information and referral services.

(g) SSA did not provide toll-free phone service and transportation service for its clients.

(h) Both the disability claims process and the hearings process took too long; the delay in receipt of benefits often caused extreme hardship for the claimant.

(i) The definition of disability was too strict and disability provisions constituted disincentives to working.

(j) SSI living arrangements and computation rules were confusing and unfair.

(k) SSI payments and replacement of lost or stolen SSI checks were made too slowly.

RECOMMENDATIONS

Mr. Maldonado recommended that SSA take the following actions or explore the feasibility of doing so:

(a) Conduct a "continuing client satisfaction survey," as well as an ongoing field employee survey, to identify and resolve problems in service to the public.

(b) Establish a "central editorial group" to review notices, instructions, public information, and other written materials to insure readability.

(c) Increase emphasis on training interviewers and receptionists in field offices.

(d) Arrange one-to-one relationships between interviewers and claimants.

(e) Place ombudsmen in field offices; establish an advisory panel of advocates.

(f) Coordinate SSA services and activities with State and local social service agencies and provide better information and referral services.

(g) Coordinate transportation services and provide toll-free phone service to meet the needs of the disabled, elderly, and disadvantaged.

(h) Provide receipts to claimants giving time frames for completion of their claims.

(i) Promote legislative and/or regulatory changes in work incentives for the disabled and simplification of SSI rules and procedures.

APPENDIX B.—FIELD OFFICE STAFF

District/branch manager (DM/BM).—The DM or BM is responsible for the overall operations of the office and for all Social Security activities in the office's service area. Since branch offices are "subsidiaries" of the district office, branch managers report directly to the district manager.

Assistant district manager (ADM).—The ADM is second in command to the DM and serves as the DM's alter ego. Some small district offices do not have an ADM.

Operations officer (OO).—The OO position exists only in large district offices and serves to coordinate all operational activities,