

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

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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 ten 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:

- o Benefits and outlays under the federal SSI program have grown steadily since the program'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.
- o 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.
- o Trends in SSI during the next decade should resemble those during the past decade.
- o 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 payments. Disabled beneficiaries could increase in number more rapidly in the years ahead, because the post-World War II "baby boom" generation is moving into middle age, when the incidence of disability rises.

- o Benefit and outlay levels will depend primarily on inflation and resulting cost-of-living adjustments (COLAs). By 1995, assuming no legislative changes, federal outlays might range from \$12 billion to \$20 billion, depending on whether inflation rates are low or high.
- o The next decade could be quite different from the past decade in one respect. In some years, COLAs might be zero, resulting in temporary real benefit decreases. The COLA is triggered only when increases in the Consumer Price Index (CPI) accumulate to at least 3 percent. And there does seem to be a possibility that CPI increases might be less than 3 percent in at least some years.

PART I. PAST TRENDS

Federal outlays for Supplemental Security Income (SSI) have risen steadily since the program's inception in 1974—from \$5.1 billion in fiscal year 1976 to \$8.7 billion in 1983 (see Table 1). ^{1/} (This paper considers trends only since 1976, when the program had stabilized after an initial period of growth.) Before 1974, assistance to the aged and disabled was provided by state and local governments with cost-sharing by the federal government.

TABLE 1. PROFILE OF THE FEDERAL SSI PROGRAM, 1976-1983

	Outlays (In billions of dollars)	Millions of Beneficiaries (As of March)	Average March Benefit Amount (In dollars)
1976	5.1	3.9	96
1977	5.3 ^{a/}	3.8	102
1978	5.9	3.8	108
1979	5.5 ^{a/}	3.9	112
1980	6.4	3.7	125
1981	7.2	3.7	144
1982	7.7	3.6	162
1983	8.7 ^{a/}	3.5	177

a. Outlays in 1977 and 1983 include 13 months of benefit payments; outlays in 1979 include 11 months.

1. This paper deals only with the federal SSI program. All but six states also provide some form of optional supplements, and in November 1983, states' supplementary payments totaled \$148 million, or 22 percent of federal payments.

Growth in federal SSI outlays depends largely on two factors: changes in numbers of beneficiaries and increases in average benefit amounts per beneficiary. ^{2/} Since 1976, numbers of SSI beneficiaries have declined moderately, after rising sharply in 1974 and 1975 as the program got under way. In contrast, average benefits have risen considerably each year in nominal terms, accounting for the program's growth. Trends in numbers of beneficiaries and average benefit amounts are reviewed below.

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. ^{3/} Aged beneficiaries (that is, persons aged 65 or older) declined in number from 2.0 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.

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 determine changing beneficiary levels:

- o Demographics--the numbers of aged and disabled in the U.S. population,
- o Incomes--the financial resources of the aged and disabled,

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2. Total federal SSI outlays also include outlays associated with costs other than benefits, primarily program administration. These outlays have grown over time at a somewhat slower rate than benefit payments. In 1983, administrative costs came to \$0.8 billion, or 95 percent of all non-benefit outlays.
 3. 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.

TABLE 2. COMPOSITION OF THE FEDERAL SSI POPULATION, 1976-1983
(Numbers in millions as of March each year)

	Aged Beneficiaries		Disabled Beneficiaries a/	
	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

a. Includes blind.

- o Participation rates--the extent to which persons eligible for benefits actually receive them, and
- o 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).

Measuring numbers of disabled in the population is a far more complex task than measuring numbers of aged. Moreover, because the disability criteria for SSI are both complicated and strict, no estimates of the disabled population eligible for SSI over time are available. ^{4/} Mortality rates--

4. SSI disability generally requires that the individual be unable to engage in "substantial gainful activity" because of a physical or mental impairment expected to result in death or to continue for at least 12 consecutive months.

TABLE 3. FEDERAL SSI BENEFICIARIES AS PERCENTAGES OF THE U.S. POPULATION, SELECTED YEARS 1976-1983

	U.S. Population (In millions)	Percent of Population Receiving SSI Benefits
AGED		
1976	23.9	8.1
1980	26.3	6.0
1983	28.2	4.6

DISABLED ^{a/} Relative to Total Population		
1976	226.8	0.8
1980	236.4	0.9
1983	243.3	0.9

NOTE: The population estimates are for the Social Security area population, which includes the U.S. population adjusted for Census undercount, population in the territories, and servicemen abroad. Estimates, from the Social Security Administration actuaries, are for July 1 of each year using Alternative II assumptions.

a. Includes blind.

obviously measurable--have declined over time, but their meaning is difficult to interpret. Lower mortality rates might imply declining morbidity (illness) and disability, but they need not. They might also mean rising disability rates: some persons who might have died in earlier years now live, but with continuing disabilities.

Available data on changes in health status during the 1970s indicate rising disability rates. According to one study, numbers of persons permanently limited in their activities for health reasons increased 37 percent between 1966 and 1976, compared to only a 10 percent increase in the U.S. population; those most severely limited increased in number by 83

percent. ^{5/} Another study reported an increase in the percentage of men over the age of 50 unable to work because of health problems. ^{6/}

A changing age profile of the U.S. population in general may be one cause of changing disability rates over time. Work disability rates of both men and women have been shown to rise rapidly with age for persons older than 50. ^{7/} Also, the disabled who are aged 50 or older account for almost three-fifths of all disabled adult SSI beneficiaries. Because of this clear correlation between age and disability, numbers of disabled SSI beneficiaries should be sensitive to the age distribution of the population. And as that age distribution changes—for example with the aging of the post-World War II "baby boom" generation—numbers of disabled SSI beneficiaries could grow significantly. ^{8/} 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 1970s 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

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5. See Alain Colvez and Madeleine Blanchet, "Disability Trends in the United States Population 1966-76: Analysis of Reported Causes," American Journal Public Health, Vol. 71, No. 5 (May 1981), pp. 464-471.
 6. See Jacob J. Feldman, "Work Ability of the Aged under Conditions of Improving Mortality," Milbank Memorial Fund Quarterly/Health and Society, Vol. 61, No. 3 (1983), pp. 430-444.
 7. See Feldman, "Work Ability."
 8. 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).

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 household 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 all aged SSI beneficiaries--also qualify for Social Security benefits as wives and widows, even if they have no paid work histories of their own.

Social Security benefit amounts have also risen, both because benefits are indexed (in exactly the same manner as SSI), and because wages--the base of Social Security benefit amounts--have increased. Men's average monthly Social Security benefits rose from \$228 in 1975 to \$380 in 1980, an increase of 67 percent. For women workers, the rise was from \$182 in 1975 to \$297 in 1980, an increase of 63 percent; for widows, the rise was from \$194 to \$312, an increase of 61 percent. Each rose considerably more than SSI's basic benefit. Moreover, the percent of Social Security enrollees receiving average monthly benefits less than the SSI basic benefit has declined somewhat, as shown in Table 5. These trends in Social Security--

rising coverage and increasing real average benefits—probably explain much of the decline in numbers of SSI aged beneficiaries.

TABLE 4. PERSONS AGED 65 AND OLDER ELIGIBLE FOR SOCIAL SECURITY RETIRED WORKER BENEFITS AS A PERCENT OF ALL PERSONS AGED 65 AND OLDER, SELECTED YEARS 1970-1983

	Men	Women	Total
1970	89.3	43.7	62.6
1975	91.5	50.4	67.1
1980	92.5	54.4	69.7
1983	92.1	56.1	70.5

NOTE: Based on workers aged 65 and older eligible for retired-worker benefits (U.S. Department of Health and Human Services, Social Security Bulletin, Annual Statistical Supplement, 1982, Table 32, p. 89) and estimates of the population aged 65 and older by the Social Security Administration (see note to Table 3).

TABLE 5. PERCENT OF SOCIAL SECURITY BENEFICIARIES RECEIVING AVERAGE MONTHLY SOCIAL SECURITY BENEFITS LESS THAN THE SSI BASIC BENEFIT, 1975 AND 1980

	Male Workers	Female Workers	Widows (Nondisabled)
1975	20	44	30
1980	16	37	24

NOTE: Based on estimated numbers of Social Security beneficiaries with average monthly benefits below \$157.70 in 1975 and \$238.00 in 1980. Data on average monthly benefits are from U.S. Department of Health and Human Services, Social Security Bulletin, Annual Statistical Supplements 1975 (Tables 87 and 108, pp. 123 and 137) and 1982 (Tables 72 and 100, pp. 139 and 167).

Less is known about the overall financial resource levels of the SSI population than about income levels--particularly about how they may change over time. But families with greater incomes tend to have greater resources in general, so that, as incomes have risen in the United States over time, resources may also have risen. If they have, SSI's fixed resource limit will have made fewer families eligible as time passed. Among the aged, the percent of applications denied because of excess resources has risen--from 32 percent in 1979 to 39 percent in 1982. Among the disabled, however, it has fallen--from 8 percent to 5 percent over the same span.

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. ^{9/} Another study has estimated a participation rate of between 54 percent and 61 percent for the aged in 1979. ^{10/} 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 1970s. 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

9. 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.

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

COLAs and raising benefit levels. ^{11/} 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 couples, federal benefits will rise from 85 percent of the 1982 poverty threshold to about 90 percent in 1984. This provision is estimated to add about 300,000 new beneficiaries and \$855 million to SSI outlays in 1985; by 1989, it will add \$1.05 billion because of the compounding effect of COLAs on top of increased benefits.

The Social Security Amendments included two other changes in SSI. Until 1984, the COLA was given in July and was based on first-quarter-over-first-quarter changes in the CPI for urban wage earners and clerical workers. Now, the COLA is given in January, based on third-quarter-over-third-quarter CPI changes. CBO estimates savings for the six-month COLA delay at \$140 million in 1985 and \$200 million in 1989. Also, the Social Security Administration (SSA) must now send a one-time notice to low-income elderly beneficiaries under the Old Age and Survivors Insurance and Disability Insurance (OASDI) programs of their potential eligibility for SSI; the SSA must also include such notices regularly when informing OASDI beneficiaries of upcoming eligibility for Supplementary Medical Insurance. How these notifications might raise participation rates is not yet known, but CBO estimates added beneficiaries at 75,000 and added SSI costs at \$90 million a year.

11. 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.

CHANGES IN AVERAGE BENEFITS

Federal outlays for SSI depend not only on numbers of beneficiaries but also on average benefit amounts. Average benefits in turn depend on SSI's basic benefit, which is increased each year by the COLA, and on beneficiaries' other income. During most of SSI's first decade, average benefits rose in step with the COLAs.

Since 1976, the basic benefit has risen from \$157.70 a month to \$314.00 for individuals and from \$236.60 to \$472.00 for couples (see Table 6). COLAs accounted for all of the increase until the individuals' \$20 and couples' \$30 increases legislated in 1983. During the March 1976-1983 period, COLAs totaled 69.7 percent, as shown in Table 6. Concurrently, average benefits increased somewhat more—by 76.7 percent. The slightly larger increase in average benefits compared to the COLA increase is attributable primarily to the rise in disabled relative to aged beneficiaries.

TABLE 6. FEDERAL MONTHLY BENEFIT LEVELS IN SSI, 1976-1984 (As of March each year)

	Basic Benefit (In dollars)		COLA	Average Benefit	
	Individuals	Couples		Amount (In dollars)	Percent Change
1976	157.70	236.60	8.0	96	12.4
1977	167.80	251.80	6.4	102	6.3
1978	177.80	266.70	6.0	108	5.9
1979	189.40	284.10	6.5	112	3.1
1980	208.20	312.30	9.9	125	12.0
1981	238.00	357.00	14.3	144	14.9
1982	264.70	397.00	11.2	162	12.8
1983	284.30	426.40	7.4	177	9.3
1984	314.00	472.00	3.5	NA	NA
1976-1983	---	---	69.7	---	76.7

N.A. Not available.

NOTE: Data for 1984 reflect SSI changes included in the Social Security Amendments of 1983. Also, beginning in January 1984, the basic benefit is rounded down to the next lowest whole dollar.

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 1976-1983 period, average benefits of the disabled rose slightly more than the COLAs--73.5 percent, compared to 69.7 percent for the COLAs. For the aged, average benefits rose only 60.6 percent, somewhat less than the COLAs. Thus, until the increase legislated in July 1983, real benefits of the disabled changed little, falling slightly in the late 1970s and rising slightly in the early 1980s. For the aged, real benefits fell--primarily in the late 1970s--reinforcing the evidence that non-SSI incomes of the aged have been rising.

TABLE 7. AVERAGE FEDERAL SSI BENEFITS TO AGED AND DISABLED BENEFICIARIES, 1976-1983 (As of March each year)

	Aged			Disabled		
	Nominal Benefits (In dollars)	Real Benefits <u>a/</u>	Nominal Percent Change	Nominal Benefits (In dollars)	Real Benefits <u>a/</u>	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

a. Nominal benefits deflated by SSI COLAs using 1977 as the base year.

PART II. FUTURE TRENDS

Will the SSI program's trends in the decade ahead resemble those in its first decade? In exploring this question, this section of the paper 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 unchanged: aged enrollments will drop sharply while blind and disabled beneficiaries will increase in number. ^{1/}

Aged beneficiaries are projected to decline in number from 1.3 million at present to 0.7 million by 1995, as shown in Table 8. Blind and disabled beneficiaries are projected to increase in number from 2.2 million to 2.7 million. In total, SSI enrollments would decline by 0.1 million. By 1995, the aged would account for only 21 percent of all SSI beneficiaries, compared to today's 38 percent.

How certain are these forecasts? The answer has to be: More certain than most such forecasts (barring any legislative changes). Actual numbers of SSI beneficiaries in 1995 will probably not differ from these forecasts by more than 0.2 to 0.3 million. Nonetheless, there are several areas of uncertainty, particularly as regards the disabled.

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1. The forecasts presented here were developed using primarily extrapolations based on ratios of SSI aged or disabled beneficiaries to population by age and rough extrapolations based on changes in the number of beneficiaries in the recent past. Two other techniques were used—autoregressive integrated moving-average (ARIMA) models and regressions of first differences of the dependent variables on time—but their usefulness is limited by the short period of time the program has existed. Forecasts using all four techniques are within a range of 0.3 million total beneficiaries in 1995.

TABLE 8. ACTUAL AND PROJECTED AVERAGE MONTHLY NUMBERS OF FEDERAL SSI BENEFICIARIES, SELECTED FISCAL YEARS 1983-1995 (In millions)

	Aged	Disabled <u>a/</u>	Total
1983 (actual)	1.3	2.2	3.5
1985 <u>b/</u>	1.4	2.3	3.7
1990	1.0	2.5	3.5
1995	0.7	2.7	3.4

a. Includes blind.

b. The increase from 1983 to 1985 reflects an anticipated increase of about 0.3 million in numbers of beneficiaries resulting from the 1983 Social Security Amendments changes.

Neither participation rates among the aged nor their patterns of rising incomes are likely to change markedly from the present, although there may well be some lower bound to decreases in aged persons receiving SSI. Demographic patterns for the total aged population will show little change from the past decade's (see Table 9); not until the next century will the numbers of aged rise sharply.

TABLE 9. ACTUAL AND PROJECTED U.S. POPULATION AGED 45 AND OVER, SELECTED YEARS 1975-1995 (As of July 1)

	Aged 45-64			Aged 65 and Over		
	Number (In millions)	Increase	Percent Change	Number (In millions)	Increase	Percent Change
1975 (actual)	45.3			23.3		
1985	46.1	0.8	1.8	29.4	6.1	26.2
1995	54.4	8.3	18.0	35.1	5.7	19.4

NOTE: The 1975 actual and forecasts are from the Social Security Administration (see note to Table 3).

Demographic patterns do show much larger increases in the disability-prone population (those aged 45-64) 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 Part I, 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 life styles (particularly with regard to diet, exercise, and stress management). ^{2/}

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 COLAs. 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.

- o CBO Baseline — These COLAs through 1989 are assumed by CBO in its projections of federal outlays. ^{3/} The COLAs beyond 1989 are consistent with the baseline assumptions.
- o Low Inflation — These COLAs through 1989 are based on an alternative, low-growth set of CBO economic assumptions. ^{3/} The COLAs beyond 1989 are consistent with the low-growth and low-inflation assumptions.

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

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

- o High Inflation — Beginning in 1986, these COLAs are set equal to actual average COLAs in SSI during its first decade.

In CBO's baseline assumptions, COLAs range from 4.5 percent to 4.9 percent through 1989 (see Table 10). During most of the 1990-1995 period, COLAs are 4.3 percent. In the low-inflation assumptions, COLAs decline during the late 1980s, and beginning in 1989, fluctuate between zero and 4 percent. (As noted in Part I, 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 one year, followed by a 4 percent COLA the next year when the CPI increase has accumulated over two years. In the final assumptions--high-inflation--annual adjustments beginning in 1986 are 8.1 percent in each year, which was the average COLA in SSI over the 1975-1984 period. ^{4/} In all likelihood, the low- and high-COLA assumptions will bound the actual COLAs: increases in the CPI have been well above 2 percent since 1965 and today's CPI increases are well below those prevailing as SSI's first decade began.

TABLE 10. PROJECTIONS OF THREE ASSUMED SSI COLAS, 1984-1995
(In percent)

	Low Inflation	CBO Baseline	High Inflation
1984 (actual)	3.5	3.5	3.5
1985	4.7	4.7	4.7
1986	4.8	4.9	8.1
1987	4.5	4.9	8.1
1988	3.0	4.7	8.1
1989	0	4.5	8.1
1990	3.9	4.2	8.1
1991	0	4.3	8.1
1992	4.0	4.3	8.1
1993	0	4.3	8.1
1994	4.0	4.3	8.1
1995	0	4.3	8.1

4. Actual experience during the past decade provides COLAs that are several percentage points above CBO's high-growth projections.

Federal benefits in SSI are very different under the three COLA assumptions, as shown in Table 11. The basic SSI monthly benefit would increase from \$314 to \$510 by 1995 under the baseline assumptions--a 62 percent rise. Under the low- and high-COLA assumptions, the basic benefit would increase to \$418 and \$718, respectively. Trends in average monthly benefits parallel those in basic benefits. Under the baseline assumptions, average monthly benefits of the aged would increase from \$130 to \$230 by 1995 and of the disabled from \$208 to \$365. Average benefits under the high-COLA assumptions would be almost 70 percent above those under the low-COLA assumptions by 1995. These benefit increases under all three paths are in nominal--not real--terms.

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 COLAs.

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 \$20.0 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 COLAs on outlays.

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. On the other hand, a projected rise in numbers of disabled beneficiaries relative to aged beneficiaries increases real program outlays, because average benefits of the disabled are higher (their non-SSI incomes are lower). These two trends are more or less offsetting.

Barring any legislative changes, these forecasts indicate that most SSI program trends over the coming decade will resemble those over its first ten years. Aged beneficiaries will decline in number while disabled beneficiaries will rise, turning the program into one primarily for the disabled. Benefits in nominal terms will increase, by amounts depending on the COLAs. But in real terms, they will remain constant. The possibility that COLAs may be zero in some years--if CPI increases fall below 3 percent a year--is a departure from the pattern of the previous decade, which was characterized by persistently high inflation rates. If realized,

TABLE 11. FORECASTS OF FEDERAL SSI MONTHLY BENEFITS WITH THREE COLAS, SELECTED YEARS 1983-1995 (In dollars)

	Individual Basic Benefit	Average Benefit a/ Aged Disabled b/	
LOW COLAs			
1983-1984 (actual)	314 <u>c/</u>	130 <u>d/</u>	208 <u>d/</u>
1985	329	148	235
1990	386	174	277
1995	418	191	303

BASELINE COLAs			
1983-1984 (actual)	314 <u>c/</u>	130 <u>d/</u>	208 <u>d/</u>
1985	329	148	235
1990	413	187	296
1995	510	230	365

HIGH COLAs			
1983-1984 (actual)	314 <u>c/</u>	130 <u>d/</u>	208 <u>d/</u>
1985	329	148	235
1990	486	217	345
1995	718	321	510

- a. Average monthly benefits for fiscal year.
- b. Includes blind.
- c. Effective beginning January 1, 1984.
- d. Average monthly benefits for fiscal year 1983.

curbed inflation would mean temporarily decreasing real benefits for SSI beneficiaries and a widening gap between their incomes and poverty thresholds for periods of more than a year.

TABLE 12. ACTUAL AND PROJECTED FEDERAL SSI OUTLAYS WITH THREE ASSUMED COLAS, 1983-1995 (In billions of dollars)

	Low COLAs	Baseline COLAs <u>a/</u>	High COLAs
1983 (actual) <u>b/</u>	8.7	8.7	8.7
1984 <u>b/</u>	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 <u>b/</u>	11.4	11.5	12.4
1989	10.7	11.3	12.6
1990 <u>b/</u>	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 <u>b/</u>	13.1	15.0	19.5
1995	12.2	14.5	20.0

- a. Estimated outlays through 1989 are those in CBO's latest baseline.
- b. 1984 and 1990 include only 11 months of benefit payments; 1983, 1988, and 1994 include 13 months.