AARP Public Policy Institute

Resource Tests and Eligibility for Federal Assistance Programs: Effects of Current Rules and Options for Change

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Research Report

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INTRODUCTION

To qualify for some federal programs targeted at low-income individuals and families, applicants must not only have countable income below specified limits but must also meet resource tests—limits on savings and other assets. Resource tests disqualify many applicants whose income would otherwise make them eligible for federal assistance.

Requirements that applicants exhaust most of their assets before receiving help prevent young people from building savings for a secure retirement and leave older people without savings to cushion against even a minor adverse event. In addition, requiring applicants to gather the information necessary to evaluate their resources complicates the eligibility determination process and may deter even eligible people from applying. The process is further complicated by the fact that different programs have different rules, and a single program may have different limits or different ways of counting assets in different states.

This report uses data from the Survey of Income and Program Participation (SIPP) to analyze the effects of resource tests on eligibility for four programs:

- The Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps)
- Supplemental Security Income (SSI), which provides cash assistance to low-income aged and disabled people
- Medicare Savings Programs (MSPs), under which Medicaid pays Medicare premiums and sometimes reduces required cost-sharing for low-income beneficiaries
- The Low-Income Subsidy (LIS) Program under the Medicare Part D prescription drug benefit, which pays some or all of participants' premiums and reduces required cost-sharing

The report begins with an overview of the income and resource requirements for the four programs and their different resource methodologies—i.e., ways of counting assets subject to resource limits. It then provides estimates of the number of people who met income and other requirements for participation in one or more of these programs in 2005 but who failed to meet a resource test. Finally, it examines the effects of some possible changes, including higher resource limits and different rules for treating specific kinds of assets (excluding retirement savings, excluding the cash value of life insurance, excluding all vehicles, annuitizing retirement funds, or using a net worth standard).

Key findings of the report include the following:

- Raising the resource limit substantially (to $17,000 for an individual/$34,000 for a couple) would increase the number of potential eligibles by 12.6 percent in SSI, 16.3 percent in MSP, and 4.2 percent overall in MSP and LIS.
- Excluding retirement funds from resource tests, as was done in SNAP, would result in a 4.7 percent increase in the number of people eligible for MSP and/or LIS. The number eligible for full LIS benefits would increase by 9.8 percent.

- Excluding all vehicles in a SNAP eligibility determination would expand the potentially eligible population by 7.3 percent.

Changes in resource limits, changes in the way resources are counted, or both could have a substantial effect on the number of people potentially qualifying for some major types of federal assistance.

BASIC ELIGIBILITY REQUIREMENTS

SUPPLEMENTAL SECURITY INCOME

People may receive SSI if they are aged 65 or older or if they meet Social Security's definition of permanent disability.[1] Many people who receive SSI also have regular Social Security benefits.

Income

Countable income may not exceed a fixed dollar amount; the limit for 2009 is $674 per month for an individual or $1,011 for a couple.[2] Countable income is gross income minus certain disregards, including a flat amount and a portion of earned income. The income limits equal 75 percent of the 2009 Federal Poverty Guidelines (FPGs) for a single person and 83 percent of the FPGs for a couple. However, unlike the limits for other programs considered in this report, SSI income limits are not actually derived from the FPGs; they are separately established by law and may have different annual increases. In addition, there are only single and couple limits, with fixed allowances for additional family members, while FPGs are established for each family size.[3]

Resources

Countable resources may not be more than $2,000 for a single person or $3,000 for a couple. All the programs considered here exclude the applicant's primary residence from countable resources. Treatment of other assets varies across programs and is discussed later in this section. The SSI resource limits, unlike those for other programs, are *not* indexed for inflation.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The Food Stamp program was renamed SNAP by the Food, Conservation, and Energy Act of 2008. Any household may qualify for SNAP assistance, subject to employment requirements for most adults without dependents. SNAP applies income and resource

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[1] Disability "means (A) 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, or (B) blindness," Social Security Act, section 216(i)(1).

[2] If only one member of the couple is aged or disabled, the single limit is used for that person, but part of the spouse's income may be deemed available to the applicant.

[3] Some states still use this approach in determining eligibility for the MSPs, applying only the one- or two-person FPG, instead of the correct FPG for the family size. The modeling for this report uses the full family FPGs for MSPs in all states, because (a) full data on state policies in 2005 are not available and (b) tests suggest that the methodological difference affects MSP eligibility only for a very few households.

tests to entire households, generally defined as all persons living together and purchasing and preparing meals together. This grouping could be larger than a nuclear family but might not include everyone living under the same roof. (Family units as defined for SSI and Medicaid more closely resemble nuclear families.) For this analysis, modeling uses the Census definition of a family—everyone related by blood or marriage—excluding unrelated individuals in the household.

Income

Most households must meet a gross income test and a net income test. The household's gross income may not exceed 130 percent of the FPG. Various deductions are then used to calculate net income, which may not exceed 100 percent of the FPG. In 2009, for example, the FPG for a family of three is $18,310. The household's gross income could be no more than $23,803, and a household with this income would need $5,493 in deductions to pass the net income test. Deductions include a flat standard deduction, a portion of earned income, dependent care and child support costs, certain shelter costs, and medical costs for elderly or disabled household members. A household with an elderly (age 60 or over) or disabled member must meet the net income test but need not meet the gross income test.

Resources

The resource limit is $2,000, regardless of household size, or $3,000 for a household with an elderly or disabled member. The limits will be updated annually for inflation, beginning October 1, 2009.

Assistance to Low-income Medicare Beneficiaries

Some low-income Medicare beneficiaries may qualify for full Medicaid coverage, which provides assistance with Medicare premiums and cost-sharing and also covers services not included in Medicare (most importantly, long-term care.) There are several different ways in which beneficiaries can qualify for full Medicaid:

- In most states, by receiving SSI benefits or supplemental benefits provided by the state
- In many states, by qualifying as medically needy—incurring medical bills large enough to reduce their income to a state-established standard
- In many states, by having income below special standards set for people needing nursing home care or home and community-based long-term care services
- In a few states, by meeting state-established income limits set at 100 percent of the FPG or lower

Medicare beneficiaries who do not qualify for full Medicaid coverage may receive Medicaid-funded assistance with Medicare's Part B premium, and sometimes with deductibles and coinsurance, through the MSPs. Most full-benefit Medicaid recipients also receive assistance with Medicare costs, in addition to coverage of services not included in Medicare.

All beneficiaries eligible for full Medicaid or MSP coverage are eligible for federal assistance with premiums and cost-sharing under the Medicare Part D prescription drug program. The Part D LIS program is also open to beneficiaries with income, resources, or both that are higher than MSP standards; these higher-income beneficiaries receive only partial subsidies.

Table 1 shows the income and resource limits for MSPs and the LIS, along with the benefits for each program or coverage level. There are two LIS levels (full and partial), and there are MSPs for three kinds of eligibles: qualified Medicare beneficiaries (QMBs), specified low-income Medicare beneficiaries (SLMBs), and qualifying individuals (QIs).[4] As the table shows, as income, resources, or both rise, benefits diminish.

Table 1
Eligibility and Benefits, Medicare Savings Programs and Medicare Part D Low-Income Subsidies Program

	Maximum Income	Resource Limits in 2009	What Medicaid Pays Toward Medicare Part A and B costs	Medicare Drug Benefit
MSP: Qualified Medicare beneficiaries	100% of FPG	$4,000 individual, $6,000 couple (will rise to full LIS level in 2010)	Part B premium (and part A premium if applicable), all deductibles and coinsurance	No premium or deductible required; copayments or coinsurance reduced
MSP: Specified low-income Medicare beneficiaries	120% of FPG	$4,000 individual, $6,000 couple (will rise to full LIS level in 2010)	Part B premium only	No premium or deductible required; copayments or coinsurance reduced
MSP: Qualifying individuals	135% of FPG	$4,000 individual, $6,000 couple (will rise to full LIS level in 2010)	Part B premium only. Subject to appropriated spending cap which may limit number of participants. (Authorization expires December 2010.)	No premium or deductible required; copayments or coinsurance reduced
Full LIS	135% of FPG	$8,100 individual, $12,910 couple in 2009 (indexed for inflation)	No Medicaid assistance	No premium or deductible required; copayments or coinsurance reduced
Partial LIS	150% of FPG	$12,510 individual, $25,010 couple in 2009 (indexed for inflation)	No Medicaid assistance	Sliding-scale premium; $50 deductible; copayments or coinsurance reduced

People who meet the income test for a given level of coverage, but not the resource test, may qualify for a coverage level further down the scale. For example, an individual whose income is 110 percent of the FPG but whose resources are $10,000 would not qualify for SLMB coverage but would qualify for the partial LIS.

4 A MSP group, qualified disabled and working individuals, is not considered in this report. These are people who were receiving Medicare because of disability and have since returned to work. For those below 200 percent of FPG, Medicaid pays the Part A premium that will allow them to retain Medicare coverage.

Note that beginning in 2010, the income and resource limits for the QI program and the non-MSP full LIS will be identical. This does *not* mean that everyone qualifying for the full LIS will also qualify for the QI program, because the two programs have different rules about what assets are counted toward the resource test.[5] (These rules are discussed in the next section.) There will still be people receiving the full LIS but no help with the Part B premium.

COUNTABLE RESOURCES

Each program has its own rules about what assets are counted toward the resource limit. Table 2 shows the most important variations.

Table 2
Countable Resources under Different Programs

	SSI	SNAP	MSPs	LIS
Retirement savings	Counted in full	Not counted (effective FY 2009)	Counted in full	Counted in full
Other liquid assets	Counted in full	Counted in full	Counted in full	Counted in full
Real estate(other than principal residence)	Limited exclusion for rental property	Limited exclusion for rental property	Limited exclusion for rental property	Limited exclusion for rental property
Cash value of life insurance	Limited exclusion	Not counted	Limited exclusion	Not counted (effective 2010)
Vehicles	One car not counted	Varies by state	One car not counted	Not counted

Retirement Savings and Other Liquid Assets

Beginning October 1, 2008, SNAP excludes savings in 401(k) plans, individual retirement accounts (IRAs), and similar tax-favored accounts.[6] All other savings, stocks, and other liquid assets are counted under all programs.

Real Estate

The principal residence is excluded in full. For SSI, MSPs, and the LIS, property with a value of less than $6,000 can be excluded from resources, but only if the applicant is receiving rental income equal to 6 percent of the property's value. Some states allow higher values, but none waives the rental income requirement. For SNAP, property of any value can be excluded if the property is producing "income consistent with its fair market value." The model uses a 2.6 percent rental income threshold; this represents the average reported for income-producing property in the 2005 SIPP.

Life Insurance

Under "whole life" insurance policies, the policyholder can borrow against the policy up to a cash value limit.[7] (The loan, if not repaid, reduces the death benefit ultimately payable

[5] There is also a tiny number of families whose income as determined under LIS methods is less than 135 percent of the FPG but who would be found to have higher income under the MSP methodology adopted by their state.

[6] SNAP also now excludes 529 accounts or other tax-favored education funds. These cannot be identified using SIPP.

under the policy.) The cash value of a policy is counted as a resource under SSI and MSPs, unless the face value (or death benefit) of all policies covering an individual is $1,500 or less. Insurance is not counted under SNAP or, beginning in 2010, under the LIS.

Vehicles

Vehicles are counted for all programs except the LIS. Under SSI and MSPs, the value of one car may be excluded if the car is needed for transportation of the applicant or any household member. (In the modeling, the highest-value car reported is excluded.) SNAP rules vary by state. Some states exclude one vehicle per household or one for each adult in the household; in either case, there may be a dollar limit on the exclusion. Other states exclude all vehicles. (State policies used in the modeling are those in effect in 2008.[8])

MODELING EFFECTS OF CURRENT RESOURCE STANDARDS

METHODS

This report uses SIPP data on income received and assets held by people meeting categorical eligibility standards for benefits in calendar year 2005. SIPP interviews a nationally representative sample of the civilian noninstitutionalized population at four-month intervals. Monthly income data and other personal information are collected in each interview; asset data are collected in one interview each year. For this analysis, program eligibility for each individual is estimated for each month for which data are available. An individual's eligibility may change from month to month because of fluctuations in income, changes in family composition, or other factors—such as turning 65 and thus qualifying for Medicare.[9] All counts in this report reflect the *average* monthly number of eligible people during 2005; this is less than the number ever eligible during the year.

Income eligibility limits and counting methods are those in effect during 2005.[10] However, resource eligibility rules for all the programs except SSI were changed by legislation in 2008, as follows:

- **Medicaid.** Beginning in 2010, resource limits for the MSPs will be increased to match limits for the full LIS under Medicare Part D. (Note that this means that practically everyone eligible for the Part D subsidy will also be eligible for the QI program, with the exception of a few people affected by differences in methods of counting income and resources.)

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7 The other major type of life insurance, "term" insurance, does not accumulate cash value and pays only a fixed death benefit; it is not counted as a resource under any program.

8 Center for Budget and Policy Priorities, *States' Vehicle Asset Policies in the Food Stamp Program*, Washington, July 2008.

9 People's assets also change from month to month. However, because SIPP captures asset data only once, the modeling assumes that assets are constant throughout the year.

10 There are two exceptions. Income modeling for Medicare Part D low-income subsidies follows the new Medicare Improvements for Patients and Providers Act of 2008 rule that eliminates deeming of in-kind income. Modeling for SNAP follows the Food, Conservation and Energy Act of 2008 rule eliminating the dependent care deduction cap. Neither change materially affects the estimates.

- **Medicare Part D LIS.** The cash value of life insurance policies will no longer be counted.
- **SNAP.** Amounts in retirement accounts will no longer be counted.

This report provides two sets of eligibility estimates for the affected programs, one using the resource rules actually in effect in 2005, the second using 2005 data but applying the revised rules now taking effect. All estimates of increases in eligible populations under different policy options measure those increases relative to the revised rules, so that possible new policies can be compared to the policy choices Congress has already made.

Modeling for SSI is limited to individuals receiving Social Security Disability Income (SSDI) or aged 65 or older. (Many disabled people who do not receive SSDI are eligible for SSI, but people in this category who do not actually receive SSI cannot be identified using SIPP data.) Family units are as defined under SSI rules. Modeling for MSPs and the Part D LIS is limited to people reporting Medicare coverage during the month; families are defined under SSI rules. For SNAP, as noted earlier, family units are defined as by the Census Bureau. However, when only some members of a family actually report receiving SNAP benefits during a month, they are treated as a unit distinct from the remaining members of the family.

Noncitizens are excluded from the estimates for all programs. Certain classes of noncitizen legal residents are eligible for certain benefits, but they cannot be identified using SIPP data.[11] Finally, SNAP limits the duration or availability of benefits for able-bodied adults without dependents who are not employed or participating in an employment training program. These rules are complicated, vary by state, and are not readily modeled using SIPP data. They are ignored in this analysis, leading to a potential overcount of SNAP eligibles. This is partially offset by the omission of eligibles who are not citizens.

THE EFFECT OF CURRENT RESOURCE RULES ON ELIGIBILITY

Table 3 shows the average monthly number of people meeting income and resource tests for SNAP under the rules in effect in 2005, along with the number actually reporting receipt of SNAP benefits. Nearly one-fourth of people in families meeting the income eligibility tests fail the resource tests. The figure is higher for families with an aged or disabled member. For both types of families, the average number of people reporting that they received benefits is about half of those eligible. The estimated number of participants is well below the actual participation level because receipt of benefits is underreported in SIPP and also because noncitizen recipients are omitted in this analysis.[12]

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[11] When a family includes citizens and a noncitizen, the noncitizen’s income and resources have been excluded and the individual is not counted in determining family size. This conforms to SNAP practice, but it is unclear what the rules are under SSI and Medicaid.

[12] For 2005, Mathematica Policy Research estimates that an average of 24.6 million people participated out of 37.7 million eligible, for a participation rate of 65.1 percent. Kari Wolkwitz, *Trends in Food Stamp Program Participation Rates: 1999 to 2005* (Washington, D.C: United States Department of Agriculture, Food and Nutrition Service, 2007). The Mathematica data show

Table 3
Average Monthly Number of People in Families Meeting Income and Resource Tests for SNAP and Number Receiving SNAP Benefits, 2005

	Average Number of People in Families Meeting Income Test	Average Number Meeting Both Income and Resource Test, 2005 Rules	Percentage of Income Eligibles Meeting Resource Test, 2005 Rules	Average Number Receiving Benefits	Participation Rate
No family member aged or disabled	38,581,380	29,180,847	75.6%	15,823,776	54.2%
One or more members aged or disabled	11,374,933	8,316,199	73.1%	4,083,134	49.1%
Total	49,956,313	37,497,045	75.1%	19,906,910	53.1%

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Eligibility for SNAP benefits is imputed for people reporting Temporary Assistance to Needy Families or SSI, except in California, where SSI recipients are not automatically eligible.

As table 4 shows, the new SNAP rules, which exclude funds in retirement accounts from countable resources, increase the eligible population by nearly 6 percent. The increase in total eligibles is slightly lower among families with an aged or disabled member.

Table 4
Average Monthly Number of People in Families Meeting Income and Resource Tests for SNAP if Revised Rules Had Been in Effect in 2005

	Average Number Meeting Both Income and Resource Tests, 2005 Rules	As Percentage of Income Eligibles	Average Number Meeting Both Income and Resource Tests, Revised Rules	As Percentage of Income Eligibles	Percent Change in Total Eligibles as a Result of the Revised Rules
No family member aged or disabled	29,180,847	75.6%	30,868,806	80.0%	5.8%
One or more members aged or disabled	8,316,199	73.1%	8,704,967	76.5%	4.7%
Total	37,497,045	75.1%	39,573,773	79.2%	5.5%

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits.

considerably lower participation by eligibles aged 60 or over. Published information about the Mathematica methodology is insufficient to identify the reasons for this difference.

Table 5 gives estimates for the SSI program. Again, the modeling for this report considers only the aged and people receiving Social Security disability benefits. Many actual SSI recipients do not fall into either category. These include 1 million disabled children, as well as adults who have insufficient employment history to qualify for SSDI or do not receive it for other reasons.[13] Among the aged and SSDI population, 21 percent of those who would have passed the income test in 2005 would have failed the resource test.

Table 5
Average Monthly Number of People Meeting Income and Resource Tests for SSI and Number Receiving Benefits, 2005

	Average Number of People in Families Meeting Income Test	Average Number Meeting Both Income and Resource Tests	Percentage of Income Eligibles Meeting Resource Test	Average Number Receiving Benefits	Participation Rate
People aged 65 or older or receiving Social Security disability benefits	4,831,004	3,805,753	78.8%	2,688,645	70.6%
Other SSI recipients				3,898,923	
Total				6,587,568	

Source: Author's analysis of SIPP data.

Estimating eligibles and participants is more complicated for the MSPs than for SNAP or SSI, for several reasons.

First, many Medicare beneficiaries whose income or resources exceed the MSP standards described above may become eligible for full Medicaid benefits (including assistance with Medicare costs) in other ways. For example, those with large medical bills may qualify as medically needy, while participants in home- and community-based services waiver programs may be subject to a special higher income standard. These people cannot be identified using the SIPP. The only non-MSP category for which eligibility can be modeled using SIPP is the SSI group.

Second, SIPP asks about the receipt of any form of Medicaid; it does not distinguish between recipients of full Medicaid and those receiving only MSP benefits. In addition, underreporting of Medicaid benefits in the SIPP and other Census Bureau surveys is even more severe than for other programs. The problem is compounded by the fact that SIPP

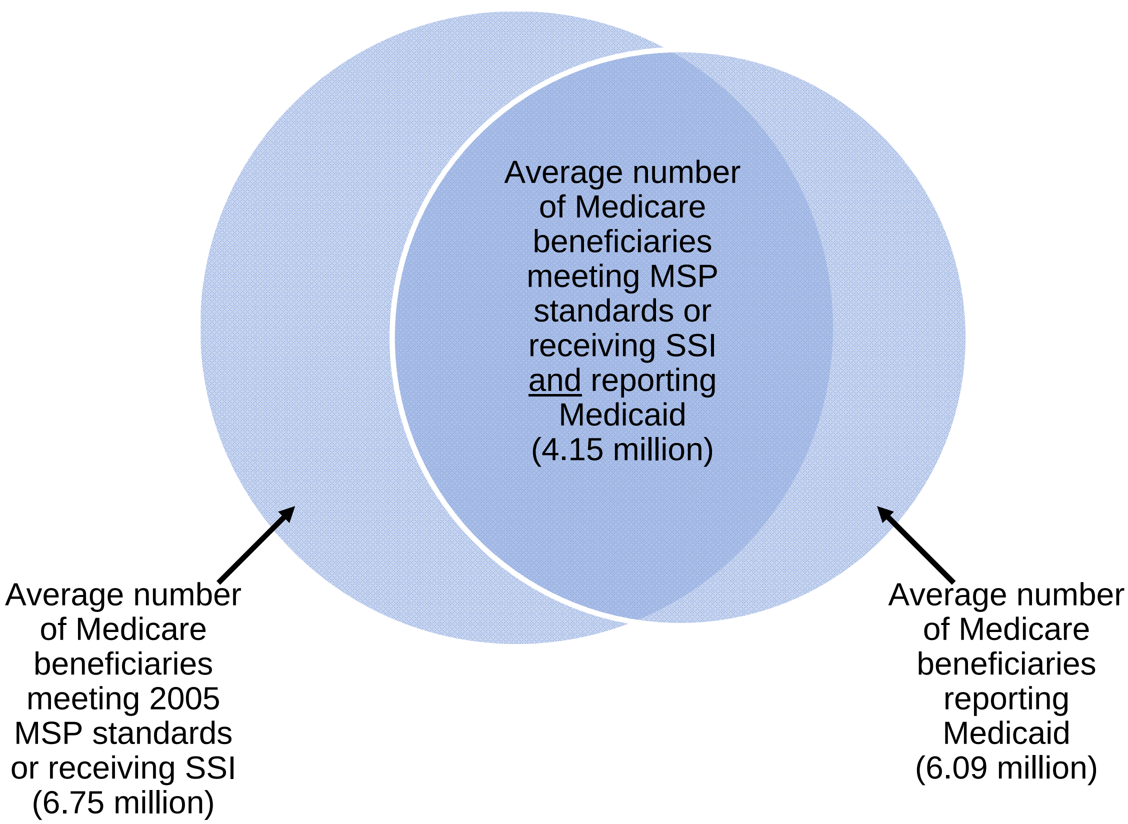
[13] As with other assistance programs, receipt of SSI benefits is slightly underreported in SIPP. For December 2005, the modeling for this report estimates 2,744,067 aged/SSDI and 4,056,868 other SSI recipients. The actual counts for that month were 2,887,948 aged/SSDI and 4,225,931 other. U.S. Social Security Administration, Office of Policy and Office of Research, Evaluation, and Statistics, *SSI Annual Statistical Report* (Washington, D.C., 2007).

is limited to the noninstitutional population, thus missing close to 1 million Medicaid beneficiaries in nursing homes.[14]

The result is that SIPP shows many Medicare beneficiaries who are receiving Medicaid but are not apparently eligible and many eligible beneficiaries who are not reporting receipt of benefits. As figure 1 indicates, an average of about 7 million Medicare beneficiaries in 2005 met MSP standards, received SSI, or both. An average of 6 million beneficiaries reported receiving Medicaid. However, only 4 million of these recipients were in the group eligible for MSP or SSI; 2 million recipients cannot be established as

Figure 1

Monthly Number of Medicare Beneficiaries Meeting MSP Eligibility Standards or Receiving SSI and Number Reporting Medicaid, 2005



Source: Author's analysis of SIPP data.

[14] The Urban Institute, using state Medicaid data reports, estimates that 8.8 million Medicare beneficiaries received Medicaid at any time during 2005. John Holahan, Dawn M. Miller, and David Rousseau, *Dual Eligibles: Medicaid Enrollment and Spending for Medicare Beneficiaries in 2005* (Washington, D.C.: Kaiser Commission on Medicaid and the Uninsured, 2009). SIPP data show 7.2 million Medicare beneficiaries receiving Medicaid at any time during the year. (This number *ever* receiving Medicaid is larger than the *average* monthly total of 6.1 million shown in figure 1.) The Urban Institute number includes people in nursing homes. In 2004, a monthly average of 890,000 nursing home residents received Medicaid. A. L. Jones, L .L. Dwyer, A. R. Bercovitz, and G.

Medicaid-eligible using SIPP. The remainder of the analysis in this report is limited to Medicare beneficiaries whose income in 2005 was within the limit for MSP eligibility (135 percent of the FPG), ignoring eligibility or actual participation by people at higher income levels.

Table 6 shows that only 62 percent of beneficiaries meeting the MSP income test would have met the resource test. As might be expected, those in the higher income classes are more likely to fail the resource test than those with incomes below poverty. The data also suggest that people eligible only for SLMB or QI benefits were less likely to participate than those eligible for the more valuable QMB benefit. Or it may simply be that people in these groups are less likely to identify themselves as receiving Medicaid, because they receive assistance only with Medicare premiums and not with cost-sharing.

Table 6
Average Number of Medicare Beneficiaries Meeting MSP Standards under 2005 Rules, and Number of These Participating

Income	Average Number of Medicare Beneficiaries in Income Class	Number Meeting the MSP Resource Test Using 2005 Rules	Percentage Meeting Resource Test	Of Eligible Beneficiaries, Average Number Reporting Medicaid	Reported Participation Rate
Under 100% of FPGs (QMB limit)	5,476,838	3,757,292	69%	2,585,731	69%
Over 100% and under 120% of FPGs (SLMB limit)	2,392,312	1,385,695	58%	661,447	48%
Over 120%and under 135% of FPGs (QI limit)	2,007,515	1,005,999	50%	337,843	34%
Total below 135% of FPGs	9,876,665	6,148,986	62%	3,585,021	58%

Source: Author's analysis of SIPP data.

Table 7 shows how MSP eligibility in 2005 would have been affected by the higher resource limits that will take effect in 2010.[15] For beneficiaries in each of the three income classes, the change would have increased the proportion qualifying for benefits; the effect is larger as income rises.

W. Strahan, "The National Nursing Home Survey: 2004 overview," National Center for Health Statistics, *Vital and Health Statistics*, series 13, no. 167, June 2009. Even if all of these had been dual Medicare/Medicaid beneficiaries, the difference between the Urban Institute and SIPP estimates would still be 0.7 million.

15 For the purpose of modeling, these limits have been deflated to a 2005 level of $5,810 for single individuals and $8,720 for couples.

Table 7
Eligibility for MSP if Revised Resource Standard Had Been in Effect in 2005

Income	Average Number of Medicare Beneficiaries in Income Class	Number Also Meeting the MSP Resource Test Using Revised Rules	Percentage Meeting MSP Resource Test Under Revised Rules	Change from 2005 Rules
Under 100% of FPGs (QMB limit)	5,476,838	4,147,903	76%	10%
Over 100% and under 120% of FPGs (SLMB limit)	2,392,312	1,598,175	67%	15%
Over 120% and under 135% of FPGs (QI limit)	2,007,515	1,200,623	60%	19%
Total below 135% of FPGs	9,876,665	6,946,702	70%	13%

Source: Author's analysis of SIPP data.

So far, the analysis here has included only MSP eligibility in 2005, because the Part D LIS program did not take effect until 2006. Table 8 shows beneficiaries eligible for either MSP or LIS assistance if the LIS program had been available in 2005 *and* if all current resource rules had been in effect in that year. Note that, with the addition of the LIS, beneficiaries who fail to meet the resource test for one level of benefits may qualify for a program that

Table 8
Effect of Resource Tests on Eligibility for Assistance Programs for Low-Income Medicare Beneficiaries in 2005, Using Current Rules

Income	Average Number of Medicare Beneficiaries in Income Class	Result of Resource Test			
		Eligible for MSP	Ineligible for MSP but Eligible for Full LIS	Ineligible for Full LIS but Eligible for Partial LIS	Ineligible for Any Assistance under MSP or LIS Rules
Under 100% of FPGs (QMB limit)	5,476,838	76%	9%	2%	13%
Over 100%and under 120% of FPGs (SLMB limit)	2,392,312	67%	11%	3%	19%
Over 120%and under 135% of FPGs (QI and full LIS limit)	2,007,515	60%	11%	5%	24%
Over 135%and under 150% of FPGs (partial LIS limit)	1,955,313	NA	NA	73%	27%
Total below 150% of FPGs	11,831,978	59%	9%	14%	18%

Source: Author's analysis of SIPP data.

has less stringent resource requirements (and provides less generous assistance). For example, an average 5.5 million Medicare beneficiaries had income below 100 percent of the FPGs in 2005. Of these, 76 percent would have met the resource limit if the revised higher limits now in effect had been applied in 2005. Another 9 percent would have met the resource limit for the full LIS but not for MSPs. This is because, although the dollar limits are now identical, the methods for counting resources under the MSPs and LIS programs differ. (In particular, MSPs include and LIS programs exclude vehicles and life insurance.) Another 2 percent of this income group qualifies for the partial LIS, which uses the same methods as for full LIS but a higher resource limit. Finally, 13 percent are ineligible for any level of assistance under MSP or LIS rules, although many of these might qualify for Medicaid under the rules for the medically needy or for persons in home and community-based programs, or through other special routes to eligibility.

TYPES OF ASSETS HELD BY INCOME ELIGIBLES WHO FAIL RESOURCE TESTS

Most people who pass the income test but fail the resource test for the different assistance programs have assets exceeding the allowable amount by a considerable margin. Table 9 shows the distribution of countable assets among people meeting the income test but failing the resource test for each program. In each case, median assets are many times the maximum allowable amount. This means that a simple increase in the resource limits, unless it were very large, might have a limited effect on program eligibility.

Table 9
Distribution of Countable Resources, People Meeting Income Test but Failing Resource Test for Federal Assistance if Current Rules Had Been in Effect in 2005

Meets Income Test but Not Resource Test for:	25th Percentile	Median	75th Percentile
SNAP, no member aged or disabled	$4,946	$10,300	$30,000
SNAP, member aged or disabled	$7,470	$21,607	$83,500
SSI	$9,788	$32,500	$141,718
MSPs	$13,388	$34,591	$100,011
LIS*	$27,010	$60,000	$130,000

*Population for this estimate includes people meeting MSP/full LIS income limits but failing both the MSP and LIS resource tests, as well as people meeting the LIS partial subsidy limit and failing the LIS resource test.

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

Table 10 shows, for the population passing the income test but failing the resource test for each program, the percentage holding different major types of countable assets and, among those holding the asset, the median countable value.

Potential eligibles in the higher income LIS groups are more likely than those in the SSI and MSP groups to report having some savings in **retirement accounts**. (Funds in these accounts will no longer be counted for SNAP.) For those with retirement accounts, median balances are roughly the same across the groups.

In all groups, a much higher proportion of potential eligibles have **liquid assets** that are not labeled as retirement accounts. Bank accounts or other nonretirement savings are now the most important barrier to eligibility for SNAP applicants in households with and without a member aged 60 or over.

Table 10
Prevalence and Median Value of Different Types of Countable Resources, People Meeting Income Test but Failing Resource Test for Federal Assistance if Current Rules Had Been in Effect in 2005

	SNAP, No Member Aged or Disabled	SNAP, Member Aged or Disabled	SSI	MSPs	LIS*
Retirement Accounts					
Percentage with countable asset	NA	NA	33%	31%	49%
Median value for those with asset	NA	NA	$46,000	$40,000	$40,000
Other liquid assets					
Percentage with countable asset	84%	97%	85%	83%	96%
Median value for those with asset	$5,410	$15,000	$8,000	$11,500	$28,000
Life insurance					
Percentage with countable asset	NA	NA	48%	53%	NA
Median value for those with asset	NA	NA	$11,000	$13,000	NA
Vehicles					
Percentage with countable asset	49%	25%	45%	28%	NA
Median value for those with asset	$8,270	$8,494	$2,790	$3,128	NA
Real property					
Percentage with countable asset	6%	7%	5%	5%	8%
Median value for those with asset	**	**	**	**	**

* Population for this estimate includes people meeting MSP/full LIS income limits but failing both the MSP and LIS resource tests, as well as people meeting the LIS partial subsidy limit and failing the LIS resource test..

** Sample too small for meaningful estimate.

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

The cash value of **life insurance** will now be counted only for SSI and MSPs. About half of potential eligibles in each group had countable life insurance. *Estimates of life insurance values should be read with great caution,* because there appear to be problems with the SIPP data on this topic.[16]

The estimated value of **vehicles** is counted under all programs except the LIS. Because most states allow SNAP applicants to exclude multiple vehicles (or all vehicles), fewer potential eligibles in the SNAP group had a countable vehicle value than in the SSI or MSP groups. For those with a countable vehicle, however, the median value was slightly higher.

[16] Although SIPP collects information on the cash value of whole life policies, this amount is missing and has been imputed in the SIPP data editing for nearly 40 percent of the cases. Many people reported a cash value for their policy but also said that the only type of insurance they had was term life, which has no cash value; these contradictory responses have been discarded. Finally, the rule for SSI and MSPs that the *cash value* of policies is included unless the total *face value* is less than $1,500. SIPP does not ask about the face value of policies. For this analysis, insurance has been excluded when the sum of reported *cash* values of all policies does not exceed $1,500.

Finally, a small number of potential eligibles had real estate other than their principal residence. The values are not shown in the table because the sample sizes are too small for meaningful estimates.

POLICY OPTIONS

This analysis considers four basic options for modifying resource tests; not all of the options are applicable to every program. The effect of each option is analyzed in terms of the increase in the average monthly number of persons eligible for program benefits, relative to the number who would have been eligible if current rules had applied in 2005. Because many people do not obtain benefits to which they are entitled, the increase in the eligible population would not translate into an increase in people who actually claim benefits.

The options were modeled independently for SNAP, SSI, and MSPs/LIS. It should be noted that any expansion of the population eligible for SSI might also increase the population eligible for SNAP and for Medicaid. People who qualify for SSI are automatically eligible for SNAP in every state but California and are automatically eligible for Medicaid in all but ten states. These interactions are not modeled here—and are in any event trivial, because none of the options increases the population eligible for SSI by very much, and many of the newly eligible might have qualified for SNAP or Medicaid under current policy.

INCREASE GENERAL RESOURCE LIMITS

The current resource limits for SSI ($2,000 for an individual and $3,000 for a couple) have been in effect since January 1, 1989—more than 20 years ago. In 1989, 11.3 percent of households headed by someone aged 65 or older had assets below $3,000; by 2007, this figure had dropped to 6.8 percent.[17] A 2007 resource limit that would have captured 11.3 percent of elderly households would have been about $13,000. Beginning in FY 2010, SNAP limits are updated for inflation, but the base—originally set in 1985—remains very low.

As table 9 suggested, a significant increase in limits would be needed to make many more people eligible for assistance. This analysis uses a resource limit of $17,000 for singles and $34,000 for couples for SSI, MSPs, and the LIS. (These are the limits applied to MSPs and the LIS in the House health care reform bill, H.R. 3962.) For SNAP, the limits for families with and without an aged or disabled member currently have a 3:2 ratio. This ratio is retained in the modeling, giving a $25,500 limit for households with an aged or disabled member and a $17,000 limit for other households.

Table 11 shows the result of the higher limits. For SNAP and SSI, they significantly increase the eligible population. For MSPs/LIS, the results are more complicated. As noted earlier, although resource limits for MSPs and the full LIS will be the same beginning in 2010, many beneficiaries who meet the MSP income standard are eligible only for the LIS, because MSP includes as countable assets items that are excluded from

[17] Author's analysis of data from the Federal Reserve Board's Survey of Consumer Finances, available at http://www.federalreserve.gov/pubs/oss/oss2/scfindex.html.

Table 11
Effect of Higher Resource Limit on Eligibility for SNAP, SSI, MSPs, and the LIS, 2005

	Average Number Eligible under Current Policy	Average Number Eligible with Higher Resource Limit	Percent Change
SNAP			
No family member aged or disabled (new limit $17,000)	30,868,806	35,741,204	15.8%
One or more members aged or disabled (new limit $25,500)	8,704,967	10,133,676	16.4%
Total SNAP	39,573,773	45,874,881	15.9%
SSI (new limit $17,000 single/$34,000 couple)	3,805,753	4,286,406	12.6%
MSPs/LIS (new limit $17,000 single/$34,000 couple)			
MSPs	6,946,702	8,081,940	16.3%
Full LIS	1,015,023	467,674	–53.9%
Partial LIS	1,707,002	1,525,708	–10.6%
Total MSPs/LIS	9,668,727	10,075,322	4.2%

Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

LIS determinations. The main effect of raising the limits for both programs is that—even with the different counting rules—many more people qualify for MSP coverage. Hence the shift from full LIS to MSPs. Meanwhile, because the higher standard applies uniformly to MSPs, the full LIS, and the partial LIS, some people who previously qualified only for the partial LIS would shift to the other two categories. Overall eligibility for MSPs/LIS does not change very much, because the resource limit for the partial LIS was already much higher than for other programs.

EXCLUDE SPECIFIC TYPES OF ASSETS

Certain specific classes of assets could be excluded from consideration. SNAP has never counted the cash value of life insurance and is now excluding funds in retirement accounts. The LIS program now excludes life insurance and the value of vehicles. SSI and MSPs include all of these assets (although a few states have made exceptions under their MSP rules), and SNAP in many states continues to count some vehicles.

This section considers changes in the treatment of each of these assets under the programs that continue to count them.

Retirement accounts could be excluded from countable resources for SSI, MSPs, and the LIS. Some analysts have pointed out that defined benefit pension plans are becoming increasingly rare. In the future, most retirees are likely to be dependent on savings in 401(k) plans, IRAs, or other arrangements. When a person receives a pension from an employer or union retirement fund, the income is considered in determining eligibility, but the amount of the funds held in the person's name is not considered an asset. In contrast, if a person receives the same amount of income from savings he or she controls, the amount of the savings is counted toward the asset limits.[18] Retirement accounts are treated as an available resource even for young applicants, despite the fact that they face substantial tax penalties if they access these funds before age 59½. Current policy, then, may discourage young people from saving at the same time that it produces inequitable results for older people with different sources of retirement income.

Table 12 shows the effect of excluding retirement accounts on eligibility for MSPs and the LIS. (The effect on SSI is not shown because the change affects too few SIPP respondents to allow meaningful estimates.) The total number of beneficiaries eligible for some form of assistance would increase by almost half a million, or nearly 5 percent.

Table 12
Change in Eligibility for MSPs and the LIS if Retirement Accounts Were Excluded From Countable Resources, 2005

	Average Number of Medicare Beneficiaries Eligible under Current Policy	Average Number Eligible with Retirement Funds Excluded	Percent Change
MSPs	6,946,702	7,155,927	3.0%
Full LIS	1,015,023	1,114,272	9.8%
Partial LIS	1,707,002	1,849,631	8.4%
Total MSPs/LIS	9,668,727	10,119,831	4.7%

Source: Author's analysis of SIPP data.

One issue raised by this option is that many retirees potentially eligible for SSI/MSPs/LIS hold most or all of their financial assets outside tax-favored retirement accounts. (These people may not have had access to employer-sponsored savings programs, may have had taxable incomes so low during their working lives that there was little benefit to establishing an IRA, and so on). For people who have not yet retired, it may be reasonable to distinguish between ordinary savings and savings that have been sequestered in accounts that cannot be accessed without tax penalties. It is not clear why this distinction should be made for people who are already retired.

The cash value of life insurance policies could be excluded for SSI and MSPs as they now are for SNAP and the LIS. Besides making more people eligible for benefits, this change might simplify the application process. Ascertaining the cash value of policies can be quite complex, and the process may need to be repeated during periodic eligibility redeterminations. As table 13 shows, there would be some increase in eligibility for SSI benefits. For Medicare beneficiaries, the effect would be to shift nearly everyone currently eligible only for the full LIS subsidy into the MSP category, simply because the treatment of insurance is now the most important difference in resource policy for MSPs and the LIS. (As noted earlier, SIPP estimates relating to the value of life insurance should be read with caution.)

[18] Marilyn Moon, Robert Friedland, and Lee Shirey, *Medicare Beneficiaries and Their Assets: Implications for Low-Income Programs* (Washington, D.C.: Kaiser Family Foundation, 2002).

Table 13
Change in Eligibility for SSI, MSPs, and the LIS if the Cash Value of Life Insurance Were Excluded from Countable Resources, 2005

	Average Number Eligible under Current Policy	Average Number Eligible with Insurance Excluded	Percent Change
SSI	3,805,753	4,029,952	5.9%
MSPs/LIS			
MSPs	6,946,702	7,858,376	13.1%
Full LIS	1,015,023	103,349	–89.8%
Partial LIS	1,707,002	1,707,002	0.0%
Total MSPs/LIS	9,668,727	9,668,727	0.0%

Source: Author's analysis of SIPP data. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

Finally, other programs could follow the LIS policy of excluding the value of all **vehicles.** The effect is largest for SNAP, especially for younger households more likely to have multiple vehicles. The change for SSI is too small to be meaningful. For Medicare beneficiaries, the effect again is to shift people from the full LIS category into MSPs. If both life insurance and vehicles were excluded under MSPs, there would essentially be no one left in the full LIS category.

Table 14
Change in Eligibility for SNAP, SSI, MSPs, and the LIS if All Vehicles Were Excluded from Countable Resources, 2005

	Average Number Eligible under Current Policy	Average Number Eligible with All Vehicles Excluded	Percent Change
SNAP			
No family member aged or disabled	30,868,806	33,484,849	8.5%
One or more members aged or disabled	8,704,967	8,961,291	2.9%
Total SNAP	39,573,773	42,446,139	7.3%
SSI	[Change too small to display]		
MSPs/LIS			
MSPs	6,946,702	7,028,605	1.2%
Full LIS	1,015,023	933,119	–8.1%
Partial LIS	1,707,002	1,707,002	0.0%
Total MSPs/LIS	9,668,727	9,668,727	0.0%

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

ANNUITIZE FUNDS IN RETIREMENT ACCOUNTS

As noted earlier, current policy favors retirees with defined benefit pensions over those who rely on retirement accounts for income. There is also a second form of arguably discriminatory treatment. If a retiree takes a lump sum distribution from a retirement account and uses it to purchase an annuity, the income from the annuity is considered in determining eligibility, but the amount invested in the annuity is not a resource. If the retiree instead retains the full account and makes periodic withdrawals over his or her lifetime, the balance remaining in the account is a countable resource. This policy might make some sense if the aim were to encourage more people to buy annuities early in retirement and protect themselves against longevity risks. However, while annuities may be a good idea for many retirees, some analysts have argued that they are less advisable for low-income retirees, who need to have some accessible savings as a cushion against a catastrophic event.

One possible solution is what might be called virtual annuitization of retirement accounts. Under this option, assets in retirement accounts would not be counted toward the resource limit. Instead, the individual's countable income would be increased by the estimated monthly amount that the asset would yield if used to purchase an annuity.[19]

There are at least two possible approaches to calculating the income adjustment for an annuitization approach. One is simply to assume that an individual will take equal amounts out of a retirement account in each year of his or her remaining lifetime. Under this method, if a 65-year-old woman has a life expectancy of 19 years and retirement savings of $50,000, her countable income would be increased by $2,632 per year ($50,000 divided by 19).[20]

Actual annuities do not work in this way. The periodic annuity payment is set on the assumption that the fund balance will earn interest over the course of the annuitant's expected lifetime. So the monthly payout is greater than if the total fund were equally divided. Under an annuity contract that assumed a 5 percent annual yield, the 65-year-old woman would receive annual payments of $4,186—59 percent more than under the zero-interest, equal draw method.[21] (In an actual annuity contract, this income would be reduced to cover administrative costs and profit of the issuing institution.)

Given the fairly small retirement funds held by beneficiaries potentially assisted by this option, the two different ways of calculating an adjustment have very similar effects. Table 15 shows the effects of annuitization on countable income for Medicare beneficiaries. (The option would also be potentially applicable to SSI. However, practically no one who fails the existing SSI resource test would benefit from the exclusion of retirement accounts.) Without the "virtual annuity," an average of

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19 See Moon, Friedland, and Shirey, *Medicare Beneficiaries and Their Assets* and Zoë Neuberger, Robert Greenstein and Eileen P. Sweeney, *Protecting Low-Income Families' Retirement Savings: How Retirement Accounts Are Treated in Means-Tested Programs And Steps to Remove Barriers to Retirement Saving* (Washington, DC: The Retirement Security Project, 2005). Note that the Retirement Security Project study annuitizes only the amount in the retirement account that is greater than the resource limit.

20 This is the method adopted in Moon, Friedland, and Shirey.

21 Annuity calculations in this report use data from E. Arias, "United States Life Tables, 2001," National Center for Health Statistics, *Vital Statistics Reports*, series 52, no. 14, 2004. To prevent double-counting of virtual and real income, the estimated annuity amount is reduced by the individual's actual 2005 distributions from the retirement account.

Table 15
Change in MSP and LIS Income Eligibility if Retirement Accounts Were Annuitized, 2005

Countable Income	Average Number of Medicare Beneficiaries in Income Class Before Annuity	With Retirement Fund Annuitized at 0% Interest	Percent Change	With Retirement Fund Annuitized at 5% Interest	Percent Change
Under 100% of FPG (QMB limit)	5,476,838	5,255,487	-4.0%	5,220,823	-4.7%
Over 100%–under 120% of FPG (SLMB limit)	2,392,312	2,286,810	-4.4%	2,258,705	-5.6%
Over 120%–under 135% of FPG (QI limit)	2,007,515	1,909,079	-4.9%	1,900,214	-5.3%
135%–under 150% of FPG	1,955,313	1,836,877	-6.1%	1,822,996	-6.8%
Total below 150% of FPG	11,831,978	11,288,252	-4.6%	11,202,737	-5.3%

Source: Author's analysis of SIPP data.

11.8 million Medicare beneficiaries had incomes within the 150 percent of FPG limit for any assistance. Adding the virtual annuity with zero interest reduces the number to 11.3 million; assuming an annuity with 5 percent interest reduces the number to 11.2 million. In either case, within the group still income eligible for some benefit, there is some shifting to higher income classes.

While counting the virtual annuity causes some people to lose income eligibility, excluding retirement funds from countable assets allows other people to gain eligibility. Table 16 shows the result, using the zero percent method of calculating the annuity. Among people already eligible for MSP or LIS, a very small number lose eligibility or are shifted to a less generous benefit, while an equally small number are shifted to a more generous benefit. All of the individual category shifts shown are subject to considerable error. In total, about 200,000 beneficiaries previously ineligible for any assistance gain eligibility, while a smaller number already eligible would lose eligibility.

Table 16
Effect of Annuitizing Retirement Accounts on Eligibility for Assistance Programs for Medicare Beneficiaries, 2005

Previous Eligibility Category	Average Number of Eligible Beneficiaries Before Annuitization	Eligibility Category After Annuitization			
		MSP	LIS full	LIS Partial	Ineligible for Any Benefit
MSP	6,946,702	6,933,693	-	4,645	8,365
LIS full	1,015,023	3,395	1,006,127	4,542	959
LIS partial	1,707,002	10,960	16,119	1,665,128	14,795
Ineligible for any benefit	27,096,610	80,755	47,041	88,421	26,880,392
Total	36,765,337	7,028,804	1,069,288	1,762,735	26,904,510

Source: Author's analysis of SIPP data.

CONSIDER LIABILITIES AS WELL AS ASSETS

Resource tests measure assets rather than net worth. Someone with $5,000 in countable savings and $5,000 in credit card debt will fail a $2,000 resource test even though he or she has a net worth of zero. This person could become eligible for benefits by paying off the debt. Current policy in effect says that it is better for people to have no savings and no debt than to have heavily leveraged savings. This is debatable.

Someone who carries a credit card balance that could be paid off may be losing substantial amounts in interest payments but is maintaining some cushion against financial shocks and may also, paradoxically, be preserving his or her creditworthiness. (Some banks are now canceling accounts when the cardholder pays in full.) On the other hand, it might be argued that the current policy discourages profligate borrowing—although the borrowing may often have occurred before people's income fell to the point at which they considered applying for assistance.

Table 17 shows the level of debt carried by people who would have failed resource tests for assistance. (Loans shown here exclude those secured by real estate or vehicles.) More than half of people in young households who were income eligible for SNAP were carrying consumer debt, and the median amount was considerable. Fewer people in households with an aged or disabled member meeting SNAP income standards had consumer debt, and the median amount was smaller. The same was true of people meeting SSI, MSP, or LIS income tests.

Table 17
Prevalence and Median Value of Consumer Debt among People Meeting Income Test but Failing Resource Test for Federal Assistance, if Current Rules Had Been in Effect in 2005

	Percentage With Consumer Loans	Median Owed by Those With Loans
SNAP, no member aged or disabled	57%	$5,990
SNAP, member aged or disabled	36%	$3,970
SSI	32%	$2,400
MSP	25%	$1,900
LIS*	22%	$1,100

*Population for this estimate includes people meeting the MSP income test but failing both the MSP and LIS resource tests.

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

Table 18 shows the effect of shifting to a net worth standard on eligibility for SNAP. (The effects for SSI, MSP, and LIS are too small to display.) Under this option, countable assets are reduced by the amount of outstanding unsecured loans before being compared to the resource standard. The result is a considerable gain—almost 2 million eligibles—for families with no aged or disabled member.

Table 18
Effect of Net Worth Test on Eligibility for SNAP, 2005

	Average Number Eligible under Current Policy	Average Number Eligible with Net Worth Standard	Percent Change
No family member aged or disabled	30,868,806	32,768,568	6.2%
One or more members aged or disabled	8,704,967	8,987,369	3.2%
Total SNAP	39,573,773	41,755,937	5.5%

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits.

DISCUSSION

The simulations presented in this report suggest that changes in resource limits, changes in the way resources are counted, or both could have a substantial effect on the number of people potentially qualifying for some major types of federal assistance. As table 19 shows, the resource rules present different barriers to the target populations of the different programs; no one policy change will affect all of the populations.

Table 19
Percentage Change in Populations Eligible for Assistance under Different Resource Rule Options, 2005

	Raise Resource Limit*	Exclude Retirement Funds	Exclude Insurance	Exclude All Vehicles	Annuitize Retirement Funds	Use Net Worth Standard
SNAP						
No family member aged or disabled	15.8%	NA	NA	8.5%	NA	6.2%
One or more members aged or disabled	16.4%	NA	NA	2.9%	NA	3.2%
Total SNAP	15.9%	NA	NA	7.3%	NA	5.5%
SSI	12.6%	**	5.9%	1.9%	**	**
MSP/LIS						
MSP	16.3%	3.0%	13.1%	1.2%	1.2%	**
LIS full	-53.9%	9.8%	-89.8%	-8.1%	**	**
LIS partial	-10.6%	8.4%	0.0%	0.0%	**	**
Total MSP/LIS	4.2%	4.7%	0.0%	0.0%	2.0%	**

NA = resource not considered under current policy.

*Higher resource limit for SNAP equals $17,000, or $25,500 for households with an aged or disabled member; higher limit for other programs is $17,000 single/$34,000 couple.

**Change too small to display.

Source: Author's analysis of SIPP data. Aged members under SNAP rules are aged 60 or over; estimates of the disabled include only people receiving Social Security disability benefits. Estimates for SSI include only people aged 65 or older or receiving Social Security disability benefits.

The data presented here have some limitations that may affect their use in considering policy options:

- The numbers are from 2005 and thus do not reflect the sometimes dramatic changes in people's financial circumstances in 2008 and 2009. Nevertheless, for the populations considered here, the changes may not have been great; low-income and elderly people often have a larger share of their assets in bank accounts and insurance than in equities.[22] In addition, much of the wealth that has been lost in the past year consisted of paper gains in 2006 and 2007, with the result that 2005 data may not be so far from actual household holdings today. However, it is likely that the people now potentially eligible for assistance—perhaps especially for SNAP—are different in many respects from those who were potentially eligible four years ago.

- There are issues about the quality of the SIPP data used in modeling. For asset questions, SIPP has a higher nonresponse rate than other surveys, such as the Survey of Consumer Finances. On the other hand, SIPP has a larger sample size, potentially improving reliability for the subpopulations considered here.[23]

- The estimates here are of changes in the size of the populations eligible for benefits and do not include any assumptions about likely take-up or participation rates. Estimates of take-up would need to be added before these numbers could be used to project changes in the actual population receiving benefits or in total expenditures.

- This analysis has not considered the largest of means-tested programs, Medicaid for populations other than Medicare beneficiaries. To do so would require modeling eligibility for numerous different categorical groups with different eligibility rules, as well as taking into account enormous variation in state policies, including various demonstration and other waivers. If such an analysis could be undertaken, it would likely find that some people potentially eligible for Medicaid resemble SNAP applicants, others resemble SSI applicants, and so on. This means that no one set of reforms is likely to have the same effect on all of Medicaid's target populations.

Tinkering with the treatment of specific assets, such as insurance or vehicles, would help some families and would simplify the cumbersome application and verification processes that can prevent eligible people from participating in assistance programs. Providing greater uniformity in the treatment of assets across different programs would also promote participation and ensure that eligible people get the full range of benefits to which they are entitled. Clearly, however, the measure that could extend eligibility to the greatest number of low-income families would be to increase or eliminate the resource limits.

Even the higher limits modeled in this report still exclude large numbers of people who meet the income tests—4 million from SNAP, 2 million from the assistance programs for

[22] Brian Bucks et al., "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, Feb. 2009, pp. A1–A56.

[23] Caroline Ratcliffe et al., *Assessing Asset Data on Low-Income Households: Current Availability and Options for Improvement* (Washington, D.C.: Urban Institute, 2007).

Medicare beneficiaries, and half a million from SSI. There is a perception that people with high assets and low incomes are anomalies. Some are; even very wealthy people can have little or no income in a given year because of capital losses or business setbacks. But it is also true that in recent years financial assets have not yielded the income they once did. In 2005, a retiree who invested conservatively—in, for example, certificates of deposit or Treasury bills—would have been lucky to realize 4 percent on his or her assets. Thus, a single person with $239,000 and no other source of income might have had income below the 2005 FPG of $9,570. (With the lower interest rates in 2009, someone with $500,000 invested could fail to reach the poverty level.)

The implicit assumption of asset tests is that it is fair to expect even low-income people with ample resources to draw on principal before seeking public assistance.[24] At the same time, society has a clear interest in promoting savings—so that families can educate their children, plan for a comfortable retirement, and deal with any number of possible shocks, ranging from loss of a job to a leaky roof. Some assistance programs already allow participants to sequester savings for specific purposes. Of the programs considered here, SNAP has gone farthest, excluding education and retirement funds.

Under the Temporary Assistance to Needy Families program (TANF, formerly Aid to Families with Dependent Children), all but 14 states allowed participants in 2007 to retain some savings in restricted accounts, from which withdrawals are permitted only for specific purposes. Withdrawals are commonly allowed for postsecondary education and business expenses or investments, but some states also allow withdrawal for the purchase of a first home, home improvement, medical emergencies, or the purchase and repair of a vehicle.[25] A few states place no limits on the size of these restricted accounts; others have limits as low as $2,000.

Similar accounts could be permitted under the programs considered here. As the variation in TANF policies among states suggests, it can be difficult to reach consensus about what level of savings families require or, if restricted accounts are permitted, what uses of the savings are legitimate. Even different committees of Congress are likely to reach different conclusions on these points. (Divided committee jurisdiction is, after all, one of the main reasons why resource policies vary for different programs.)

Asset tests are complex to administer and involve intrusive political decisions about what people should own and how they should be spending their money. Yet they continue to exist, partly because eliminating them could have a significant impact on federal and state budgets, and perhaps because policymakers are concerned about public perceptions that

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[24] It is striking that no asset test has been proposed for the health insurance premium subsidies that are provided in most health reform proposals and that could amount to one of the largest means-tested programs. The plans under consideration at this writing would provide subsidies to families with income as high as 400 percent of FPGs. In 2007, families with incomes between 300 percent and 400 percent of FPGs had median assets (excluding the home) of $150,055; nearly 3 percent had $1 million or more. (Author's analysis of the 2007 Survey of Consumer Finances.) These families could receive benefits while impoverished seniors with as little as $2,001 in savings are excluded from SSI. Partly this is because it is impractical to impose asset tests on a benefit administered through the tax system. But it may also be true that society makes an arbitrary distinction between welfare programs and transfer programs for the middle class.

[25] Urban Institute Welfare Rules Database, available at http://anfdata.urban.org/wrd/databook.cfm.

undeserving people are getting federal benefits.[26] This report has considered a few incremental measures that could make the tests simpler or fairer. Over time, it may be important to consider ways of dealing with anomalous individual cases—in effect, the outliers on a scale of asset/income ratios—without making application and verification processes too burdensome or creating disincentives for personal savings.

[26] One might recall the controversy that erupted in 2007 over the news that a child who needed coverage under the State Children's Health Insurance Program lived in a house whose kitchen had granite counters. David M. Herszenhorn, "Capitol Feud: A 12-Year-Old Is the Fodder," *New York Times,* Oct. 10, 2007.