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Supplemental Security Income: Continuity and Change since 1974

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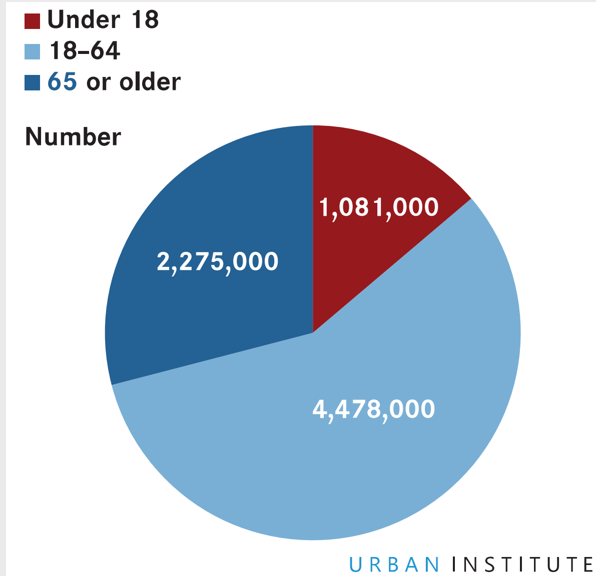
Introduction

Once termed the *forgotten safety net* (Select Committee on Aging 1987), the Supplemental Security Income (SSI) program provides critical support to those with low income and few assets, including children and working-age adults with severe disabilities as well as adults ages 65 and older.[1] In May 2021, over 7.8 million people who have limited resources (box 1)—almost 1.1 million children, nearly 4.5 million adults ages 18 to 64, and nearly 2.3 million adults ages 65 and older—received cash benefits from the program (figure 1). Monthly benefits for all SSI beneficiaries averaged $585, with higher average benefits for children ($690) and those ages 18-64 ($616) and lower benefits for those ages 65 and older ($476).

This brief uses data from published sources and tabulations from nationally representative household survey data to describe demographic and economic characteristics of beneficiaries of SSI, generally prior to the pandemic. I show how the program and its recipients have changed since it first paid benefits in 1974, with higher shares of children and working-age adults receiving aid today than at the program's outset. SSI beneficiaries are a diverse group, disproportionately made up of people who are not married, are of color, have had less education, report poor health, and live in states with higher poverty rates.

The program closely targets people with serious economic need. Nonetheless, many SSI beneficiaries still face significant financial hardship, including food insecurity, difficulties affording housing and utilities, and poor housing quality. Beneficiaries' circumstances often differ with age and disability status, with younger and disabled recipients often even worse off than older beneficiaries. The program's asset limits—unchanged since 1989—are currently $2,000 for a single person and $3,000 for a couple—and the amount of income beneficiaries can receive without affecting their SSI benefits ("income exclusions") has failed to keep pace with inflation. Social Security Administration (SSA) office closures due to the COVID-19 pandemic also appear to be hampering timely access to the program.

Figure 1
SSI Beneficiaries by Age, May 2021



Source: *SSA, Monthly Statistical Snapshot, May 2021.*

Note: *Refers to federal beneficiaries; some people receive state supplements to SSI without receiving federal benefits.*

The Program of Last Resort

To qualify for SSI cash benefits, a person must be age 65 or older or unable to engage in substantial work due to a long-standing health condition and have low income and few assets (box 1). SSI applicants must also claim every other possible benefit for which they might qualify before applying for SSI. Some people thus refer to SSI as the "program of last resort" or "assistance of last resort." Because its benefits are contingent on those from all other cash-assistance programs, SSI interacts in important ways with many other programs.

In 2021, SSI's monthly federal benefit guarantee is as follows:

- $794 for a single person; and
- $1,191 for a couple.[2]

These monthly amounts are reduced if beneficiaries have other income above modest thresholds.

1 People ages 65 and older who meet SSI's income and asset eligibility standards can qualify for benefits regardless of whether they have disabilities.

2 In December 2019, most SSI benefits went to individuals rather than couples. Only about 3 percent of SSI beneficiary units were couples.

BOX 1
SSI ELIGIBILITY PROVISIONS AND BENEFIT ADJUSTMENTS

SSI beneficiaries must have low incomes and few liquid assets.

- People seeking SSI benefits must first apply for all other aid for which they may qualify.[i]
- Nonhousing assets (such as funds in checking and savings accounts, stocks, and bonds) cannot exceed $2,000 for a single person or $3,000 for a couple—levels that have not changed since 1989. Certain assets, however, are not counted toward the asset limit.
  - In determining eligibility for SSI, SSA excludes the value of:
    - The home, household goods, and personal effects;
    - One vehicle used for family transportation;
    - Life insurance with a cash surrender value up to $1,500; and
    - A burial plot plus funeral funds of up to $1,500.[ii]
  - SSI beneficiaries or applicants who transfer resources to others for below-market value could become ineligible for SSI for a period of up to 36 months.
- SSI benefits are reduced by a third for beneficiaries living in someone else's home.
  - In other circumstances benefit reductions depend on living arrangements, and complex rules for in-kind support and maintenance affect the share of household costs one pays (ISM; Social Security Advisory Board 2015).
- SSI benefits cannot exceed $30 per month for people living in institutions.
- People receiving SSI may keep the first $20 of income they receive from any source (referred to as *the general income exclusion*), including Social Security, each month without any reduction to their benefits.[iii] After the first $20:
  - Monthly benefits are reduced by one dollar for each dollar of income from sources other than employment.
- People receiving SSI may keep the first $65 of income they earn through paid employment each month without any reductions to their benefits (referred to as *earned income exclusion*).
  - After that, SSI benefits are reduced by 50 cents for every dollar earned.
  - People with earnings but no income from other sources can thus keep $85 of monthly earnings ($65 plus $20) without any reduction to their SSI benefits.

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[i] SSA provides applicants with a dated, written list of the possible income sources for which they might be eligible and for which they must apply within 30 days if they are capable. https://www.ssa.gov/OP_Home/cfr20/416/416-0210.htm.

[ii] https://www.ssa.gov/ssi/spotlights/spot-burial-funds.htm. For context, by one estimate, median funeral costs totaled $7,640 in 2019 when including a viewing and a burial. "Statistics," National Funeral Directors Association, accessed December 28, 2020. https://nfda.org/news/statistics#:~:text=The%20national%20median%20cost%20of,the%20median%20cost%20is%20%249%2C135.

[iii] SSA does not include certain income sources as unearned income. These include state supplementation of the SSI benefit and certain infrequent sources of income.

SSI beneficiaries must be older, blind, or disabled.

- Age-based eligibility starts automatically at age 65 for those meeting the program's financial criteria.
- SSA defines disability as follows:

  "Inability to engage in any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment(s) which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months."

  – In 2021, the monthly SGA amount for SSI beneficiaries is $1,310.
- SSA defines blindness as follows:

  "Having vision that can't be corrected to better than 20/200 in one's better eye or if one's visual field is 20 degrees or less in one's better eye."[iv]

SSI beneficiaries must be US citizens or qualified aliens.[v]

iv https://www.ssa.gov/pubs/EN-05-10052.pdf

v Qualified aliens include lawfully admitted permanent residents, refugees, asylees, and parolees as well as certain Cuban and Haitian immigrants. Some people who were subjected to battery or extreme cruelty may also qualify. See "Under What Circumstances May Non-Citizens Be Eligible for SSI?" SSA, accessed December 28, 2020. https://www.ssa.gov/ssi/spotlights/spot-non-citizens.htm#:~:text=WHO%20IS%20A%20QUALIFIED%20ALIEN%3F&text=In%20addition%2C%20you%20can%20be,while%20in%20the%20United%20States.

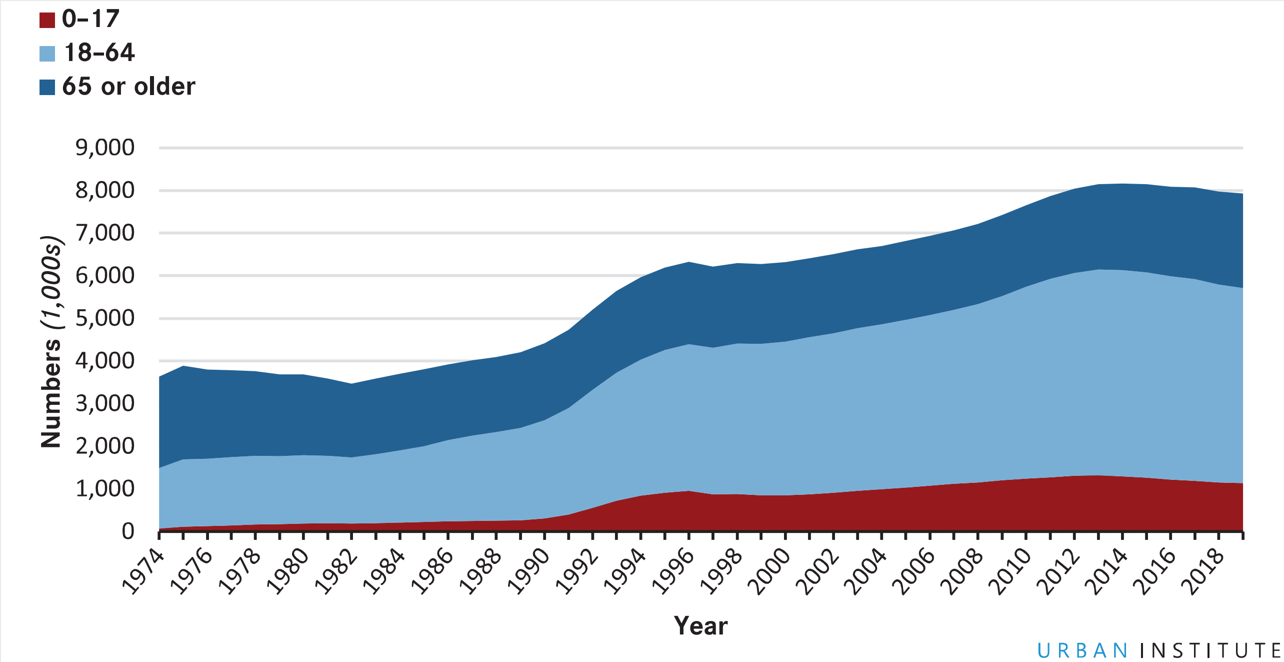
SSI Enrollment Has Increased over Time and the SSI Population Has Become Younger

The number of people receiving federal SSI payments has more than doubled since the program first paid benefits, increasing from 3.6 million in 1974 to 7.9 million in 2019 (figure 2). Over that period, the US population increased by just over 50 percent (from 214 million to 328 million).

Adjusting for population size by age, since 1974 SSI prevalence—that is, the fraction of people in a particular age range receiving SSI—has increased modestly overall and at younger ages but has declined considerably for older adults (figure 3).

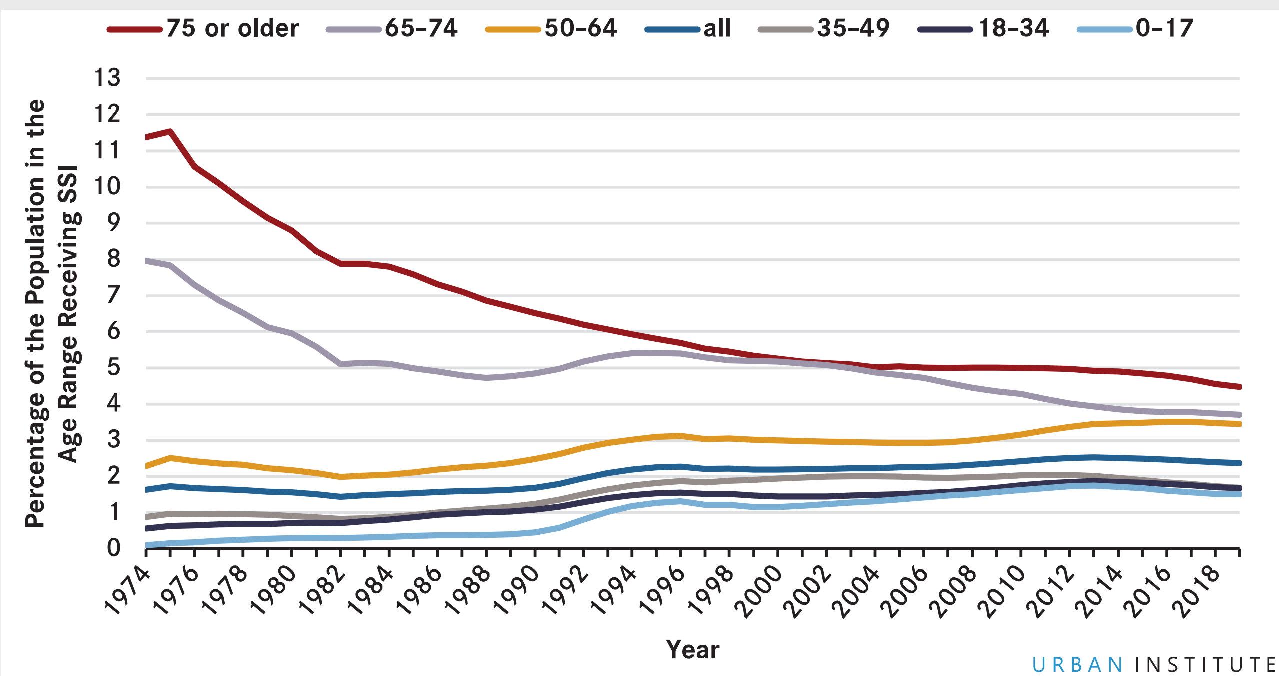
- In 2019, about 2.4 percent of people in the United States received SSI, up from about 1.6 percent in 1974.
- Older people are much more likely to receive SSI than younger people, but the age gap in SSI receipt has narrowed.
- The decline in SSI receipt for adults who are at least age 75 was especially rapid. In the program's early years, more than 11 percent of older adults who were at least age 75 received SSI, compared with only 4.5 percent today.
  - The rapid decline through the early 1990s leveled off in the late 1990s and through the 2000s.
  - This decline was expected because initial Social Security benefits are indexed to wages, while initial SSI benefits are indexed to prices. Wages typically grow faster than prices, so each year Social Security provides a larger share of new beneficiaries with benefits that exceed SSI's eligibility thresholds.
- Changes in SSI receipt patterns by age reflect changes in policies and population characteristics.
  - For example, children's SSI participation grew in response to the 1990 *Sullivan v. Zebley* decision, which clarified how disability should be evaluated for children applying for SSI.

Figure 2
Number of People Receiving Federal SSI Payments by Age, 1974–2019



Notes: *Refers to federal benefit receipt in December.*

Figure 3
SSI Prevalence by Age, 1974–2019 *(%)*



Source: *SSA, Annual Report of the Supplemental Security Income Program, table IV.B7.*

Notes: *Figure shows the percentage of the Social Security area population receiving federal SSI benefits.*

- SSI payments have not changed much as a share of the economy since 1975.
  - Although the number of people receiving SSI has increased with population growth, SSI benefits have been a relatively stable share of the economy. They have fluctuated between one-quarter and one-third of 1 percent of gross domestic product (GDP) and are projected to decline as a share of GDP in coming decades (Social Security Administration 2020, table IV.D1 and figure IV.D1).

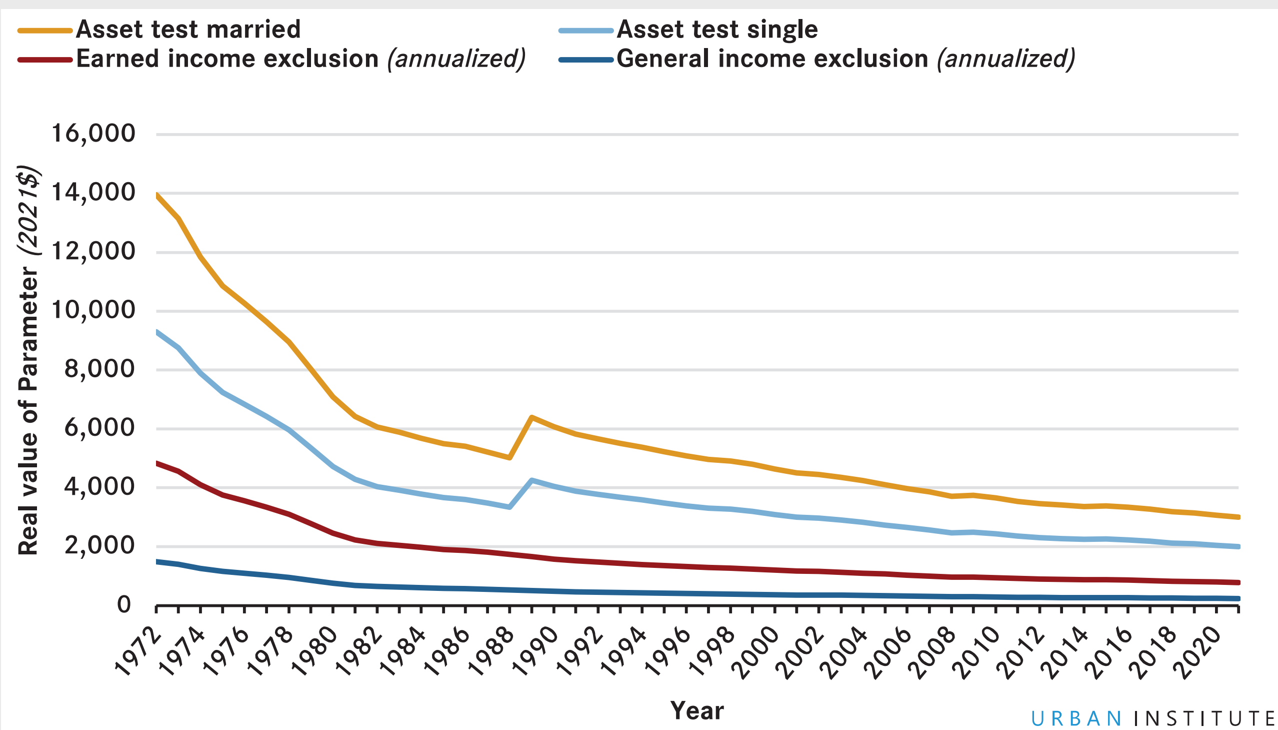
SSI's Eligibility Standards Have Eroded over Time

One reason SSI prevalence among older adults has declined is that SSI eligibility parameters have not kept pace with inflation. As a result, the purchasing power of the resources that beneficiaries are allowed to hold has declined markedly—to the point where even people with meager resources are ineligible for program benefits.

Figure 4 plots the values of SSI's asset tests for both single people and couples and its income exclusions since 1972, when Congress enacted the program, in 2021 inflation-adjusted dollars.

- SSI's original asset tests—$1,500 for singles and $2,250 for couples in 1972—are roughly equivalent to almost $9,300 for a single person and $13,950 for a couple in today's dollars.
- When Congress last changed SSI's asset tests in 1989, to $2,000 for a single person and $3,000 for a couple (where they still stand today), these amounts were roughly equivalent to $4,259 for a single person and $6,389 for a couple in today's dollars.

Figure 4
Real Value of SSI Eligibility and Exclusion Parameters in 2021 Dollars, 1972–2021



Source: *Author's calculations using data from the Annual Statistical Supplement.*

Notes: *Uses 2020 OASDI trustees report values for CPI-W for 2021. The final CPI-W will differ from this preliminary estimate. SSI's life insurance and burial funds provisions have also remained unchanged in recent decades.*

- SSI's income exclusions have not changed since 1981.[3] If they had kept up with inflation since the last congressional change in 1981:
  - The general income exclusion would equal about $57 per month, or $686 annually (compared with $20 and $240 under current law).
  - The earned income exclusion would equal about $186 per month, or $2,288 annually (compared with $65 and $780 under current law).

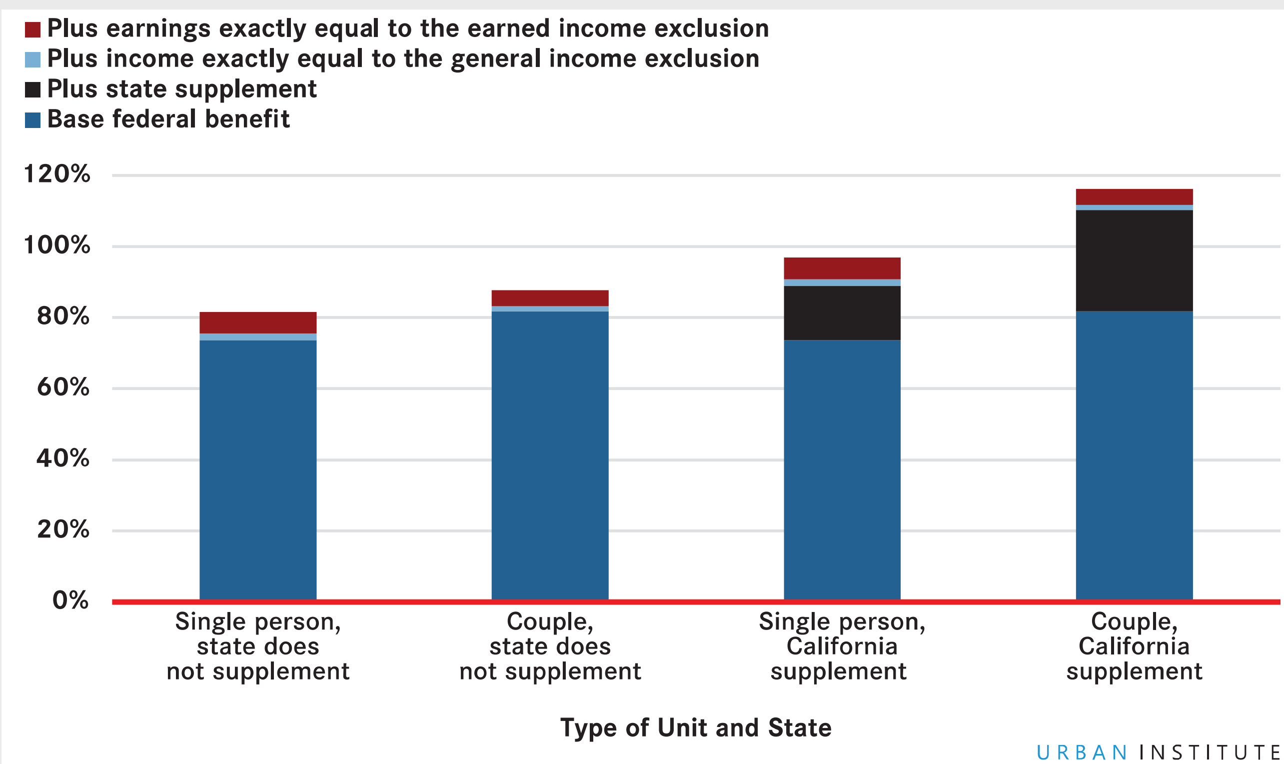
SSI Benefits Are Inadequate

SSI BENEFITS RELATIVE TO POVERTY

SSI does not guarantee a poverty-level benefit to people without other income (figure 5). The base federal SSI benefit gives people in different circumstances income equal to a different percentage of poverty, none of which exceeds the federal poverty level (FPL).[4]

- Single people living in a state that does not supplement SSI can receive:
  - SSI benefits equal to about 74 percent of the FPL if these individuals have no other income (the dark blue segment in the first column of figure 5).

Figure 5
SSI Benefits as a Percentage of the HHS Poverty Guideline, by the Presence of Other Income and California State Supplement, 2020



Source: *Author's calculations from policy parameters.*

Notes: *The Health and Human Services (HHS) poverty guideline does not vary by beneficiary age. The CA state supplement is the weighted average for beneficiaries based on 2018 data.*

3 The income exclusions shifted from quarterly to monthly that year, with the general income exclusion increasing to $20 per month and the earned income exclusion increasing to $65 per month.

4 These calculations use the HHS poverty guideline rather than the Census Bureau's poverty threshold. https://aspe.hhs.gov/poverty-guidelines.

- Income equal to 76 percent of the FPL if these individuals have a $20 monthly Social Security benefit and no other income (the dark blue segment plus the light blue segment).
  - An income equal to 82 percent of the FPL if these individuals have $20 in Social Security and $65 in earnings per month (the dark blue segment plus the light blue segment plus the maroon segment).
- Married couples living in a state that does not supplement SSI (the second column in figure 5) can receive:
  - SSI benefits equal to about 82 percent of the FPL if these couples have no other income (the dark blue segment).
  - Income equal to 83 percent of the FPL if these couples have a $20 monthly Social Security benefit and no other income (the dark blue segment plus the light blue segment).
  - Income equal to 88 percent of the FPL if these couples have $20 in Social Security and $65 in earnings per month (the dark blue segment plus the light blue segment plus the maroon segment).

Most states supplement the federal SSI benefit, as I discuss further below. In those states, SSI beneficiaries' incomes can approach the FPL or even exceed it for some types of beneficiaries in some states. In California, for example, income from the federal benefit plus the state's supplement for a single person is nearly 90 percent of the FPL (third column of figure 5); for a couple, the combined federal and state benefit exceeds the FPL by about 10 percent (last column of figure 5).

Empirical analyses of poverty rates among SSI beneficiaries confirm high rates of need. Using data from the Current Population Survey matched to administrative records, Nicholas (2013) found that about 42 percent of SSI beneficiaries were poor in 2005. Nicholas found important differences in poverty rates for people with different family and household structures and different living arrangements. Other studies have documented high poverty rates among SSI beneficiaries and shown that estimates are sensitive to how income is measured; administrative records can help to improve the accuracy of poverty estimates based on household survey data alone (Nicholas and Wiseman 2009).

Tabulations from the American Community Survey (ACS) for 2014 to 2018 confirm high beneficiary poverty rates, with 38 percent of SSI beneficiaries reporting income below 100 percent of the FPL and nearly half (48 percent) reporting income of less than 125 percent of the FPL. These estimates are broadly consistent with those of earlier studies, even if the ACS data allow less definitive conclusions than do surveys matched to administrative records. SSI beneficiaries ages 18 to 64 are most likely to be poor, with older adults and children having somewhat lower poverty rates.

ECONOMIC HARDSHIP AMONG SSI BENEFICIARIES

Consistent with SSI's failure to provide a poverty-level benefit for many beneficiaries, SSI beneficiaries report more economic hardship than other people, according to estimates from data from the Survey of Income and Program Participation (SIPP; figure 6). (The appendix provides information about SIPP.)

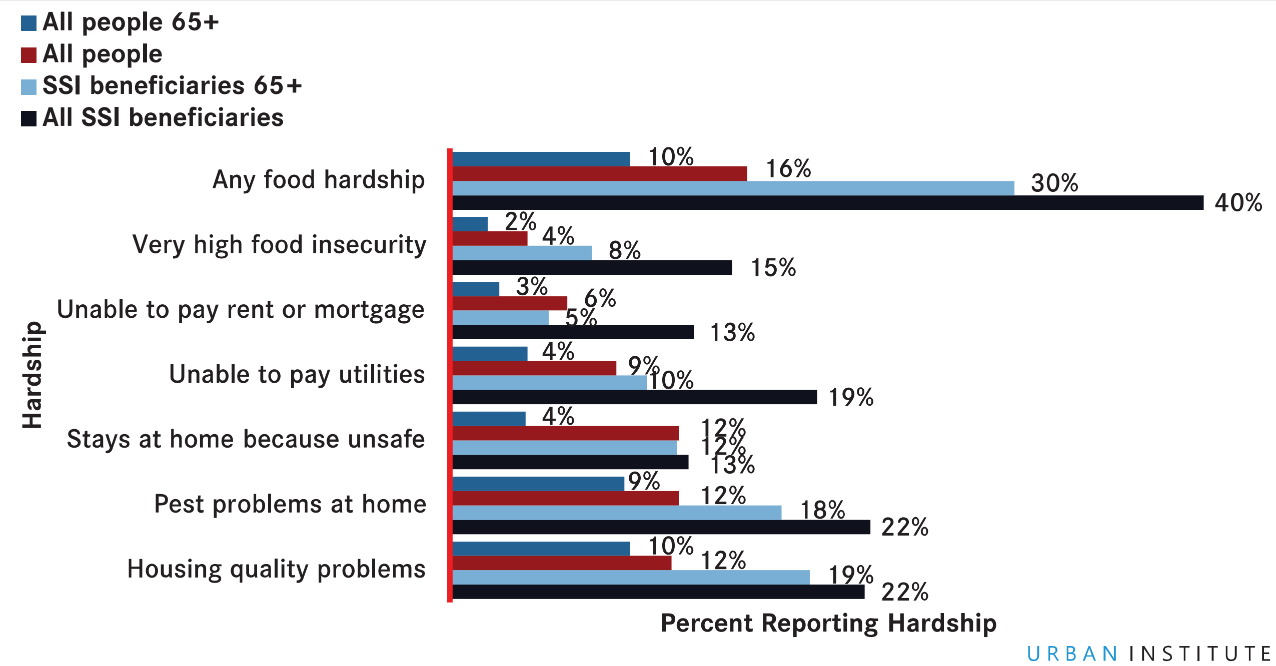
- About 40 percent of SSI beneficiaries live in households that report at least some food insecurity, compared with 16 percent of the overall population.[5]
  - Nearly 15 percent of SSI beneficiaries live in households that report very high levels of food insecurity, compared with 4 percent of the overall population.
- SSI beneficiaries are twice as likely as others to report difficulty making rent or mortgage payments.
- Nearly one in five SSI beneficiaries lives in a household that has trouble paying utility bills and more than one in five reports pest problems at home or other housing-quality concerns.[6]

5 The food hardships that the SIPP asks about include the following: whether the food bought did not last; whether balanced meals were affordable; whether the family cut size or skipped meals due to affordability, and, if so, the frequency of skipping meals; whether respondents thought they should skip meals because of lack of money; and whether they went hungry because of lack of money for food. Food insecurity is defined based on at least three reports of insecurity. Severe food insecurity is defined as reporting at least five aspects of food insecurity.

6 These include holes in the floor, cracks in the walls or ceiling, and plumbing problems.

Figure 6

Material Hardship by SSI Benefits Receipt, All Ages, 2018



Source: *Author's calculations from the 2018 Survey of Income and Program Participation.*

Notes: *Information about hardship is collected at the household level, but beneficiaries are tabulated at the individual level. Some SSI beneficiaries live with non-beneficiaries. The SIPP represents the civilian, noninstitutionalized population. See endnote 9 for a description of the food security elements. Housing quality problems include holes in the floor, cracks in the walls and ceiling, and plumbing problems.*

SSI'S CONTRIBUTION TO POVERTY REDUCTION, REDUCING DISTRESS, AND FUTURE MOBILITY

Although many SSI beneficiaries are poor and experience material hardship, their financial situation would be more dire without SSI.

- Most SSI benefits go toward reducing poverty.
  - Meyer and Wu (2018) found that roughly 80 percent of SSI benefits go to people who were poor before they received benefits, and about 70 percent go toward alleviating deep poverty, which the authors defined as income below 50 percent of the FPL.[7]
- Before receiving benefits, some applicants for SSI disability benefits are financially distressed, and distress levels often fall after benefit award.
  - Deshpande, Gross, and Su (2021) found that some markers of financial distress, such as bankruptcy, foreclosure, eviction, and home sales, peak around the time of benefit application and decline afterward.[8]

7 These estimates are sensitive to the data sets used and choice of measurement; however, the differences between estimates based on survey data alone and surveys matched to administrative records were modest—less than one percentage point for each of these point estimates.

8 This research examines both Disability Insurance and SSI applicants.

Characteristics of People Who Receive SSI

Many people who receive SSI were either disadvantaged or at higher risk of poverty throughout their lives by virtue of characteristics such as education, marital status, and health status.

ADULTS WITH LIMITED EDUCATION ARE ESPECIALLY LIKELY TO RECEIVE SSI

Estimates from ACS data from 2014 to 2018 reveal that SSI receipt is especially common among people with limited education (figure 7). (The appendix provides information about ACS.)

- Adults who did not attain a high school diploma are far more likely to receive SSI than people with more education.
  - About 9 percent of adults ages 21 and older who do not have a high school diploma receive SSI, compared with about 4 percent of adults with a high school diploma and less than 1 percent of adults with a bachelor's degree or more education.
  - The share of adults with advanced education receiving SSI is higher among those 65 and older than for younger adults.

UNMARRIED WOMEN ARE MORE LIKELY TO RECEIVE BENEFITS

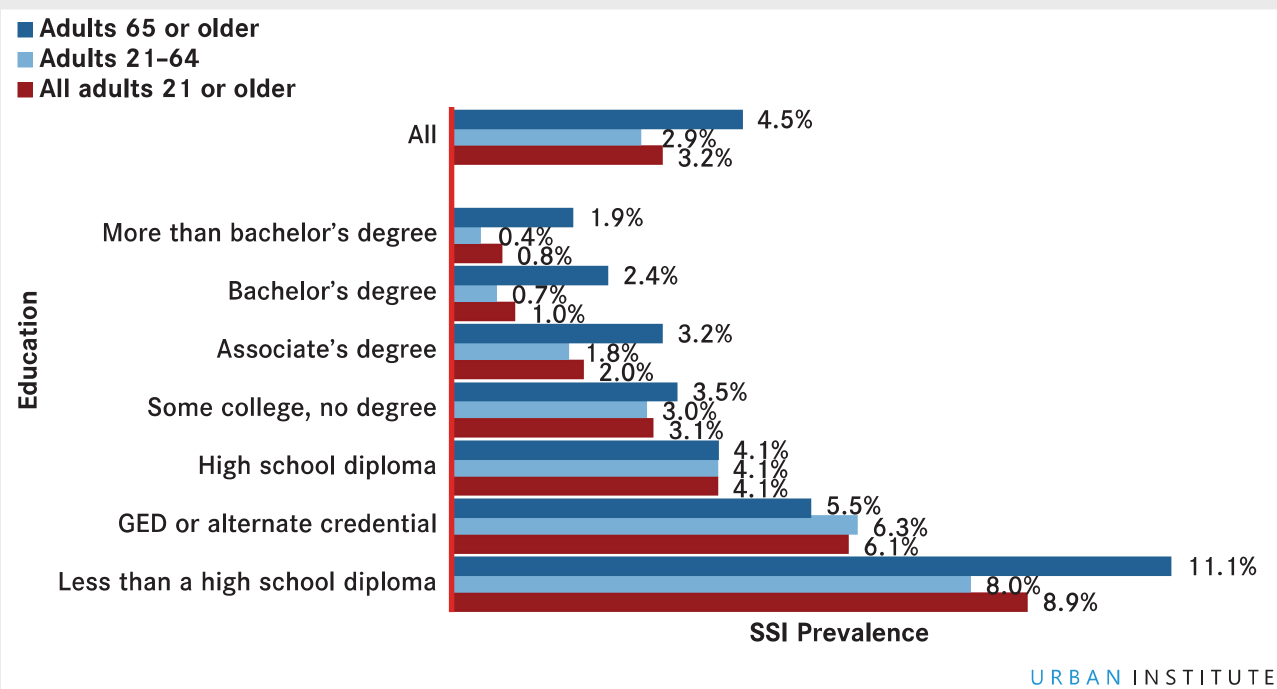
Married people are much less likely to report SSI benefits than unmarried people (figure 8). I estimate that among all adults ages 21 and older, less than 2 percent of married people receive SSI. At ages younger than 65, closer to 1 percent of married people receive SSI, and at ages 65 and older about 3 percent receive SSI.

Among unmarried adults younger than age 65, about 5 percent of men and 6 percent of women receive SSI. At ages 65 and older, the receipt rates climb to about 6 percent for unmarried men and 7 percent for unmarried women.

HOMEOWNERS ARE LESS LIKELY TO RECEIVE SSI

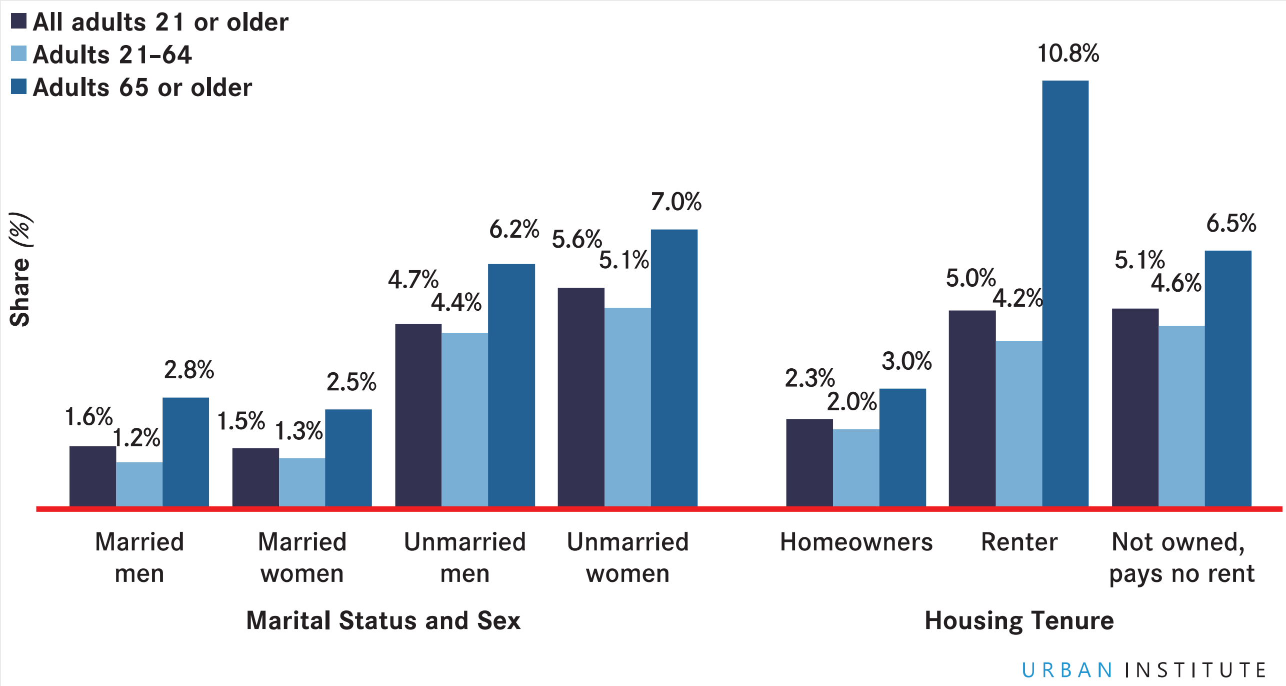
When determining eligibility for SSI, SSA allows people to exclude the value of a home, household goods, and personal effects. Nonetheless, people who rent or occupy a housing unit without paying rent are much more likely to claim SSI than homeowners (figure 8). The difference is about two to one at younger ages and three to one at older ages.

Figure 7
SSI Receipt Rates for Adults Ages 21 and Older by Education, 2015–19



Source: *Author's calculations from ACS data, 2015–19 files.*

Figure 8
SSI Receipt Rates for Adults Ages 21 and Older by Marital Status and Housing Tenure, 2015–19



Source: *Author's calculations from American Community Survey data, 2015-2019 files.*

PEOPLE IN POOR HEALTH ARE MOST LIKELY TO RECEIVE SSI

In every age range, people in poor health are far more likely to receive SSI than those in better health (figure 9). Nearly 15 percent of adults reporting poor health receive SSI, compared with less than 1 percent of those reporting excellent health.

PEOPLE OF COLOR ARE MORE LIKELY THAN NON-HISPANIC WHITE ADULTS TO RECEIVE SSI

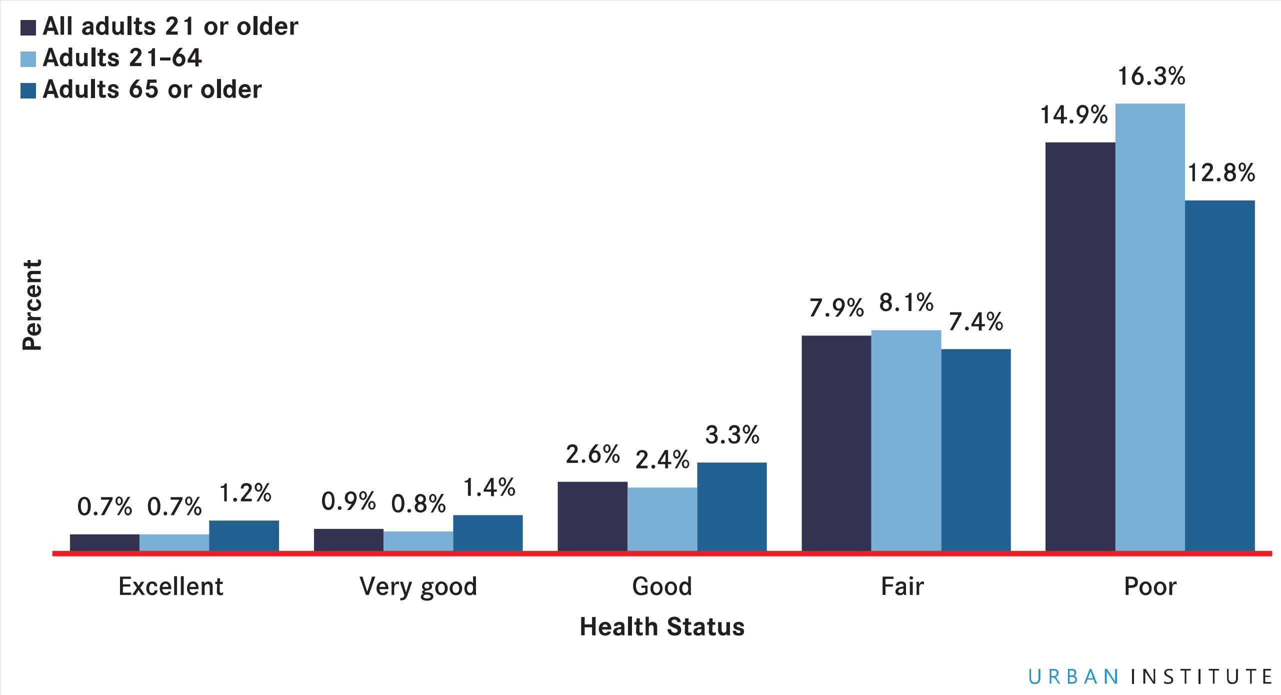
Given centuries of racial discrimination in the US, significant and persistent disability and income gaps across racial groups exist. As a result, people of color are more likely to be eligible for SSI benefits and receive benefits than non-Hispanic Whites.

Among adults ages 65 and older (figure 10), people of color are more than twice as likely as non-Hispanic Whites to receive SSI. At ages 21 through 64, non-Hispanic Black people are about twice as likely to receive SSI as non-Hispanic White people.

People Receiving SSI Because of a Disability Have Varied Impairments

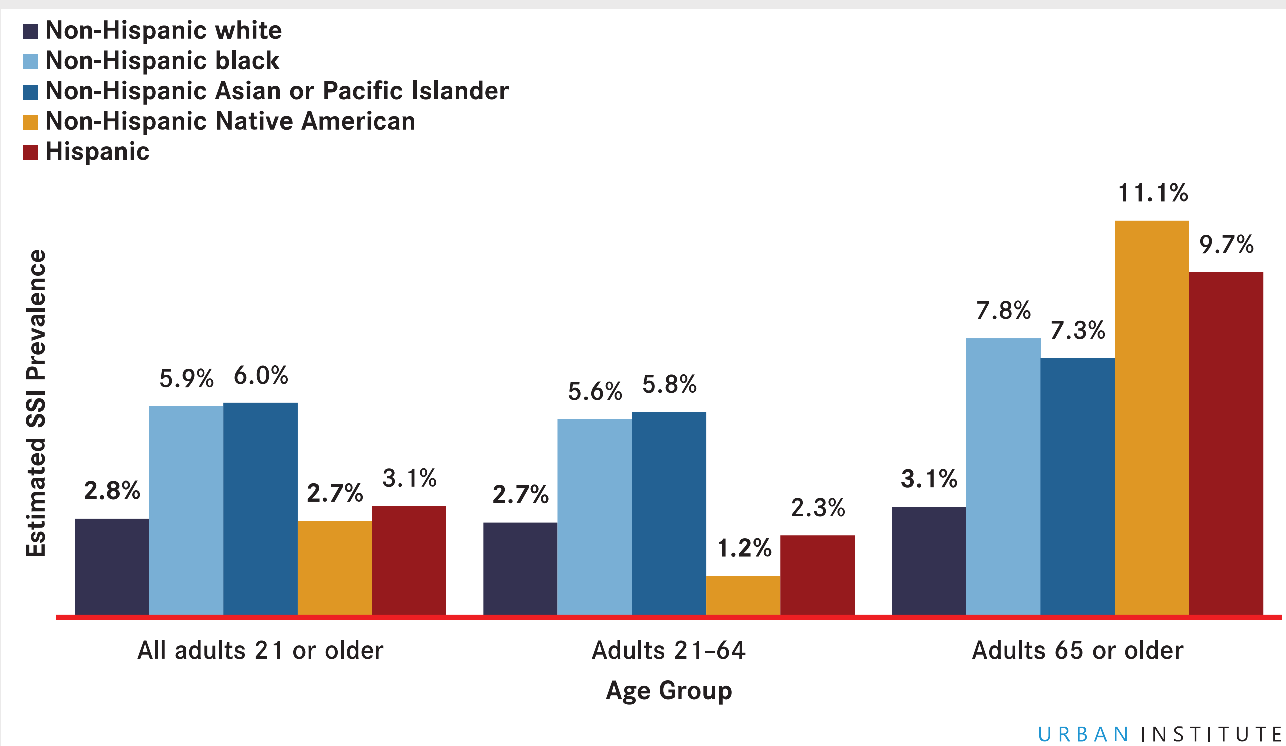
SSI beneficiaries younger than age 65 qualify for disability support because of a wide range of impairments. These include intellectual disabilities or other childhood disorders, mood disorders and other mental health difficulties (including schizophrenic disorders), musculoskeletal impairments, and a host of other diseases and impairments—from cancer to heart disease to respiratory disorders. For beneficiaries in different age ranges, different types of impairment are more prominently associated with SSI receipt. Figure 11 compares SSI recipients' primary diagnoses in three age ranges (children, adults ages 18 through 49, and adults ages 50 to 64), combining diagnoses into four broad categories: intellectual disability and developmental and autistic disorders; mental health disorders; musculoskeletal system disorders; and all others.

Figure 9
SSI Receipt Rates for Adults Ages 21 and Older by Health Status, 2018



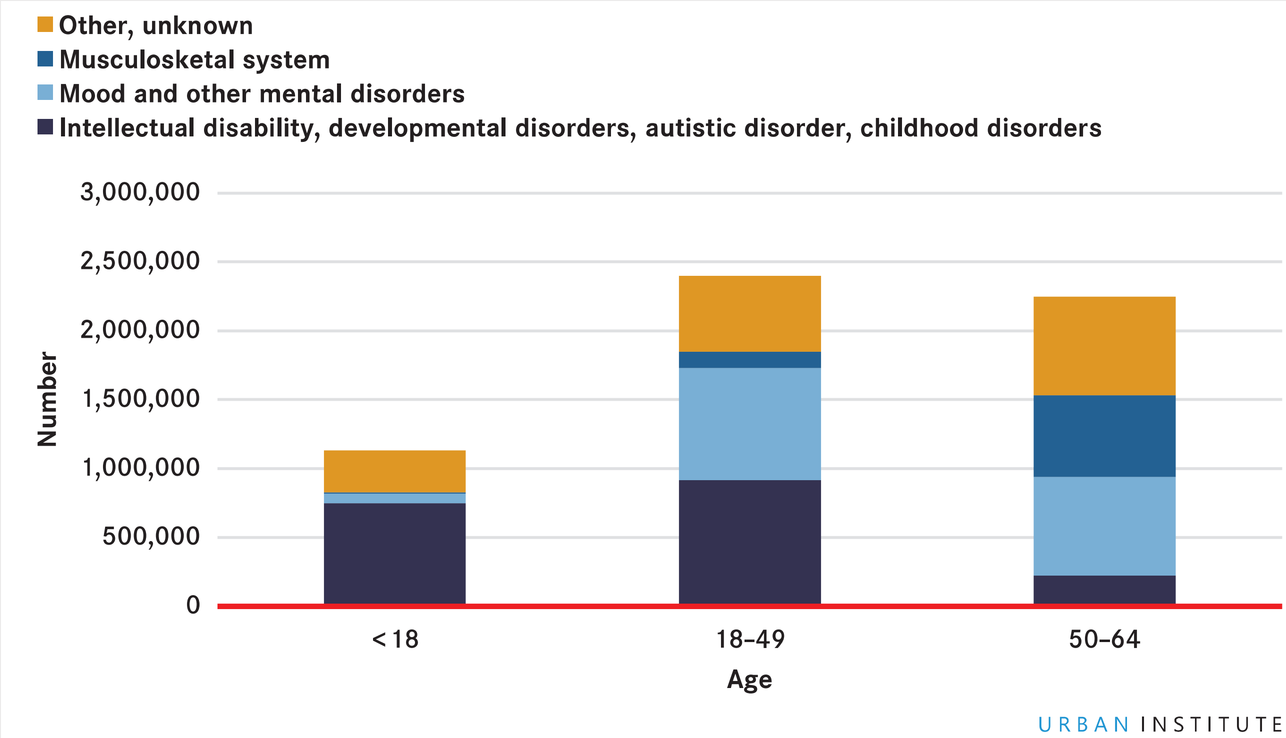
Source:*Author's calculations from the 2018 Survey of Income and Program Participation.*

Figure 10
SSI Receipt Rates for Adults Ages 21 and Older by Race-Ethnicity, 2015–19



Source: *Author's calculations from American Community Survey data, 2015–2019 files..*

Figure 11
Number of SSI Beneficiaries with Various Primary Diagnoses, by Age, 2019



Source: *SSA, SSI Annual Statistical Report, table 34.*

- Most children who receive SSI have diagnoses of intellectual disabilities, developmental or autistic disorders, or other childhood disorders.
- For adults ages 18 to 49, the number of beneficiaries with mood disorders and other mental health impairments approaches the number with intellectual disabilities, developmental or autistic disorders, or other childhood disorders.
- At ages 50 to 64, musculoskeletal impairments and other impairments grow in prevalence as diagnoses.

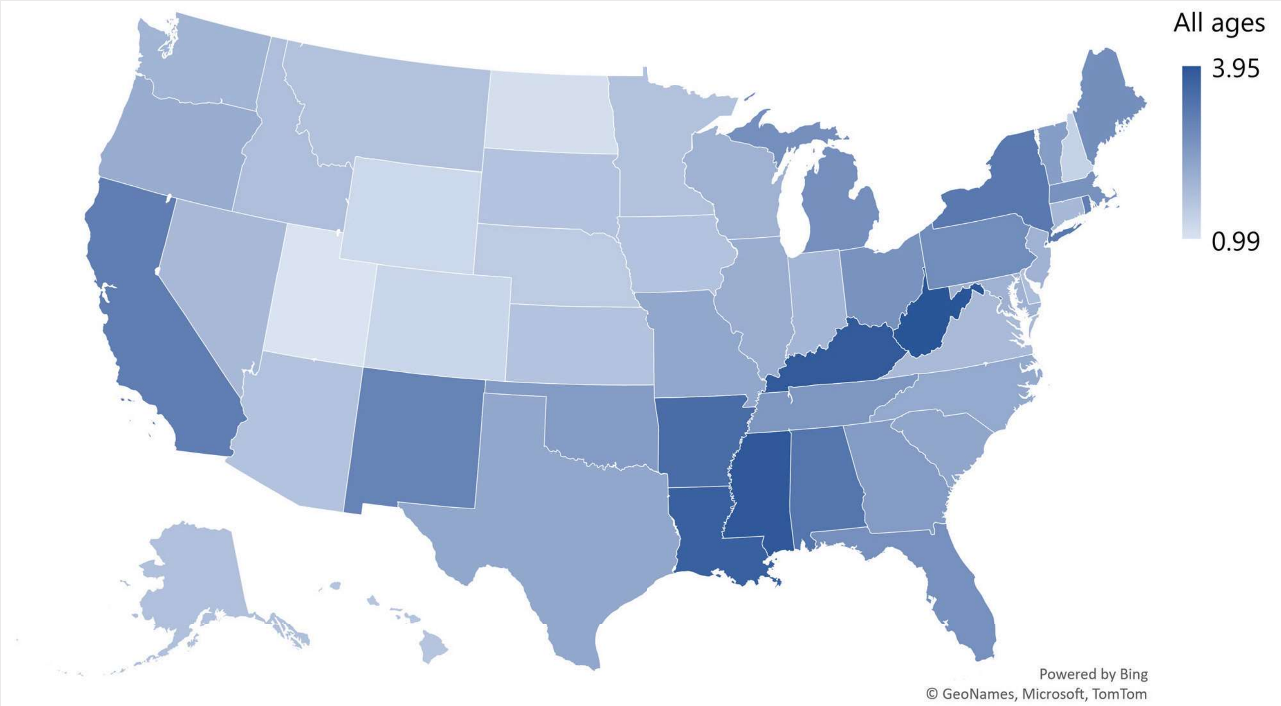
State-Level Difference in SSI Receipt Reflects Different Disability and Poverty Rates in the States

SSI receipt rates vary across US states and the District of Columbia (figure 12), from a high of 3.95 percent of the population in West Virginia to a low of just below 1 percent of people in Utah. The national average was 2.46 percent in 2019.

- Geographic patterns in SSI receipt mirror geographic patterns in poverty (figure 13).
  - The states with highest SSI receipt at all ages—West Virginia, Mississippi, Kentucky, and Louisiana—are among the states with the highest shares of people in poverty.
  - The state with the lowest poverty rate—New Hampshire—has one of the lowest SSI receipt rates.
  - In detailed multivariate analyses, Gettens, Lei, and Henry (2018) concluded that geographic variation in SSI participation generally reflects cross-state differences in economic conditions and disability rates rather than in program administration.

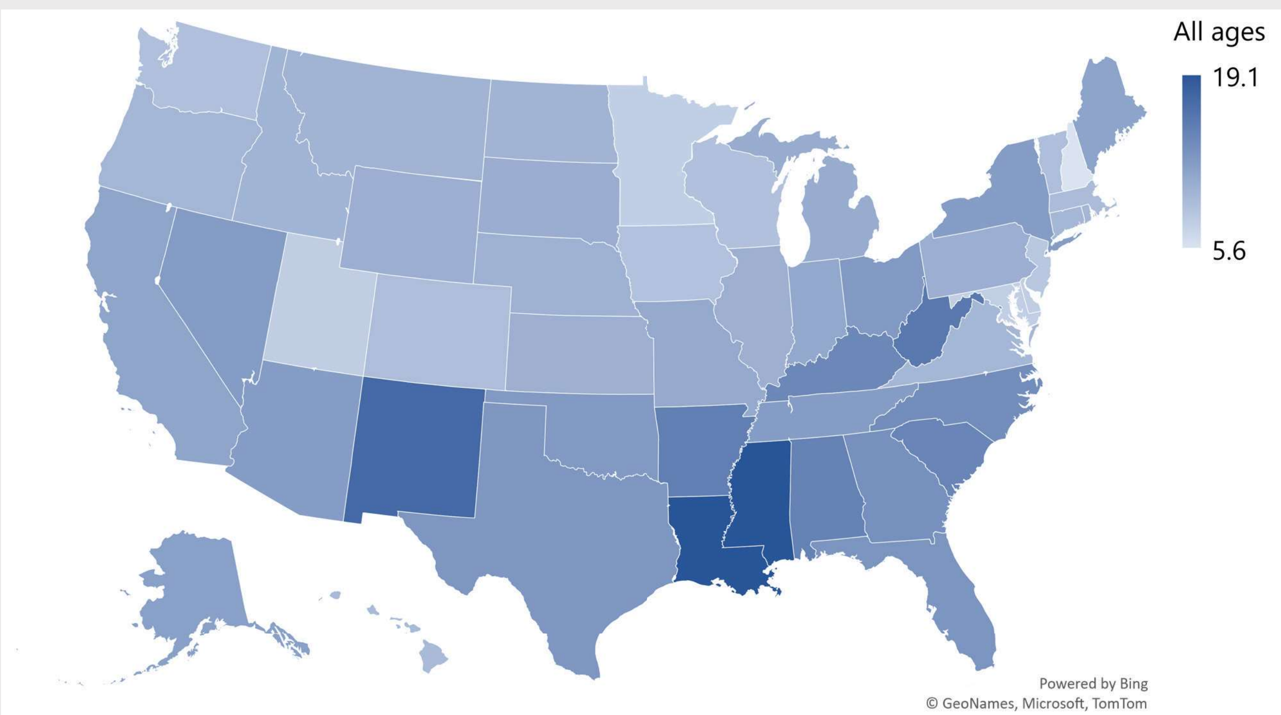
The correspondence between poverty and SSI participation is not exact, however, especially when I examine beneficiary subgroups. This may partially reflect state policy choices.

Figure 12
SSI Receipt Rates by State at All Ages, 2019



Source: *Author's calculations from SSA data.*

Figure 13
Poverty Rates by State at All Ages, 2017–19



Source: *US Census.*

Notes: *Uses a three-year average to improve reliability for smaller geographies.*

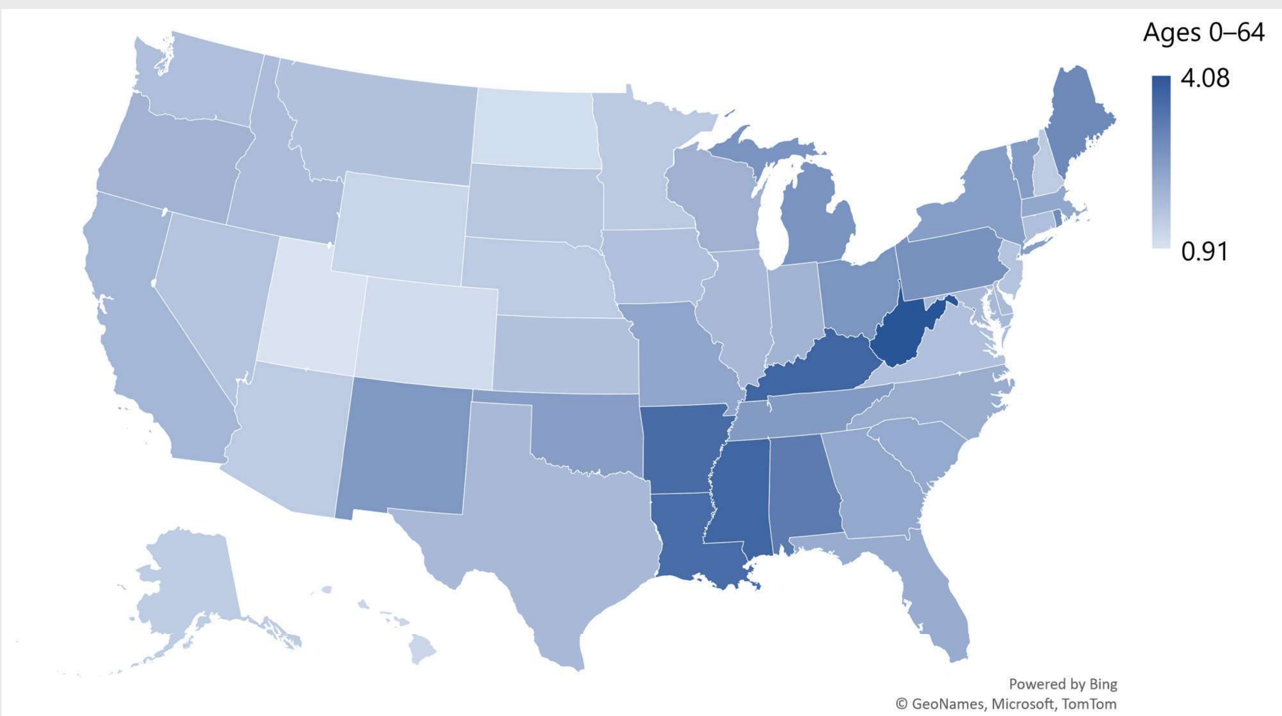
- For example, receipt rates and overall poverty rates sometimes deviate significantly when I examine SSI receipt rates by broad age group—older or younger than 65. The SSI receipt rates at ages 64 and younger closely track overall poverty rates (figure 14), but rates at ages 65 and older reveal high SSI prevalence in California and New York state (figure 15), even though these two are not among the states with the highest poverty rates.
  - California is an outlier in this older age range, with 10 percent of older adults receiving SSI.
  - California provides supplemental payments to many SSI beneficiaries, including more than 350,000 older adults. This may partially account for higher SSI receipt rates for older adults.

Some States Supplement SSI, but Those Supplements Have Not Generally Kept Pace with Inflation

Like California, most states supplement the federal SSI benefit for at least one group of beneficiaries.[9] States determine how much to supplement the federal SSI benefit, with more generous supplements coming from Alaska, California, Colorado, Connecticut, Massachusetts, Minnesota, and Wisconsin. Some states offer larger supplements for those people in shared living arrangements, especially community settings like group homes or adult foster care, while other states offer smaller supplements to people sharing housing. California adjusts its supplement if a person's housing arrangement has a kitchen.

State supplements date back to 1972, when Congress established the SSI program. At that

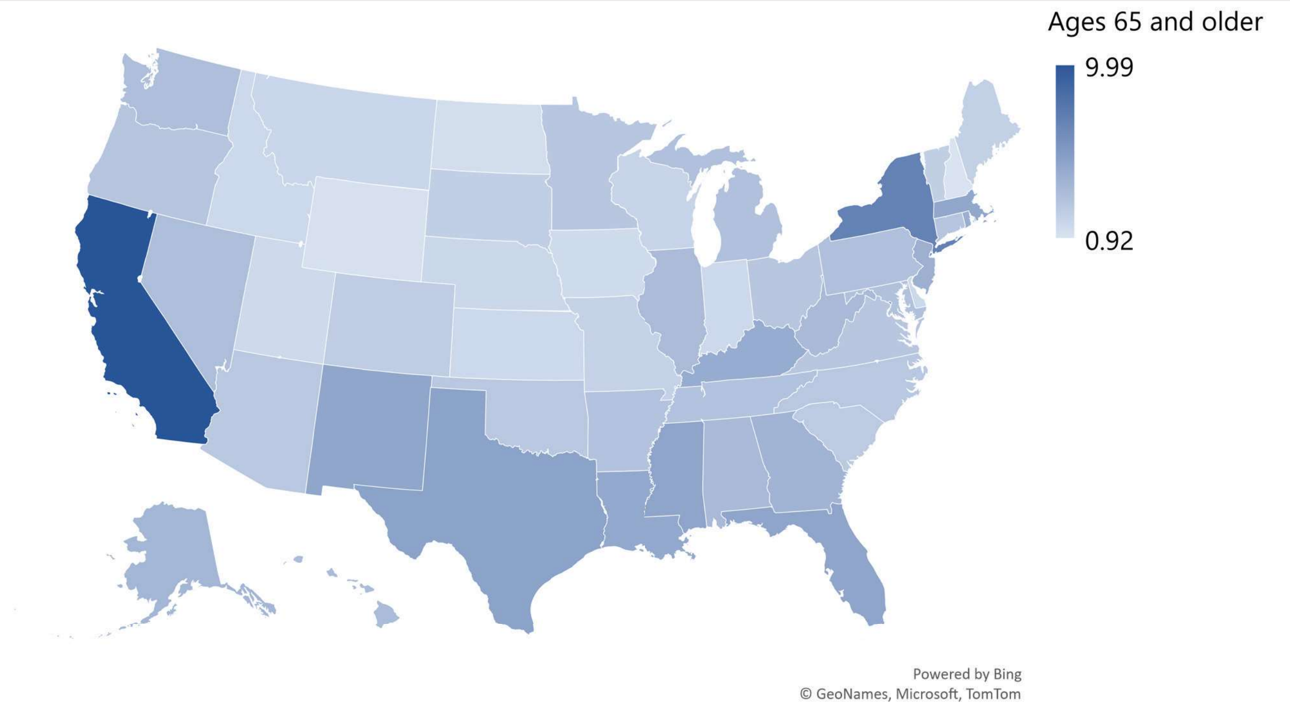
Figure 14
SSI Receipt Rates by State at Ages 64 and Younger, 2019



Source: *Author's calculations from SSA data.*

9 https://www.ssa.gov/ssi/text-benefits-ussi.htm

Figure 15
SSI Receipt Rates by State at Ages 65 and Older, 2019



Source: *Author's calculations from SSA data.*

time, federal law required states to maintain the incomes of residents who were receiving benefits from the federal–state programs for older persons, the blind, and the disabled that preceded—and were subsumed by—SSI. One rationale for federalizing SSI was to guarantee a minimum benefit level across states, a point President Nixon emphasized when signing the founding legislation.

> ***America has always cared for its aged poor, the blind, and the disabled—and this bill will move that concern to higher ground by providing better and more equitable benefits.***
>
> –Richard M. Nixon, 1972

States can either administer their own state supplements or authorize the federal government to administer them.[10] In December 2019, more than 1.4 million people in 13 states were receiving federally administered state supplements.[11] More than 1.2 million of those receiving federally administered state supplements were California residents.

In a few states, SSI supplements can push SSI beneficiaries' income over the poverty guidelines, although most supplements are not enough to do so. Most state supplements to SSI have not kept up with inflation (Committee on Ways and Means 2002, author's calculations). As a result, each year their purchasing power declines, and the relative difference declines between states that provide SSI supplements and those that do not.

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10 The cost for having the federal government administer each payment to a beneficiary is $12.49 in 2021. https://www.ssa.gov/oact/cola/statesuppfee.html.

11 The federal government administers supplements for the following states/jurisdictions: California, Delaware, the District of Columbia, Hawaii, Iowa, Michigan, Montana, Nevada, New Jersey, Pennsylvania, and Rhode Island.

Some Eligible People May Not Participate in SSI

SSI's ability to reduce need among older adults and people with disabilities depends on whether eligible people know the program exists and choose to apply for it. Throughout SSI's history, researchers have attempted to determine whether most people eligible for the program participate or whether there are more people who could be helped (Coe 1985; Davies 2002; Elder and Powers 2004; McGarry 1996, 2000; McGarry and Schoeni 2015; Menefee, Edwards, and Schieber 1981; Strand 2010; Urban Systems Research and Engineering, Inc. 1981; Warlick 1982). Given the challenges of measuring disability severity and whether it meets SSI criteria among nonparticipants, most of these studies have focused on people ages 65 and older.

- One of the more recent estimates suggests that only 58 percent of older adults eligible for SSI participate (McGarry and Schoeni 2015).
- Studies have identified a few possible explanations for nonparticipation, including lack of knowledge, perceived stigma for participating in a means-tested program, and transaction costs—for example, the amount of time and effort it takes to gather all of the required paperwork to apply for benefits.
  - Most studies find that people with greater economic need are more likely to participate than those with less need.

Advocacy organizations (for example, Social Security Works 2020) have made several recommendations about how to narrow this participation gap, such as periodically sending letters to people with low Social Security benefits who may qualify for SSI if they have low assets and low incomes from other sources and conducting specialized outreach to homeless people.

The Pandemic Is Affecting SSI Participation, but We May Not Know Its Long-Run Effects for Several Years

Recent events reveal how SSI applications and awards can depend on external circumstances. The global pandemic has upended many facets of life in the United States. Early data suggest that applications and awards to the SSI program have fallen as SSA field offices have closed (Weaver 2020a, 2020b). The eight lowest months for SSI awards in the past 20 years occurred from the second half of 2020 through May 2021 (figure 16). During the great recession (dated from December 2007 to June 2009, according to the National Bureau of Economic Research[12]), awards for SSI grew, underscoring how SSI is available to help those who need it most in difficult economic times.[13]

What SSI Changes Are under Discussion?

Policy makers and advocates have proposed many changes to SSI in recent decades. Some proposed adjustments focus on streamlining administrative practices in order to reduce program complexity and increase access. Other proposals address the adequacy and availability of benefits. Still others target encouraging younger beneficiaries to return to work. Here I identify a few recent prominent proposals.

SSI is financed by general revenues; this differs from Social Security, which is primarily funded through a payroll tax, pays benefits from its trust funds, and can only pay benefits that the trust funds support. Because trust fund finances are evaluated over a 75-year projection horizon, proposals to change Social Security are often evaluated using this scope. Changes to SSI benefits, in contrast, are more typically evaluated over a shorter time horizon: the 10-year budget window.

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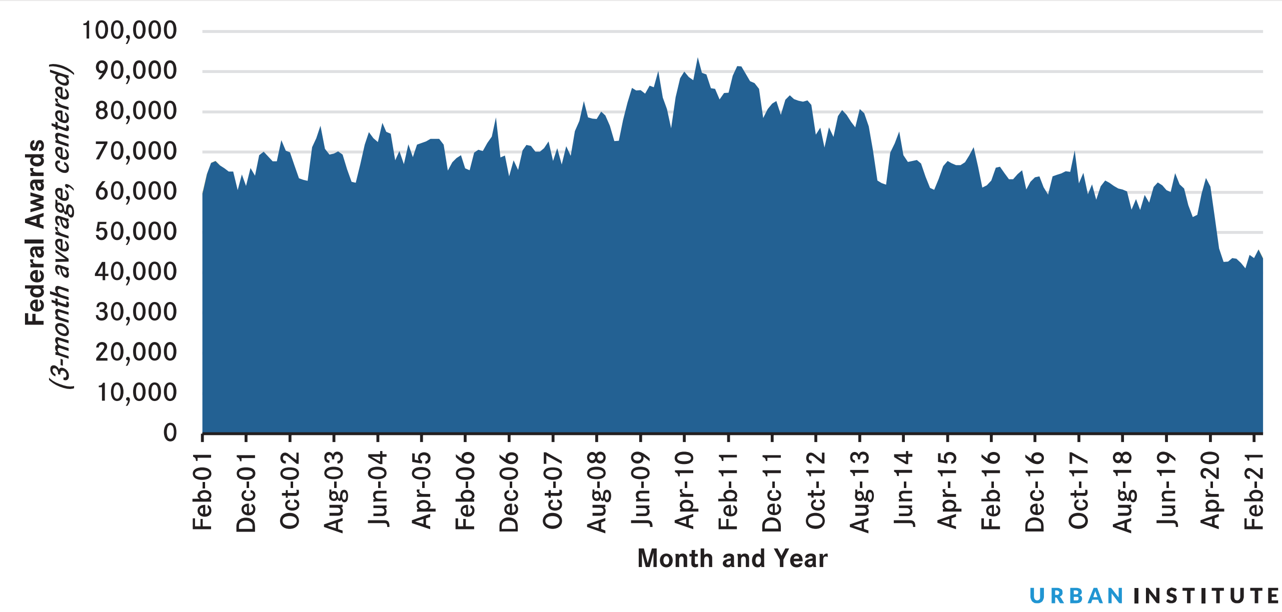
12 "US Business Cycle Expansions and Contractions," National Bureau of Economic Research, accessed February 15, 2021. https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions.

13 Research suggests that the relationship between economic conditions and SSI participation is complicated and dynamic (Nichols, Schmidt, and Sevak 2017; Rutledge and Wu 2014).

Figure 16

Monthly Awards for SSI, January 2001–May 2021 *(Average)*



Source: *SSA, SSI monthly statistics.*

Notes: *Awards are federally administered. Values for April and May 2021 are preliminary. To smooth the data, I display the three-month average of awards centered on each month (e.g., for February, I average January, February, and March awards, and for March I average February, March, and April awards).*

CHANGES TO ASSET TESTS: LEVELS AND COMPLIANCE ISSUES

Given the erosion in the value of SSI's asset tests, many advocates and policy makers have proposed increasing SSI's asset tests. Many proposals would set maximum asset levels to roughly equal in inflation-adjusted dollars to the limits set early in the program's history—for example $10,000 for a single person and $15,000 for a couple. Some proposals would index these limits for inflation thereafter, rather than relying on ad hoc adjustments, which Congress last passed in 1989. In addition to increasing program eligibility, these proposals would promote, or at least not discourage, savings.

Advocates have also noted that SSA's use of private databases to verify compliance with SSI resource limits could lead to some beneficiaries unjustly losing eligibility because their records are matched to the records of different people with the same or similar names (Mancini, Lang, and Wu 2021). They recommend using these data only when stricter matching criteria and investigatory processes have been established to guarantee due process.

CHANGES TO ASSET TESTS: TREATMENT OF RETIREMENT ACCOUNTS

Other proposals address changes in the retirement income landscape. When SSI was created, many employers who offered their employees retirement plans provided defined benefit pensions that generated monthly income streams for retirees. These pensions are less common today. Instead, many employers offer defined contribution retirement accounts, and many older adults hold retirement assets. For people with limited incomes and retirement accounts from their employers, retirement plan assets could disqualify them for SSI benefits even if an equivalent income from a defined benefit pension of comparable value would not; however, workers covered by workplace retirement plans generally earn higher wages than those without coverage (US Bureau of Labor Statistics 2020). For workers in the bottom fifth of the wage distribution, 45 percent have access to a workplace retirement plan and 26 percent participate, compared with 90 percent who have access and 81 percent who participate in the top wage quintile.

Some policy experts have suggested treating retirement accounts similarly to defined benefit pensions (Greenstein and Neuberger 2008). For example, SSA could exclude balances up through a modified threshold and use their annuitized value rather than the lump sum when determining SSI eligibility for values over the threshold. Part of the rationale for this would be to incentivize savings—or at least not disincentivize them—among those individuals with access to an employer savings plan. Greenstein and Neuberger (2008) also proposed using a different exclusion rate for retirement accounts, reducing SSI by $2 for every $3 in annuitized value, for example.

CHANGES TO INCOME EXCLUSIONS

Many other analysts have also proposed increasing SSI's income exclusions—for example, to about $100 per month for any income source or $400 per month for earnings. The new thresholds could then be indexed for future inflation rather than left to erode again. Davies, Rupp, and Strand (2004) found that increasing the general income exclusion is one of the most cost-effective ways to reduce poverty among older adults.

CHANGES TO THE WAY SSI BENEFITS ACCOUNT FOR MARITAL STATUS

Balkus and Wilschke (2003) pointed out that two SSI beneficiaries who live together without being married but who do not present themselves to the community as married can be much better off than identical beneficiaries who marry.

The authors considered a few different options: treating two married people as single for purposes of computing benefits; giving each spouse the earned and general income exclusions; and changing the treatment of an ineligible spouse's income in couples where only one spouse is eligible for benefits.

CHANGES TO IN-KIND SUPPORT AND MAINTENANCE (ISM) RULES

SSA's ISM rules are complex, with regulations totaling more than 250 pages for living arrangements alone (SSAB 2015). This complexity has led to many calls for simplification (Parent and Balkus 2008; Social Security Administration 2000; Social Security Advisory Board 2015). Two key aspects of ISM rules are whether applicants are living in their "own" home, someone else's home, or an institution, and whether they pay a pro rata share of food and shelter costs. SSA reduces SSI benefits by one-third for applicants living in another's home without paying a prorated share of costs. About 9 percent of SSI beneficiaries receive ISM reductions (SSAB 2015). Address changes trigger a reassessment of ISM.

SSA research has described the detailed reasons people receive ISM reductions and presented cost projections and distributional consequences of various ISM reform options (Balkus et al. 2008; Nicholas 2014). For example, one simplification approach would be to use a single reduction for those living with other adults, without the complex adjustments based on the allocation of household expenses.

Conclusions

SSI is a critical component of the US safety net. It reaches people across the age spectrum. Most of its benefits go to people who otherwise would be poor, and large shares of benefits alleviate deep poverty. Still, many SSI beneficiaries remain economically vulnerable despite participating in the program, with substantial shares reporting food insecurity; trouble meeting rent, mortgage, and utility payments; and poor housing quality.

The program has evolved since 1974, with participation rates increasing for the part of the program serving people with disabilities and declining for the part of the program serving older adults. Recent field office closures due to the COVID-19 pandemic markedly reduced SSI application rates in 2020 and early 2021. SSI's asset tests and income exclusions have not evolved with the program. Changes to these policies could reduce poverty among older adults and people with disabilities; however, changes to SSI and Social Security must be made with care, as the programs interact in important ways that can affect the benefits a person receives.

Data Appendix

Where published data from administrative records are not available, I use data from two household surveys to describe SSI beneficiaries' characteristics: the American Community Survey (ACS) and the Survey of Income and Program Participation (SIPP). With both sources, I examine periods before the COVID-19 pandemic and associated recession, so my estimates do not account for the economic effects of the global health crisis.

Household survey respondents sometimes misreport receipt of SSI and other income sources. To improve accuracy, analysts often pair household survey data with administrative records; however, access to such matched data is strictly controlled to protect respondent privacy and confidentiality, and I was unable to obtain timely access to matched data for this project. I often include estimates using matched data from the published literature in my discussion of survey estimates.

AMERICAN COMMUNITY SURVEY

The ACS is a nationwide annual survey that provides information on housing, demographics, and the social and economic conditions of the US population. It conducts about 2.1 million interviews each year. ACS uses a "current residence" rule that includes people currently living at an address if their residence is expected to last at least two months. The ACS sample universe includes people in both institutional and noninstitutional group quarters. For additional information about the ACS, see US Census Bureau (2020).

I use data from the 2015 through 2019 release of the survey. Because these data were collected nearly continuously over a 60-month period, they do not represent a single day in time. I used the pooled five-year files instead of single-year files, even though they are less current, because five-year files are more reliable, especially when analyzing small populations.

When tabulating ACS data, I use the ACS person weight (PWGTP) to correctly weight the data to the US population. For ease of presentation, I do not report confidence intervals using the replicate weights.

SURVEY OF INCOME AND PROGRAM PARTICIPATION

The SIPP samples the civilian noninstitutionalized population and thus excludes the roughly 1.5 percent of SSI beneficiaries who reside in institutions.[14] The survey oversamples people in low-income households, making it a good source for studying SSI. (Households in or near poverty were selected at a rate roughly 29 percent higher than their prevalence in the population.) For additional information about SIPP, see US Census Bureau (2020). I use data from the 2018 panel of the survey, which obtained 67,994 person interviews at a response rate of 70.2 percent.

Our estimates focus on results from the first income reporting month. Estimates on hardship measures use responses for the household.

14 Table 7.E5 in the *Annual Statistical Supplement* to the *Social Security Bulletin* provides estimates of federal SSI beneficiaries' living arrangements.

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