The Disability Insurance program was enacted more than half a century ago, and the Supplemental Security Income program was enacted more than 35 years ago. Our economy and our society have changed in many ways since then, and the programs have not changed to keep pace with the world we now live in. We recommend that Congress re-examine these programs and what it wants to accomplish with the disability programs that SSA administers. The Social Security Advisory Board has begun a review of several aspects of these disability programs and we will publish our observations and findings in this special Issue Brief series. This Issue Brief was originally published as the Advisory Board’s statement on the SSI program in May 2008.

The need to re-examine the SSI program

The Supplemental Security Income (SSI) program was enacted in 1972 and began paying benefits in 1974. It replaced federal-state programs of Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. Since that time, the program has changed in ways that were not anticipated by Congress in 1972. Other programs have been enacted or amended that impact the same population. At the same time, some aspects of the SSI program have not changed over the years. After more than 35 years, it is time for the Congress to consider re-examining the SSI program. Congress should consider what it wants to accomplish with the SSI program, looking specifically at what an SSI check buys now and what Congress intends that it should buy. We recommend this review of the SSI program with due regard for budgetary concerns and the administrative complexity of the program. At a minimum, any changes to the program should avoid adding to that complexity; if possible, they should reduce it.

The Social Security Advisory Board has begun a review of several aspects of the SSI program. In this statement, we discuss three specific aspects of the program that we think should receive a fresh look as part of a comprehensive legislative review:
- benefit levels in households with more than SSI beneficiary;
- benefit levels for disabled beneficiaries; and
- asset limits and excluded amounts of income.

When the Congress established the SSI program, it saw it as primarily a program for the aged, as they were the largest part of the federal-state programs it replaced. Estimates provided by the Administration indicated that, while the number of disabled SSI beneficiaries would grow, the number of aged beneficiaries would grow even more rapidly. At that time, the attention of the Congress was focused on President Nixon’s proposal for a Family Assistance Program, a federally guaranteed minimum income for all families with dependent children. The proposed SSI program was overshadowed by this proposal and received relatively little attention. The report of the Ways and Means Committee stated that the federal-state assistance programs that SSI replaced, “characterized as they are by smaller numbers of people, smaller budgets and more nearly static beneficiary rolls” were easier to deal with. As this

1 “The Supplemental Security Income Program: Report of the Staff to the Committee on Finance, United States Senate,” Committee Print, April, 1977, p. 117.
chart shows, those estimates and expectations were not accurate. The number of disabled beneficiaries has grown rapidly, while the number of aged beneficiaries has been fairly stable. By 1982 the number of beneficiaries under age 65 equaled the number of those 65 and older. Now there are nearly three times as many beneficiaries under 65 than 65 or older.

The 1972 legislation set initial benefit levels for the new program at $130 per month for an individual. At the end of 1971, $130 was approximately the average monthly benefit for a retired worker under the Social Security retirement benefits program.3 The SSI benefit amount for a couple was set at $195, one-and-a-half times the individual amount. Setting the couple rate at one-and-a-half times the individual rate carried over into the new SSI program the practice of the programs it replaced. Payment levels varied widely from state to state in the federal-state programs that SSI replaced, but only a few states paid couples at twice the rate of an individual. The typical state payment for a couple was one-and-a-half times the individual payment.4

**Setting benefit rates for households with more than one beneficiary**

We agree with the principle stated by the Ways and Means Committee when it considered the SSI legislation: “The benefit payable to a couple is smaller than the combined benefits payable to two individuals in order to take account of the fact that two people living together can live more economically than if each lived alone.”5 The question is, how much more economically. In 1972, the Congress exercised its judgment in carrying over the practice of paying a couple at one-and-a-half times the individual rate. There are tools available now that were not available to the Congress then that would enable it to set benefit rates based on actual data rather than past practice.

Since the early days of the SSI program, much research has been done on the needs of low-income individuals and families. In 1995 the National Research Council (NRC) issued a report by its Panel on Poverty and Family Assistance, *Measuring Poverty: A New Approach*. The panel looked first at what the appropriate measure of poverty should be for an individual. Once the individual threshold was established, the next challenge was to develop measures for households. It would not be appropriate simply to multiply the individual measure by the number of individuals in a household. A two-member family, for example, needs less than twice as much income as a single individual because of economies of scale, such as shared housing expenses and utilities. The needs of a household grow with each additional member, but not in direct proportion to the number of people in the household.

What the panel did was develop what is known as an equivalence scale. An equivalence scale indicates how much more money a household of a given size needs, compared to a single individual, in order to have the same standard of living as a single individual. The panel recommended an equivalence scale to adjust family poverty thresholds to represent equivalent amounts of money for different family types. A similar approach could be used in setting SSI benefits.

The concept of equivalence scales applies to households of all sizes and compositions, and the Congress should consider applying equivalence scales to all households. Currently, the reduced SSI couple benefit applies only to households with two SSI beneficiaries who are legally married or consider themselves married and hold themselves out to the community as married. Thus, two single adult SSI

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3 Social Security Bulletin, Annual Statistical Supplement, 1976, Table 82. In 1972, Congress also raised Social Security retirement benefits by 20 percent and indexed them to the cost of living. In July 1973, Congress raised the SSI benefit amount to $140 for an individual, $210 for a couple. In December 1973, it raised the SSI benefit amount to $146 for an individual, $219 for a couple, effective July 1974. In August 1974 it established legislation to automatically increase SSI benefits by the same percentage and at the same time as Social Security retirement, survivors, and disability benefits.


beneficiaries who live together are each eligible for a full individual benefit, while each member of a married couple is eligible for three-fourths of the full benefit amount.

The way the SSI program currently treats married couples gives beneficiaries an incentive not to marry and gives married couples an incentive to dissolve their marriages. The extent to which this incentive is a factor in marriage or dissolution rates is an empirical question not addressed in this statement. We note that marriage is, in fact, less common among SSI beneficiaries than among the general population. Among SSI beneficiaries age 18 to 64, 21 percent are married, compared to 58 percent of the total U.S. population in that age group. Among SSI beneficiaries age 65 or older, 32 percent are married, compared to 55 percent of the total U.S. population in that age group.6

Married couples make up only about 30 percent of households that include more than one SSI recipient.7 Thus, most multi-recipient households are not subject to the same benefit reductions as married couples. As a witness told a Ways and Means subcommittee in 2001, “Economies of scale…apply to almost all sharing arrangements—dormitories, retirement homes, cohabitation, and so on. Yet marital vows of allegiance are the only type of arrangement that is taxed.”8 The Congress should consider applying equivalence scales to households without respect to marital status.

Setting benefit amounts for households with a disabled beneficiary

Another issue of special importance to the SSI program is the additional household costs caused by the disability of a beneficiary. In 2004, the Office of Management and Budget requested the NRC’s Committee on National Statistics to convene a workshop to obtain feedback on alternative measures of poverty.9 One of the papers presented at that workshop raised just that issue of particular importance to the SSI program. David M. Betson asked if other factors besides the numbers of adults and children should be taken into consideration. He suggested that whether a member of the family has a disability might be a relevant consideration.10

Additional research on the question of the extra costs of disability has been conducted in the United Kingdom, and some has been conducted in other countries.11 A recent article reports on research in the United States on the relationship of disability to material hardship, defined in terms of ability to meet expenses, ability to pay rent or mortgage and utility bills, ability to obtain needed medical or dental care, and food security. The research found that working-age people with disabilities have greater basic needs than people without disabilities.12 It found that:

- People with work limitations experience material hardships at a higher rate than those without limitations.
- Disability is an important determinant of material hardship, even after controlling for income and other sociodemographic characteristics and receipt of public assistance.13

Other recent research in the United States focuses specifically on the additional health costs associated with living with a disability.14 It shows that in the period 1996-2004, persons with disabilities had substantially higher total health expenditures and out-of-pocket health expenditures than the non-disabled. The authors go on to state that further research is needed to estimate the extent to which those expenditures lead to poverty and to assess the adequacy of SSI and other benefits. They mention

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7 Ibid., p. 4.
13 Ibid., p. 986.
that in some countries, such as the United Kingdom and Sweden, separate programs provide additional allowances for disability related costs.

Further research on this important issue is needed to enable Congress to set appropriate benefit rates that would reflect additional household needs. This issue has complex policy implications. The original concept of SSI was to ensure a specified minimum income, regardless of individual expenditures or needs. Implementing rates that vary based on disability would make the program more complicated and more difficult to administer, and this may best be done outside the SSI program. However, it is important to take the first step of doing the research on household needs and then examine potential options to meet those needs.

**Frozen income and resource limits**

The purpose of the SSI program was to ensure a minimum income for eligible beneficiaries. The program established a federal benefit rate, and states may add supplemental payments. The federal payments are calculated by subtracting from the federal benefit rate any countable income. There are two basic exclusions of income that make income not countable for purposes of calculating the benefit. Under the general income exclusion, the first $20 per month of any income does not count against the monthly benefit. Under the earned income exclusion, the first $65 of earnings in a month and half of the amount above $65 does not count against the monthly benefit. These amounts were in the original legislation 35 years ago and have never been increased. If they had been indexed to inflation since the program began, the general exclusion would now be approximately $87 and the earned income exclusion would be approximately $284. If they had been indexed to reflect the increase in wages, using the Average Wage Index that Social Security uses in calculating initial retirement and disability insurance benefits, the general exclusion would now be about $105, and the earned income exclusion would now be about $342.16

There is also an asset limit for SSI beneficiaries. When the program began, beneficiaries had to have $1,500 or less in countable resources ($2,250 for a couple). That amount was increased gradually between 1985 and 1989 to $2,000 for an individual and $3,000 for a couple. The asset limit has not changed since that time. The conference report on the legislation for that increase stated that a major purpose of allowing SSI beneficiaries to have a certain amount of assets was to help them cover major costs of an urgent nature that could not be met from their monthly benefit payments, such as to replace a furnace or another essential appliance. The costs of such items have increased considerably since 1989, and Congress should consider what an appropriate amount would be now. If the 1989 amounts had been adjusted for inflation, they would now be about $3,500 for an individual and $5,250 for a couple. If they had been adjusted by the Average Wage Index, they would now be about $4,200 for an individual and $6,300 for a couple. We recognize the need to be aware of the costs and impacts of updating the resource limits. If Congress decides that an increase in the asset limits is appropriate, it could be done gradually, as was done in the 1980s.

**Conclusion**

It is time for Congress to consider reviewing some aspects of the SSI program. More than 35 years after its enactment, the program is operating in a world that has changed, and with a beneficiary population that is much different. New analytical tools and data are available that were not available 35 years ago and could be useful to a review of the program.

Our specific recommendations are, as part of a comprehensive legislative review of the SSI program:

- The Congress should consider how equivalence scales could be applied to the SSI benefit structure. Those scales should be applied to households regardless of the marital status of the members of the households.

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15 To allow time to adjust benefits, they are calculated using income from two months prior to the month for which the benefit is paid. Benefits were originally calculated on a quarterly basis; the change to monthly computation was enacted in 1981. In addition to the exclusions mentioned in this paragraph, there are other special exclusions for items such as tax rebates based on real property or food purchase taxes and scholarships used to pay tuition at an educational institution. A complete list can be found in Appendix A of the 2008 SSI Annual Report.

• Research should be conducted to develop equivalence scales that would reflect the additional needs of beneficiaries with disabilities.

• Income exclusions and asset limits should be re-examined to ensure that they still serve the purposes for which they were developed.

Social Security Advisory Board

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