Cognitive Impairment and Social Security’s Representative Payee Program

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Joining Forces to Improve the Representative Payee Program
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Introduction

• The Representative Payee Program must strike a difficult balance:
  o Maintain the autonomy of beneficiaries when possible; and
  o Ensure benefits are spent in beneficiaries’ best interests.

• Retirees with dementia pose a challenge, since many can manage their benefits with help, but without help are at risk.

• This project investigates what share of those with dementia have help from a payee or another source.
The first step was identifying retirees with dementia.

- To begin, the project used a predictive model of dementia developed by Hurd (2013).

- This model identifies individuals as: 1) having dementia; 2) having mild cognitive impairment; or 3) having no impairment.

- In addition, the project identified respondents with mild cognitive impairment based on self-reported memory problems.
Dementia and mild cognitive impairment become common with age.

Sources: Author’s calculations from the Health and Retirement Survey (HRS), Waves 1-10; and Hurd et al. (2013).
Payee use is more common among those with dementia, but still uncommon.

**Sources:** Author’s calculations from the HRS, Waves 1-10; and Hurd et al. (2013).
But most individuals with dementia have some other source of help.

<table>
<thead>
<tr>
<th>Share with…</th>
<th>No evidence of impairment</th>
<th>Mild cognitive impairment</th>
<th>Dementia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative payee</td>
<td>0.5%</td>
<td>2.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Nursing home care</td>
<td>0.7</td>
<td>3.2</td>
<td>28.7</td>
</tr>
<tr>
<td>Non-impaired spouse</td>
<td>44.2</td>
<td>37.2</td>
<td>29.1</td>
</tr>
<tr>
<td>Resident child</td>
<td>13.4</td>
<td>17.3</td>
<td>23.4</td>
</tr>
<tr>
<td>Help from a child</td>
<td>4.5</td>
<td>12.2</td>
<td>36.6</td>
</tr>
<tr>
<td>Power of attorney</td>
<td>67.3</td>
<td>62.9</td>
<td>63.2</td>
</tr>
<tr>
<td><strong>Any form of assistance</strong></td>
<td><strong>86.3</strong></td>
<td><strong>85.0</strong></td>
<td><strong>95.1</strong></td>
</tr>
<tr>
<td>Number of observations</td>
<td>2,542</td>
<td>1,756</td>
<td>492</td>
</tr>
</tbody>
</table>

*Sources:* Author’s calculations from the HRS, Waves 1-10; and Hurd et al. (2013).
A remaining question is which beneficiaries use a payee instead of other help?

• To answer this questions, the project conducted regression analyses with representative payee use as dependent variable.

• The independent variables included:
  o Nursing home residence;
  o Demographics, including education;
  o Familial characteristics including marital status, having children nearby, or having single children; and
  o Geographic information on county size and census region.
The results suggest payees serve vulnerable individuals, while kids serve as a substitute.

Note: Solid bars statistically significant at least at 10 percent level.

Sources: Author’s calculations from the HRS, Waves 1-10; and Hurd et al. (2013).
Conclusion

• Most individuals with dementia have either a representative payee or some other form of help.

• Those with less education, without children nearby, and who have experienced divorce/widowhood are most likely to use a payee.

• The results suggest the Representative Payee Program serves an important role as assistance of last resort.
An ongoing study will address several questions that remain unanswered.

• What, if any, financial management help was actually provided by those available.

• What sort of help was provided (e.g., with simple banking matters or more complex issues like 401(k) withdrawals).

• How individuals without a payee but with help managing finances are doing financially and overall.