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Author: Kathleen M. McGarry

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Guaranteed Income
SSI and the Well-Being
of the Elderly Poor

Kathleen McGarry

Social Security has done much to improve the well-being of the elderly, particularly the well-being of the poorest among the old. In 1960 approximately 35 percent of those aged sixty-five and over lived in poverty; today that figure is below 11 percent. Much of this decline has been attributed to increases in Social Security. Social Security has also improved the lives of our elderly citizens by other measures. In 1960, 40 percent of elderly widows lived with their children, but by 1990 less than 20 percent did so. This shift toward independent living has been viewed as a positive outcome of the increased income of the elderly. Labor force participation among older male workers has also fallen to roughly half of its 1960 rate, a phenomenon that has again been attributed by many researchers to the growth in Social Security.

Despite these gains, there remains a sizable fraction of the population for whom Social Security and other retirement resources do not provide an adequate standard of living. For these individuals, benefits are available from the Supplemental Social Security Income program (SSI), which provides a guaranteed income for all those aged sixty-five and over, as well as the blind and the disabled. Conditional on sufficiently low assets, there should be no elderly individual with monthly income below $484 (in 1997 dollars) or married couple with income below $726. In reality, however, many of the poor are not enrolled in SSI and subsist on incomes below these levels. In order to improve the well-being of the elderly, it is therefore

imperative that we first understand how SSI functions and what changes might be made to improve the financial situation of the eligible population. As the nation considers changes in Social Security, concurrent changes in SSI might be well-advised. Successful linkage of the two programs and implementation of any changes require a clear understanding of the current system and an investigation of the costs and consequences of such changes. Furthermore, analyses of the impact of Social Security reforms on the well-being of the poorest among the elderly strongly depend on the interaction of the two programs.

In this chapter I first describe the SSI program in its current form, focusing exclusively on the benefits and regulations applicable to the elderly. I use data from the Asset and Health Dynamics Study to examine the behavior of a population of elderly individuals with respect to the program guidelines and then hypothesize what modifications to the SSI program might be introduced and how these changes would alter poverty rates and program costs. I then discuss the relationship between Social Security and SSI and how the characteristics of the SSI program would alter the distributional impact of various Social Security reforms.

2.1   Description of the Supplemental Security Income

2.1.1   Program Overview[1]

The Social Security Act of 1935 established a mechanism whereby the federal government would assist states in providing cash assistance to the poor; for the poor elderly, this assistance came from state-run old age assistance (OAA) programs. In 1972 legislation was passed that replaced these state-run plans with the federal Supplemental Security Income Program, administered by the Social Security Administration (SSA).[2] In contrast to the state programs, which typically assessed individual need on a case by case basis, the federal SSI program provides a guaranteed income to all eligible individuals. In 1997 the income guarantees were $484 per month for a single individual living in his own home, and $726 for a couple. These amounts are reduced by one-third if the recipient lives in someone else's home and are adjusted yearly for inflation. For individuals with no other income, the income guarantee is the actual benefit they receive from SSI. For those with other sources of income, the SSI benefit is the difference between the income guarantee and their countable income. Countable income is distinct from current income in that the SSI program disregards some portion of a potential recipient's income. The disregards vary by in-

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1. The information in this section is drawn primarily from the Social Security Administration (1997, 1999).
2. The SSI program also took the place of the state-run assistance programs of Aid to the Blind and Aid to the Permanently and Totally Disabled.

come source. The most important of these, as measured on a monthly basis, are the first $20 of unearned income (most likely Social Security benefits), the first $65 of earned income, and one-half of other earned income.[3] Because of the disregards, those eligible for SSI can have income somewhat above the guarantee, but no participant should have income below this legislated amount.

An asset test is also required for participation in SSI. To be eligible for benefits, individuals must have countable assets of less than $2,000, and couples must have less than $3,000. With respect to the determination of countable assets, the disregards are substantial. Most importantly, an owner-occupied home regardless of value and a car worth less than $4,500 are excluded.[4]

In addition to the federal program, states have the option of offering supplemental benefits. In 1997, twenty-six states offered supplements to elderly individuals (or couples) living independently, and a total of forty-four states offered at least some form of supplemental benefits, including payments aimed specifically at the blind, the disabled or those with particular medical needs. With these supplements, the benefits available to individuals can vary substantially across states. For example, the income guarantee for a couple living in California in 1997 was $1,122.20 ($396.20 above the federal level), while in New York the income guarantee for a couple was $828.50. If states choose to follow the same eligibility guidelines as the federal program with respect to such issues as the determination of countable income and assets, the SSA will administer the supplemental program on behalf of the state. If a state is willing to administer its own program, it is free to alter the eligibility requirements as it wishes, including imposing more (or less) stringent income and asset tests and providing supplemental benefits to only a subset of the population eligible for SSI (e.g., those with specific medical needs).[5]

Those eligible for SSI are also likely to be entitled to benefits from other programs. SSI recipients are eligible for food stamps in all states except California.[6] Also, SSI recipients in most states are categorically eligible for Medicaid and need file no other application to receive these benefits.[7]

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3. If there is less than $20 unearned income, additional earned income can be disregarded. Other disregards are irregularly or infrequently received income of less than $20 per month, home energy assistance payments, tuition benefits, disaster relief, and the value of food stamps.

4. Other exclusions are life insurance with a face value of less than $1,500, burial plots, and household furnishings of less than $2,000.

5. In 1997, twenty-seven states administered their own supplemental programs, eleven states had programs administered by the Social Security Administration, five reported both levels of administration, and one supplemental program was administered at the county level (seven states had no optional supplemental program).

6. California incorporates the value of food stamps into its monthly benefit.

7. Forty states used SSI program guidelines to determine Medicaid eligibility. The remaining states used different criteria.

Medicaid itself represents a substantial financial transfer and therefore makes participation in the SSI program much more valuable.

Despite these potential benefits, the majority of SSI recipients remain poor. In 1997 the poverty lines for elderly singles and couples were $641.5 and $809.33 per month, somewhat above the federal SSI guarantees. Because of the existence of income disregards, particularly the larger disregard for earned income, some of those receiving SSI will have their incomes increased above the poverty line by the federal benefit. However, for the most part, the federal SSI program will have little effect on poverty rates. In contrast, the supplemental programs in some states are sufficiently generous that they do guarantee income above the poverty line. Income guarantees in 1997 were above the poverty level for singles in three states and for couples in twelve states. In addition, when the income disregards are taken into account, individuals in many other states may also have their total incomes raised beyond the poverty line. I examine this issue further in section 2.2.4.

2.1.2   Participation in Supplemental Security Income

One of the more surprising aspects of SSI is that many of those entitled to benefits are not enrolled in the program. Several earlier studies have demonstrated that only slightly more than one-half of those who appear to be eligible for SSI are actually receiving benefits (Menefee, Edwards, and Schieber 1981; McGarry 1996). These participation rates are lower than those found for the former Aid to Families with Dependent Children (AFDC) program (Fraker and Moffitt 1988) and roughly comparable with more recent evidence on participation in the food stamp program (Blank and Ruggles 1996).[8]

The literature has offered several hypotheses to explain this nonparticipation. (See Warlick 1979 for a detailed discussion of the various arguments.) It has been proposed that those who do not participate are not aware of the program or that the process of applying for benefits is too challenging either physically or intellectually. Alternatively, it has been suggested that the stigma attached to the receipt of welfare outweighs the value of the benefits (Moffitt 1983). Below I briefly investigate the correlates of nonparticipation for a sample of SSI-eligible individuals.[9] When considering the effectiveness of the SSI program in achieving its goal of a guaranteed minimum income, one must keep in mind these low participation rates. Similarly, analyses of the effect of changes in the SSI program on the distribution of income and program costs must account for changes in both eligibility and participation.

8. Fraker and Moffit (1988) estimated much lower food stamp participation rates than did Blank and Ruggles (1996), 38 percent versus approximately 60 percent.

9. Menefee, Edwards, and Schieber (1981), Warlick (1982), Coe (1985), and McGarry (1996) address this issue in detail.

2.2 Microdata Analysis

2.2.1 Asset and Health Dynamics Study Data

I use data from the Asset and Health Dynamics Study (AHEAD) to analyze the distributional aspects of the SSI program and its potential to affect the well-being of the elderly poor.[10] AHEAD provides a nationally representative sample of the population born in 1923 or earlier and their spouses. The respondents were first interviewed in 1993, when the age-eligible portion of the sample was approximately seventy years old or over. The entire sample consists of 8,222 individuals in 6,048 households.[11] The analyses presented here will use a single individual or married couple as the unit of analysis, and I will refer to each observation as a family unit.[12] AHEAD is ideal for this study because it contains a large sample of individuals, nearly all of whom meet the age requirements for SSI eligibility, as well as detailed information on income and assets that allows for accurate determination of eligibility based on the income and asset criteria.[13] This project also draws on a supplemental restricted use data file that contains geographic identifiers for the AHEAD respondents. Because SSI benefits can vary widely across states, this information is necessary if potential benefits are to be properly imputed. Below I note the difference in eligibility when state programs are ignored.

2.2.2 Eligibility

I determine eligibility for federal SSI benefits using the specific rules of the program as they existed in 1993, including both the income and asset tests (Social Security Administration 1993). The federal guarantees in that year were $422 and $633 for singles and couples.[14] I then calculate the amount of a state supplement to which the family unit (single individual

10. A detailed description of the survey is available in Soldo et al. (1997).

11. Included in these numbers are 189 spouses below age sixty-five who would not themselves be eligible for SSI, regardless of income. However, because federal law requires that a portion of the income of an age-ineligible spouse be deemed to the SSI applicant, it is important that these individuals be kept in the sample and their incomes known.

12. In some cases, other individuals are present in the household; these could be children, other relatives, or nonrelatives. The SSI program does not count the income of these other individuals when determining the benefit to which the eligible unit is entitled, but the income guarantees are reduced by one-third if the potentially eligible unit lives in the household of another. In my calculation of benefits I, too, impose this one-third reduction. In all other respects, I ignore these other individuals; I do not count their income when considering the poverty status of the individual or couple, nor do I use their presence to determine the appropriate poverty line.

13. Many earlier studies of participation in welfare programs did not have asset information and imputed asset eligibility based on income from assets.

14. A portion of the AHEAD sample was interviewed in 1994. Because the income measures refer to the preceding month, I use 1994 SSI rules for all those interviewed after January 1994. The federal guarantees in 1994 were $446 and $669 (SSA 1994).

or married couple) would be entitled based on the state of residence and the guidelines of the SSI program particular to that state. The calculation of countable income is based on reports of monthly income in AHEAD, subtracting the appropriate disregards for earned and unearned income. In addition to the standard disregards, I exclude transfers received from family members or other individuals, because it is unlikely that these transfers are received with sufficient regularity to be reported to the government and included in countable income.

With respect to calculating asset eligibility, I am again able to follow the program guidelines nearly exactly. I exclude the value of the home, up to $1,500 in life insurance, and up to $4,500 in vehicle equity (the limit on the value of a car).[15]

Table 2.1 compares income and asset eligibility. The first part of the table reports the percentage of the sample that is eligible for either federal or state SSI, based on the application of the income and asset tests alone and jointly. It is apparent from these numbers that the income limits are much more likely to be binding than are the asset limits. Of the sample, 29.22 percent have countable assets below the SSI limits, while only 12.77 percent have income that is sufficiently low. Combining the two criteria, 8.75 percent of family units are eligible for benefits from federal and/or state SSI programs.

The characteristics of the 4 percent of the sample that are income eligible but not asset eligible merit discussion. Seventy-nine percent of these units have incomes below the poverty line (not shown), and in that sense seem to merit assistance, yet their wealth holdings prevent them from receiving any benefits. Thus, even if the income guarantees were raised to the poverty line and all eligible individuals participated in SSI, a fraction of the population would remain poor, at least until their assets were depleted. The wealth holdings of this group of income eligibles/asset ineligibles are relatively high: Mean wealth is $168,486 ($103,756 if housing wealth is excluded). Only 9 percent of this subsample have countable assets less than twice the limits set by SSI, while 23 percent have countable assets of over $100,000. Thus the asset test does serve to limit the participation of those who can finance some consumption with current wealth.

The state supplemental programs play a large role in increasing eligibility relative to the federal guidelines. The second part of table 2.1 highlights the effect by reporting the proportion of the sample eligible for SSI based

15. With respect to the exclusion of a car, I am unable to identify precisely its actual value. AHEAD obtains the value of all vehicles (cars, boats, motorcycles, etc.) in a single question. The respondent may therefore own more than one car, or may own other vehicles that would be included in countable assets, although this is unlikely for those with little in the way of other assets or income. The survey also does not ask about the value of household furnishings, so these are presumed to be less than the $2,000 limit allowed under SSI and not included as part of countable assets.

Table 2.1   **Income and Asset Eligibility**

	Asset Test		
Income Test	Ineligible	Eligible	Total
Eligibility using federal and state criteria			
Ineligible	66.75	20.47	87.23
	(3,709)	(1,416)	(5,125)
Eligible	4.02	8.75	12.77
	(238)	(685)	(923)
Total	70.78	29.22	100.00
	(3,947)	(2,101)	(6,048)
Using federal criteria only			
Ineligible	67.93	22.18	90.11
	(3,769)	(1,520)	(5,289)
Eligible	2.85	7.04	9.89
	(178)	(581)	(759)
Total	70.78	29.22	100.00
	(3,947)	(2,101)	(6,048)

Source: All tables are from author's calculations.

Notes: Percentages of all family units (weighted figures). Total numbers of family units in parentheses (unweighted).

on federal guarantees alone. Here, the fraction of income eligible falls from 12.8 when state supplements are included to 9.9 percent, and the fraction eligible after both the income and asset tests falls to 7 percent. The state supplemental programs thus serve to increase the eligible population by 24 percent.

2.2.3 Characteristics of Participants

When examining actual participation for the families in the sample, I find the same low participation rates observed in other studies. Participation status is unknown for 11 of the 685 eligible units. Of the remaining 674 units, 392 report that they are receiving benefits. When appropriately weighted,[16] these numbers imply a participation rate of 55.9 percent. Surprisingly, this rate is nearly identical to the 55 percent participation rate found in the 1973 and 1974 Survey of Low-Income Aged and Disabled (Menefee, Edwards, and Schieber 1981) and the 56 percent participation rate in the 1984 Survey of Income and Program Participation (SIPP; McGarry 1996).

Although the participation rate matches those of past studies, recent evidence suggests that estimates of participation in welfare programs from survey data may be downward biased due to underreporting of the receipt of benefits (see Bavier 1999). While it is obviously difficult to assess the

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16. AHEAD oversampled individuals in heavily black and Hispanic neighborhoods, so weighting is necessary to achieve population representative statistics.

extent of misreporting, comparisons with administrative records indicate that it may be an important phenomenon. Giannarelli and Wheaton (2000) estimate that the Current Population Survey (CPS) captures approximately 75 percent of SSI receipts. Comparisons of reported benefits presented here with administrative records also indicate underreporting.[17] However, despite the likely biases, there are several reasons to believe that underreporting does not alter the conclusion that a large fraction of eligible individuals fails to enroll. First, SSI enrollment figures are far below those predicted by the SSA from its data (Kennedy 1982). Second, consistent with the results of survey data, outreach studies have found large numbers of eligible nonparticipants but have had little success in increasing enrollment (Comptroller General 1976). Finally, the similarity between the participation rate found here and that observed in SIPP is notable because SIPP is believed have unusually accurate reporting of income sources and, in particular, more complete reporting of SSI income than the CPS (Kalton, McMillen, and Kasprzyk 1986). However, to the extent that the receipt of SSI is underreported in AHEAD, the participation rate is an underestimate of the true probability of participation in the program, and costs and enrollment figures will also be biased downward.

Table 2.2 presents the means of several variables used in the subsequent analyses. I examine the characteristics of three distinct groups: those who are ineligible for SSI, those who are eligible and receiving benefits, and those who are eligible but not collecting these benefits.[18] The ineligible subsample is obviously better off in virtually every dimension than either of the other two groups, and their mean values are reported mainly for purposes of comparison. Mean income for this group, exclusive of SSI, is $1,915 per month, and their net worth is $195,142, or $118,952 when housing

17. The 1998 Green Book (U.S. House of Representatives 1998) cites an SSI participation rate of 56.3 for the elderly, nearly identical to that estimated here. However, the participation rates tabulated in the Green Book count the fraction of the elderly *poor* receiving SSI benefits, rather than the fraction of the *eligible* population. Because some elderly poor are likely to be ineligible for SSI due to asset holding, and some with incomes above the poverty line are likely to be eligible, given state supplements and income disregards, this measure is imprecise. However, if I calculate a similar statistic for the AHEAD sample (the fraction of those with income below the poverty line who report receiving SSI benefits) I find a participation rate of only 28 percent. The substantially lower level of reported benefits found with AHEAD relative to that using administrative records indicates that there may be a good deal of nonreporting of SSI benefits. The discussion of table 2.6 below indicates a similarly important degree of nonreporting with a comparison of payments. (In addition to underreporting of recipiency, there are several other factors affecting the comparisons between AHEAD and SSA data, all of which are likely to play a role. First, the AHEAD sample is representative of the noninstitutional population aged seventy and over, rather than all those aged sixty-five and over. Second, the definitions of poverty differ somewhat (see note 22); third, the AHEAD estimates are based on SSI *units* rather than individuals; and, finally, the AHEAD estimates use monthly rather than yearly measures of poverty status and recipiency.)

18. Among the ineligible population, 1.3 percent report income from SSI. Some of these individuals are likely misclassified due to reporting error, but others may actually be receiving benefits to which they are not entitled. The SSA (1982) has estimated that 4 percent of those receiving benefits are actually ineligible.

Table 2.2   **Means of Variables Used in the Analyses**

		Eligible	
	Ineligible	Participating	Not Participating
Income variables			
Monthly pre-SSI income ($)	1,915	288	429
	(41.0)	(11.1)	(19.6)
Calculated SSI benefit ($)	0.0	223	156
	(0.0)	(9.6)	(9.9)
Reported SSI income ($)	2.91	236	0.0
	(0.5)	(9.9)	(0.0)
Total income, including SSI ($)	1,918	517	429
	(41.0)	(9.5)	(19.6)
Has Social Security income (%)	0.95	0.72	0.83
	(0.003)	(0.023)	(0.022)
Has labor earnings (%)	0.11	0.010	0.044
	(0.004)	(0.005)	(0.012)
Asset variables			
Net worth ($)	195,142	11,696	28,155
	(5,620)	(1,285)	(2,896)
Net worth, excluding housing ($)	118,952	341	−606[a]
	(4,741)	(70)	(667)
Own home (0/1) (%)	0.74	0.32	0.50
	(0.006)	(0.02)	(0.03)
Value of home (positive, $)	102,877	35,315	57,709
	(2,457)	(3,016)	(4,226)
Demographic variables (for male in couples)			
Born in the United States (%)	0.92	0.75	0.79
	(0.004)	(0.02)	(0.02)
Age at immigration (if not native born)	24.3	43.3	36.6
	0.83	(2.30)	(3.26)
Age	77.44	78.88	78.67
	0.08	(0.35)	(0.44)
Schooling (years)	11.3	6.4	8.2
	(0.05)	(0.21)	(0.25)
Nonwhite (%)	0.07	0.38	0.28
	(0.004)	(0.03)	(0.03)
Poor health (head or spouse) (%)	0.14	0.36	0.22
	(0.005)	(0.05)	(0.02)
Married (0/1) (%)	0.41	0.16	(0.22)
	(0.007)	(0.02)	(0.03)
Widowed (female) (%)	0.39	0.57	0.51
	(0.007)	(0.03)	(0.03)
Living arrangements			
Lives alone or with spouse (%)	0.78	0.65	0.66
	(0.006)	(0.03)	(0.03)
Lives with children (%)	0.16	0.26	0.28
	(0.005)	(0.02)	(0.03)
Lives with others (%)	0.07	0.11	0.08
	(0.004)	(0.02)	(0.02)
N[b]	5363	392	282

[a] Negative mean wealth is due to one outlier (see text).
[b] Differs for some variables due to missing values. Participation status is missing for eleven eligible households, which are excluded from the table.

wealth is excluded. The average number of years of schooling (using the level of schooling of the male for couples) is 11.3, and 7 percent are non-white.

While none of those eligible for SSI benefits is well off, those who are actually receiving benefits are in substantially worse financial straits than those who are not. The participants have average monthly pre-SSI income of $288, compared to $429 for those not receiving benefits. This lower income corresponds to a higher expected benefit for the participants than for the eligible nonparticipants, $223 compared to $156. This calculated benefit agrees well with the SSI income reported by recipients: The mean value of SSI actually received is $236, and the correlation between the calculated and reported amounts is 0.74.[19] When reported SSI benefits are added to the income of the participants, their incomes actually *exceed* those of the eligible nonparticipants, with an average monthly income that is $88 greater. SSI thus makes a large difference in the economic well-being of these individuals.

With respect to asset levels, those who are receiving benefits have substantially lower net worth than eligible nonparticipants, $11,696 versus $28,155, and a lower probability of home ownership. For both groups, nonhousing wealth is nearly nonexistent. Mean wealth, excluding housing wealth, is $341 for participants, while for nonparticipants it is actually negative (the medians are both zero).[20] These means stand in sharp contrast to mean (nonhousing) wealth reported earlier for those who are income but not asset eligible; the mean for those household units is $103,756.

The Social Security program is typically viewed as providing nearly universal coverage, and in fact 95 percent of the ineligible sample are receiving Social Security benefits. However, many of the participants are not; only 72 percent of this subsample reported receiving Social Security in the previous month. One possible explanation for the lack of benefits is the immigrant status of this population. Whereas 92 percent of the ineligible sample were born in the United States, only 75 percent of the eligible participants and 79 percent of the eligible nonparticipants were born here. There is also a substantial difference across groups in the age at arrival for those who did immigrate, increasing from twenty-four years old among the ineligibles

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19. The calculated amount is on average lower than the reported amount because individuals may receive higher than predicted state benefits due to special needs. For example, in California the guarantee for an individual needing "nonmedical out-of-home care" is $116 more per month than someone who does not. In Connecticut, individuals may receive additional benefits to pay for such items as meals-on-wheels programs ($73.50 per month for one meal a day). I account for these extra payments where the data permit me to do so (such as an extra payment to those not having kitchen facilities in California), but in most cases I am unable to assess these special needs and, using the state income guarantees for those living independently, err consistently on the side of lower benefits.

20. The negative mean value is the result of one observation with (nonhousing) debt of $100,000. If this observation is eliminated, the mean for this subsample is $694.

to forty-three years old among the eligible participants. This late arrival suggests that many of those eligible for SSI may not have a sufficient earnings history to qualify for Social Security benefits and may have low benefits if they do qualify.[21]

There is also a substantial difference across groups in marital status; 16 percent of the participants are married, compared to 22 percent of the nonparticipants. The majority of those who are not married are widowed women. Fifty-seven percent of the participants and 51 percent of the eligible nonparticipants are widows.

Participants are more likely to be nonwhite, have approximately two fewer years of schooling on average, and are much more likely to report being in poor health—36 versus 22 percent—than eligible nonparticipants. Perhaps surprisingly, living arrangements for the two groups of eligibles are similar, although participants are somewhat more likely to live with others. Both groups are substantially less likely to live independently and more likely to live with children than are those ineligible for benefits.

2.2.4 Supplemental Security Income and Poverty

As discussed previously, the levels of the federal guarantees relative to the appropriate poverty lines indicate that the effect of SSI on the poverty rate itself is likely to be small, even if the program has a large effect on the well-being of the elderly poor. One common measure of the degree of poverty is the "poverty gap," which is defined as the total dollar amount needed to raise all incomes to the poverty line. As shown in table 2.3, if SSI is excluded from income, the poverty rate for the entire sample is 17.2 percent,[22] and the poverty gap, weighted to represent the total for the relevant U.S. population, is $7.45 billion.[23]

The second row of the table considers the effects of the federal program alone. If all those who are eligible for federal benefits are assigned their expected amount, the fraction with income below the poverty line falls only slightly, but the poverty gap declines by 34 percent. Adding potential

21. Differences in immigration status by group are not due to a correlation between differences in levels of state supplemental benefits and the regional distribution of immigrants. The same pattern is evident if only federal eligibility is used.

22. The poverty rates presented here are somewhat higher than published poverty rates of the elderly for two reasons. First, for those elderly living with individuals other than a spouse, the income of these other individuals is not included in my measure of total income (nor is their presence included in the determination of the appropriate poverty line). I do so in order to measure well-being while abstracting from the decision to coreside. Obviously one of the ways poverty among the elderly can be reduced is through an increase in the number coresiding with children or others. It is not clear that the introduction of the dependent relationship improves the well-being of the elderly person. The second reason for the high poverty rate is that the sample is representative of those age seventy and over. Poverty increases sharply with age after sixty-five.

23. I remind the reader that the AHEAD sample is representative of the noninstitutional population age seventy and over and their spouses. In section 2.3.2, I discuss one method of inflating these figures to represent the values for the population age sixty-five and over.

Table 2.3   Poverty with and without Supplemental Security Income (SSI)

| | | Poverty Gap | |
| | Poverty | | |
Income Measure	Rate (%)	$ billions	% Reduction
No SSI	17.2	7.45	—
All potential federal benefits paid	17.0	4.91	34.1
All potential benefits paid	15.9	4.43	40.5
Current recipiency patterns and benefits	16.2	5.30	28.9

Notes: The poverty gap is the total amount needed to increase all incomes to the poverty line. Figures are weighted to represent national yearly totals for the AHEAD sample.

state benefits for all eligible units (third row) decreases the poverty rate to 15.9 percent, and the poverty gap falls even further, for a total decline of 40 percent. Even with the relatively low level of take-up among eligibles, the reduction in the poverty gap is substantial. As shown in the final row, using current recipiency patterns (i.e., eligible nonparticipants receive zero benefits) and actual benefits, the poverty rate is just 1 percentage point lower than without SSI, but the poverty gap is nearly 30 percent smaller than the no-SSI value. These figures provide a clear indication of both the ability and potential of SSI to reach the poor elderly.[24]

Figure 2.1 illustrates graphically the change in the distribution of income for the poor. The sample used in the figure is the population with income below the poverty line in the absence of SSI. The horizontal axis measures the ratio of income to the poverty line in 10 percent intervals (0–10, 10–20, . . . 90–100), and the vertical axis measures the fraction of the sample in each interval. The dark bars depict the distribution if SSI is excluded from income, while the light bars show the expected distribution if all eligible units were to enroll in the program. The largest change comes in the very bottom of the distribution. In the absence of SSI, 11.5 percent of this poverty sample would have incomes equal to less than 10 percent of the poverty line. For single individuals this interval corresponds to monthly incomes of less than $58, indicating that they have virtually no income other than SSI; for couples the interval corresponds to income less than $73.[25] With 100 percent participation, the fraction with incomes this low decreases to just 1.3 percent.[26] There is also a sharp change in the fraction of the sample with incomes between 70 and 80 percent of the

24. It should be noted that if SSI benefits are underreported, then the effect of the current program on poverty is understated.

25. One would expect that if SSI were not available, other behaviors would change. Some individuals might save or work more prior to retirement, some might postpone retirement, and some might receive greater transfers from family and friends. Others, however, would have no alternative means of support.

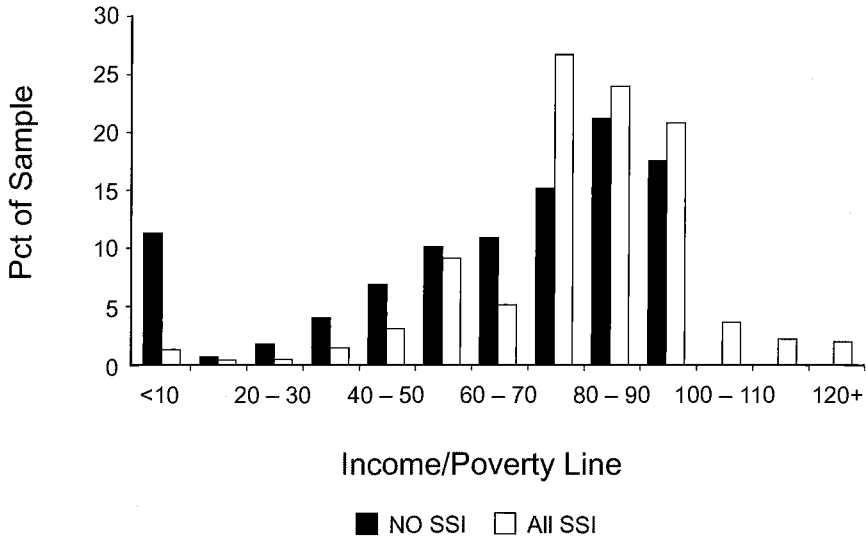26. All twelve family units who remain in this lowest decile are ineligible for SSI because of the asset test.

Fig. 2.1   Distribution of income

poverty line. Federal SSI guarantees are equal to 73 percent of the poverty line for singles and 87 percent for couples. Because the majority of those eligible for benefits are single, the income of a substantial fraction of the population is increased to the 70–80 percent interval (although not to exactly 73 percent of the poverty line, because of the income disregards).

2.2.5   Correlates of Nonparticipation

Given the potential for improvement in their financial status, one might question the decision made by the eligible nonparticipants. Certainly the benefits to which the nonparticipating units are entitled are lower than those of the participants ($156 versus $223 on average), but they are still substantial, equal to 36 percent of average income. The choice is even more puzzling when one considers the relative stability of the income of the elderly and the likelihood that eligibility will remain unchanged for many years. Over a lifetime, the forgone benefits could represent a large sum.

To understand better the choice of nonparticipation, and to assess how participation rates would change in response to changes in benefits, I estimate a probit model for the probability of enrolling in SSI conditional on eligibility. The underlying theoretical model assumes that eligible units will enroll in SSI ($P_i = 1$) if the gain from the program (G_i) is greater than the associated costs (C_i). Thus,

$$P_i = \begin{cases} 1 & \text{if } G_i - C_i > 0, \\ 0 & \text{if otherwise.} \end{cases}$$

G_i depends in large part on the magnitude of the expected benefit (B_i), but may vary with characteristics of the individual such as health status. The variables used to measure G_i and C_i follow directly from the explanations for nonparticipation offered previously in the literature as summarized in section 2.1.2. The coefficient estimates for the reduced form specification are reported in table 2.4.

As was noted in the table of means, participation appears to be based largely on need, and this result is borne out in the regressions. The magnitude of the expected benefit, which is inversely related to pre-SSI income, has a positive and significant effect on the likelihood of participating. An increase of $100 in the benefit increases the probability of enrolling in the SSI program by 6.8 percentage points. Home ownership also has a large effect on participation, lowering the probability by 12.7 percentage points. As demonstrated above, net worth consists primarily of the value of a home. Its effect in the regression is to reduce significantly the probability of enrolling. Being married is associated with a significantly lower proba-

Table 2.4   **Probit Estimates of the Probability of Participating in SSI Conditional on Eligibility for Federal Benefits**

	Coefficient	Derivative
Potential benefit (×$100)	0.146	0.068
	(0.043)	
Net worth (×$10,000)	−0.068	−0.032
	(0.022)	
Own home (0/1)	−0.271	−0.127
	(0.156)	
Married (0/1)	−0.435	−0.203
	(0.156)	
Years of schooling (male in couple)	−0.047	−0.022
	(0.013)	
Nonwhite (male in couple)	0.054	0.025
	(0.106)	
Poor health (either spouse)	0.251	0.117
	(0.117)	
Receives Social Security (0/1)	−0.061	−0.028
	(0.190)	
Earnings (×$100)	−0.081	−0.038
	(0.219)	
Number of children	0.051	0.024
	(0.018)	
Urban resident (0/1)	−0.283	−0.132
	(0.112)	
N	674	
Mean of dependent variable	0.582	

Notes: Regression includes indicators for missing values of some variables and a constant term. Observations with missing values of the dependent variable are excluded.

bility of participation, a surprising result because, assuming that the expected benefit and net worth are constant, married couples have fewer resources per person and ought to be more in need of assistance.[27]

One of the explanations frequently offered for nonparticipation in welfare programs is that individuals do not know about the program (Daponte, Sanders, and Taylor 1999). The results here contradict this hypothesis. If there were informational barriers, one would expect those with more schooling to be more knowledgeable, as might those living in a urban area. Here both effects are associated with significant reductions in participation.[28] Furthermore, a primary method for informing people about SSI is through their receipt of Social Security. Those receiving Social Security are therefore more likely to have been informed about the program, but there is no effect on participation.

The effect of poor health is large and significant.[29] Those in poor health are 12 percentage points more likely to be enrolled. This large difference may come about through the interaction of Medicaid and SSI. As discussed previously, SSI participants are categorically eligible for Medicaid in most states, increasing the incentive for those with medical expenses to enroll in SSI. The link between Medicaid and SSI may also make enrollment more likely if those having received medical treatment for a prior illness were encouraged to enroll in SSI by the healthcare provider, ensuring that the provider was reimbursed by the accompanying Medicaid benefits.

The results in table 2.4 are consistent with those from earlier studies. While the decision to forgo SSI benefits remains a puzzle, there does seem to be strong evidence that enrollment is related to need, as measured both in terms of the magnitude of the expected benefit and other factors that proxy financial well-being. There appears to be little evidence of a correlation between proxies for informational barriers (schooling, Social Security receipt), the physical difficulty of enrolling (health, urban residence) or the intellectual difficulty (schooling). The observed relationships appear most consistent with a model wherein some cost—perhaps stigma, as hypothesized in Moffitt (1983)—discourages enrollment unless the marginal utility of the benefit is sufficiently large. The results also indicate that modifications to the SSI program that increase potential benefits or decrease the stigma associated with recipiency will increase the probability with which eligible households enroll and therefore increase the number of participants beyond that projected from a simple increase in eligibility.

27. SSI benefits and wealth are measured for the family unit. They are not scaled to be a per-person measure.

28. Schooling probably also proxies differences in lifetime income not captured by the income and asset variables.

29. Age was initially controlled for in the regression, but it had no effect on participation when income, assets, and health were included.

2.3   Possible Changes in Supplemental Security Income

A restructuring of the Social Security system may induce corresponding changes in the parameters of the SSI program. In this section I explore the potential effects of various changes in SSI guidelines on eligibility, costs, and poverty. I look first at the elimination of the asset test, then at the effects of increasing the income disregards and the income guarantees, and finally at a simplification of the determination of countable income. In all cases I consider only changes to the federal program and assume that states do not alter their benefit schedules or eligibility criteria in response. The results of these simulations are reported in tables 2.5–2.8.

It should be emphasized that any changes in the structure of Social Security or SSI are likely to induce changes in other economic behaviors, particularly savings, labor force participation, and the choice of living arrangements. Although these changes could well be significant, it is beyond the scope of this chapter to model these broader effects.

Because actual benefits and participation are not observed with these simulated changes, the comparisons presented here use the calculated benefits and probabilities of participation imputed from the estimated coefficients of the probit model. I estimate the total cost of each of the alternatives by weighting each eligible unit's expected benefit by its calculated probability of participating and summing these weighted amounts.[30] This cost is an underestimate of the true cost of the aged portion of the SSI program for several reasons. Most importantly, the sample in this paper excludes eligible individuals aged sixty-five to sixty-nine unless they are married to age-eligible persons, and also excludes those in nursing homes. (The size of the population aged sixty-five to sixty-nine is approximately 48 percent of the size of that aged seventy and over, and approximately 4 percent of the elderly are in nursing homes.) Second, as noted in footnote 19, my estimate of the expected benefit is biased downward because I cannot calculate the value of payments made for special needs. Finally, there are some in the sample whom I determine to be ineligible for benefits who are actually receiving payments from the SSI program. These amounts are not included in the calculations based on predicted benefits and participation. For similar reasons, the number of eligible and participating family units is not representative of all those who would be eligible in the U.S. population. Because of these limitations, I first report changes in eligibility, participation, and costs in percentage terms (table 2.5) and then adjust the baseline estimates for these biases and present estimated costs and participation levels for the population sixty-five and over (table 2.6).

30. This figure is calculated as $\Sigma_i(P_i \times \text{Benefit}_i)$ where P_i is the probability an eligible unit participates and Benefit_i is the benefit to which it is entitled.

Table 2.5   Impact of Alternative Eligibility Guidelines for SSI: Mean Benefits and Participation Rates

Plan	Initially Eligible			Newly Eligible			% Increase		
	Average Benefit	Probability of Participating	% Increase Costs	Average Benefit	Probability of Participating	% Increase Costs	Eligibility Units	Participating Units	Total Costs
Current program	195	56.7	—	—	—	—	—	—	—
No asset test	195	56.7	0.0	177	24.6	11.7	32.5	14.1	11.7
Unearned disregard equals $75	221	58.0	13.0	29	49.1	1.6	14.2	14.6	14.5
Guarantee raised to poverty line, with asset test	288	61.2	52.4	71	47.3	10.0	36.1	38.2	62.4
Guarantee raised to poverty line, no asset test	288	61.2	52.4	144	35.2	39.8	103.8	72.4	92.1
Social Security–based eligibility	201	57.8	−5.8	140	42.4	10.9	9.6	6.2	5.0

Notes: Benefits are determined by state and federal program parameters using reported values of income and assets. Participation probabilities are calculated using estimates in table 2.4 and observed characteristics. Increases in costs are calculated as the expected additional benefits paid to each group under each expansion relative to total payments under current rules.

Table 2.6   **Impact of Alternative Eligibility Guidelines for SSI: Estimates of Total Cost and Participation**

Plan	AHEAD Age 70+ (1)[a]		AHEAD Age 65+ (2)		SSA Age 65+ (3)	
	Total Costs	No. of Units	Total Costs	No. of Units	Total Costs	No. of Units
Current program	2.78	1.04	4.28	1.60	6.07	2.07
No asset test	3.11	1.19	4.79	1.83	6.78	2.36
Unearned disregard equals $75	3.18	1.19	4.90	1.83	6.95	2.37
Guarantee raised to poverty line, with asset test	4.51	1.44	6.95	2.21	9.86	2.86
Guarantee raised to poverty line, no asset test	5.34	1.79	8.22	2.76	11.66	3.57
Social Security–based eligibility	2.92	1.10	4.49	1.70	6.37	2.20

Sources: Author's tabulations based on AHEAD and SSA data.

Notes: Costs are in billions of 1993 dollars, participation in millions of units. In column 1, estimates from reported SSI benefits in AHEAD correspond to the noninstitutional population born in 1923 or earlier (and their spouses). In column 2, estimates from column 1 are multiplied by 1.54 to include costs for those aged 65–69 and for those in nursing homes. In column 3, costs are based on published figures for total SSI benefits paid to the elderly in 1993. Number of SSI units is determined by dividing yearly costs by average benefits. SSA figures are multiplied by 1.43 to include benefits paid to those elderly originally classified as disabled or blind, and remaining so.

2.3.1   The Effects on Eligibility and Participation

The first row of table 2.5 reports benefits and participation under the current system. For the eligible population, the empirical model predicts a participation rate of 56.7 percent, nearly identical to the observed (weighted) rate of 55.9 percent.[31] The average calculated benefit for all 685 eligible units is $195 (the average of $223 and $156 in table 2.2).

Eliminating the Asset Test

In redesigning eligibility guidelines, one change that might be considered is an elimination of the asset test. It is often argued that such tests discourage savings, whereas an important goal of retirement policy is likely to be the encouragement of individual savings as a means of old age support. Furthermore, the asset test represents an additional administrative burden and, given the strict income limits and low participation rate, may not actually result in large changes in the participating population. By using the AHEAD data, one can simulate the effect of this change on program participation and costs. It is a relatively straightforward exercise to calculate the increase in eligibility—the number of families whose

31. The mean of the dependent variable in table 2.4 differs from 55.9 because it is not weighted by sampling probabilities.

countable income is below the guarantees but who have assets above the limit.[32] However, one also needs to determine what fraction of the newly eligible would choose to enroll in the program. I do so using the estimated effects from table 2.4 and the observable characteristics of each family unit.

With the elimination of the asset test, those eligible for SSI under the current program experience no change in eligibility or benefits and therefore no change in participation. The total number of eligible family units, however, increases by 32.5 percent. Because income and asset holding are positively correlated, the newly eligible have higher incomes and therefore lower expected benefits than those eligible initially, $177 compared to $195. Given the positive relationship between benefits are participation, and the negative relationship between net worth and enrollment, the newly eligible also have a substantially lower probability of enrolling in SSI than do those eligible under current rules. The probability of participating in SSI for the newly eligible is just 24.6 percent, compared to 56.7 for the initial sample. Based on the weighted sum of probabilities $(\Sigma_i P_i)$, the expected increase in the participating population is 14.1 percent.

Using the expected benefits and the estimated probability of participation for each newly eligible unit to predict the additional cost associated with the expansion, I find that payments (exclusive of administrative expenses) increase by 11.7 percent.[33]

Increasing Unearned Income Disregard

The federal income guarantees are indexed for inflation and have increased every year since the program's inception. The asset limits have also grown over time. However, the income disregards have never been increased and remain at their initial levels—the first $65 of earned income and half of the remainder, and the first $20 of unearned income. One change in SSI that has been mentioned among policy makers is an increase in the disregard for unearned income from $20 to $75 per month.[34]

In the case of eliminating the asset test, the effects are felt only among the newly eligible. Here, however, there is both an increase in benefits

32. Here I consider eliminating the asset test for the federal program only. I assume that states maintain their current restrictions. The change in eligibility predicted here thus differs from that in table 2.1, where the asset test is eliminated at both levels.

33. These calculations (and those that follow) assume that the decision-making process does not change with the program expansions (i.e., that the estimated effects in table 2.4 remain valid). If the elimination of the asset test alters the desirability of enrollment, there will be changes in participation beyond those forecast here. For example, individuals may falsely believe that they are ineligible for SSI because they own a home. Eliminating the asset test might well reduce the prevalence of this misconception, changing the effect of home ownership on the participation decision. Similarly, some may view the asset test as an unpleasant requirement and refuse to apply for benefits if they need to provide such information. Again in this case, elimination of the asset test would increase enrollment beyond those who are newly eligible.

34. I thank Robert Schoeni for bringing this discussion to my attention.

among those previously eligible and an increase in the number eligible. Overall, the average benefit for the initially eligible subsample increases from $195 to $221: Those who were already participating initially see their average benefits increase from $223 to $249, and those who were eligible but not participating see an increase in their average benefits from $156 to $183 (breakdown by subgroup not shown). This increase in potential benefits will induce some of the eligible nonparticipants to enroll in SSI, and the average probability of participating for the entire eligible population increases slightly, from 56.7 to 58.0 percent. The increase in benefits and participation leads to an increase of 13 percent in costs for this group alone.

In addition to these changes, there is an increase of 14.2 percent in the number of eligible units. However, the expected benefit for the group of newly eligibles is small, averaging just $29 per month. Because of this low benefit, their average probability of participating is 49.1 percent, and the cost arising from the increase in eligibility is equal to just 1.6 percent of initial spending. Combining the additional costs for each group, the total increase in costs for this expansion is 14.5 percent over the initial amount.

Raising Guarantees to the Poverty Line

Several states offer supplements to SSI that effectively raise the incomes of the participating population to slightly above the poverty line. In considering plans to reduce or eliminate poverty among the elderly, one obvious solution is to raise the federal income guarantee to this level. This proposal has been discussed several times in the past (Zedlewski and Meyer 1989) and continues to be mentioned by policy makers. For those who live in states with guarantees above the poverty lines, the increase in federal benefits results in no change in their incomes: A greater fraction of their benefit will be paid for by the federal government, and a smaller fraction by the state, but there will be no increase in the total received. In contrast, those in less generous states could see a sizable increase in their monthly benefits, and some of those initially eligible but not enrolling at current levels may now find participation to be a more appealing option. At the same time, increasing the federal guarantees will also make more individuals eligible for the program and will increase participation along that avenue.

Increasing the federal guarantees to the poverty line—$577.50 per month for a single individual and $728.33 for a couple in 1993[35]—with no change in state programs results in a sharp increase in the average benefits for those who were initially eligible, from $195 to $288, and the probability of participating in SSI increases to 61 percent. The cost of this change is great, equal to 52 percent of initial expenditures.

35. $592.33 and $747.25 in 1994.

Increasing benefits also has a large effect on the number of eligible units, increasing the eligible population by 36 percent. However, as was the case when increasing the disregard, the expected benefit for the newly eligible is small, equal to $71, and their predicted participation rate is 47.3 percent. Given the relatively low benefits to which they are entitled, the expected additional outlay of SSI benefits for this group of newly eligible is just 10 percent of initial spending. The total increase in costs for this expansion is therefore equal to 62 percent of initial expenditures, with the vast majority of the increase accruing to those who were initially eligible.

This simulation assumed that the asset test remained in effect. The fifth row of table 2.5 reports the results of the same increase in income guarantees accompanied by an elimination of the asset test. This combination ensures that virtually all elderly will have the opportunity to increase their incomes above the poverty line.[36]

Those who were initially eligible for SSI are unaffected by the additional elimination of the asset test, and the increases in benefits and costs for this group are the same as in the previous example (fourth row). However, eliminating the asset test dramatically increases the eligible population, more than doubling its size. Following this change in eligibility, the participating population increases by 72 percent, 34 percentage points above the increase with no change in the asset test. Corresponding to the large increases in benefits and participation, there is a sharp increase in costs. In this expansion, expected payments increase by 92 percent.[37]

Using Social Security Income

The final alternative I investigate is basing eligibility and benefits on Social Security income alone, eliminating income disregards and conferring eligibility on those with Social Security income, rather than countable income, below the guarantee levels. This procedure would likely reduce administrative effort for both the SSA and the applicants, because Social Security benefits are readily observable by SSA and need not be reported or verified.[38] The drawback is that individuals with low Social Security benefits but with substantial other income could qualify for SSI, although with the asset test in place this group would be expected to be small.

36. It is possible that those who live with others and have the guarantees reduced accordingly could remain poor.

37. These figures reflect the percentage increases in the combined payments of the federal and state programs. Because the simulations assume that state programs are unchanged, in many cases the increase in the federal benefits will simply replace state spending. The percentage increase in federal costs is therefore larger than the overall increase. When guarantees are raised to the poverty line and the asset test remains in place, my calculations predict an increase in federal spending of 95 percent. If the asset test is eliminated, federal spending increases by 133 percent.

38. Administrative expenses for the SSI program are actually larger than for the OASDI program (SSA 2000). However, many of these costs are likely due to the disabled portion of the SSI program, not from the benefits going to the eligible elderly.

The cost of this change would obviously depend on the level of Social Security chosen as the cutoff for eligibility. In the AHEAD sample, the maximum Social Security benefits received by singles and couples eligible for *federal* SSI benefits under current rules are $441 and $644.[39] Because many family units are likely to have some income from sources other than Social Security, a reasonable choice of income limits might be the 90th percentiles—$418 for singles and $620 for couples.[40] Using these amounts as income guarantees, with no income disregards, results in a net increase in the eligible population of 9.6 percent, with a small number of those initially eligible for benefits becoming ineligible due to the elimination of income disregards and the slightly lower guarantee level.[41] Expected participation increases by the somewhat smaller amount of 6.2 percent. The total cost of this method is similar to the current program, with an increase in expenditures of 5 percent.

As noted earlier, these simulations are based on the assumption that the participation decision does not change when benefit formulas change. In this case in particular, the assumption may not be valid. One might imagine that if benefits were tied directly to low Social Security rather than to generally low income, the program might be viewed less as a welfare program and more as a supplement to Social Security itself, and participation rates could increase across the board.[42]

2.3.2   Costs of Changes

The increases in expected payments and the increases in the number of participating family units associated with each of these changes have thus far been expressed as percentage increases relative to the current program. Of particular relevance to policy makers and researchers is the cost of the SSI program for the entire elderly population. As noted above, the AHEAD sample does not provide such an estimate. By making some assumptions, however, it is possible to inflate the baseline amounts calculated from the AHEAD data to approximate the values for the population aged sixty-five and over. I make these adjustments in the first row of table 2.6 and then apply the estimated percentage increases for each hypothesized change (from table 2.5) to estimate the effects of the program expansions.

In the first row of table 2.6 I present the costs and the number of participating units for the current program using three different measures. In the

39. Because some states (notably California) have guarantees that are significantly higher than the federal levels, the maximum Social Security benefits among all eligibles (state and federal) are much higher at $897 and $1,180.

40. In this simulation, guarantees for 1994 are set by increasing the 1993 amounts to account for inflation.

41. Of the initially eligible, 91 percent remain eligible under the new rules.

42. The role of stigma, and indeed nonparticipation itself, could be eliminated in its entirety if the level of Social Security income were the only earnings test, the asset test were eliminated, and no application for SSI was required.

first set of columns I use the population weighted sums of observed benefits and participants for the AHEAD sample, $2.78 billion and 1.04 million participating units.[43] These figures are the totals relevant for the noninstitutional population aged seventy and over and their spouses. The numbers do not include the population aged sixty-five to sixty-nine, which is approximately 48 percent as large as that aged seventy and over, nor do they include the approximately 4 percent of elderly who live in nursing homes.[44] In column (2) I incorporate these omitted segments of the elderly population by simply multiplying the numbers in the first set of columns by 1.54 (1.48 × 1.04). This procedure yields a total cost of $4.28 billion in 1993 dollars and a total enrolled population of 1.6 million family units.[45] As an alternative estimate (column [3]), I use published figures from the SSA for SSI benefits to aged individuals in 1993 (SSA 1999). Using administrative data will correct for the possible underreporting of benefit receipt in AHEAD. The administrative values for 1993, $4.25 billion and $1.46 million, compare well with the inflated AHEAD numbers (not shown). However, these figures for aged recipients do not include those aged sixty-five and over who are receiving SSI but who initially enrolled in the program as a disabled or blind recipient. To approximate the totals for the entire population aged sixty-five and over, I multiply the $4.25 billion in benefits and the 1.46 million participating units by 1.43 to yield total estimated costs of $6.07 billion and a participating population of 2.07 million.[46] The difference in the size of the enrolled population between columns two and three suggests that, indeed, there might be a large amount of underreporting of SSI receipt in survey data.

The subsequent rows in the table provide cost and participant projections for each of the changes discussed in the previous section. As is evident from the percentage increases reported earlier, neither the elimination

43. Using reported benefits and recipiency corrects for any biases in my estimates based on calculated benefits and predicted probabilities.

44. If SSI benefits are underreported, then this figure is a downward biased estimate of the true cost of the program. Similarly, calculations of the increase in enrollment and costs are also likely to be incorrect.

45. Inflating the AHEAD numbers by 48 percent "overcorrects" for the omitted population, because spouses of age-eligible respondents who are sixty-five to sixty-nine are already included in the sample. The estimates for those sixty-five and over are further biased upward if one assumes that the younger elderly are better off than older cohorts due to differences in lifetime wealth and the predictions of the lifecycle hypothesis, and therefore less likely to be in need of SSI or to be receiving benefits.

46. Published statistics from the SSA report 616,799 disabled aged sixty-five and over and 21,588 blind receiving federally administered SSI benefits in 1993 (similar figures are not available for those receiving only state-administered benefits, approximately 7 percent of total recipients). These numbers total 43 percent of those categorized as aged recipients and receiving federally administered benefits. Also, although benefits are reported as the average amount per family unit, the number of recipients in published SSA tables refers to the number of *individuals,* not the number of units. In table 2.6 I calculate the number of SSI units by dividing total benefits (measured yearly) by average monthly benefits received (multiplied by twelve).

of the asset test nor the increase in the income disregard result in a substantial increase in costs or in the number enrolled. The 12–15 percent increases in costs shown in table 2.5 correspond to $500 to $700 million dollars when inflated to represent the population aged sixty-five and over, while the increases in the participating population are approximately 200,000 to 300,000 units (second and third rows of table 2.6).

The dramatic 92 percent cost increase associated with the poverty line guarantee and no asset test increases costs by approximately $4 to $5.5 billion and increases the number of enrolled families by 1 to 1.5 million. Even with this large expansion and the most expensive set of statistics, the total cost of the program remains below $12 billion.[47] This cost is best interpreted relative to other government programs: In 1993, total payments to the disabled segment of the SSI population were nearly $20 billion, payments to families in the AFDC were nearly $23 billion, and payments to food stamp beneficiaries were $22 billion.[48]

2.3.3   The Effects on Poverty

How much do these expansions actually benefit the elderly poor? Table 2.3 reported the potential for the current SSI program to reduce the poverty rate and the poverty gap. While the reduction in the poverty rate due to SSI was small, the reduction in the poverty gap was large, equal to a 30 percent decrease with current recipiency patterns. Table 2.7 shows the effects of the hypothesized changes to the SSI program on these measures. Using calculated benefits and predicted participation for the current program, the poverty rate is 16.4 percent and the poverty gap is $5.34 billion.[49]

Neither eliminating the asset test nor raising the disregard has a measurable effect on the poverty rate, and the reductions in the poverty gap associated with these changes are approximately 5 to 6 percent.

Of all the changes to SSI that have been discussed here, only the changes

47. The $4.25 billion in costs to aged recipients reported by the SSA represents federal costs of $3.10 billion and state costs of $1.15 billion. Assigning the same federal/state division to the inflated $6.07 billion in table 2.6 yields a division of expenditures of $4.43 for the federal government and $1.64 billion for the states. Applying the 95 and 133 percentage increases in federal spending (see note 37) to the $4.43 billion in federal expenditures under the current programs raises total federal costs to $8.6 billion and $10.3 billion under the two poverty line expansions.

48. It should be noted, however, that the increases in costs described here are limited to the direct cost of benefits from the SSI program. Because SSI recipients are likely to be categorically eligible for both food stamps and Medicaid, the true increase in costs may be much larger. Also, note that this simulation continues to assume less than full participation among the eligible population.

49. For comparison with the simulations, this calculation uses the calculated benefits (rather than reported) and predicted participation probabilities. The values reported in table 2.6 therefore differ slightly from those calculated on the basis of observed benefits and participation shown in the final row of table 2.3 ($5.3 billion). Note also that these numbers are not inflated to account for the age restrictions on the AHEAD sample. The reader can scale these numbers by 1.54 if such an estimate is desired.

Table 2.7   **Impact of Alternative Eligibility Guidelines for SSI on the Poverty Gap**

	Poverty Rate	Poverty Gap	
		$ billions	% Reduction
Current program	16.4	5.34	—
No asset test	16.4	5.09	4.7
Increase unearned disregard to $75	16.4	5.03	5.8
Guarantee raised to poverty line, asset test remains	12.4	4.02	24.7
Guarantee raised to poverty line, no asset test	11.0	3.37	36.9
Social Security–based eligibility guarantee equal 90% of maximum SS	16.3	5.45	−2.1

Note: All calculations use calculated benefits and predicted participation rates.

that raise benefits to the poverty line have a noticeable effect on the poverty rate, but the effects are large, even given the low participation rates. If federal guarantees are raised to the poverty line, the poverty rate (fourth row) falls from 16.4 to 12.4 percent. With a concurrent elimination of the asset test, poverty falls by an additional 1.4 percentage points, for a total decline of 33 percent. There is also large decline in the poverty gap in these two cases. When the asset test is left in place, the poverty gap falls by 25 percent, and with the additional elimination of the asset test it falls by 37 percent.

   As shown in the final row, there is no change in the poverty rate with eligibility based on Social Security, but the poverty gap actually increases. This increase occurs because some SSI benefits in this regime accrue to those with incomes above the poverty line and therefore have no effect on the poverty gap, while some individuals with incomes below the poverty line lose their benefits. It is important to note that these declines are measured relative to the current program, which in and of itself provides a 30 percent reduction relative to situation without SSI. (As shown in table 2.3, the poverty rate with no SSI is 17.2 percent, and the poverty gap is $7.45 billion.)

2.3.4   Characteristics of the Newly Eligible

   The preceding tables report the changes in participation, costs, and poverty associated with various changes in the parameters of the SSI program. Each of these changes will benefit a somewhat different subset of individuals. Table 2.8 presents the means of the regression variables for the newly eligible units under each of these scenarios. For comparison, the means of those initially eligible are reported in the first column.

   By definition, those who become eligible when the asset test is elimi-

Table 2.8   **Means of Regression Variables for Newly Eligible under Alternative Changes in the SSI Program**

	Initially Eligible	Scenarios				
		(1)	(2)	(3)	(4)	(5)
Potential benefit	195	177	21	71	144	140
Net worth	19,028	185,278	16,346	24,043	100,010	31,342
Own home (0/1)	0.40	0.82	0.42	0.55	0.68	0.61
Married (0/1)	0.19	0.43	0.13	0.11	0.22	0.26
Years of schooling (male in couple)	7.17	10.43	7.23	8.03	9.43	9.42
Nonwhite (male in couple)	0.33	0.14	0.25	0.27	0.16	0.23
Poor health (either spouse)	0.30	0.17	0.29	0.28	0.20	0.17
Receives Social Security (0/1)	0.80	0.90	0.99	0.99	0.96	0.90
Number with earnings	0.02	0.04	0.09	0.07	0.05	0.15
Earnings (if positive)	179	62	30	188	222	597
Number of children)	3.3	2.6	2.8	3.0	2.6	3.0
Urban resident (0/1)	0.70	0.61	0.66	0.67	0.66	0.67
N	685	178	96	246	607	125

Notes: Scenario (1) corresponds to the elimination of the asset test. Scenario (2) corresponds to raising the disregard for unearned income to $75. Scenario (3) corresponds to raising guarantees to the poverty line with an asset test. Scenario (4) corresponds to raising guarantees to the poverty line with no asset test. Scenario (5) corresponds to using only SS income to determine eligibility.

nated have substantially higher levels of assets than those who are initially eligible. In this case, the mean value of wealth (including housing wealth) for the newly eligible is $185,278, nearly ten times that of the initial sample. This high wealth level is responsible for the low predicted probability of participating in SSI (24.6 percent) seen in table 2.5. The newly eligible are also twice as likely to own a home and to be married, and have over three more years of schooling on average.

In contrast, when the unearned income disregard is raised (scenario 2), those who become eligible must still meet the asset test, and mean assets are not changed noticeably. In fact, the population of newly eligibles is quite similar to those initially eligible. The largest differences are in the probability of receiving Social Security and of reporting positive earnings. Because nearly all those without Social Security are likely to be eligible for SSI benefits with the initial (lower) disregard, and because increases in the unearned income disregard act to increase the amount of Social Security that is excluded from countable income, virtually all of the newly eligible, 99 percent, are receiving Social Security.

Raising the benefit guarantees to the poverty line will again have little effect on asset levels, but will allow those with greater incomes to qualify for benefits. Thus, as shown in the column for scenario 3, while the newly eligible population is again nearly certain to have Social Security benefits

and has a much higher level of earnings, assets are only slightly above those for the initially eligible subsample.

Eliminating the asset test along with the increase in the benefit guarantees again results in a newly eligible population with substantial net worth. The mean value of assets for this group is $100,010. The newly eligible have more schooling, are substantially more likely to own a home, and are less likely to be nonwhite or in poor health. They are also more likely to have Social Security income and income from earnings.

Finally, if Social Security income alone is used in determining eligibility, many of those with substantial labor earnings will be entitled to benefits. Because individuals can have unlimited labor earnings and still qualify for benefits, there is also a very large difference in the fraction with earnings, 2 versus 15 percent, and in mean earnings (over positive values), which increase from $179 to $597 per month.

2.4 Relationship Between Supplemental Security Income and Social Security

As plans to reform Social Security are discussed and their effects on the well-being of the population analyzed, it is important to keep in mind the potential interactions with SSI. One feature of the SSI program with important consequences for the role of Social Security in affecting the welfare of the elderly poor is the implicit tax on benefits. Because the benefit from SSI is equal to the difference between the income guarantee and countable income, any increase in unearned income (above the $20 disregard) reduces the SSI benefit dollar-for-dollar. Thus, for SSI participants, an additional dollar of Social Security income serves only to reduce the SSI benefit by one dollar, with no change in the total income of the recipient. Social Security payroll taxes paid by those eventually collecting SSI are therefore in some sense "wasted" because they realize no real benefits from the Social Security program itself.

One implication of this 100 percent tax is that those who expect to receive SSI should begin collecting Social Security at the earliest age of eligibility. There is no advantage to postponing retirement from age sixty-two to age sixty-five (or greater), since the higher benefit associated with later retirement does not result in an increase in income. With such a postponement, the individual simply loses the stream of benefits from age sixty-two to age sixty-five with no offsetting increase in income after age sixty-five. Because of this effect, changes in the normal retirement age for Social Security that leave unchanged the age for early retirement will have no effect on the decision by future SSI recipients of when to collect benefits. Furthermore, changes in Social Security benefit levels with no changes in the structure of SSI will have no effect on the incomes of the majority of SSI recipients.

A popular proposal for reforming Social Security is a move to a system of individual retirement accounts. (See Feldstein and Samwick 1998 for a discussion of such a plan, and Feldstein and Liebman, this volume, for estimates of its distributional effects.) Such a system would replace Social Security payroll taxes, at least in part, with contributions invested in private-sector financial instruments to be used to finance a worker's retirement. There are several avenues along which SSI would affect the operation and the redistributional aspects of such a system, depending on the requirements to annuitize account balances, the type of annuities available, and the provisions for leaving bequests.

First, as in the current system, those who expect to have balances low enough to qualify for SSI, regardless of the annuity type chosen, have little incentive to save because their total income will be determined exclusively by the SSI guarantees. Since savings rates are likely to be mandatory, this effect will show up as a work disincentive, similar to that in the current program. Along the same lines, if investments in individual retirement accounts are self-directed, those who expect to be eligible for SSI have an incentive to take inordinate risks with their portfolios because they will be unlikely to realize any benefit from savings with moderate returns and will be unaffected by losses.

There is also the question of the treatment of account balances. If individuals were permitted to retain the balance in an account after age sixty-five, in lieu of immediate mandatory annuitization, some provision for these balances would be necessary in the SSI asset test. One would not wish to disqualify from SSI all those with more than $2,000 in such an account, since such sums are small relative to the stream of Social Security benefits permitted under the current system. The accounting of these balances would be especially important for the disabled, who may qualify for benefits from SSI long before age sixty-five, but might be disqualified if balances in retirement accounts were included in countable assets.

A system of mandatory annuitization would raise different concerns, with implications for the choice of annuity types and death benefits. Brown (chapter 10 in this volume) shows that under a single life annuity with no bequests there is a sizable redistribution of wealth from those with short life expectancies (the poor) to those with long life expectancies (the rich). The magnitude of this redistribution is lessened if annuities have survivorship benefits. For those who will be eligible for SSI, the 100 percent tax on SSI benefits associated with an increase in annuity income means that differences between joint and single life annuities will be unimportant in most cases. If both the couple and the surviving spouse will be eligible for SSI, then changes in the magnitude of the annuity payment, arising from changes in the survivorship option, will alter the fractions of income coming from SSI and Social Security annuities, but will have no effect on total income. Regardless of the annuity policy, total income will be equal to the SSI guarantee.

A similar result follows for the choice of period-certain annuities. Period-certain annuities guarantee payment for a certain number of years even if the annuitant dies before the end of that time. If the annuitant does die before all guaranteed payments are paid, the remaining benefits are paid to his heirs. To finance this potential payout, payments during life from these period-certain annuities are reduced relative to what they would be with a straight life annuity. Brown shows that these period-certain annuities reduce the redistribution of resources from short-lived to long-lived individuals because they effectively increase the number of years of benefits for those with high mortality rates. Including SSI in such a calculation reinforces this effect. If the annuitant is eligible for SSI, the reduction in annuity payments needed to finance the period certain option will not reduce his income. Additionally, should he die before the end of the period, he will leave wealth to heirs at no cost to himself.

In addition to the choice of single or joint life, and straight life or period-certain annuities, individuals may be able to choose an annuity with a bequest option. This type of annuity would have the same effect on the redistribution of resources as a period-certain annuity. If given the option, an annuitant eligible for SSI who cares at least somewhat about his heirs will accept a reduction in the current flow of payments in order to guarantee a bequest, because he will not experience a corresponding reduction in actual income, with SSI payments making up the difference.

As this discussion illustrates, the distributional effects of alternative Social Security reforms can depend heavily on the interactions with SSI, and the details of any reform proposals need to consider the potential spillover effects.

2.5   Discussion and Conclusions

The proposed privatization of Social Security raises a host of concerns over the best way to implement such a change. Chief among these concerns is how to provide for those elderly who reach old age with insufficient resources. When considering the needs of the elderly poor and possible methods to alleviate their poverty, it is instructive to examine the features of the existing SSI program and its success in improving the well-being of its target population. This chapter has addressed these issues.

In its current state, the SSI program has done much to improve the lot of the poorest elderly. While not eliminating poverty among the elderly, it has succeeded in raising the incomes of many of the poorest by a substantial amount. Under the current system, the poverty gap for the elderly (the amount of money needed to increase the incomes of all poor individuals to the poverty line) is 30 percent lower than it would be in the absence of SSI. Furthermore, for those enrolled in the program, SSI provides, on average, 42 percent of total monthly income. However, the potential for SSI to assist the elderly poor is even greater. Only 56 percent of those who appear

to be eligible for benefits are actually enrolled in the program. If the participation rate of the current program were increased to 100 percent, the poverty gap could be reduced by an additional 11 percentage points.

This chapter explores the effects of several possible changes to the current SSI program. In simulating the changes in participation and costs, I control for the probability that eligible individuals may not enroll in the program. These simulations indicate that guaranteeing all elderly an income equal to the poverty line is potentially costly, increasing the current benefit outlays to the elderly by 62 percent with an asset test in effect, and by over 90 percent with the concurrent elimination of the asset test. Based on 1993 figures, this change results in an additional expenditure of approximately 5.5 billion dollars for the entire age-eligible population. However, because SSI payments to the elderly are dwarfed by those to the disabled, these changes are equal to increases of just 22 percent relative to the total payments in the SSI program. Other changes examined here have smaller cost increases, and correspondingly smaller improvements in the well-being of the elderly poor. Furthermore, because participation rates typically hover around 60 percent, the greatest costs and the greatest improvements in financial well-being will come from programs that also encourage higher rates of participation.

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Comment   Bruce D. Meyer

This chapter provides an excellent background on the Supplemental Security Income (SSI) program. It also provides a nice description of who re-

Bruce D. Meyer is professor of economics at Northwestern University and a research associate of the National Bureau of Economic Research.

ceives SSI and how the benefits affect their income and poverty rates. The simulations of possible program expansions are well chosen and extremely useful. I will first summarize some of the key facts and findings in the chapter, then offer some caveats and discuss how the underreporting of SSI affects the results in the chapter. I will then offer some possible extensions to the analyses in the chapter.

There are a few main facts that are important to know about SSI. First, spending on the SSI aged is small, about $4.4 billion in 1997. Second, the typical maximum benefit is not especially high. The maximum monthly federal benefit, called the guarantee amount, was $484 for a single individual and $726 for a couple in 1997. There are state supplements to these benefits in many states. Third, average monthly benefits are much lower than the maximum benefit, due to deductions for other income and earnings. The average federal monthly payment was $235, while the average state monthly payment was $114.

The chapter features several key findings. First, there is substantial SSI nonparticipation. Only 56 percent of eligibles participate, though I believe this number is a sharp underestimate, for reasons I give below. The characteristics of eligible nonparticipants are mostly sensible. They tend to be eligible for lower benefits and to be healthier. They also are more educated and more likely to receive social security. This last result does not accord with the idea that those who are more likely to be informed are more likely to participate. Second, SSI substantially reduces poverty. SSI reduces the poverty rate among the elderly from 17.2 percent to 16.2 percent in the sample in the paper. More importantly, it creates a 29 percent reduction in the poverty gap (the amount of money needed to raise everyone to the poverty line), a much better measure of the effect on the poor. Third, SSI expansions would reduce poverty further at a fairly low cost. Raising the maximum benefit, the guarantee, to the poverty line along with eliminating asset limits for benefit receipt is the most extensive expansion considered. In 1993 this change would have raised the guarantee for a single individual from $422 per month to $577, and for a couple from $633 to $728. This reform would reduce the poverty rate another 5.4 percentage points and the poverty gap by just under 37 percent, at a cost of $5.6 billion.

Many of my earlier comments are reflected in McGarry's revisions to this chapter. However, there remain several key issues that have not been completely addressed. First, when extrapolating the results from the Asset and Health Dynamics (AHEAD) study sample to the aged SSI population in general, it would be useful to know how well the sample represents the aged SSI eligible population. The degree of confidence we have in the estimates would be greater if there were more discussion of this issue in the chapter. There are several reasons to be concerned that the sample is not very representative: There are indications of problems with the sample weights, and the sample frame seems to exclude most of the younger aged, those sixty-five to seventy, and persons in nursing homes.

Second, the underreporting of SSI receipt has serious consequences for the chapter's analyses yet is discussed only briefly. At least 20 percent of social insurance or welfare program recipients typically fail to report receipt in household surveys. This is not analogous to Planck's constant or Avogadro's number, but it is a reasonable rule of thumb. It appears that SSI reporting in the AHEAD data is no exception.

What, then, is the evidence of underreporting of program receipt in household data? Typically, one compares the weighted counts of recipients in a household survey to the totals from administrative sources. Bavier (1999) finds that about 19 percent of Aid to Families with Dependent Children (AFDC) recipients do not report receipt in the Survey of Income and Program Participation (SIPP), and over 20 percent do not report in the Current Population Survey (CPS). Hutchens (1981) reports that at least 38 percent of unemployment insurance (UI) recipients fail to report receipt in the CPS. Underreporting of UI receipt of almost this magnitude could also be inferred by the difference between take-up rates calculated using the survey and administrative data in the papers cited in Meyer (1995). Finally, it appears that this pattern holds for SSI, as Giannarelli and Wheaton (2000) find approximately 25 percent underreporting of SSI dollars in the CPS.

We turn now to the question of whether there is underreporting of SSI in AHEAD. McGarry finds a takeup rate of 56 percent in AHEAD. The 1998 *Green Book* reports the ratio of SSI recipients sixty-five and older (from administrative data) to the number of poor sixty-five and older (derived from survey data) to have been 0.56 in 1993 (U.S. House of Representatives 1998, 307). This number surely dramatically understates the participation rate, as many poor individuals and couples will not meet the SSI asset and income tests. To determine what fraction of the poor are in fact SSI eligible, table 2.5 of the chapter provides estimates. The chapter's estimate of the number of additional people eligible for SSI if the asset test were eliminated and the guarantee were raised to the poverty line is almost exactly what we need to calculate what fraction of the aged poor are in fact currently SSI eligible. Table 2.5 indicates that the number of eligibles would rise by 104 percent if the guarantees were raised to the poverty line and the asset test eliminated. Thus, taking this calculation from the chapter at face value implies that only about half of the poor are eligible for SSI and that the 56 percent take-up rate is really over 100 percent (which is possible given some noncompliance, i.e., ineligible recipients)! Now, a take-up rate of over 100 percent is clearly an overestimate, because some SSI recipients in very generous states are nonpoor, and because applying the 104 percent number from table 2.5 ignores that there are small income disregards in the SSI formula. Nevertheless, the upward biases in this alternative takeup calculation are probably not very large. The true takeup rate is probably far above the 56 percent figure reported in the chapter.

McGarry reports a similar underreporting calculation in note 17 of the

chapter. Rather than adjust the number of poor to obtain just the eligibles, she calculates the ratio of the number of reported recipients to the number of poor in the AHEAD data. She finds a ratio of 0.28, which is exactly half the 0.56 reported in the *Green Book*. Again, this number suggests that SSI receipt is sharply underreported in the AHEAD data.

What are the implications of the true participation rate's being much higher than the 56 percent reported in the chapter? First, this information means that the problem of nonparticipation is much less severe, and that outreach efforts are less important to boost takeup rates. Second, the calculated effects of the current SSI program on the poverty rate and poverty gap are much larger than indicated in this chapter because many poor recipients are not reporting receipt. Third, the effects on poverty of expansions of the SSI program would also be bigger. Fourth, one should substantially revise the interpretation of the probit participation model results. The probit coefficients reflect the likelihood of reporting participation conditional on participating as much as they reflect the probability of participating conditional on eligibility.

Finally, there is a separate problem with the estimates of total budgetary costs of possible reforms that I now discuss. I would like to emphasize that I have confidence in only the third set of cost columns in table 2.6, labeled "SSA Age 65+." The other columns mistakenly extrapolate from cost figures that do not include the blind and disabled aged SSI recipients, even though they are included in the AHEAD data. As reported in the chapter notes, the total number of blind and disabled recipients is approximately 43 percent as large as that of the aged, so this is no small omission.

I close with a few comments regarding possible extensions of the chapter. It would be interesting to modify the simulations to include the Medicaid and food stamp costs and benefits that will generally accompany SSI eligibility. If additional people are made SSI eligible, they will generally become eligible for these other programs. Another interesting reform to consider would be federally provided benefits that reflect state living costs. The possibility of such benefits that would differ across states is discussed for welfare payments in National Research Council (1995).

It would also be interesting to know in more detail who receives SSI and how changes in Social Security would affect who receives it. In order to answer these questions, it would be useful to study why people are eligible for SSI. Are they nonimmigrants who are physically impaired, but not disabled enough to qualify for Disability Insurance (DI)? What fraction are disabled individuals are without a sufficient work history to qualify for DI? How would changes in DI eligibility rules affect the size of this population? What fraction are immigrants who have been in the country only a few years? What fraction are immigrants who have been in the country a long time, but have only a short work history? I ask these questions because the 1998 *Green Book* indicates that one-third of aged SSI recipients are blind or disabled and that 32.1 percent were aliens in 1995.

Other questions raised by this chapter include how Social Security reform proposals that change the number of quarters for eligibility affect SSI enrollment, costs, and poverty. Finally, what are the savings and work disincentives of the SSI program?

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Discussion Summary

Martin Feldstein highlighted the very limited current spending on impoverished elderly and the relatively small cost of moving this group up to the poverty line. *Christina Paxson* commented about the incentive changes created by increasing the size of SSI benefits. If benefits are sufficiently generous, people may decide to spend down their assets in order to qualify for benefits. Paxson also questioned the political feasibility of changing SSI for the elderly and leaving SSI for the young disabled untouched. This is particularly important because 85 percent of SSI expenditures are for the young disabled. The author confirmed that changing benefits for everyone eligible for SSI would be quite expensive, but indicated that changes to SSI for the elderly could be tied to changes in the Social Security system without disturbing the rest of the SSI program.

Charles Blahous felt that the paper provided evidence supporting the inclusion of stronger minimum benefit guarantees as part of Social Security instead of SSI. It seems that benefits are more likely to reach the intended recipients through OASDI and that using OASDI will remove the incentive to retire early because the minimum benefit guarantees could be actuarially adjusted. Certainly, the stigma issues associated with applications for SSI benefits would be eliminated. The author replied that the decision to replace SSI with minimum benefits in the Social Security sys-

tem is up to policy makers. Clearly, the participation rate would be much higher if the minimum benefits were part of Social Security.

Leora Friedberg suggested that individuals could easily adjust the income received from their children in an effort to qualify for benefits. The author stated that transfers from family members are excluded from the calculations determining eligibility in the paper because it is not clear whether they are reported to the administrators of SSI.

Many participants asked for a more elaborate explanation of the low take-up rate for SSI benefits. The author indicated that the outreach efforts really try to enroll people, although there has not been a significant increase for enrollment rates. If the low take-up rate is caused by the stigma effect, then the benefits are not reaching the target population and there is a real problem. If people are actually getting help from family members and friends, then a low take-up rate may not be as great a concern.

Jeffrey B. Liebman thought that across-state comparisons might provide interesting results. In particular, do states that supplement SSI benefits have lower poverty rates? These data could be used to predict the effects of increasing benefits for the national program. The author believed that it would be very difficult to examine state-by-state differences because the samples are so small.

John B. Shoven wondered about the consequences of abolishing the asset test on the take-up rate. He noted that some eligible individuals may not participate in SSI because asset information must be submitted to the government. In the simulations, the author assumed that when the eligibility rules of the SSI program changed, the decision-making process for eligible individuals remained unchanged. However, this assumption may not be correct if people decide not to enroll because they must report their assets to the government or if people are unaware of the exact requirements and mistakenly believe that owning a home precludes eligibility. To the extent that removing the asset test eliminates the first problem and reduces the second, there would be an increase in the participation rate.