

CUMULATIVE EFFECTS OF BENEFIT REDUCTIONS PROPOSED
IN THE ADMINISTRATION'S 1983 BUDGET ON
SELECTED ELDERLY HOUSEHOLDS

Special Study

June 21, 1982

Prepared by the Staff of the Human Resources
and Community Development Division

Congressional Budget Office

Pursuant to the Separate Requests of

Senator Robert Dole
and
Senator Edward M. Kennedy

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SUMMARY

This study examines the cumulative effects on the elderly of changes in income security programs, both those enacted for 1982 and those proposed for 1983 in the Administration's 1983 budget. Program changes examined here include those in Supplemental Security Income (SSI), food stamps, and subsidized housing. The cumulative effects are illustrated by simulating the impact of these program changes on example households for January 1983. In addition, the impact of changes in Medicaid and Medicare are discussed separately.

The major findings of this study are:

- o The combined effects of the proposed cuts in food stamps and Supplemental Security Income (SSI) would lower income plus food stamp benefits to the example households by less than 9 percent as compared with current law and by less than 10 percent as compared with prior law (before the changes enacted for 1982).
- o The cumulative effects of these proposed changes would have a greater impact on newly eligible beneficiaries than on those currently participating in the programs.
- o Increases in tenant rent payments for the public housing and Section 8 housing programs would vary considerably compared to current law--rising as much as 20 percent for newly assisted households and, in some cases, requiring no increase in rent payments for current tenants.
- o Although the exact amounts of Medicaid reductions for the elderly are difficult to assess, proposed changes in Medicaid would have a greater effect on low-income elderly than the Medicare reductions, since Medicaid would normally absorb higher out-of-pocket costs resulting from the proposed Medicare changes.

The cumulative effects of the proposed changes vary considerably depending upon the characteristics of the example households. Thus SSI reductions modeled here would only affect newly eligible beneficiaries who have some other income. Also, housing assistance changes would be implemented more rapidly for newly assisted tenants.

The study has, however, three major limitations that should be considered when assessing these results. First, these are example households, chosen to illustrate particular aspects of program changes; they may not be representative of all elderly households. Second, by assuming that the example households participate in all available programs, the findings may overstate the reductions faced by low-income households in general. Finally, not all changes in the programs have been modeled. In most cases, the omitted changes would have small effects, but when taken together the omissions lead to an understatement of benefit reductions.

INTRODUCTION

The cumulative effects of the benefit reductions in programs for the elderly enacted for 1982 and proposed by the Administration for 1983 vary considerably by recipient characteristics such as level of income and family composition. This analysis highlights some of these differences by using example elderly households for illustrating changes in Supplemental Security Income (SSI), food stamps, housing assistance, Medicaid, and Medicare.¹

Example households are hypothetical households whose characteristics are chosen to illustrate particular aspects of program changes. Since most of the changes in benefit programs to the elderly affect means-tested programs, the majority of examples used focus on the low-income elderly who would be eligible for SSI under current standards. Higher-income households would be affected only by Medicare changes and are discussed in the final section of this study. While together these households may be typical of many groups of the elderly, they do not necessarily represent the "average" impact of changes. Rather, such examples are useful in providing a general perspective on the relative magnitude of effects.

Changes in benefits or eligibility in one means-tested program often affect benefits and eligibility in others. Indeed, some of the program

1. SSI also provides benefits to the blind and disabled. Households with such disabled individuals will be considered in a forthcoming CBO study.

changes enacted for 1982 and proposed for 1983 compound these interactions by counting, for the first time, benefits from one program in calculating payments for another. As a result, in discussing the effect on the income of the elderly of a change in SSI, one must also consider concurrent changes in food stamps and housing assistance. Since these three programs have faced or will potentially face changes, new benefit calculations need to be made simultaneously across all programs to determine the cumulative impact. Although Medicaid is also a means-tested program, its interaction with other programs is limited to eligibility. In most states, eligibility for SSI ensures eligibility for Medicaid, but participation in Medicaid does not affect benefits for other programs. Medicare participation is independent of the programs for which changes have been proposed.

Because the analysis does not include all of the changes that would affect the elderly, the results may understate the impact somewhat. Some proposed SSI reductions would lower benefits at infrequent intervals, and consequently are not included in the recalculation of monthly benefits. For example, the proration of the first month's benefits would lower payments only at the time of initial application. Appendix A lists all proposed changes in the programs studied and identifies those that are included in the simulation.

At the same time, this analysis may overstate the actual impact of some cuts because it is limited to elderly households that participate in

all the programs, whereas many eligible elderly do not participate in the SSI or Food Stamp programs.² Nonparticipating families would not experience the full cumulative reductions in benefits from changes in these programs. (Nor would they, however, receive increased food stamp benefits to offset reductions in other programs.) Similarly, because of limits on the number of subsidized housing units available, many who are eligible for housing assistance cannot be served and thus would not be affected by proposed reductions in housing aid.

THE FRAMEWORK FOR CALCULATING INTERACTIONS IN MEANS-TESTED PROGRAMS

A total of 36 example households are examined in this section. The examples include two household types, three states of residence, three variations in earnings and Social Security benefits, and two legal categories--households currently receiving benefits and those that would after implementation of the changes.

Two basic household types illustrate the effects of the benefit changes on the elderly--couples 65 or older, and elderly individuals living alone. Although some elderly persons live with relatives other than a spouse, over three-fourths of all elderly live either alone or with a husband or wife.

2. Although reliable data on eligible persons are scarce, it is estimated that only about 60 percent of the elderly eligible for SSI or food stamps actually participate.

State of residence is also varied to illustrate the impact of program changes in states that do, and do not, supplement SSI. In January 1982, elderly persons living independently received no optional supplement in about half the states. These states include just over half of the elderly SSI recipients. In contrast, California provides the highest monthly supplements of \$174 and \$418 per month for individuals and couples respectively. Three states--Kansas, Rhode Island, and California--are used to illustrate these differences. Kansas provides no state supplement to elderly persons living independently. Rhode Island's state supplements for 1981-1982 of \$47 for individuals and \$88 for couples represent the median supplementation for states that provide such benefits. As already described, California provides the highest additions to SSI. California is included since about 17 percent of elderly beneficiaries reside in this state; otherwise, it is not representative of most state supplementation amounts.

Three variations of type and level of income are used for the example households. Income level is used in calculating SSI, food stamp, and housing assistance benefits; for most programs, earnings are treated differently than other types of income. For purposes of this study, several combinations of earned income and Social Security benefits are used, based on median amounts of income from these sources for SSI recipients.

The first income example assumes no Social Security benefits or earned income. The second assumes no earned income but the median Social Security

benefit for elderly SSI recipients, projected to 1983--\$229 per month for individuals and \$377 for couples. The final example assumes that the household has the median level of earnings of SSI recipients who report earnings and the minimum Social Security benefit. For individuals, monthly earnings are \$121 and Social Security benefits are \$167. For couples the amounts are \$189 and \$250, respectively.

A distinction is made between current and newly participating beneficiaries since some of the proposed changes in SSI and housing assistance would treat households differently if they came onto the rolls after the proposed changes went into effect. Moreover, because of interactions among the programs, food stamp benefits would also be affected. The analysis assumes that if a household is a new participant in SSI, it also is a newly assisted household for purposes of calculating housing assistance rent payments.

For purposes of comparison, three sets of estimates have been made: benefits to households for January 1983 based on 1981 law prior to the cuts enacted for fiscal year 1982 (referred to as prior law), benefits for January 1983 using calculations incorporating the 1982 reductions (referred to as current law), and benefits after accounting for the additional changes proposed by the Administration for fiscal year 1983 (referred to as proposed law).

SSI AND FOOD STAMP CHANGES

Many analysts argue that food stamp benefits should be included in measures of income. Accordingly, results from changes enacted for 1982 and cuts proposed for 1983 in the SSI and Food Stamp programs are presented together. Only those changes that can be incorporated into the model and that would lead to substantial differences for some of the example households are included. (Other proposed changes are discussed in Appendix A.)

SSI and Food Stamp Changes Included in the Analysis

For 1982, SSI benefit changes for the elderly were minor and not included in the simulation. The fiscal year 1983 proposals would eliminate the \$20 monthly disregard on unearned income for new SSI beneficiaries. Since most SSI recipients have other income--over 70 percent receive some Social Security benefits--this change would lower monthly income for most newly participating SSI families. The remaining proposed changes, discussed in Appendix A, were not included.

Major changes in the Food Stamp program were made for 1982 and have been proposed for 1983. The 1982 reductions of most importance to the elderly include freezing the standard deduction allowed all households against other income at 1981 levels and postponing the inflation adjustments in the "thrifty food plan"--which determines the overall level of benefits. These changes result in a decline in "real" benefits--that is, benefits after adjusting for inflation.

Proposed food stamp changes for 1983 included in the simulation are:

- o A higher benefit reduction rate--rising from 30 to 35 percent--for calculating benefits as income rises;
- o Elimination of the earned income deduction that allows some earnings to be disregarded in calculating benefits; and
- o The elimination of the minimum \$10 benefit for one- and two-person households, replaced with the actual calculated benefit amount for the households.

Effects of Proposed Changes in SSI and Food Stamp Benefit Amounts

The combined effects of the food stamp and SSI changes as a percentage of a broad measure of income (income plus food stamp benefits) are summarized in Table 1. Households are disaggregated by family composition (individuals or couples), three states, and sources or levels of other income.³ The reductions in the broad income measure would, in all cases, be less than 10 percent compared to prior law and less than 9 percent compared to current law. Newly eligible beneficiaries with positive but relatively low incomes (Example 2 households in Kansas) would be subject to the greatest percentage decline in benefits. Moreover, declines for individuals within this group would be relatively larger than for couples. These greater percentage declines are largely attributable to the impact of SSI changes on this group of households.

Tables 1 through 4 in Appendix B show the actual dollar changes that would occur in food stamps and SSI benefits for all the example households. Although the percentage changes in food stamps would be very large,

3. The three alternatives described earlier in the text are listed as Examples 1 through 3 in the tables.

TABLE 1. PERCENTAGE DECLINE IN INCOME PLUS FOOD STAMPS AS A RESULT OF PROPOSED PROGRAM CHANGES FOR ELDERLY HOUSEHOLDS IN THREE STATES, JANUARY 1983

	<u>As Compared With Prior Law</u>		<u>As Compared With Current Law</u>	
	<u>Current</u> Beneficiaries	<u>New</u> Beneficiaries	<u>Current</u> Beneficiaries	<u>New</u> Beneficiaries
Elderly Individuals				
KANSAS				
Example 1 ^a	5.5	5.5	3.6	3.6
Example 2	5.6	9.6	3.8	7.9
Example 3	2.5	6.3	2.5	6.3
RHODE ISLAND				
Example 1	2.9	2.9	2.9	2.9
Example 2	2.8	8.3	2.8	8.3
Example 3	2.2	6.6	2.2	6.6
CALIFORNIA				
Example 1	2.1	2.1	2.1	2.1
Example 2	2.0	6.1	0.0	4.2
Example 3	0.0	3.5	0.0	3.5
Elderly Couples				
KANSAS				
Example 1	5.1	5.1	3.9	3.9
Example 2	5.1	7.8	4.0	6.7
Example 3	2.2	5.6	1.7	5.1
RHODE ISLAND				
Example 1	3.7	3.7	2.5	2.5
Example 2	2.6	6.2	1.8	5.5
Example 3	0.0	3.0	0.0	3.0
CALIFORNIA				
Example 1	0.0	0.0	0.0	0.0
Example 2	0.0	2.3	0.0	2.3
Example 3	0.0	2.0	0.0	2.0

a. Examples 1 through 3 refer to the income alternatives as described in the text and as listed in the tables in Appendix B.

these benefits are small relative to SSI, which would change by little. The amount of proposed food stamp changes varies with income, while the SSI change included in this analysis would be \$20 per month for all newly participating example households. Loss of the \$10 minimum food stamp benefit affects the elderly to a greater extent than other food stamp households.

Since the only change in SSI estimated for this analysis is the elimination of the \$20 income disregard, the percentage decline in benefit levels for new beneficiaries depends on the size of the SSI benefit--and whether the beneficiary has other income.⁴ Example 1 households have the lowest incomes but are not affected by the disregard. Thus, the percentage reduction in SSI benefits is highest for couples in Kansas who have median Social Security benefits and no earnings--the second example household.

Source of other income also affects the relative impact of SSI changes. Although couples in the third example have higher combined earnings and Social Security benefits, SSI benefits would still be higher than in the second income example. Receipt of Social Security or other unearned income results in a dollar for dollar reduction in SSI benefits. Earned income, on the other hand, lowers SSI benefits by only 50 cents for every additional dollar of wages or salary. Consequently, SSI benefits and, therefore, income would be higher for families who have earnings than for families with an equivalent amount of monthly Social Security benefits, and the relative impact of the proposed SSI change would be less for these households.

4. It is important to note, however, that for those eligible for SSI with the highest levels of other income, loss of SSI benefits may also be accompanied with loss of Medicaid eligibility--resulting in a large loss in total benefits.

Example 1 households would not be affected by the SSI income disregard proposal. Consequently, the 3 to 4 percent declines in income affecting this group relative to current law reflect proposed food stamp changes alone.

For those remaining eligible for food stamps after accounting for proposed changes, reduction in the benefits from current to proposed law would range from 26 to 100 percent. After the proposed changes, however, only 3 of the 18 example individual households would remain eligible for food stamps as compared to 14 of the households under current law. Similarly, 4 of the example households comprised of couples would remain eligible after the proposed changes, compared with 10 under current law. Only in the case of households with relatively high incomes--some of the example households in California--is there no decline in benefits since such households would have been ineligible for food stamps even under prior law.

Among the three states, declines--both in absolute and percentage terms--are greatest in Kansas, the example state with no SSI supplementation. California has supplements so high that no elderly couples receiving SSI (and only two of the example single households) would be eligible for food stamps under prior or current law. Consequently, these families would not be affected by proposed changes in that program. Moreover, since SSI benefits to these households are larger overall, the proposed cuts in SSI for new participants would be smaller as a proportion of income than in the other states.

CHANGES IN HOUSING ASSISTANCE PROGRAMS

The two major housing assistance programs for the elderly are Section 8 housing, which subsidizes rent payments in qualifying privately-owned units, and public housing, which provides apartments in publicly-owned projects at rents below market value. Approximately 1.2 million elderly households participate in these two programs.

Section 8 Housing and Public Housing Changes Included in the Analysis

Changes in housing assistance enacted for 1982 will ultimately make tenant rent payments under the two programs identical. As modeled here, these changes include an increase in the proportion of net income paid as rent, substitution of a standard \$300 yearly deduction for previously allowed deductions, and a cap on the amount by which rent may increase for current housing assistance recipients. New tenants' rent payments consequently may differ from those of current tenants. The Administration's proposals for 1983 would raise the cap on increases in tenant rent payments for current beneficiaries by 20 percent. In addition, rent payments for new beneficiaries would be set at 30 percent of gross income--a rate already permissible under current law but now being phased in at a slower rate.

Effects of Proposed Changes on Housing Assistance Programs

Changes in the housing assistance programs expected to take effect in fiscal year 1982 and proposed by the Administration for 1983 would increase tenant rent payments for new beneficiaries substantially in Kansas and

Rhode Island (see Appendix C for absolute amounts). No results are presented for California since households in the examples presented here would be unlikely to receive housing assistance. Although elderly couples and households might be eligible for such housing, the high SSI benefits in California place these households in income levels considerably above those of most participating families.

Changes in the housing assistance programs enacted last year will have a greater impact on current beneficiaries than would the proposed changes estimated here for fiscal year 1983. For newly assisted households, however, the proposed 1983 changes would result in even greater proportional increases in rent payments.

As compared with prior law, public housing rent payments would rise by a greater proportion than Section 8 rents, since rent payments for public housing were originally lower than Section 8, and changes enacted for 1982 began to move these two programs into parity. Section 8 housing rents for newly assisted beneficiaries would rise between 8 and 18 percent for individuals and between 13 and 23 percent for couples in the examples shown in Table 2. Public housing rents would increase by as much as 31 percent for newly assisted individuals and 37 percent for couples.

As compared with current law, proposed rent payment increases would range from 0 to 20 percent (see Table 3). Again, newly assisted tenants

TABLE 2. PERCENTAGE INCREASES IN RENT PAYMENTS IN HOUSING ASSISTANCE PROGRAMS UNDER PROPOSED LAW FROM PAYMENTS UNDER PRIOR LAW, JANUARY 1983

	<u>Section 8 Housing</u>		<u>Public Housing</u>	
	<u>Current Tenants</u>	<u>New Tenants</u>	<u>Current Tenants</u>	<u>New Tenants</u>
Elderly Individuals				
KANSAS				
Example 1a	4.4	17.6	16.4	31.1
Example 2	1.4	9.6	13.8	23.1
Example 3	3.1	10.4	15.1	23.3
RHODE ISLAND				
Example 1	1.3	15.0	14.1	29.6
Example 2	1.2	8.2	13.2	21.1
Example 3	2.8	11.1	14.4	23.7
Elderly Couples				
KANSAS				
Example 1	8.7	23.3	20.4	36.6
Example 2	6.5	17.6	18.6	30.9
Example 3	3.6	12.9	15.1	25.4
RHODE ISLAND				
Example 1	4.0	17.6	15.0	30.1
Example 2	3.8	13.1	15.4	25.6
Example 3	4.3	14.2	15.8	26.7

- a. Examples 1 through 3 refer to the income alternatives as described in the text and as listed in the tables in Appendix B.

TABLE 3. PERCENTAGE INCREASES IN RENT PAYMENTS IN HOUSING ASSISTANCE PROGRAMS UNDER PROPOSED LAW FROM PAYMENTS UNDER CURRENT LAW, JANUARY 1983

	Section 8 Housing		Public Housing	
	Current Tenants	New Tenants	Current Tenants	New Tenants
Elderly Individuals				
KANSAS				
Example 1 ^a	2.9	15.9	6.0	15.9
Example 2	0	8.1	2.8	8.1
Example 3	0	7.1	4.2	7.1
RHODE ISLAND				
Example 1	0	11.1	3.9	11.1
Example 2	0	7.0	3.6	7.0
Example 3	0	8.1	4.7	8.1
Elderly Couples				
KANSAS				
Example 1	5.7	19.8	9.8	19.8
Example 2	2.7	13.4	7.5	13.4
Example 3	0	9.0	5.1	9.0
RHODE ISLAND				
Example 1	0	13.1	4.8	13.1
Example 2	0	8.9	4.7	8.9
Example 3	0	9.5	5.6	9.5

a. Examples 1 through 3 refer to the income alternatives as described in the text and as listed in the tables in Appendix B.

would be subject to the highest rent increases although in this case there would be no distinction between Section 8 and public housing rent payments. For current tenants, the adjustments would be phased in more slowly so that public housing rent increases would continue to rise faster than Section 8 rents.

Among all couples and newly assisted individual tenants and for both current and prior law comparisons, those with the lowest incomes would be subject to the greatest proportional increases in rent. Individuals who are already participants in housing assistance programs would have relatively low rent increases across all three income levels.

MEDICAID CHANGES

In 35 states, elderly SSI recipients are automatically eligible for Medicaid benefits.⁵ Consequently, unless a particular state also provides benefits to the medically needy, loss of SSI eligibility can also mean loss of Medicaid coverage.

Medicaid benefits are particularly high for low-income elderly households--providing over \$8.7 billion in medical care to the elderly in 1980, which amounts to over \$2,500 for every recipient. Many of these benefits are for intermediate and skilled nursing care facilities. Intermediate care facilities are not covered by Medicare.

5. The remaining 14 states have more restrictive definitions, but eligibility is still related to SSI eligibility. Arizona has not yet implemented a Medicaid program.

The 1982 Medicaid changes placed restrictions on the growth of Medicaid by limiting grants to the states. In 1983, the grants will be reduced by up to 4 percent compared to what they otherwise would have been. States have responded by restricting eligibility and limiting services, but it is difficult to estimate the specific impacts of these changes on the elderly.

For 1983, proposed changes in program administration, the matching rates for states, and the introduction of cost-sharing by recipients would particularly affect elderly beneficiaries. Since these changes would also be implemented by the states that would have considerable latitude in making adjustments, it is difficult to ascertain the impact on beneficiaries.

The effects of changes in the administration of benefits for nursing home care would be concentrated on the elderly and their families. One proposal would permit states to require the adult children of institutionalized Medicaid recipients to contribute to the cost of their parents' care. A second Administration proposal would permit states to place liens on the assets (primarily homes) of recipients prior to death to recover cost of nursing home care provided through Medicaid. Currently, liens may only be imposed after a Medicaid recipient's death, so such a change could allow Medicaid to recoup costs before other claimants.

Because many elderly persons are provided Medicaid benefits at state option, the Administration's proposed reduction of two percentage points in

the matching rate for optional services and for the medically needy could result in benefit reductions for them. At present, the elderly represent 81 percent of Medicaid recipients served by intermediate care facilities--one of the services that would be matched at a lower rate by the federal government. If matching rates were reduced for this and other optional Medicaid benefits, states could respond by reducing provision of such services. Moreover, many of the elderly are eligible for Medicaid through the medically needy category. If states were to respond by restricting such eligibility, many older persons would be affected.

The Administration's proposal to require cost sharing by Medicaid recipients would affect all recipients including the elderly. The specific effect of this change on the elderly is difficult to assess because studies have not examined the response of this group to cost sharing. It is likely that there would be some reduction in the use of medical services by the elderly, however, and that their out-of-pocket costs for medical care would increase.

MEDICARE CHANGES

Medicare provides benefits to persons 65 and over who are eligible for Social Security benefits, and consequently is not affected by changes in means-tested programs. For the poor elderly, reductions in Medicare benefits would in large part be offset by increased Medicaid coverage. Consequently, the discussion in this section concentrates on the likely effects on higher-income elderly households who could not rely on Medicaid to offset any Medicare reductions.

Medicare changes enacted for 1982 include increases in the deductibles for Parts A and B of \$28 and \$15, respectively, and in the coinsurance rate for Part A.⁶ Direct reductions in Medicare benefits also resulted from the elimination of the carryover of expenses from the previous year in order to meet the Part B deductible, from charging coinsurance based on the year in which services are furnished rather than in the year in which the illness began, and from limiting services for alcohol detoxification and occupational therapy. The average annual reduction estimated for each beneficiary from changes enacted for 1982 will be approximately \$21 in fiscal year 1983. Other changes, such as altered reimbursement procedures, would not have a direct effect on beneficiaries.

The proposed changes for 1983 represent a combination of direct benefit reductions, reimbursement cuts, and changes in utilization review. In fact, only a small portion of the Administration's Medicare proposals would directly reduce benefits to the elderly, although some of the remaining savings would be achieved by shifting costs from the federal government to Medicare beneficiaries or other health care recipients. Together these would provide annual reductions in benefits to Medicare enrollees of about \$31 for fiscal year 1983.

6. Part A of Medicare is Hospital Insurance and Part B is Supplementary Medicare Insurance which covers physicians' services and other outpatient care.

Benefit changes affecting covered services and patient liability for both the elderly and disabled populations would yield outlay savings of \$424 million. Although this would only amount to about \$15 per beneficiary on average in 1983, the reduction could be much greater for particular beneficiaries.⁷ These changes would include delaying the date of initial coverage, adding copayments for home health services, indexing the deductible for Part B, and making patients liable for 20 percent of allowable costs for radiologists and pathologists.

Proposed lower reimbursement to physicians--generating \$468 million in savings--might also lead to higher out-of-pocket costs for Medicare beneficiaries through cost shifting. This represents on average another \$16 per enrollee. As the disparity between charges and Medicare reimbursement would increase as a result of these proposals, physicians would be less willing to accept Medicare rates and would instead charge patients more than the 20 percent coinsurance amount.

7. Excluded from this list is a proposal to make Medicare coverage secondary to private group insurance for the working elderly aged 65 through 69 since this change is unlikely to be borne solely by Medicare recipients.

APPENDIX A

CHANGES IN THE SSI, FOOD STAMP, AND HOUSING ASSISTANCE PROGRAMS
MODELED FOR EXAMPLE HOUSEHOLDSSSI

No changes for 1982 were included in the model. The only reduction enacted for 1982 that would have an appreciable affect on the elderly was a change from calculating benefits using a quarterly needs basis to using a monthly retrospective accounting system.

The only change proposed for 1983 included in the analysis was the elimination of the \$20 disregard for unearned income for beneficiaries coming onto the rolls after October 1982. Proposed reductions for the elderly that were excluded from the analysis would result only in one-time benefit changes or would not affect benefits for all recipients. Those proposed changes are proration of the first month's benefits from date of eligibility, recovery of overpayments to individuals from available Social Security benefits, and a continued phasing out of hold-harmless payments to states.

FOOD STAMPS

The following changes enacted for 1982, in the Food Stamp program were modeled:

- o Postponement until October 1, 1982, of inflation adjustment in the thrifty food plan;
- o Freezing of the standard and dependent care/excess shelter deductions at existing levels until July 1, 1983;
- o Reduction of the earnings disregard from 20 percent to 18 percent of earned income; and

- o Requiring that states use monthly reporting and retrospective accounting to calculate recipients' incomes.

These changes account for about two-thirds of the 1982 savings in the Food Stamp program. Those changes that were not modeled were primarily ones that would not affect the example households as described, such as the prorating of the first month's food stamp benefits and the elimination of benefits for strikers.

Changes proposed for 1983 and included in the analysis are:

- o Raising the benefit reduction rate--from 30 to 35 percent--for calculating benefits as income rises;
- o Eliminating the earned income deduction that allows some earnings to be disregarded in calculating benefits; and
- o Eliminating the minimum \$10 benefit for one- and two-person households, replacing it with the actual calculated benefit amount for the households.

Changes not included that would affect benefits directly are a change in the rounding rules for calculating benefits and counting energy assistance as income. Other changes that would not directly affect beneficiaries include: elimination of federal liability for errors, requiring job search at time of application (which is likely to affect participation), transfer of work registration and administrative costs to the states, and block grants to territories to fund nutrition assistance.

HOUSING ASSISTANCE PROGRAMS

The following changes for 1982 in the computation of rental charges in the public housing and Section 8 housing programs were modeled:

- o Computing rent for both Section 8 and public housing tenants as the highest of two values--26.5 percent of the household's monthly adjusted income or 10 percent of the household's monthly gross income;
- o Limiting rent increases for current tenants to no more than 10 percent annually;
- o Requiring that no household's rent payment decrease as a consequence of changes in subsidized housing rent rules adopted in accordance with the 1981 Reconciliation Act; and
- o Imposing a \$300 yearly deduction from gross income to replace previously allowed deductions.

All changes that would affect the rents paid by the example households as they are described in the text have been modeled.

Proposed changes for 1983 in these programs included in the analysis are:

- o Limiting rent increases for current tenants to no more than 20 percent above the 1982 level; and
- o Accelerating the scheduled increase in rent payments for newly assisted beneficiaries to 30 percent of adjusted income by 1983.

Again, all changes that would affect rent payments have been incorporated into the analysis.

APPENDIX B

TABLE B-1. MONTHLY SSI AND FOOD STAMP BENEFITS FOR CURRENT BENEFICIARIES BY EXAMPLE HOUSEHOLDS CONSISTING OF INDIVIDUALS LIVING ALONE, JANUARY 1983 (In dollars)

	Levels of Other Resources Used for Examples 1-3		Supplemental Security Income		Food Stamp Benefits			Total Income Plus Food Stamps		
	Earned Income	Social Security Income	Prior and Current Law	Proposed Law	Prior Law	Current Law	Proposed Law	Prior Law	Current Law	Proposed Law
KANSAS										
Example 1	0	0	284	284	24	18	7	308	302	291
Example 2	0	229	75	75	18	12	0	322	316	304
Example 3	121	167	109	109	10	10	0	407	407	397
RHODE ISLAND										
Example 1	0	0	331	331	10	10	0	341	341	331
Example 2	0	229	122	122	10	10	0	361	361	351
Example 3	121	167	156	156	10	10	0	454	454	444
CALIFORNIA										
Example 1	0	0	458	458	10	10	0	468	468	458
Example 2	0	229	249	249	10	0	0	488	478	478
Example 3	121	167	283	283	0	0	0	571	571	571

TABLE B-2. MONTHLY SSI AND FOOD STAMP BENEFITS FOR NEW BENEFICIARIES BY EXAMPLE HOUSEHOLDS CONSISTING OF INDIVIDUALS LIVING ALONE, JANUARY 1983 (In dollars)

	Levels of Other Resources Used for Examples 1-3		Supplemental Security Income		Food Stamp Benefits			Total Income Plus Food Stamps		
	Earned Income	Social Security Income	Prior and Current Law	Proposed Law	Prior Law	Current Law	Proposed Law	Prior Law	Current Law	Proposed Law
KANSAS										
Example 1	0	0	284	284	24	18	7	308	302	291
Example 2	0	229	75	55	18	12	7	322	316	291
Example 3	121	167	109	89	10	10	0	407	407	377
RHODE ISLAND										
Example 1	0	0	331	331	10	10	0	341	341	331
Example 2	0	229	122	102	10	10	0	361	361	331
Example 3	121	167	156	136	10	10	0	454	454	424
CALIFORNIA										
Example 1	0	0	458	458	10	10	0	468	468	458
Example 2	0	229	249	229	10	0	0	488	478	458
Example 3	121	167	283	263	0	0	0	571	571	551

TABLE B-3. MONTHLY SSI AND FOOD STAMP BENEFITS FOR CURRENT BENEFICIARIES BY EXAMPLE HOUSEHOLDS CONSISTING OF ELDERLY COUPLES, JANUARY 1983 (In dollars)

	Levels of Other Resources Used for Examples 1-3		Supplemental Security Income		Food Stamp Benefits			Total Income Plus Food Stamps		
	Earned Income	Social Security Income	Prior and Current Law	Proposed Law	Prior Law	Current Law	Proposed Law	Prior Law	Current Law	Proposed Law
KANSAS										
Example 1	0	0	426	426	46	40	22	472	466	448
Example 2	0	377	69	69	40	34	15	486	480	461
Example 3	189	250	134	134	13	10	0	586	583	573
RHODE ISLAND										
Example 1	0	0	514	514	20	13	0	534	527	514
Example 2	0	377	157	157	14	10	0	548	544	534
Example 3	189	250	222	222	0	0	0	661	661	661
CALIFORNIA										
Example 1	0	0	844	844	0	0	0	844	844	844
Example 2	0	377	487	487	0	0	0	864	864	864
Example 3	189	250	552	552	0	0	0	991	991	991

TABLE B-4. MONTHLY SSI AND FOOD STAMP BENEFITS FOR NEW BENEFICIARIES BY EXAMPLE HOUSEHOLDS CONSISTING OF ELDERLY COUPLES, JANUARY 1983 (In dollars)

	Levels of Other Resources Used for Examples 1-3		Supplemental Security Income		Food Stamp Benefits			Total Income Plus Food Stamps		
	Earned Income	Social Security Income	Prior and		Prior Law	Current Law	Proposed Law	Prior Law	Current Law	Proposed Law
			Current Law	Proposed Law						
KANSAS										
Example 1	0	0	426	426	46	40	22	472	466	448
Example 2	0	377	69	49	40	34	22	486	480	448
Example 3	189	250	134	114	13	10	0	586	583	553
RHODE ISLAND										
Example 1	0	0	514	514	20	13	0	534	527	514
Example 2	0	377	157	137	14	10	0	548	544	514
Example 3	189	250	222	202	0	0	0	661	661	641
CALIFORNIA										
Example 1	0	0	844	844	0	0	0	844	844	844
Example 2	0	377	487	467	0	0	0	864	864	844
Example 3	189	250	552	532	0	0	0	991	991	971

APPENDIX C

TABLE C-1. MONTHLY RENT PAYMENTS IN HOUSING ASSISTANCE PROGRAMS UNDER PRIOR, CURRENT, AND PROPOSED LAW, JANUARY 1983 (In dollars)

	Section 8 Housing					Public Housing				
	Prior Law	Current Law		Proposed Law		Prior Law	Current Law		Proposed Law	
		Current Tenants	New Tenants	Current Tenants	New Tenants		Current Tenants	New Tenants	Current Tenants	New Tenants
Elderly Individuals										
KANSAS										
Example 1	68	69	69	71	80	61	67	69	71	80
Example 2	73	74	74	74	80	65	72	74	74	80
Example 3	96	99	99	99	106	86	95	99	99	106
RHODE ISLAND										
Example 1	80	81	81	81	92	71	78	81	81	92
Example 2	85	86	86	86	92	76	83	86	86	92
Example 3	108	111	111	111	120	97	106	111	111	120
Elderly Couples										
KANSAS										
Example 1	103	106	106	112	127	93	102	106	112	127
Example 2	108	112	112	115	127	97	107	112	115	127
Example 3	140	145	145	145	158	126	138	145	145	158
RHODE ISLAND										
Example 1	125	130	130	130	147	113	124	130	130	147
Example 2	130	135	135	135	147	117	129	135	135	147
Example 3	162	169	169	169	185	146	160	169	169	185

