United States Government Accountability Office
Washington, DC 20548

December 7, 2009

The Honorable Herb Kohl
Chairman
Special Committee on Aging
United States Senate

Subject: *Social Security: Options to Protect Benefits for Vulnerable Groups When Addressing Program Solvency*

Dear Mr. Chairman:

For over 70 years, Social Security has been the foundation of retirement income for American workers and their families and has been instrumental in reducing poverty among the elderly. The Congressional Research Service estimates that if Social Security benefits did not exist, an estimated 44 percent of all elderly people would be poor today.[1] Still, some people who receive Social Security retirement benefits remain vulnerable to poverty in old age. The elderly poverty rate in 2007 was 9.7 percent. In addition, the long-term financing shortfall currently facing the Social Security program is growing and has made reform of the program a priority for policy makers. Thus, the nation faces the challenge of improving long-term program solvency, while also ensuring benefit adequacy for economically vulnerable beneficiaries. Many Social Security reform proposals have suggested modifying the system to restore its financial balance by reducing benefits or increasing payroll or other taxes, and several also include options to address concerns about benefit adequacy for economically vulnerable groups of beneficiaries.[2]

Economically vulnerable beneficiaries generally have limited income from other sources, such as employer-sponsored pension plans or personal savings, and therefore depend heavily on their Social Security benefits. Because they have limited resources, many of those beneficiaries also receive assistance from other programs for low-income individuals, including Supplemental Security Income (SSI); Medicaid; and the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program; among others. This report addresses the following key questions: (1) What are the options for modifying Social Security benefits to address concerns about benefit adequacy and retirement

[1]Kathleen Romig, *Social Security Reform: Possible Effects on the Elderly Poor and Mitigation Options*, (Congressional Research Service: 2008).

[2]See the bibliography (enc. III) for a list of proposals that we reviewed.

income security for economically vulnerable groups? and (2) What effects could these options have on benefits those groups receive from SSI, Medicaid, and SNAP?

To complete our work, we identified and analyzed options for modifying Social Security benefits to address concerns about benefit adequacy for economically vulnerable groups of beneficiaries when addressing program solvency. Specifically, we focused on groups of beneficiaries who depend on Social Security for almost all of their income. Thus, the groups we primarily focused on include lifetime low earners, low-income women, and the oldest beneficiaries who are in danger of outliving their other resources.[3] To identify options for modifying Social Security benefits, we conducted a literature review and interviewed agency officials about Social Security reform proposals that included options for addressing benefit adequacy. We also interviewed a range of retirement security experts who have extensive experience with Social Security reform issues. Those agency officials and experts agreed that the options we identified included the main approaches for addressing these concerns. In accordance with GAO's criteria for evaluating Social Security reform proposals, we analyzed the options' implications for benefit adequacy, solvency, and program administration.[4] However, time constraints did not allow us to undertake the complex analysis necessary to develop quantitative estimates of the options' potential impacts or costs, or to assess how they would interact with other elements of Social Security reform proposals. Additionally, some details about the options were not always clearly specified in the proposals, and we would have had to make a number of assumptions to conduct this analysis. We acknowledge that looking at the options in isolation presents certain limitations, since different elements of a proposal may interact with each other. To determine how the options could affect SSI, Medicaid, or SNAP benefits received by vulnerable groups of Social Security beneficiaries, we reviewed the eligibility requirements and benefits for each program and analyzed whether and how eligibility and benefits would be affected by the changes suggested by these options to address benefit adequacy. We did not review how reform options would affect Medicare benefits because it is not a means-tested program, and thus an increase in Social Security income would not affect eligibility for those benefits. See enclosure I for additional details regarding our scope and methodology.

We conducted our work from August 2009 to December 2009 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our

---

[3]Although we did not focus specifically on individuals with disabilities, we acknowledge that the groups highlighted in this report are likely to include such individuals. However, there are other issues associated with the Social Security disability program, and individuals with disabilities face different circumstances from other beneficiaries. These issues and circumstances would need to be addressed separately. See GAO, *Social Security Reform: Issues for Disability and Dependent Benefits*, GAO-08-26 (Washington, D.C.: Oct. 26, 2007).

[4]GAO, *Social Security: Criteria for Evaluating Social Security Reform Proposals*, GAO/T-HEHS-99-94 (Washington, D.C.: Mar. 25, 1999).

objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

We briefed your office on October 26, 2009, and this report transmits the results of our work. Enclosure V contains a copy of the briefing slides.

Agency Comments and Our Evaluation

We obtained written comments on a draft of this report from the Social Security Administration (see enc. II). The Social Security Administration agreed with our findings. We incorporated technical comments throughout the report, as appropriate.

- - - - -

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the report date. At that time, we will then send copies of this report to interested congressional committees and the Commissioner of the Social Security Administration. In addition, this report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or jeszeckc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Barbara Bovbjerg, Director; Michael Collins, Assistant Director; Annamarie Lopata, Analyst-in-Charge; Kristen Jones; Susan Aschoff; James Bennett, Courtney LaFountain; Joe Applebaum; and Roger Thomas.

Sincerely yours,

Charles Jeszeck
Acting Director, Education, Workforce, and
Income Security Issues

Enclosures – 5

Objectives, Scope, and Methodology

To complete our work, we identified and analyzed options for modifying Social Security benefits that address concerns about benefit adequacy and retirement income security for economically vulnerable groups. Specifically, we focused on groups of beneficiaries who depend on Social Security for almost all of their income, that is, lifetime low earners, low-income women, and the oldest beneficiaries. We did not focus on other subgroups that may also be economically vulnerable—such as foreign-born or immigrant citizens, different racial groups, and workers who have lost their pensions—to manage the scope of this project. However, some of those individuals are covered by the groups on which we did focus. We also acknowledge that the groups highlighted in this report are likely to include individuals with disabilities. However, we did not focus specifically on these individuals because there are other issues associated with the disability program, and individuals with disabilities face different circumstances from other beneficiaries, which will need to be addressed separately.[5]

To identify options for modifying Social Security benefits, we conducted a literature review and interviewed agency officials about Social Security reform proposals that included options for addressing benefit adequacy (see the bibliography in enc. III for a list of those proposals). We also interviewed a range of retirement security experts who have extensive experience with Social Security reform issues. Those experts agreed that the options we identified included the main approaches for addressing these concerns. We also reviewed relevant federal laws and regulations. In accordance with GAO's criteria for evaluating Social Security reform proposals, we analyzed the options' implications for benefit adequacy, solvency, and program administration. In prior work, GAO has outlined the following criteria for evaluating Social Security reform proposals:

- balancing equity and adequacy in the benefit structure,
- financing sustainable solvency, and
- implementing and administering proposed reforms.[6]

Time constraints did not allow us to undertake the complex analysis necessary to develop quantitative estimates of the options' potential impacts or costs, or assess how they would interact with other elements of the Social Security reform proposals. Additionally, some details about the options were not always clearly specified in the proposals, and we would have had to make a number of assumptions to conduct this analysis. We acknowledge that looking at the options

---

[5]GAO, *Social Security Reform: Issues for Disability and Dependent Benefits*, GAO-08-26 (Washington, D.C.: Oct. 26, 2007).

[6]GAO, *Social Security: Criteria for Evaluating Social Security Reform Proposals*, GAO/T-HEHS-99-94 (Washington, D.C.: Mar. 25, 1999). See enclosure IV for a list of other GAO products related to Social Security.

in isolation presents certain limitations, since different elements of a proposal may interact with each other. Additionally, GAO has previously suggested that policy makers evaluate Social Security reform proposals as packages that strike a balance among individual elements of the proposal and the interactions of these elements.[7]

To determine how the options could affect other benefits that vulnerable beneficiaries receive from Supplemental Security Income (SSI); Medicaid; and the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, we reviewed the eligibility requirements and benefits for each of these programs. We analyzed whether and how eligibility and benefits would be affected by the changes suggested by the options we analyzed to address Social Security benefit adequacy. Also, we used the following current year eligibility criteria for each program: calendar year 2009 criteria apply for SSI and Medicaid, and fiscal year 2010 criteria apply for SNAP. We did not assess how Social Security reform options would affect Medicare benefits because Medicare is not a means-tested program.

To identify the number of Social Security beneficiaries age 65 and older living in households for which Social Security income makes up a large fraction of household income and to identify the numbers of people participating in various combinations of Social Security, SSI, Medicaid, SNAP, and Medicare, we used data from the Current Population Survey, 2008 Annual Social and Economic Supplement (ASEC). The ASEC sample includes approximately 206,000 observations on people and approximately 76,000 observations on households. People in the sample are members of the civilian noninstitutional population living in housing units and members of the armed forces living in either civilian housing on a military base or in a household not on a military base. Survey questions include inquiries about a respondent's age; gender; receipt of income from various sources, including Social Security and SSI; amount of income received from those sources; reasons for receiving Social Security benefits; Medicaid coverage; Medicare coverage; and household receipt of SNAP benefits. The 2008 ASEC sums a person's income from each source to calculate total personal income, sums each household member's income from each source to calculate total household income from that source, and sums the total personal income of each household member to calculate total household income. Total household income is used to identify the household's place in the national income distribution. Questions about age and gender refer to the time of the survey. Questions about program participation and income refer to the year 2007.

For the purpose of identifying Social Security recipients age 65 and older who live in households that depend on Social Security for the majority of their income, we included all people age 65 and older who indicated receiving Social Security income for any reason. For the purpose of identifying which recipients of SSI,

[7]GAO, *Social Security: Evaluating Reform Proposals*, GAO/AIMD/HEHS-00-29 (Washington, D.C.: Nov. 4, 1999).

Medicaid, SNAP, and Medicare benefits could be affected by changes in Social Security retired worker, spousal, or survivor benefits, we included only those respondents who reported being a retired worker, spouse, or survivor as at least one reason for receiving Social Security benefits.

ASEC data include person and household weights so that analysis of the sample will represent the U.S. population of noninstitutionalized civilians living in housing units and armed forces members living in either civilian housing on a military base or in a household not on a military base. We used these weights in all of our calculations.

We assessed the reliability of ASEC data by (1) reviewing related documentation of the data and (2) performing electronic testing of key data elements. We determined that the data were sufficiently reliable for the purposes of our report.

Comments from the Social Security Administration

SOCIAL SECURITY
The Commissioner

November 20, 2009

Mr. Charles Jeszeck
Acting Director, Education, Workforce
and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Jeszeck:

Thank you for the opportunity to review and comment on the Government Accountability Office draft report, "Social Security: Options to Protect Benefits for Vulnerable Groups When Addressing Program Solvency" (GAO-10-101R). Our comments on the report are enclosed.

If you have any questions, please contact me or have your staff contact Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

Bibliography

Belt, Bradley, editor. "The 21st Century Retirement Security Plan: the National Commission on Retirement Policy Final Report." Washington, D.C.: Center for Strategic and International Studies. March 1999.

Biggs, Andrew G. "Enhancing Social Security Benefits for Low Earners: Effects of Reducing Eligibility Requirements for Social Security Retirement Benefits." National Academy of Social Insurance. November 14, 2008.

Burkhauser, Richard V., and Timothy M. Smeeding. "Social Security Reform: A Budget Neutral Approach to Reducing Older Women's Disproportionate Risk of Poverty." Syracuse University, Maxwell School of Citizenship and Public Affairs, Center for Policy Research Policy Brief No. 2/1994, 1994.

Diamond, Peter, and Peter Orszag. *Saving Social Security: A Balanced Approach*. Washington, D.C.: The Brookings Institution Press. 2004.

Dilley, Patricia E. "Restoring Old Age Income Security for Low Wage Single Women." National Academy of Social Insurance. Undated.

Entmacher, Joan. "Strengthening Social Security Benefits for Widow(er)s: The 75% Combined Worker Benefit Alternative." National Academy of Social Insurance. November 2008.

Favreault, Melissa M. "A New Minimum Benefit for Low Lifetime Earners." National Academy of Social Insurance. November 2008.

Fierst, Edith U., and Nancy Duff Campbell, editors. *Earnings Sharing in Social Security: A Model for Reform*. Report of the Technical Committee on Earnings Sharing. Center for Women Policy Studies. 1988.

Fitzpatrick, Christina Smith, Catherine Hill, and Leslie Muller. "Increasing Social Security Benefits for Women and Men with Long Careers and Low Earnings." National Women's Law Center. June 2003.

Hartmann, Heidi, Catherine Hill, and Lisa Witter. "Strengthening Social Security for Women." Paper presented at the Institute for Women's Policy Research and the National Council on Women's Organizations' Task Force on Women and Security Working Conference on Women and Security. 2000.

Herd, Pamela. "Crediting care in Social Security: A Proposal for an Income Tested Care Supplement." National Academy of Social Insurance. Undated.

Herd, Pamela, Timothy Smeeding, and Madonna Harrington Meyer. "A Targeted Minimum Benefit Plan (MBP): A New Proposal to Reduce Poverty Among the Elderly." Undated.

Liebman, Jeffrey, Maya McGuineas, and Andrew Samwick. "Nonpartisan Social Security Reform Plan." New America Foundation. 2005.

President's Commission to Strengthen Social Security. *Strengthening Social Security and Creating Personal Wealth for All Americans: Report of the President's Commission.* Washington, D.C.: December 21, 2001.

Smeeding, Timothy M., and R. Kent Weaver. "The Senior Income Guarantee (SIG): A New Proposal to Reduce Poverty Among the Elderly." Center for Retirement Research at Boston College. December 2002.

Sullivan, Laura, Tatjana Meschede, and Thomas M. Shapiro. "Enhancing Social Security for Low-Income Workers: Coordinating an Enhanced Minimum Benefit with Social Safety Net Provisions for Seniors." National Academy of Social Insurance. November 2008.

Turner, John A. "Longevity Insurance: Strengthening Social Security at Advanced Ages." National Academy of Social Insurance. November 2008.

White-Means, Shelly I., and Rose M. Rubin. "Retirement Security for Family Elder Caregivers with Labor Force Employment." National Academy of Social Insurance. November 14, 2008.

Related GAO Products

Social Security Reform: Issues for Disability and Dependent Benefits. GAO-08-26. Washington, D.C.: October 26, 2007.

Retirement Security: Women Face Challenges in Ensuring Financial Security in Retirement. GAO-08-105. Washington, D.C.: October 11, 2007.

Social Security Reform: Implications of Different Indexing Choices. GAO-06-804. Washington, D.C.: September 14, 2006.

Options for Social Security Reform. GAO-05-649R. Washington, D.C.: May 6, 2005.

Social Security Reform: Answers to Key Questions. GAO-05-193SP. Washington, D.C.: May 2005.

Social Security: Program's Role in Helping Ensure Income Adequacy. GAO-02-62. Washington, D.C.: November 30, 2001.

Social Security: Evaluating Reform Proposals. GAO/AIMD/HEHS-00-29. Washington, D.C.: November 4, 1999.

Social Security: Criteria for Evaluating Social Security Reform Proposals. GAO/T-HEHS- 99-94. Washington, D.C.: March 25, 1999.

(130946)

Background: The Social Security Program

Title II of the Social Security Act, as amended, establishes the Old-Age, Survivors, and Disability Insurance (OASDI) program, which is generally known as Social Security.[1]

Social Security benefits are paid to workers who meet requirements for time worked in "covered employment."[2] Typically, workers must amass a total of 40 "credits" to qualify, although the requirements are different if a worker becomes disabled or dies. Workers and their dependents generally become eligible to collect benefits when the worker reaches age 62, becomes disabled, or dies. Spouses and divorced spouses of eligible workers may also be eligible at age 62 but can become eligible at younger ages if disabled, widowed, or caring for eligible children. A spouse can be entitled to a spousal benefit, based on the other spouse's earnings record, equal to one-half the retired worker's benefit. If a spouse is eligible for a retired worker benefit based on his or her own earnings, the spouse receives his or her benefit and, if the spousal benefit amount is higher, the difference between the two amounts.

Social Security benefits are designed to partially replace earnings when a worker retires, becomes disabled, or dies. To help ensure that beneficiaries have adequate incomes, Social Security's benefit formula is designed to be progressive, that is, to provide disproportionately larger benefits, as a percentage of earnings, to lower earners than to higher earners. In addition, once payments have begun, they are adjusted annually to reflect price inflation.

Social Security's Long-term Financial Challenges

The Social Security program is currently facing long-term financial challenges. According to Social Security's Board of Trustees, the program's annual surpluses of tax income over expenditures are expected to turn to cash flow deficits beginning in 2016.[3] In addition, all of the accumulated Treasury obligations held by the trust funds are expected to be exhausted by 2037. Once exhausted, annual program revenue will be sufficient only to pay about 76 percent of promised benefits, according to the Social Security trustees' 2009 intermediate assumptions.

The shortfall stems primarily from the fact that people are living longer and labor force growth has slowed. The projected long-term insolvency of the program necessitates reform to restore its long-term viability. Such reform requires that either Social Security receives additional income (revenue increases), reduces costs (benefit reductions), or undertakes some combination of the two.

The Benefit Formula

To determine benefits, a worker's Average Indexed Monthly Earnings (AIME) are calculated based on the highest 35 years' earnings on which they paid Social Security taxes. Social Security limits the amount of earnings that are taxed in a given year—$106,800 in 2009. The same annual limit applies when benefits are calculated, which effectively caps the benefit amount.

The formula adjusts these lifetime earnings by indexing them to changes in average wages to account for the fact that earnings across all workers grow over time. Then the benefit formula replaces 90 percent of AIME up to a certain dollar threshold ($744 in 2009), 32 percent of AIME above that threshold and below a second threshold ($745-$4,483), and 15 percent of AIME above the second threshold ($4,484, up to a cap).

The benefit formula replaces a larger share of earnings for lower earners than for higher earners. It also makes other adjustments to reflect various other provisions, such as those that relate to early or delayed retirement, type of beneficiary, and maximum family benefit amounts.

Covered Employment

Covered employment refers to jobs where workers pay Social Security taxes on earnings received. About 96 percent of workers are in covered employment; the vast majority of the rest are state and local government employees, or federal government employees hired before 1984, who do not pay Social Security taxes.

For more information, contact Charles Jeszeck at (202) 512-7215 or jeszeckc@gao.gov.

[1] 42 U.S.C. § 401 et seq.

[2] Note that net income from self-employment also counts toward covered employment.

[3] The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2009 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (May 2009).

Social Security's Long-term Financial Challenges (cont.)

In 2005, GAO analyzed several options for Social Security reform using its criteria for evaluating Social Security reform proposals.[4] That analysis considered options to restore long-term solvency and support other aspects of the program, including benefit adequacy.

GAO has outlined the following criteria for evaluating Social Security reform proposals:

- balancing equity and adequacy in the benefit structure,
- financing sustainable solvency, and
- implementing and administering proposed reforms.[5]

GAO's prior work also noted that reform proposals should be evaluated as packages that strike a balance among the individual elements of a proposal and the interactions among those elements, and that the overall evaluation of any particular reform proposal depends on the weight individual policy makers place on each of the above criteria.

[4] GAO, *Options for Social Security Reform*, GAO-05-649R (Washington, D.C.: May 6, 2005).

[5] GAO, *Social Security: Criteria for Evaluating Social Security Reform Proposals*, GAO/T-HEHS-99-94 (Washington, D.C.: Mar. 25, 1999).

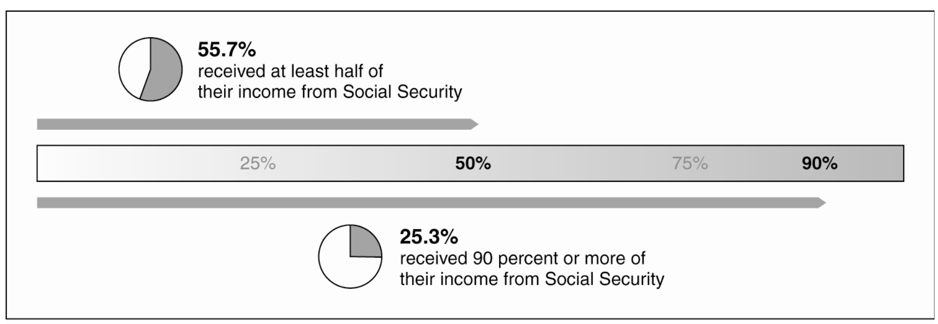
Background: Social Security and Economically Vulnerable Groups

Social Security has been instrumental in reducing poverty among the elderly. From 1959 to 2007, the poverty rate for people age 65 and over decreased from about 35 percent to 9.7 percent, according to U.S. Census Bureau estimates. Although Social Security is not meant to be the sole source of income for retirees, in 2007 approximately one-quarter of beneficiaries age 65 and older lived in households that relied on it for at least 90 percent of household income (see fig. 1). Among beneficiaries age 65 and older who rely on Social Security for 90 percent or more of their income:

- 97.3 percent are in the bottom two quintiles of national income distribution,[6]
- 65.6 percent are women, and
- 36.1 percent are age 80 and older.

Many of these beneficiaries fall into more than one group, for example, low-income women age 80 and older. The impact of benefit reductions made to restore solvency of the Social Security program could be felt acutely by these beneficiaries.

Figure 1: Percentage of Income from Social Security Benefits for Beneficiaries, Age 65 or Older, 2007



Source: GAO analysis of U.S. Census Bureau data.

Note: Social Security benefits include Social Security pensions, survivors' benefits, and permanent disability insurance payments.

To address concerns about benefit adequacy for these vulnerable groups, several Social Security reform proposals include options that would maintain or increase their benefits. The options generally target lifetime low earners; low-income women; and the oldest beneficiaries, that is, those age 80 and older, who are at risk of outliving their other resources.

The Vulnerable Groups

Lifetime low earners are highly reliant on Social Security benefits, since they are likely to have lower personal savings and are less likely to receive pensions. In addition, their Social Security benefits are relatively modest because they are based on lower earnings and the work histories of many lifetime low earners include years out of the labor force.

Low-income women generally have less retirement income than men, largely because they spend fewer years in the labor force; more often work part-time; and have lower earnings, on average. In addition, because women tend to live longer than men, they are more likely to experience widowhood, and Social Security benefits are reduced at the household level upon the death of a spouse.

Oldest beneficiaries, those age 80 and older, risk outliving their other sources of income and becoming increasingly reliant on Social Security in retirement. They are also less likely than younger beneficiaries to be able to work to supplement their income.

Source: GAO (images).

[6]We use the bottom two quintiles of the national income distribution as a proxy for Social Security beneficiaries age 65 and older who are also lifetime low earners because of the difficulty in identifying lifetime low earners directly. About 88 percent of all beneficiaries in these quintiles rely on Social Security for 90 percent or more of their income.

Background: Other Programs

Vulnerable groups may also receive benefits from other programs, including SSI, Medicaid, and the Supplemental Nutrition Assistance Program (SNAP).

Supplemental Security Income

SSI is a means-tested program administered by the Social Security Administration (SSA) that provides a basic monthly income guarantee to eligible individuals age 65 or older and persons with disabilities.[7] In 2009, SSI provides up to $674 per month for individuals and $1,011 per month for couples. For those age 65 and older, eligibility is based primarily on a household's income and assets, including Social Security retirement benefits, which are considered unearned income. Under the SSI benefit structure, the first $20 of earned or unearned income is not counted, or disregarded.[8] After the first $20, every additional $1 of unearned income results in $1 reduction in benefits. To be eligible for SSI, an individual's total earned and unearned income, after disregards, cannot exceed $674.[9] In most states, SSI recipients are automatically eligible for Medicaid and SNAP benefits.

Medicaid

Medicaid is a joint federal-state means-tested program that finances health care coverage for certain categories of low-income individuals, including those age 65 and older.[10] States have discretion to establish eligibility requirements within broad federal guidelines, thus, an individual's eligibility depends on where he or she lives.

The program offers health care coverage to the low-income elderly. Full Medicaid benefits include services that Medicare does not cover, such as hearing, dental, vision, and long-term care as well as assistance with Medicare premiums and cost-sharing; other beneficiaries' coverage only includes assistance with Medicare premiums, cost-sharing, or both.

States may provide Medicaid coverage to elderly individuals through eligibility pathways defined by a mix of state and federal criteria. Income limits are also used to determine eligibility under many of these pathways and are more stringent for full coverage than partial coverage. For example, in 2008, 35 states and the District of Columbia offered Medicaid coverage to those designated as "medically needy." The medically needy population incurs medical expenses such that their incomes, less those expenses, become low enough to qualify for Medicaid.

SSI and Medicaid

In most states, Supplemental Security Income (SSI) is a pathway to Medicaid eligibility: SSI recipients are automatically eligible for full benefits. However, 11 states have elected to use more restrictive eligibility criteria: Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, New Hampshire, North Dakota, Ohio, Oklahoma, and Virginia. Under section 1902(f) of the Social Security Act, states are allowed to use their 1972 state assistance eligibility rules in determining Medicaid eligibility for elderly recipients, rather than SSI eligibility. (Pub. L. No. 92-603, 86 Stat. 1381.)

---

[7] 42 U.S.C. § 1381 note.

[8] There is also an earned income exclusion where $65 of earned income and one-half of any earnings above $65 are excluded.

[9] An asset limit of $2,000 also applies where individuals above that level are generally ineligible.

[10] 42 U.S.C. § 1901 et seq.

Supplemental Nutrition Assistance Program

SNAP, formerly known as the Food Stamp Program, is a means-tested food assistance program designed to help low-income households with food purchases.[11] Eligibility is based primarily on a household's income and assets. Benefit amounts depend on the number of people living in a household. Households with an elderly person must meet net income limits, whereas other households must meet net and gross income limits.[12]

For example, an elderly person living alone may receive a SNAP monthly benefit of up to $200 if his or her net income, including Social Security retirement benefits, does not exceed $903 per month after certain deductions. In most states, households in which all members are receiving SSI are automatically eligible for SNAP based on income and do not have to meet a separate income or asset test.

[11]7 U.S.C. § 2013.

[12]Gross income refers to a household's total countable income, before any deductions have been made. Net income refers to gross income minus allowable deductions. Allowable deductions include a standard deduction based on household size, 20 percent of earned income, and certain medical expenses.

Reform Options Have Been Proposed to Address Benefit Adequacy but also Affect Program Solvency and Administration

Options

Various Social Security reform proposals include options intended to address concerns about benefit adequacy for vulnerable groups (see enc. III).

Our analysis focused on benefit adequacy implications for lifetime low earners, low-income women, and the oldest beneficiaries as well as on solvency and program administration. In certain cases, an option targeting one group may also address concerns about other groups because of overlap in the population of vulnerable beneficiaries. For example, while the minimum benefit option specifically targets lifetime low earners, low-income women and beneficiaries over age 80 will make up part of the target population.

Adequacy: Retirement security experts and agency officials had mixed views about the potential effectiveness of these options. While experts told us that several of these options could help address concerns about benefit adequacy, agency officials said they may not have the expected effects because of the complex rules governing Social Security benefits. An option's design will play an important role in determining its effectiveness.

Solvency: Because these options increase benefits, they have cost implications that affect the solvency of the Social Security system. The cost of a given option will depend on the number of people affected by it and the amount of the benefit increase. Additionally, cost will be affected by interactions with other elements of an overall Social Security reform proposal. Key factors that influence cost are described for each of the options.

Administration: Implications for program administration vary among the options. Retirement security experts and agency officials said that some options could be fairly easy to administer, while others could be very complex. However, even the less complex options would create additional work for SSA, such as monitoring eligibility for additional benefits. Also, options that increase the number of people eligible for benefits would add to SSA's administrative workload.

Option: Guaranteeing a Minimum Benefit

Targeted Group

Source: GAO.

The guaranteed minimum benefit option targets lifetime low earners, a vulnerable group that relies heavily on Social Security benefits for their retirement income.

What Happens Now

Benefits are generally calculated on the basis of a worker's average indexed monthly earnings during the 35 years in which they were the highest. While the benefit structure is progressive, a lifetime minimum- or low-wage worker would still have correspondingly low benefits. The current benefit formula does not distinguish between low average wages caused by low lifetime earnings or low average wages caused by years of unemployment.

What This Option Would Do

Guaranteeing a minimum benefit by increasing Social Security retirement benefits for those who have worked in low-wage jobs throughout their careers addresses concerns about benefit adequacy. A "special minimum benefit" provision intended to increase benefit adequacy for low-earning steady workers was enacted in 1972.[13] However, because its eligibility threshold has not kept pace with wage growth, few people still qualify for the benefit. A number of Social Security reform proposals include a new minimum benefit option. The amount and structure of the benefit varies among proposals, but most minimum benefit options are designed to address benefit adequacy by providing a retirement benefit equal to some multiple of the federal poverty line, with the multiple based on years worked in covered employment. For example, one option would provide a minimum benefit equal to 120 percent of the poverty line for a minimum-wage earner who had worked for 30 years. Another option would provide a minimum benefit equal to 100 percent of the poverty line for a 30-year worker and 111 percent of the poverty line for a 40-year worker.[14]

Implications

Adequacy: The guaranteed minimum benefit option targets lifetime low earners, a vulnerable group that relies heavily on Social Security benefits for its retirement income. Retirement security experts said that this option targets a broader group of beneficiaries than proposals that focus on specific subgroups of low earners. SSA officials said that, depending on how this option is designed, it could work well, but it is difficult to target lifetime low earners effectively. For example, some officials and experts said that requiring a long work history is problematic because low earners often have recurring periods of unemployment and cannot satisfy such a requirement. Thus, the target population may not be reached if a lifetime of work is required to earn the benefit. However, other experts said that if a lifetime of work is not required, some people outside the target population would also benefit. For example, higher-wage workers who worked for a short period of time may also receive benefits.

Solvency: Cost implications of this option depend on the number of work years required for eligibility, since that requirement will directly influence the number of people who would qualify for benefit increases. A shorter work requirement will result in more people being eligible, and thus costs

[13]The "special minimum benefit" provision was added by the Social Security Amendments of 1972, 42 U.S.C. § 415(a)(1)(c)(i).

[14]Other options would provide benefits ranging from 75 percent of the federal poverty line for those meeting the standard Social Security eligibility requirements (about 10 years of covered employment) up to 125 percent of the poverty line for a 30-year worker.

Implications (cont.)

will be higher. Additionally, most of the options we reviewed set the benefit amount at some multiple of the poverty line.[15] The multiple used can have a significant impact on cost. For example, a guaranteed minimum benefit equal to 75 percent of the 2009 federal poverty guidelines would be $677 per month, whereas a benefit equal to 125 percent of the guidelines would be $1,128 per month.[16]

Administration: For the most part, experts and SSA officials did not raise concerns about implementing and administering a minimum benefit option, although one expert said that policy makers would have to consider how to phase it into the Social Security system.

---

[15]How the initial benefit level increases for beneficiaries newly eligible in succeeding years would also influence costs. For example, over time, indexing the benefit to wages would be more costly than indexing to prices.

[16]This is a GAO calculation based on the 2009 federal poverty guideline of $902.50 per month for a single-person home in all states, except Alaska and Hawaii, and the District of Columbia.

Option: Reducing Work Requirements for Eligibility

Targeted Group

Source: GAO.

Reducing the Social Security work requirement is an option that targets workers with low lifetime earnings due to short work histories, as opposed to those with long histories of low earnings.

What Happens Now

Under current law, workers must accrue 40 credits—about 10 years of earnings—in covered employment to be eligible for Social Security retirement benefits.

What This Option Would Do

Reducing the work requirements for Social Security retirement benefit eligibility enables people who have shorter earnings histories to receive benefits. While some people who do not have 40 credits are still eligible for benefits based on the earnings of an eligible spouse, others do not qualify for any benefits. For example, a small number of unmarried individuals fail to qualify for benefits due to short earnings records. A reduced work requirement would allow people with shorter earnings records, potentially as short as a single credit of covered employment depending on how it is designed, to receive benefits. Benefit amounts would be calculated under the existing formula, which uses the worker's average indexed monthly earnings during the 35 years in which he or she earned the most, even if there were no earnings from covered employment during some of those years.

Implications

Adequacy: Reducing the Social Security work requirement is an option that targets workers with low lifetime earnings due to short work histories, as opposed to those with long histories of low earnings. Agency officials told us there are many people who fall just short of the 40 credits requirement because they have intermittent work histories. However, officials also said many of those people may already be eligible for spousal benefits, resulting in few people benefiting from this option. Other retirement security experts expressed similar opinions about the limited number of people who would be helped by reduced work requirements. In addition, agency officials and experts said benefits based on such short work histories are likely to be very low and questioned the effectiveness of this option in addressing benefit adequacy. A Social Security reform proposal that includes this option simulated its potential effect and found similar limitations.[17] This option could also expand eligibility to those who receive benefits from a pension for work in noncovered employment for state and local governments, but an offset, such as the Windfall Elimination Provision[18] with some modifications, could be applied to those benefits.[19]

[17] Andrew G. Biggs, "Enhancing Social Security benefits for low earners: Effects of reducing eligibility requirements for Social Security retirement benefits," National Academy of Social Insurance (Nov. 14, 2008).

[18] 42 U.S.C. § 415(a)(7).

[19] The Windfall Elimination Provision is an existing Social Security provision that reduces Social Security benefits for those who also receive pensions from employment that is not covered by Social Security. Noncovered workers do not pay Social Security taxes on their noncovered earnings. This provision is intended to treat such beneficiaries in a manner that parallels treatment of beneficiaries who paid Social Security taxes on all of their lifetime earnings.

Implications (cont.)

Solvency: Because this option increases the number of people receiving benefits, it has cost implications for Social Security's solvency. The number of credits required will directly influence the number of people who would be newly eligible for benefits. A shorter work requirement will result in more people being eligible. However, because few people are actually expected to receive benefits under this option, and those who do are expected to receive modest benefits, the impact of a reduced work requirement on program solvency is unlikely to be very large.

Administration: Because few people are expected to gain eligibility under this option, the impact on SSA's workload is likely to be small.

Option: Supplementing Benefits for Low-income Single Workers

Targeted Group

Source: GAO.

The benefit supplement option targets low-income women who never married or were not married long enough to qualify for spousal benefits.

What Happens Now

In 2009, the formula replaces 90 percent of the first $744 of a worker's AIME, 32 percent of the AIME between $745 and $4,483, and 15 percent of the AIME above $4,483, up to a cap.

Calculating the AIME

A worker's AIME is calculated based on a worker's highest 35 years' earnings, after earnings have been indexed for wage growth over time.

What This Option Would Do

Supplementing benefits for low-income single workers by adjusting the formula used to calculate Social Security retirement benefits addresses concerns about benefit adequacy for that group. In one proposal, the first threshold in the benefit formula would be adjusted or supplemented so that it increased by one-half, from $744 to $1,116 in 2009, for eligible beneficiaries. The benefit amount would be capped to prevent eligible workers from receiving higher benefits than those who just miss qualifying for the supplement.

To be eligible for the supplement, a worker's AIME must be lower than a multiple of the existing formula's first threshold, such as 150 percent or 300 percent. For example, if the multiple were set at 300 percent, a worker whose AIME was less than $2,232 (3 x $744) in 2009 would qualify. To receive the supplement, a worker must have at least 30 years of covered employment and the worker cannot be eligible for spousal benefits, nor can anyone else claim spousal benefits based on that worker's earnings record.

Implications

Adequacy: The benefit supplement option targets lifetime low earners, generally women, who never married or were not married long enough to qualify for spousal benefits. Low-income single and divorced women are expected to benefit most from this option. While some retirement experts we interviewed were supportive of this option because it focused on the needs of low-income women, others questioned the rationale for basing eligibility on marital status and said either that eligibility for the supplement should be expanded to a broader group of beneficiaries or that the needs of low-income single women could be addressed through another option, such as a guaranteed minimum benefit.

Solvency: Because a benefit supplement for low-income single workers increases benefits, it has cost implications for Social Security's solvency. The extent to which this option affects solvency will depend largely on the number of people who would be eligible for it. A key factor that directly influences the number of eligible beneficiaries is the multiple that would be applied to a worker's AIME, ranging from 150 percent to 300 percent. Another factor that could influence cost is the way "single" is defined for purposes of determining eligibility.[20]

Administration: Agency officials and retirement security experts told us that determining an individual's single status could be administratively complex because people's marital statuses change over time and could change after an initial determination is made, for example, from single to married.

[20]One proposal that includes this option defines marital status at the time when a person first applies for Social Security retirement benefits and includes a provision to address changes in status after that time. See Patricia E. Dilley, "Restoring Old Age Income Security for Low Wage Single Workers," National Academy of Social Insurance (Undated).

Option: Adopting Earnings Sharing

Targeted Group

Source: GAO.

Earnings sharing targets divorced spouses, generally women, whose marriages were too short to qualify them for spouse or survivor benefits and whose incomes while married were lower than their spouses.

What Happens Now

Under the current system, a spouse who has not worked or who has low earnings can be entitled to a benefit equal to as much as one-half of the retired worker's full benefit. The total benefit received by the couple would be 150 percent of the worker's benefit.

If the spouse is divorced, he or she can still get benefits based on a retired worker's earnings record if the marriage lasted at least 10 years, and the spouse is unmarried and at least 62 years old.

What This Option Would Do

Earnings sharing combines married individuals' annual earnings and evenly divides them between the two spouses for each year of marriage when calculating individuals' Social Security retirement benefits. Each spouse accrues an individual benefit, even if only one of them worked. An earnings sharing approach is often proposed as an alternative to existing spousal and survivor benefits. For example, under earnings sharing, divorced spouses whose marriages lasted less than 10 years would be entitled to the individual benefits accrued during the marriage. This option is also seen as a way to equalize benefits received by dual-earner married couples with those of single-earner couples. Currently, a single-earner couple receives higher total benefits than a dual-earner couple with the same total lifetime earnings. Under earnings sharing, the total benefit amount a single-earner couple receives would be the same as the amount received by a dual-earner couple who makes the same total income, rather than 150 percent of the worker's benefit.

Implications

Adequacy: Earnings sharing targets divorced spouses, generally women, whose marriages were too short to qualify them for spouse or survivor benefits and whose incomes while married were lower than their spouses' incomes. Retirement security experts and agency officials said earnings sharing could increase benefits for divorced women. Proponents of this option also focus on it as a means to improve equity between single-earner and dual-earner married couples. However, other experts said this option would not do much to improve benefits for economically vulnerable beneficiaries, in part, because it is not well targeted. For example, SSA's simulations found that earnings sharing would decrease benefits for the majority of future retirees, although benefits for some would increase.[21] Specifically, benefits would decrease for about 50 percent of divorced women and increase for about 40 percent of divorced women. Benefits would also increase for over one-third of married individuals, but decrease for the vast majority of widow(er)s.

Solvency: Because earnings sharing would increase benefits for some but decrease them for others, its net impact on Social Security's solvency is unclear. Its cost would depend on the relative numbers of people whose benefits increase or decrease and the amounts of those changes. In addition, cost will be affected by future demographic trends regarding marriage, workforce participation, and related variables.

[21]Benefit reductions would be more widespread for married individuals in single-earner couples, and benefit increases would be more prevalent for those in dual-earner couples. See Iams, et al., "Earnings Sharing in Social Security: Projected Impacts of Alternative Proposals Using the Mint Model," *Social Security Bulletin*, vol. 69, no. 1 (2009).

Implications (cont.)

Administration: The extent to which this option increases SSA's workload depends on the number of newly eligible people who would receive benefits, which will be influenced by future trends in marriage and workforce participation. Some additional administrative effort and cost would also be required to transition from the current system's spousal benefit to an earnings sharing approach, in part because of the need to verify marriage and divorce data.

Option: Reducing the Marriage Duration Required for Spousal Benefits

Targeted Group

Source: GAO.

Reducing the marriage duration required for spousal benefits is an option that targets divorced spouses, generally women, whose marriages were too short to qualify them for benefits.

What Happens Now

Currently, a divorced spouse can receive benefits based on a retired worker's earnings record if the marriage lasted at least 10 years, and the spouse is unmarried and at least 62 years old.

What This Option Would Do

Reducing the number of years a marriage must have lasted for a divorced person to receive spousal benefits addresses benefit adequacy by increasing the number of people who are eligible to receive Social Security spousal benefits. Proponents of this option note that reducing the marriage requirement from 10 to 7 years would reflect current trends for shorter marriages.[22] One Social Security proposal suggests that reducing the required marriage duration could be combined with a minimum work requirement for the divorced spouse. Combining at least 7 years of marriage with a minimum of 3 years of work would mimic the standard 10-year work requirement for Social Security retirement benefits.

Implications

Adequacy: Reducing the marriage duration required for spousal benefits is an option that targets divorced spouses, generally women, whose marriages were too short to qualify them for benefits. One retirement security expert said that this option would be an improvement over the current 10-year requirement and other experts and agency officials said it would help address benefit adequacy for women. However, experts also said they do not expect this option to effectively target economically vulnerable groups. This option would not benefit women who were never married but could benefit higher-income women who are not economically vulnerable.

Solvency: The extent to which this option affects solvency depends on how many people would become eligible with a shorter marriage requirement.[23] Increased eligibility will depend on the way the option is designed. For example, not including a corresponding work requirement would increase costs more because people who have no work history would also be eligible. In addition, cost will be affected by future demographic trends regarding marriage.

Administration: The extent to which this option increases SSA's workload depends on the number of newly eligible people who would receive spousal benefits, which will be influenced by future trends in marriage and workforce participation.

[22] According to the Census Bureau, the median duration of first marriages that ended in divorce was 8 years in 2001.

[23] In prior work, GAO found that very few people would be newly eligible for benefits if the marriage duration were reduced to 7 years. See GAO, *Retirement Security: Women Face Challenges in Ensuring Financial Security in Retirement*, GAO-08-105 (Washington, D.C.: Oct. 11, 2007).

Option: Providing Caregiver Credits

Targeted Group

Source: GAO.

Caregiver credits seek to improve benefit adequacy for workers, primarily women, who have shorter earnings records because they spent time providing care for children or elderly relatives and do not qualify for spousal benefits.

What Happens Now

Under the current system, Social Security eligibility and benefit amounts depend on the amount of time a worker spends in covered employment.

What This Option Would Do

Providing caregiver credits increases benefits for those who spend time out of the workforce to care for dependent children or elderly relatives. Time spent out of covered employment as a caregiver may reduce benefits for workers, and others may not work enough to earn the required 40 credits to be eligible for benefits.

A caregiver credit option can be designed in different ways. One design allows a specified amount of caregiving time, such as 3 or 4 years, to count as covered employment, and assigns a wage to that time. For example, an average wage for all workers could be assigned or a wage linked to an individual beneficiary's prior earnings could be used. Another design excludes a limited number of caregiving years from the benefit calculation so that instead of averaging earnings over 35 years, earnings are averaged over fewer years. A final design supplements caregivers' retired worker benefits directly, regardless of whether they took time out of the workforce for caregiving. For example, an income-tested supplement could be given to increase retired worker benefits by 75 percent for those who have one child and 80 percent for those with two or more children. Both parents of a child would be eligible for this supplement, as long as the total household income did not exceed 125 percent of the federal poverty line.[24]

Implications

Adequacy: Caregiver credits seek to improve benefit adequacy for workers, primarily women, who have shorter earnings records because they spent time providing care for children or elderly relatives and do not qualify for spousal benefits because they never married or were not married long enough to qualify for them. Retirement security experts said this option recognizes the societal value of caregiving, but experts also said that, for various reasons, it may not reach its target population. For example, low-income people are less likely to be able to take time off from work. Therefore, people who have relatively higher incomes may benefit more from the creation of caregiver credits.

Solvency: Because caregiver credits increase benefits they have cost implications for Social Security's solvency. The extent to which this option affects solvency depends largely on who would be eligible to receive the credit: one or both parents, all caregivers, or just those who have low incomes. Extending eligibility to a greater number of people will increase costs. In addition, the number of years that credits may be received and the wage assigned to those years will impact costs.

Administration: Retirement security experts and SSA officials told us that caregiver credits would be complex to administer. A key issue is how to verify that care was provided to a qualifying person. Experts said a birth certificate could be used to document child care, but elder care would be more burdensome to document. Measuring time off and verifying that caregiving actually occurred would also be difficult.

[24]The credit would remain income tested if the parents are living apart.

Option: Increasing Survivor Benefits

Targeted Group

Source: GAO.

Increasing survivor benefits is an option that targets widowed women, although widowed men could also benefit.

What Happens Now

Currently, a surviving spouse at full retirement age or older typically receives 100 percent of the worker's basic benefit amount. This is roughly equal to one-half to two-thirds of the couple's total benefits.

The Widow(er)'s Limit

The widow(er)'s limit is a provision that establishes caps on the benefit amounts of widow(er)s whose deceased spouses filed for early retirement benefits. SSA has estimated that one-third of widow(er)s receive lower benefits because of this provision.

What This Option Would Do

Increasing benefits for surviving spouses, often widowed women, by providing a Social Security retirement benefit equal to 75 percent of the combined amount the couple received addresses concerns about benefit adequacy. The current benefit structure decreases household income upon widowhood by one-third if the couple's benefits had been based on one spouse's work history and up to 50 percent if both spouses had been receiving retired worker benefits. Increasing survivor benefits would lessen the magnitude of this change.

Implications

Adequacy: Increasing survivor benefits is an option that targets widowed women, although widowed men could also benefit. Retirement security experts and agency officials said this option could address benefit adequacy for a very vulnerable group and would be an improvement over the current system. They also said that this option can be targeted specifically toward low-income survivors, for example, by including a cap. Experts and agency officials also said this option addresses equity concerns by increasing benefits for dual-earner couples. Under the current system, dual-earner couples experience a proportionally greater decrease in benefits upon the death of a spouse than single-earner couples experience. However, as some experts noted, this option would not address benefit adequacy for women who do not qualify for spousal or survivor benefits.

Solvency: Increasing survivor benefits will have implications for Social Security's solvency. The extent to which this option increases costs depends on how much greater the benefit amount is across all eligible survivors. Capping the amount of the increase based on income could help moderate costs. Some proposals also combine this option with a reduction in spousal benefits to help finance the increase in survivor benefits so it is cost neutral or has a very small affect on solvency.

Administration: Agency officials told us that this option could be complex to administer, in part because it uses a "couple's benefit" as a baseline for calculating survivor benefits. Since such a benefit does not currently exist in the Social Security system this could be problematic, for example, in cases where one of the spouses dies before retiring. In addition, officials said there are many complicated rules for survivors because of an existing provision, called the widow(er)'s limit, that caps benefit amounts for some survivors.[25] Benefit increases expected under this option could be negated by this provision.

[25] 42 U.S.C. § 402(f)(2); (f)(3) and (q).

Option: Providing Longevity Insurance

Targeted Group

Source: GAO.

Providing longevity insurance targets the oldest Social Security beneficiaries.

What Happens Now

While Social Security benefits are intended to replace lost wages and are adjusted annually to reflect price inflation, they are not meant to be the sole source of retirement income. However, the value of other income sources, such as pensions and annuities, may be eroded by inflation over time.

What This Option Would Do

Providing longevity insurance addresses concerns about benefit adequacy by increasing Social Security retirement benefits for beneficiaries who reach an advanced age, such as 80 or 85. As people grow older, they risk outliving their other resources, become less able to work, and become more dependent on Social Security benefits for their income. Longevity insurance seeks to reduce the risk that they fall into poverty at older ages by increasing their Social Security benefits.

This option could be targeted specifically toward low-income beneficiaries, or provided to all those who reach an advanced age. Work history could be an additional condition for eligibility. For example, one longevity insurance proposal increases benefits for people who have low benefits at age 82 and have at least 20 years of covered employment. It would provide a minimum benefit equal to 70 percent of the federal poverty line for a 20-year worker and increases the benefit for each additional year of work. Another proposal increases benefits by 10 percent at age 85 for 30-year workers whose benefits are lower than 75 percent of the average benefit all workers receive.[26]

Implications

Adequacy: Providing longevity insurance targets the oldest Social Security beneficiaries. Retirement security experts told us this could be an effective option for addressing concerns about benefit adequacy for the very old, especially the oldest widows, because women generally live longer than men. However, some experts also said that unless this option is specifically targeted toward low-income beneficiaries, most of the benefits would accrue to higher-income people because they tend to live longer. In addition, agency officials said this option could create disincentives to save for retirement or incentives to spend down resources before beneficiaries become old enough to qualify for the longevity increase. By doing so, those whose assets would be too high to satisfy the means test could become eligible for the increase.

Solvency: Providing longevity insurance would increase Social Security program costs. Key factors that influence costs include the age at which the benefit increases, the amount of the increase, and whether all beneficiaries or only low-income ones are eligible to receive the benefit. Providing the benefit at an earlier age, for example, at 80 instead of 85, would increase costs, as would providing it to all 80 year olds instead of only those who are low income. In addition, costs could increase if life expectancy continues to increase in the future.

Administration: This option would not increase the number of beneficiaries SSA serves and could use existing information to determine eligibility, and retirement security experts and agency officials said that this option would be easy to administer. However, one expert said adding measures to improve targeting would increase administrative complexity.

[26]This proposal presents different options for implementing the increase, for example, adding the supplement to the cost-of-living adjustment each year.

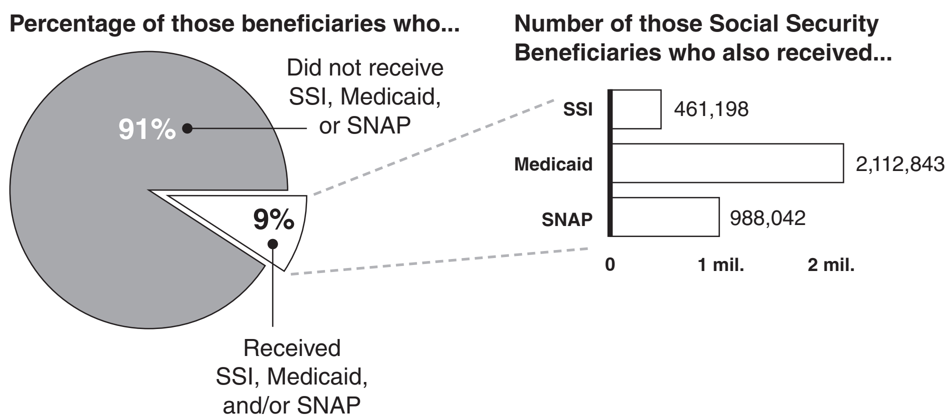
Benefit Adequacy Options Could Reduce Other Benefits for Vulnerable Groups, but Approaches to Mitigate These Effects Are Available

Other Programs

- **SSI** (p. 19)
- **Medicaid** (p. 20)
- **SNAP** (p. 21)

Many Social Security retirement beneficiaries receive benefits from other federal programs. Nine percent of Social Security beneficiaries age 65 or older, or more than 2.7 million people, also receive SSI, Medicaid, or SNAP benefits (see fig. 2).[27] Increasing Social Security benefits to address concerns about adequacy for vulnerable groups of beneficiaries could result in a decline in benefits from these other programs. In fact, some beneficiaries could lose eligibility for benefits from the other programs altogether. On the other hand, some beneficiaries may not be affected because their incomes, even with increased Social Security benefits, would stay within the other programs' eligibility limits.

Figure 2: Social Security Beneficiaries, Age 65 or Older, in 2007



Source: GAO analysis of U.S. Census Bureau data.

Note: Data refer to Social Security beneficiaries who reported receiving retirement, spousal, or survivor benefits. Because beneficiaries may participate in more than one program, the sum of the program participation numbers does not equal the number of beneficiaries who received SSI, Medicaid, or SNAP.

[27]For the purposes of our data analysis, we specifically examined Social Security beneficiaries who receive retirement, spousal, or survivor benefits. All references to Social Security beneficiaries pertain to this group.

Other Programs: SSI

What Is SSI?

SSI is a means-tested program that provides a basic monthly income guarantee to eligible individuals age 65 or older and persons with disabilities.

Table 1: An Example of How SSI Eligibility Relates to an Individual's Income

Social Security benefits	$620	$693	$694
Less income disregard	-20	-20	-20
Total countable income for SSI	600	673	674
SSI eligible?	Yes	Yes	No
SSI benefits	74	1	0
Total income	**$694**	**$694**	**$694**

Source: GAO analysis of SNAP eligibility requirements.

An increase in Social Security retirement benefits could cause some SSI recipients to receive lower SSI benefits, although the total amount from both sources could remain constant or even increase. However, some recipients would lose SSI eligibility altogether if their income, including their enhanced Social Security benefits, exceeded the SSI income eligibility standards. Every additional dollar of Social Security benefits, beyond the first $20, results in a dollar-for-dollar reduction in SSI benefits. This trade-off results in no net loss of benefits from these two sources. However, there could be a loss of SSI eligibility if the Social Security benefit increase causes earned and unearned income, after disregards, to exceed the maximum allowable SSI benefit, or $674 per month in 2009.[28] Assuming no other sources of income, an SSI recipient who currently receives $693 per month from Social Security alone or both programs combined retains SSI eligibility, but an SSI recipient whose Social Security benefit exceeds $693 per month loses SSI eligibility (see table 1).

Losing SSI eligibility also closes one pathway to Medicaid eligibility for some individuals, although individuals may be able to keep their Medicaid coverage under other rules. Many experts said losing Medicaid eligibility is more detrimental to beneficiaries than losing SSI eligibility. Some beneficiaries would be harmed rather than helped because the loss of Medicaid coverage and the subsequent increase in out-of-pocket health care costs could significantly outweigh the Social Security benefit increase. Similarly, losing SSI eligibility also eliminates a pathway to SNAP eligibility for some households, but these households may still qualify for SNAP benefits based on net income.

There are also reasons why some beneficiaries may prefer Social Security benefits to SSI benefits. Several retirement security experts said there may be a stigma associated with SSI that deters people from participating because it is viewed as welfare, while Social Security is tied to income earned through work. In addition, Social Security benefits do not require the income and asset testing that SSI benefits do, reducing the application burden for beneficiaries. SSA officials said applicants may consider that burden a deterrent to applying, especially if their potential SSI benefit is small. Because people may choose not to apply for SSI, some experts told us that Social Security may more effectively target vulnerable populations.

[28]For couples receiving SSI, this break point would be $1,011. Some states offer supplements to the federal SSI payment, which allow those with incomes above the federal limits to qualify for SSI.

Other Programs: Medicaid

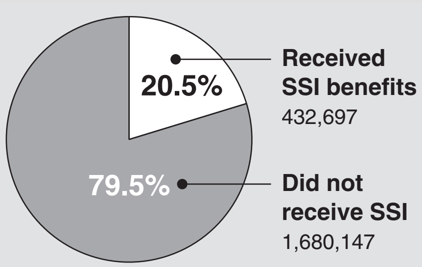
What Is Medicaid?

Medicaid is a joint federal-state means-tested program that finances health care coverage for certain low-income individuals, including those age 65 and older.

SSI as a Medicaid "Pathway"

In 39 states and the District of Columbia, SSI recipients automatically qualify for Medicaid.

Figure 3: Social Security Beneficiaries, Age 65 or Older, Participating in Medicaid, by SSI Status, 2007



Source: GAO analysis of U.S. Census Bureau data.

Note: Data refer to Social Security beneficiaries who reported receiving retirement, spousal, or survivor benefits.

"Medically Needy"

The medically needy population incurs medical expenses such that their incomes, less those expenses, become low enough to qualify for Medicaid.

Medicaid Benefits May Be Retained

For some beneficiaries, Medicaid coverage is linked to their receipt of SSI, which puts them at risk of losing Medicaid if they lose SSI because their Social Security benefits increase. However, those who lose their SSI benefits may be able to retain their Medicaid coverage under alternative eligibility pathways.[29] For example, they may still be eligible to retain Medicaid coverage if their income is low enough or if they qualify under state rules as "medically needy." In 2007, about one-fifth of the more than 2 million Social Security beneficiaries who received Medicaid also received SSI benefits, and the other four-fifths were eligible for Medicaid under other pathways (see fig. 3).

Medicaid beneficiaries whose income increases to the level where they are no longer eligible for all Medicaid benefits may still qualify for assistance with Medicare premiums, cost-sharing, or both. However, under these circumstances, certain benefits that may be covered by Medicaid, such as dental, vision and long-term care services, would no longer be covered.[30] The amount of assistance with Medicaid premiums and cost-sharing for which beneficiaries may qualify is based on several factors, including income levels and states' policies. For example, states are required to provide assistance for Medicare premiums and cost-sharing to beneficiaries with incomes at or below 100 percent of the federal poverty line.[31] For individuals with higher incomes, states may vary in the amount of premium and cost sharing assistance they provide.

Medicaid Benefits Could Be Lost Entirely

In general, because Medicaid eligibility requires beneficiaries to meet some sort of income test, an increase in Social Security benefits could cause those near these income limits to lose their Medicaid benefits entirely. The amount of the increase that would result in a loss of Medicaid may vary among states, because they have discretion to set income limits and other eligibility criteria.

While Social Security beneficiaries who lose Medicaid would still have Medicare coverage, some beneficiaries could still incur significant out-of-pocket health care expenses.[32] Researchers have found that individuals who qualify for both Medicare and Medicaid tend to have very low incomes and experience serious and costly health conditions, such as heart disease.

[29]Because not all states offer all eligibility pathways, an individual's options for coverage may be affected by where he or she lives.

[30]Medicare does not provide coverage for these services.

[31]Beneficiaries must also have resources that are at or below an established level to qualify for this assistance.

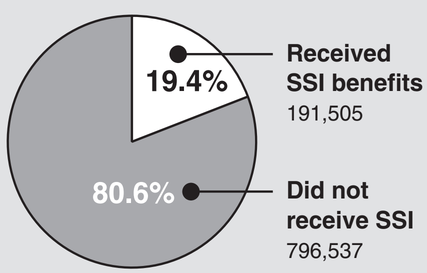
[32]In 2007, all Social Security beneficiaries age 65 and older received Medicare benefits.

Other Programs: SNAP

What Is SNAP?

SNAP, formerly known as the Food Stamp Program, is a means-tested food assistance program designed to help low-income households with food purchases.

Figure 4: Social Security Beneficiaries, Age 65 or Older, Participating in SNAP, by SSI Status, 2007



Source: GAO analysis of U.S. Census Bureau data.

Note: Data refer to Social Security beneficiaries who reported receiving retirement, spousal, or survivor benefits.

An increase in Social Security benefits could cause a loss of SNAP eligibility for some beneficiaries. In all states except California, households in which all members receive SSI qualify for SNAP without meeting an income test.[33] If SSI eligibility is lost, beneficiaries may still qualify under SNAP's income eligibility rules. In 2007, about 81 percent of Social Security beneficiaries who received SNAP benefits qualified for them under the program's rules, rather than through SSI (see fig. 4).

SNAP's eligibility rules are based on higher income limits than those of SSI, and SNAP limits vary by household size (see table 2).[34] Households with an elderly person must meet net income limits but not gross income limits to qualify for SNAP. Under current rules, an elderly individual living alone whose net monthly income exceeds $903 would not be eligible for SNAP benefits.[35] Therefore, if an elderly individual whose net monthly income is close to the income limit receives a large enough increase in Social Security benefits he or she may no longer meet the income test for SNAP and lose all SNAP benefits. For example, if Social Security benefits are increased by $104 for an individual currently receiving $800, total income would increase to $904, and they would lose SNAP eligibility.

Table 2: Fiscal Year 2010 SNAP Income Limits for Households with an Elderly Member

Size of household	One	Two	Three	Four	Five	Six	Seven	Eight	Additional members
Net monthly income	$903	$1,215	$1,526	$1,838	$2,150	$2,461	$2,773	$3,085	+$312 each

Source: U.S. Department of Agriculture, Food and Nutrition Service.

Note: Households with an elderly person must meet net income limits, whereas other households must meet net and gross income limits. Income limits are higher in Alaska and Hawaii.

[33] California converted SNAP benefits to cash included in state supplementary payments.

[34] Households where all members receive Temporary Assistance for Needy Families or, in some places, general assistance (benefits for low-income individuals who are not eligible for federal assistance) do not need to meet separate income limits to qualify for SNAP.

[35] Net income limits are higher in Alaska and Hawaii. In determining net income, households in all states are allowed to make certain deductions.

Other Programs: SNAP

Calculating SNAP Benefits

SNAP households are expected to be able to allocate 30 percent of household income, after deductions, to food purchases. The household's net monthly income is multiplied by 30 percent when calculating SNAP assistance, and the SNAP benefit makes up the difference between the resulting amount and the maximum SNAP allotment.

Table 3: An Example of How SNAP Eligibility Relates to an Individual's Income

Monthly net income	$500	$600
(A) Maximum monthly SNAP allotment	200	200
(B) Net monthly income multiplied by 30 percent	150	180
SNAP benefits (A-B)	50	20
Total income	**$550**	**$620**

Source: GAO analysis of SNAP eligibility requirements.

Although an increase in Social Security benefits could prompt a reduction in SNAP benefits, the total benefits received would increase. SNAP benefits are reduced by 30 cents for every additional dollar of Social Security, unless the increase becomes large enough to raise total income above the SNAP eligibility limit. For example, an individual whose net monthly income is $500 could currently qualify for $50 in SNAP benefits (see table 3). If the individual's monthly Social Security income increased by $100, raising net monthly income to $600, SNAP benefits would decline to $20 per month. However, total monthly income would increase by $70, from $550 to $620 per month.

As with SSI, beneficiaries may prefer to receive benefits through Social Security instead of SNAP. Several retirement security experts said there may be a stigma associated with SNAP because it is viewed as a welfare program, while Social Security is tied to income earned through work. Additionally, unlike Social Security, SNAP benefits are subject to income and asset tests, which can create a burden for applicants and deter participation. Finally, beneficiaries may prefer the flexibility of Social Security, a cash benefit, to SNAP benefits, which are provided as grocery credits and restricted to food purchases.

Steps Could Be Taken to Mitigate Potential Benefit Reductions

The Role of SSI Eligibility

Although many of the approaches to mitigate potential benefit reductions focus on preventing a loss of SSI eligibility, most Social Security beneficiaries who receive either Medicaid or SNAP do not participate in SSI. In 2007, more than 2.2 million Social Security beneficiaries received Medicaid or SNAP benefits, but not SSI benefits. Thus, changes to SSI would not prevent a loss of Medicaid or SNAP benefits for all groups potentially affected by options to address Social Security benefit adequacy. For example, individuals living in the 11 states where SSI eligibility is not used to determine Medicaid eligibility and receive Medicaid through a different pathway could lose benefits.

Retirement security experts suggested several ways to mitigate the potential loss of benefits from other programs as a result of an increase in Social Security benefits for vulnerable groups. Each of these approaches would entail trade-offs, including additional costs and administrative effort for the affected programs. Depending on the scope and provisions of each option when implemented, these approaches could also increase states' Medicaid caseloads and have a significant effect on their budgets.

- Increasing the SSI general income disregard of $20 would let SSI recipients receive more Social Security before losing SSI eligibility.
- Increasing the maximum allowable SSI benefit would also enable SSI recipients to receive more Social Security before losing SSI eligibility.
- Creating a Social Security exclusion in SSI would allow income from Social Security to be disregarded when calculating SSI benefits.
- Deeming those who qualify for SSI under current rules to be eligible for Medicaid would also allow those who would otherwise lose SSI eligibility to retain Medicaid coverage. The so-called "Pickle Amendment" allows those formerly eligible for SSI to maintain SSI eligibility, at a benefit level of zero dollars, for the purpose of receiving Medicaid if they become ineligible as a result of Social Security cost-of-living adjustments.[36] A similar approach could be used if beneficiaries become ineligible for Medicaid as a result of an increase to Social Security benefits for vulnerable groups.
- Disregarding increased Social Security benefits in determining Medicaid eligibility would allow those who would otherwise lose Medicaid to retain their coverage. There is some precedent for this approach: Individuals who meet certain criteria currently can continue to receive Medicaid even if their earned income becomes too high to qualify for SSI benefits. However, this existing provision applies only to those who need Medicaid to work.[37]
- Although Medicaid already has other eligibility pathways that are income-based and not linked to SSI, breaking the direct link between SSI and Medicaid eligibility would prevent a loss of SSI from affecting Medicaid benefits. One expert suggested using a program with a higher income limit than SSI, such as SNAP, to test income eligibility for Medicaid. Other experts said that if the income limit for Medicaid were tied to some multiple of the federal poverty line, such as 100 percent or 133 percent, more Medicaid beneficiaries would retain coverage, despite increases in Social Security benefits.

---

[36] Pub. L. No. 94-566, § 503 codified at 42 U.S.C. § 1396a note.

[37] 42 U.S.C. § 1382h(b). To qualify, a person must have been eligible for SSI for at least 1 month, still meet the disability and nondisability requirements, need Medicaid in order to work, and have gross earned income that is either below a predetermined state threshold or below an individualized threshold.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, http://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548