



Commemorating 40 Years
Of Disability Advocacy
1973-2013

The Chained CPI & People with Disabilities: A Cut to Social Security, SSI, and Other Vital Programs

**Sponsored by the CCD Social Security Task Force
March 27, 2013**

Social Security

- All parts of the Social Security system are important to people with disabilities:
 - Old-Age Insurance (retirement)
 - Disability Insurance (“**SSDI**”)
 - Survivors Insurance
- Movement among programs
- Benefit levels based on worker’s earnings history / prior contributions
- Same structure and benefit formula
- Eligibility for Medicare

Supplemental Security Income (SSI)

- Provides a modest monthly benefit to seniors and people with severe disabilities who have very low incomes and assets:
 - FY 2013 federal payment standard (maximum benefit): \$710 / month (individual); \$1,066 / month (couple)
 - Asset limits: \$2,000 (individual); \$3,000 (couple)
- Same disability standard as Social Security
- Typically eligible for Medicaid

Social Security & SSI

Beneficiaries with Disabilities

- Over **10 million** Title II “disabled beneficiaries”:
 - 8.8 million disabled workers
 - 255,000 disabled widow(er)s
 - 1 million disabled adult children
- About **2 million** children and spouses of disabled workers
- Over **8.3 million** SSI beneficiaries:
 - 1.3 million children under 18
 - 4.8 million adults 18 to 64
 - 2.1 million seniors 65+
- **2.8 million** concurrent SSI & Social Security beneficiaries

Benefits are Modest, but Vital

- **Average benefits are modest:**
 - Social Security, “disabled beneficiaries”: \$1,060 / month (2011)
 - SSI: \$520 / month (2012)
- **Benefits make up most/all of a majority of beneficiaries’ income:**
 - SSDI is the majority of income for over 70% of non-institutionalized beneficiaries.
 - For nearly half of non-institutionalized beneficiaries SSDI is over 90% of income
 - Over 57% of SSI beneficiaries have no other source of income

Social Security COLA Protects Benefits' Buying Power

- By law, benefits receive an annual cost-of-living adjustment (“**Social Security COLA**”)
- Based on the CPI-W
- Increases in the Social Security COLA trigger increases in:
 - Social Security & SSI payments to current beneficiaries
 - SSI federal payment standard
 - Payments under certain veterans and civilian retirement and disability programs

Chained CPI: What is It?

- Alternative to the current CPI-W
- Estimated for many years by BLS but never implemented
- Attempts to more fully account for the “substitution effect”
- On average, shows .3% lower inflation than the CPI-W per year



The Substitution Effect



Chained CPI: Is it Less Accurate?

- For middle and upper income consumers
 - Maybe, but less desirable choices
- For Social Security and SSI beneficiaries?
 - Limited budgets
 - Substitution has already happened
 - Typically large health care & housing costs not fully accounted



OR?



Where Could the Chained CPI be Used?

- Social Security COLA, only

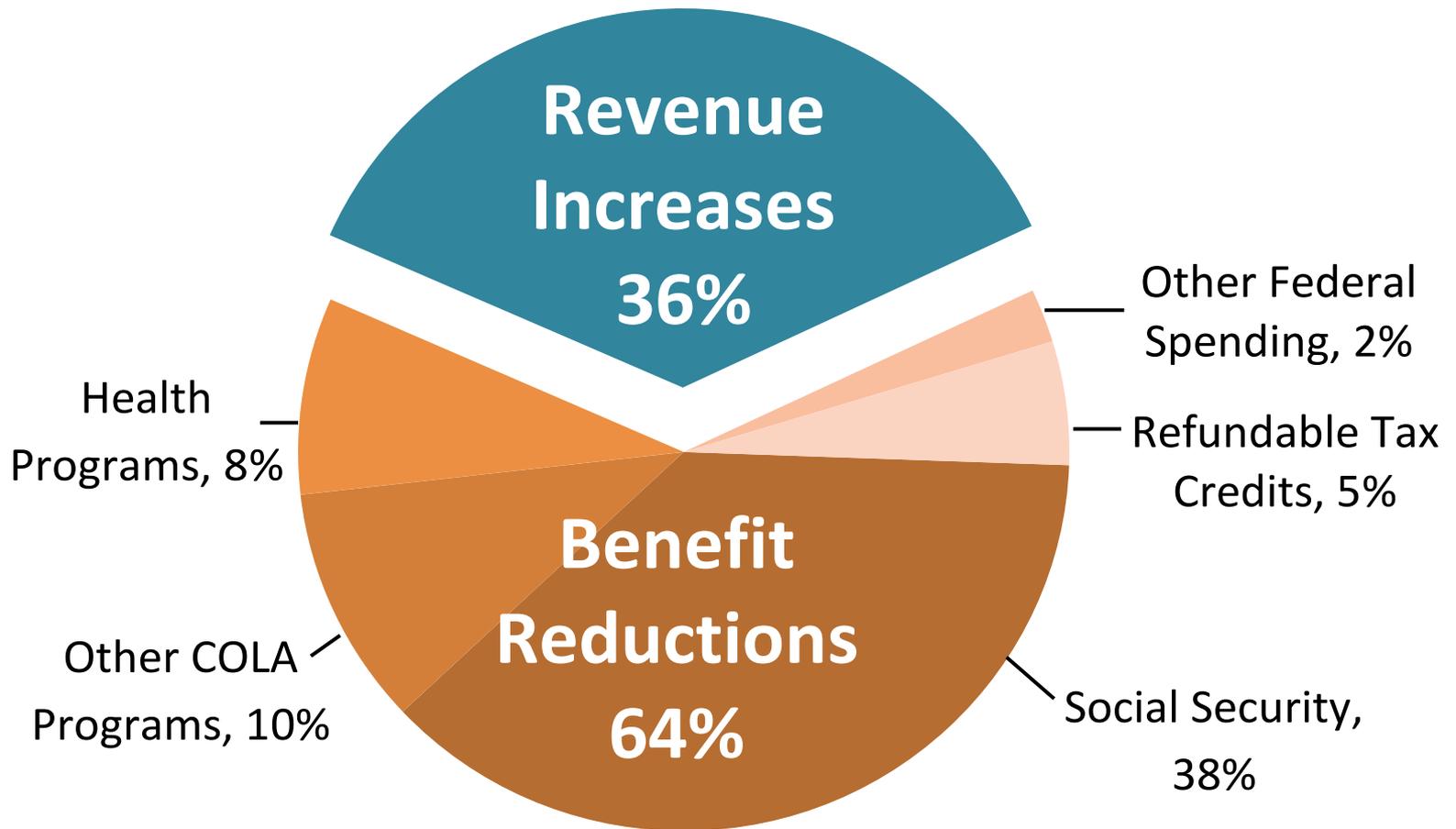
OR

- Government-wide

OR

- Social Security COLA + select programs

Government Wide Effect of Chained CPI on Deficit Reduction, 2014-2023



Source: Congressional Budget Office, March 1, 2013.

The Chained CPI Cuts Social Security & SSI

- Lowers the Social Security COLA by .3% each year, compared to current CPI-W
- Cuts are cumulative and get bigger each year
- Cuts SSI twice:
 - Cuts SSI initial payment, based on federal payment standard
 - Cuts annual COLA
- Cuts disproportionately harm people with disabilities who rely on benefits and may receive benefits for longer

The Chained CPI Cuts Social Security

Chained CPI:

Sample Cut to 2011 Average Disabled Beneficiary Benefit (\$12,717 per year)

In year 10, a cut of...	\$331
In year 20, a cut of...	\$687
In year 30, a cut of...	\$1,034
In year 40, a cut of...	\$1,370

The Chained CPI Cuts SSI

Chained CPI:

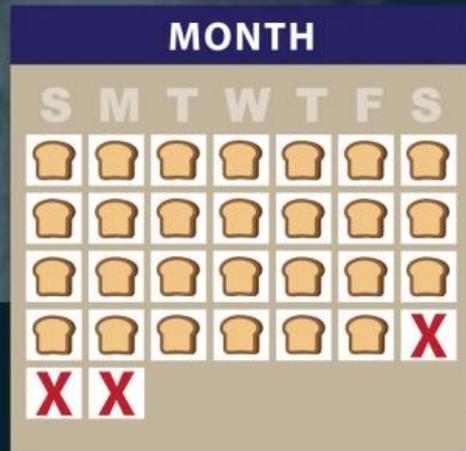
**Sample Cut to Average SSI Benefit
(\$6,310 per year as of Jan. 2013)**

In year 10, a cut of...	\$164
In year 20, a cut of...	\$341
In year 30, a cut of...	\$513
In year 40, a cut of...	\$680

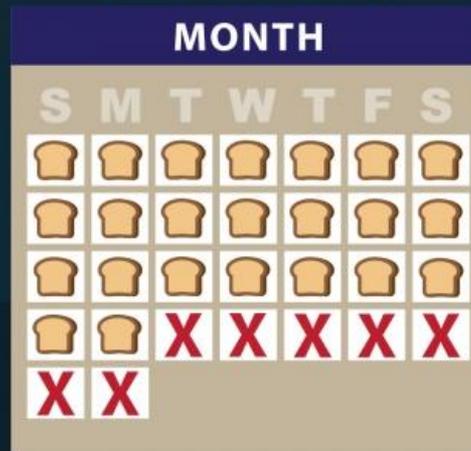
Policy makers are holding backroom talks on stealth cuts to Social Security.

Some want to change the way the Social Security cost-of-living adjustment is calculated by using a new measurement—the chained CPI. This switch would result in significant cuts to Social Security benefits and mean that an elderly woman could afford food for fewer days—and eventually weeks—every month.

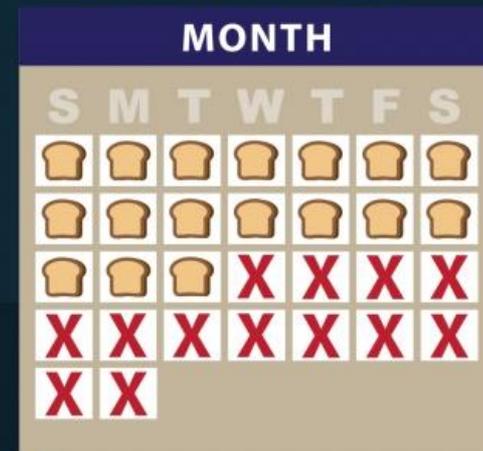
AGE 70 - 3 days



AGE 80 - 7 days



AGE 95 - 13 days



The Chained CPI Cuts Other Vital Benefits

- If applied to the Social Security COLA:
 - Veterans' Pension Benefit Programs
 - Railroad Retirement Board Programs
 - Civil Service Retirement System
 - Military Retirement System
- And likely:
 - Veterans' Disability Compensation;
 - Veterans Dependency and Indemnity Compensation for Survivors



The Chained CPI Limits Eligibility for Vital Anti-Poverty Programs

- If applied government-wide, the chained CPI limits eligibility for:
 - Earned Income Tax Credit
 - Over 30 anti-poverty programs that use the federal poverty guidelines to set their income eligibility

EITC
SNAP
LIHEAP
WIC
School Meals
Head Start

A black silhouette of a pair of scissors is positioned to the right of the text, appearing to cut through the words. The scissors are oriented vertically, with the blades pointing upwards and the handles pointing downwards.

The Chained CPI Cuts Medicaid & Medicare

- If applied government-wide, the chained CPI:
 - Limits eligibility for the Children's Health Insurance Program (CHIP) and parts of Medicaid
 - Would alter various beneficiary income-related special assistance programs, provider payments, and provider collections under Medicare and Medicaid
 - Net cuts to health programs would total about \$28.5 billion over 10 years (CBO)

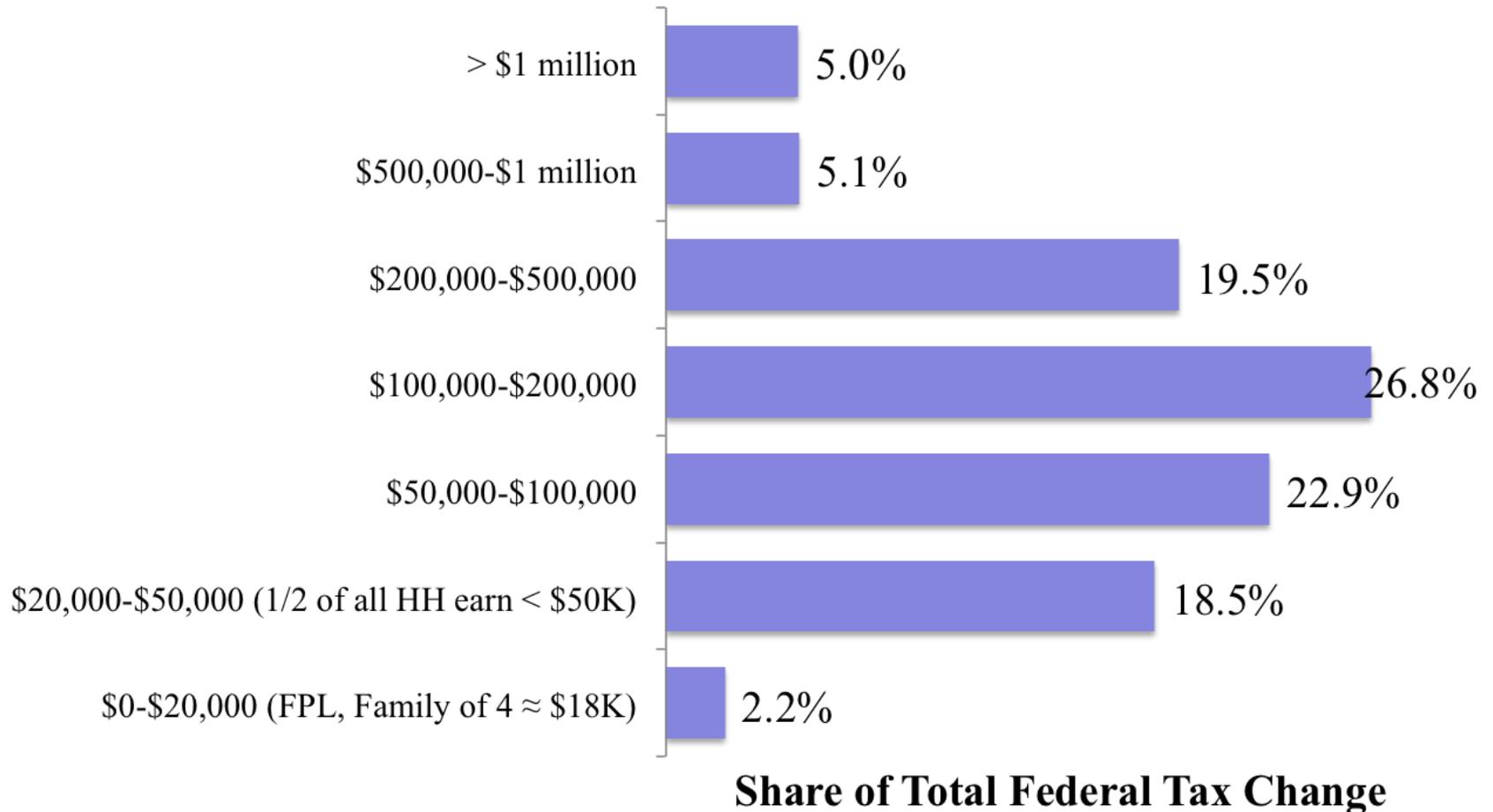
Examples: Parts of Medicaid Eligibility Affected by the Chained CPI

- 41 states cover people eligible for SSI under Medicaid
- Parts of Medicaid use the federal poverty guidelines to establish eligibility:
 - Home and community-based service (HCBS) waivers
 - Medicaid expansion under the Affordable Care Act (133% of federal poverty)
 - Children’s Health Insurance Program (133% or 100% of FPL, depending on age of child)
 - Assistance with Medicare premiums and cost-sharing (QMB, SLMB, QI, QDWI)

The Chained CPI Increases Taxes

- If applied government-wide the chained CPI:
 - Slows growth in the federal income tax brackets, so more households will find themselves in a higher tax bracket each year
 - Limits eligibility and lowers the maximum benefit for the Earned Income Tax Credit (EITC)
 - Lowers refundable tax credits under the Affordable Care Act
 - Total raised: **\$123.7 billion** over 10 years (CBO)
 - 75% of tax increases from low and moderate income households

Tax Increases from the Chained CPI Affect Low & Moderate Income Households



Source: Tax Policy Center, May 2013.

“Every dollar counts.”

Ruth* is 83 years old. She lives alone in an apartment in West Philadelphia. She worked full-time until she was diagnosed with lung cancer. She went through her savings before applying for Social Security benefits. **Her monthly Social Security benefit is her sole source of income: \$878 per month.** She is already barely making ends meet, even with help from Food Stamps.

Rent: \$450

Gas: \$40

Electric: \$30

Food: \$450

Medical: \$75

Bus fare: \$40

Total: \$1085

Social Security: \$878

Food Stamps: \$200

Total: \$1078

“SSI makes it possible to live in my own home.”

Dana* is 40 years old. She lives alone in an apartment in North Philadelphia. She worked full-time until suffering a brain aneurysm that left her homebound and with severe weakness in her upper and lower body. She is unable to care for herself. She receives 50 hours of in-home care to help with her basic needs. Besides Food Stamps, **her SSI benefit of \$732 is her sole source of income.** This puts her at **three-fourths of the federal poverty level** for a single individual. As required by SSI program rules, **she has less than \$2,000 in savings** in case of a crisis or unexpected expense.

By age 75, under the chained CPI, Dana would lose \$1,263.
Her benefits are already inadequate.

“SSDI helps me live with dignity”

Betsy*, 55, lives in Lancaster, PA. She has a severe combination of osteoporosis and anemia that means she frequently breaks several bones at once. Her mobility is severely limited and she is mostly homebound. She has received SSDI since 2003, when she was no longer able to work. **Betsy’s \$1,300 per month in SSDI is her sole source of income.** It barely covers her basic expenses—her mortgage, electric and gas, water, phone, food and copays on her medications—as it is. **After paying all her bills, she’s left with \$4.20 at the end of the month.”**

In Betsy’s words: “How am I supposed to substitute hamburger for steak? I haven’t had hamburger in six years, and I haven’t had steak in more than 10.”

“SSI puts a roof over my head”

Harrison,* 46, struggles with severe schizophrenia, bipolar disorder, and depression. He was homeless and living on the streets and in shelters for four years after his house burned down. With the help of social workers and legal aid, he was recently finally able to complete an application for SSI and began receiving SSI last year. **The \$710 he gets each month has enabled him to secure safe and stable housing** for the first time in many years, and also to afford the copays for his medications. **His rent and utilities (\$600 per month) eats up most of his monthly benefit, and the rest goes to copays on his medications, food, and transportation to therapies.** Any reduction in his monthly income would risk the stability and dignity he’s finally achieved.

How Much Would You Lose?

AARP Chained CPI COLA change calculator:

<http://action.aarp.org/site/PageNavigator/SocialSecurityCalculator.html>



How Much Would Your Benefits Be Cut?

Use AARP's handy tool to see how your Social Security or veterans' benefits would be impacted if Washington changes the cost-of-living-adjustment. ([Read More](#))

Do you currently receive Social Security, veterans disability, or military pension benefits? Yes No

How much is your annual benefit? (If you are not yet collecting benefits, you can use the average annual Social Security benefit of \$14,800)

What is your current age?

To see your benefit change after 10 years, select 10. For 20 years, select 20, and so on.

[Calculate My Benefit](#)

Policy Consideration for the Chained CPI

- The chained CPI has been supported by:
 - **“Bowles-Simpson Plan”** -- Co-chairs of the National Commission on Fiscal Responsibility and Reform, Erskine Bowles & Alan Simpson
 - **“Domenici-Rivlin Plan”** -- Bipartisan Policy Center Debt Reduction Task Force
 - Members of Congress in both parties
 - The White House, as part of a “grand bargain”

Public Opposition to the Chained CPI and Cutting Social Security

- Americans for Tax Fairness poll, 2013:
 - **65% oppose** cutting Social Security benefits through the chained CPI
- National Academy of Social Insurance survey, 2013:
 - 89% believe “Social Security benefits now are more important than ever...”
 - 84% don’t “mind paying Social Security taxes because it provides security and stability to millions...”;
 - 75% believe “we should consider increasing Social Security benefits.”

For More Information

- www.socialsecurityanddisability.org
- CCD Social Security Task Force:

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