

# Supplemental Security Income for Children with Disabilities

## Part of the Federal Safety Net

*Pamela J. Loprest*

A major neglected issue in the public debate over the impacts of the latest round of welfare reform is the considerable cash assistance children with disabilities in low-income families receive under Supplemental Security Income (SSI). The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 renders many of these children ineligible for such assistance.

This is not a trivial change. Total savings from the new SSI provisions for low-income children under 18 with disabilities are estimated at over \$8 billion through the year 2002. This amounts to 14 percent of all projected savings from the 1996 Act.

SSI provides each eligible child up to \$484 per month in cash assistance. Some states supplement this amount in particular circumstances, and most states grant SSI children automatic eligibility for Medicaid coverage. To be SSI-eligible, a child must live in a family whose income is below a prescribed threshold and must meet SSI's disability definition for children.

The new law achieves its savings by tightening this definition. According to Social Security Administration (SSA) estimates, 15 percent (135,000) of SSI's current child caseload will be rendered ineligible for SSI cash assistance because of the change. Most of these children will

retain eligibility for Medicaid, however, under other eligibility categories.

This brief estimates, by state, the number of children in low-income families likely to lose cash SSI benefits as the new law goes into effect.

These estimates highlight the potential fiscal risks states face as their low-income families lose federal SSI benefits and need replacement income to fill the gap—income that could depend predominantly on state efforts to increase employment among low-income family members or other state-funded safety net programs.

*When the 1996 changes to SSI for children are fully implemented, this portion of the safety net will be reduced. . . . All states need to recognize this shift when revisiting their safety net programs in light of welfare reform.*

### The Legislative Changes

Although earlier congressional proposals questioned the appropriateness of providing any cash benefits to children with disabilities, the final legislation focuses mainly on eliminating benefits for less severely disabled children. The major change is a narrowing of the definition of disability to include only children who have "a medically determinable physical or mental impairment, which results in marked and severe functional limitations." The law eliminates one previously available avenue for proving disability, called the Individual Functional Assessment (IFA). Every applicant whose impairment did not meet or equal the severity of those on a master

“medical listing” was guaranteed an IFA, which reviewed age-appropriate functioning to determine disability. In addition to eliminating the IFA, the Act also makes some changes related to the consideration of maladaptive behavior when evaluating mental impairments. SSA must also redetermine eligibility within one year of a child turning 18 years old using the adult disability criterion.

The clear congressional intent of these changes was to eliminate benefits for less severely disabled children. SSA has put out new replacement regulations for implementing the new disability criterion.

The context for these new legislative provisions was a huge growth in the SSI child caseload in the early 1990s and concomitant concerns over children who did not have severe disabilities receiving benefits.<sup>1</sup> In 1996, over \$5 billion was paid in SSI benefits to over a million children, a number that represents a more than doubling over the last five years (figure 1). SSI adult disability caseloads increased about 35 percent over the same period. Without any changes to the program, SSA projected continued growth, due to past broadening of disability eligibility definitions in response to court challenges and legislation, extensive outreach efforts, and other factors.

An additional impetus for the changes was a general consensus that the IFA as implemented needed changes, due to its complexity and the potentially subjective and inconsistent way it was applied. There was not widespread agreement, however, on what changes were needed.<sup>2</sup>

## How Many Children Will Lose Benefits?

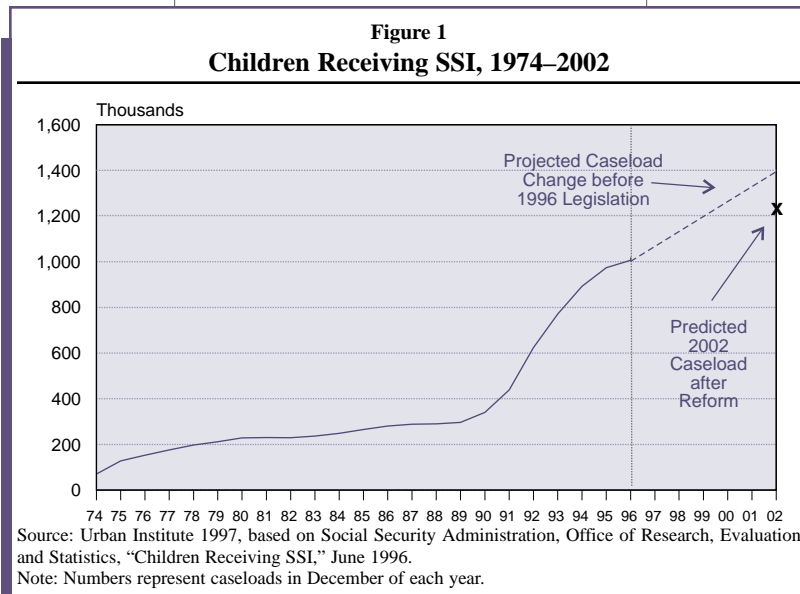
For applicants to SSI after passage of the 1996 legislation, the new narrower disability criterion is already being applied. For those children who

were receiving benefits at the time it passed, SSA will review individual cases to redetermine disability eligibility under the new rules. Children whose cases are being reviewed are specified to receive benefits until July 1, 1997, or until their redetermination reviews (and any appeals) are completed, whichever is later. Not all cases will be reviewed—only those most likely not to meet the new, more severe criteria—primarily those children that became eligible through the IFA.<sup>3</sup>

potentially affected by the changes (table 1). Part of this variation is due to the large differences in the child SSI caseloads. These range from a high of 3.4 percent of children in Mississippi to a low of 0.4 percent in Hawaii. This variation reflects differences in family income, and therefore income eligibility, differences in the incidence of disability, variations in how the eligibility criteria are applied by state disability determination agencies, historical differences in outreach efforts

and disability allowances, and (potentially) differences in applicant behavior. For similar reasons the percent of children receiving SSI that will be subject to redetermination also varies widely across states, from a low of 9.8 percent of cases in Hawaii to 35.0 percent of cases in North Carolina.

Until SSA’s reviews are completed, we will not know for sure how many children will lose SSI benefits. The last two columns of table 1



Because some current beneficiaries who became eligible through the IFA are also eligible through the medical listings criterion, the actual number of current recipients losing benefits will be lower than the number of reviews being conducted.

The Congressional Budget Office (CBO) estimates that, from 1996 to 2002, 22 percent of those who would have been eligible under the previous law will be ineligible under the new statute. This includes children applying for SSI after passage of the reform legislation who are denied under the new disability criterion but would have been eligible under the old one. This estimate assumes that 15 percent of current cases will lose benefits and about 30 percent of projected new applicants who would have been eligible will fail to get benefits to which they would have been entitled.

States vary considerably in the number of SSI children—and the share of all children in the state—that are

provide some insight, however, based on SSA’s national estimate and the distributions of reviewed cases across states. As is to be expected, the absolute numbers of current SSI children that risk losing cash benefits are largest in the largest states—10,500 in California and 11,400 in New York. The share of all children in the states is a more illuminating measure, however, because it highlights differences in potential burden among states. In Mississippi, for example, 4.6 of every thousand children in the state risk losing SSI cash benefits, compared with 1.1 in California and 2.3 in New York.

## Impacts of Changes in SSI for Children

The rationale for the changes to SSI for children, as noted, is that those who are not severely disabled are inappropriate recipients of government transfers targeted for the disabled. Not that these children are fraudulently

**Table 1**  
**Caseloads and Estimated Disallowances among SSI Children, by State**

State	<u>Children Receiving SSI</u>		<u>Cases Requiring Review</u>	<u>Cases to Be Disallowed</u>	
	(number)	(% of children in state)	(estimated % of cases in state)	(estimated number)	(estimated number per 1,000 children in state)
Alabama	28,950	2.37%	24.78%	3,903	3.19
Alaska	820	0.45	29.04	111	0.60
Arizona	12,330	0.97	23.05	1,662	1.30
Arkansas	19,000	3.01	28.55	2,562	4.06
California	78,120	0.83	19.39	10,532	1.12
Colorado	9,470	0.90	21.48	1,277	1.22
Connecticut	5,450	0.68	24.77	735	0.91
Delaware	2,900	1.83	21.70	391	2.46
District of Columbia	3,120	1.98	20.14	421	2.67
Florida	62,000	1.67	24.68	8,359	2.25
Georgia	29,760	1.38	18.01	4,012	1.86
Hawaii	1,040	0.41	9.79	140	0.56
Idaho	3,830	1.09	33.18	516	1.47
Illinois	50,350	1.47	26.68	6,788	1.99
Indiana	20,230	1.09	26.62	2,727	1.47
Iowa	6,910	0.87	28.16	932	1.17
Kansas	8,850	1.21	30.45	1,193	1.63
Kentucky	23,580	2.22	31.92	3,179	3.00
Louisiana	39,730	2.96	29.52	5,356	3.99
Maine	2,680	0.89	20.94	361	1.20
Maryland	13,560	1.01	24.45	1,828	1.36
Massachusetts	17,030	1.11	27.65	2,296	1.50
Michigan	41,820	1.52	33.34	5,638	2.05
Minnesota	10,640	0.83	30.82	1,434	1.12
Mississippi	25,000	3.42	23.98	3,371	4.61
Missouri	21,870	1.72	28.66	2,949	2.32
Montana	2,270	0.96	24.02	306	1.30
Nebraska	4,440	0.87	20.48	599	1.17
Nevada	3,040	0.74	19.90	410	1.00
New Hampshire	1,990	0.68	16.23	268	0.92
New Jersey	22,950	1.06	23.66	3,094	1.43
New Mexico	7,100	1.35	22.20	957	1.82
New York	84,910	1.72	30.23	11,448	2.32
North Carolina	31,880	1.87	35.02	4,298	2.52
North Dakota	1,440	0.76	20.17	194	1.03
Ohio	55,260	1.69	28.05	7,450	2.28
Oklahoma	11,880	1.30	15.73	1,602	1.75
Oregon	7,080	0.80	20.68	955	1.08
Pennsylvania	45,360	1.45	29.53	6,115	1.95
Rhode Island	3,360	1.37	24.48	453	1.84
South Carolina	18,710	1.83	21.24	2,522	2.47
South Dakota	2,990	1.20	19.89	403	1.61
Tennessee	25,690	1.75	23.51	3,464	2.36
Texas	58,590	0.97	21.31	7,899	1.31
Utah	4,360	0.63	23.60	588	0.85
Vermont	1,590	0.96	25.25	214	1.29
Virginia	24,090	1.35	34.56	3,248	1.81
Washington	11,870	0.85	27.22	1,600	1.14
West Virginia	8,530	2.03	27.56	1,150	2.74
Wisconsin	21,540	1.55	29.84	2,904	2.09
Wyoming	1,150	0.77	31.83	155	1.03
<b>United States</b>	<b>1,001,330</b>	<b>1.35%</b>	<b>26.36%</b>	<b>135,000</b>	<b>1.82</b>

Source: Urban Institute 1997, based on Social Security Administration data.

Note: Data for children receiving SSI are from June 1996. Estimated cases requiring review are based on SSA estimates from August 1996 adjusted for the number of children nationwide who left rolls since August, so no longer require review. Estimated disallowances are based on SSA estimates of national numbers of children losing benefits distributed across states by the distribution of reviews.

receiving benefits, but that their disabilities are not severe enough to warrant eligibility. This intent reflects a belief that SSI cash benefits should be received only for significant disability-related expenses or as replacement of parental earnings for those children who require intensive, specialized child care. But we do not know the extent to which the severity of the disability correlates with additional expenditure needs. In addition, current law requires only that SSI benefits be spent on the child with a disability—not that the funds be spent for purposes related directly to the disability. Thus, benefits can be spent for basic needs such as food and shelter.

Opponents of the legislated changes view the purpose of SSI for children in just this way—as a more general income support program for low-income families who have children with disabilities. And surveys have shown that most families of SSI children do spend their benefits on basic needs. This alternative view of the program's intent would lead to drawing the disability eligibility line at a different place.

Where the line is drawn is ultimately a judgment for society to make. What is certain is that the new changes to SSI for children will mean fewer available dollars for low-income families. This reduction in what are predominantly federal funds will have potentially major impacts on states and on families.

### Impacts on States

Figure 2 puts SSI expenditures in perspective by comparing SSI spending on children with disabilities to spending by other government transfer programs that are important sources of income to poor families with children. While SSI expenditures on children are far less than AFDC and food stamp expenditures, they are still a substantial fraction (11 percent) of the total for the three programs. And unlike AFDC and Medicaid (not shown), almost all SSI benefits are paid by the federal government with

no matching requirement from states. The bottom line is a loss of federal dollars supporting the general social safety net for low-income families.

Because families of children receiving SSI are by definition poor, some may become eligible for other means-tested programs unrelated to disability. The most likely possibility for cash benefits is the Temporary Assistance to Needy Families (TANF) program. But the amount of additional state dollars going to former child SSI recipients under this program is likely to be less than the SSI benefits lost for two reasons. First, SSI benefits have

expenditures, the vast majority of which were federal dollars.

The dollars states currently pay, at their option, to supplement federal SSI payments to children on SSI who will lose eligibility can also be redirected to these families through other programs. The District of Columbia and 34 states provide some supplemental payments to children on SSI. However, these benefits are limited in amount and availability. The average state supplementation benefit was \$54 in December 1995, for example, and less than a third of children received any state supplementation. Also, most sup-

plementation goes to children with severe disabilities living in residential care facilities, who are unlikely to lose benefits under the 1996 change.

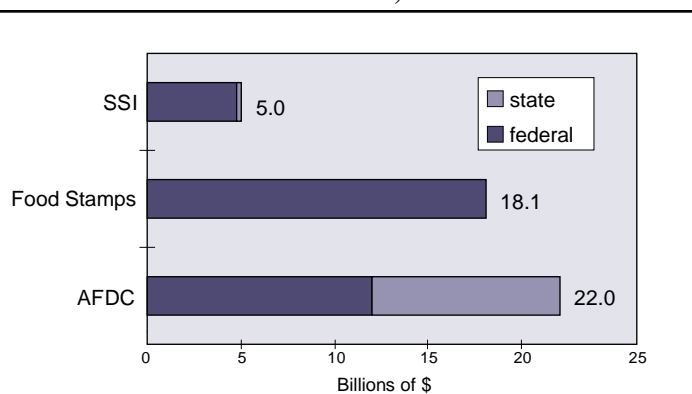
State expenditures on SSI supplementation for all children in 1995 totaled less than \$200 million, about 3 percent of SSI spending for children. Any additional state expenditures on these children will be added to the large amount states already spend on disability-related programs for children. State and local govern-

ment spending (\$33.7 billion in 1993) accounts for more than three-quarters of all major government program spending on children with disabilities. However, very few program dollars are available in direct cash benefits for disability-related or other expenditures. Most state and local spending is for special education and related services, which are not limited to poor families.<sup>4</sup>

### Impacts on Children and Families

Losing SSI benefits can have a large impact on individual families' total income, especially since SSI monthly benefits are relatively generous and are received only by low-income families. Evidence from a national survey shows the median family receiving SSI benefits for children with disabilities has a total income of about \$14,000 a year, of

**Figure 2**  
**Selected Program Spending on Low-Income Families with Children, 1995**



Source: Urban Institute 1997.

Note: SSI spending is for disabled children. Food stamp spending is for families with children.

typically been much higher than AFDC benefits. Thus, the additional TANF cost to states would be lower than the total cost of SSI benefits to these families, if states continue the same pattern in their TANF programs. The current maximum monthly SSI benefit is \$484 per eligible child while the maximum monthly AFDC benefit in 1996 ranged from a high of \$636 for a family of three in Connecticut to a low of \$120 for a family of three in Mississippi. Second, families already receiving AFDC would only be eligible for an incrementally higher benefit based on adding another child to the AFDC eligibility unit. Additional benefits for a three-person family over a two-person family in AFDC range from \$123 a month in Connecticut to \$24 per month in Mississippi. But, any additional TANF spending will be in part state dollars, compared to SSI

which SSI benefits account for 30 percent.<sup>5</sup>

The impact of losing SSI benefits may be lessened depending on families' ability to replace this income through other sources. The two major possibilities for replacement are increasing earned income and eligibility for other transfer programs. SSA administrative records show that over 60 percent of the families of children receiving SSI report no earned income.

Loss of SSI income will lead some parents to start working or increase the amount of hours already worked. But, increasing work will likely be particularly difficult for single-parent families—which make up over half of all families with children currently receiving SSI—because of the need to find and pay for child care for a child with a disability.

Some of the families losing benefits will be eligible for non-SSI transfer payments. Many families on SSI are already receiving food stamps and the amount of food stamps received will increase as family income falls due to loss of SSI income. CBO estimates that for the years 1996 through 2002 food stamp benefits will increase \$1.16 billion in response to SSI cuts—14 percent of the total decline in SSI benefits.

In addition, some families with children no longer eligible for SSI will be eligible for benefits under the TANF program, as discussed above. At least 25 percent of all families with children receiving SSI received income from AFDC for other family members in 1996. If TANF resembles AFDC, these families will be eligible only for the incremental benefit based on adding the child with a disability to the eligibility unit.

## Medical Benefits

Loss of SSI benefits severs the automatic Medicaid eligibility that typically accompanied SSI receipt. Most of the children losing benefits, however, will continue to be eligible for Medicaid through expansions in Medicaid eligibility for children living in poor families. Children born after 1983 living at or below the poverty level, and children under age

six living at or below 133 percent of poverty, are eligible for Medicaid nationwide, and individual states have further expanded eligibility. The CBO estimates that 85 percent of children no longer eligible for SSI benefits will remain eligible for Medicaid through these provisions. For the 15 percent losing Medicaid coverage, however, this could represent a substantial cut in in-kind income, given the cost of health services and the potentially high health care utilization rates that can accompany disability.

## Conclusions

Although largely unheralded, the changes to the SSI program for children with disabilities are large. The intent of these cuts is to eliminate benefits for the least severely disabled children, but the extent of their impact is unclear. We do not know the number of children ultimately affected, the severity of their disabilities or associated expenses, or the broader impact on the well-being of these children and their families.

It is quite clear, however, that when the SSI changes are fully implemented, this portion of the federal safety net will be reduced. How state and local resources respond, and the eventual overall change in child and family well-being, remain to be seen. But it is already clear that some states face bigger challenges in this area than others, and that all states need to recognize this shift when revisiting their safety net programs in light of welfare reform.

3. Some children who became eligible due to maladaptive behavior will also be reviewed.

4. Laudan Y. Aron, Pamela J. Loprest, and C. Eugene Steuerle, *Serving Children with Disabilities: A Systematic Look at the Programs*, Washington, D.C.: Urban Institute Press, 1996.

5. This reflects unadjusted self-reported SSI income as a percent of total family income in families with children (but no adults) receiving SSI (from the Survey of Income and Program Participation for 1992 and 1993). Total income and SSI income are annualized from quarterly income and do not include the value of in-kind benefits such as food stamps and Medicaid. Almost one-quarter (24 percent) of all family income for this group consists of SSI benefits.



## Notes

1. General Accounting Office, "Social Security: Rapid Rise in Children on SSI Disability Rolls Follows New Regulations," September 1994, HEHS-94-225.

2. General Accounting Office, "Social Security: New Functional Assessments for Children Raise Eligibility Questions," March 1995, HEHS-95-66.

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