

The US welfare state has a lot of problems.

Most conspicuously, it lacks many benefits found in similarly developed countries like child care, paid leave, and universal health care. These omissions tend to dominate the public debate, but creating a decent welfare system will require more than just adding new benefits. We also need to clean up and rationalize the welfare state we already have.

In this paper, I propose a series of moderate reforms to major welfare programs including **Medicare, Medicaid, Social Security, Supplemental Security Income, Unemployment Insurance, and Supplemental Nutritional Assistance Program.** The overall purpose of these proposed reforms is to move towards a welfare state that is simpler, more coherent, and more centralized.



Medicare

In our current system, individuals who are elderly, disabled, or have end-stage renal disease (ESRD) are generally eligible to receive public health insurance through Medicare provided they have 10+ years of work in covered employment. Elderly individuals can enroll into Medicare when they turn 65 and individuals with ESRD can enroll when they are diagnosed by a doctor. Disabled individuals, however, must wait two years after they begin receiving Social Security Disability Insurance (SSDI) to enroll into Medicare.

The Medicare insurance program has three parts: **Part A** (hospital insurance), **Part B** (medical insurance), and **Part D** (prescription drugs).¹ Enrollees typically pay no premium for Part A, but do pay pre-

miums for parts B and D, which are usually deducted from their Social Security pension checks. Parts B and D are technically optional but the vast majority of people who enroll in Part A also enroll in parts B and D.²

To clean up this program, the government should make the following five reforms:

- 1 Extend Medicare benefits to individuals receiving unemployment insurance.** Like disabled and elderly individuals, unemployed people are out of work and need health insurance.
 - 2 Eliminate the two-year waiting period for disabled individuals on SSDI.** There is no good reason for this delay. Anyone who is too disabled to work should be on Medicare.
 - 3 Eliminate the work history requirement.** Medicare eligibility should be based on an individual's current status as elderly, disabled, or unemployed, not based on their work record.
 - 4 Combine parts A, B, and D into a single plan and reduce user costs.** In 2018, Medicare's 59.9 million recipients paid \$112.7 billion (0.55% of GDP) in premiums for parts A, B, and D.³ These premiums should be eliminated, saving Medicare beneficiaries \$157/month on average. Parts A and B currently have annual deductibles of \$1,408 and \$198 respectively. These should be eliminated in the consolidated plan. Traditional Medicare currently has no annual out-of-pocket maximum. The consolidated plan should establish an out-of-pocket maximum at \$6,700 to match the current Medicare Advantage maximum.⁴
 - 5 Eliminate most of the Medicare Savings Programs.** There are currently four Medicare Savings Programs that provide means-tested assistance to low-income people on Medicare: the Qualified Medicare Beneficiary Program (QMB), the Specified Low-Income Medicare Beneficiary Program (SLMB), the Qualifying Individual Program (QI), and the Qualified Disabled and Working Individuals Program (QDWI).⁵ The SLMB, QI, and QDWI programs can be eliminated as they only provide assistance with Part A and Part B premiums, which no longer exist in the new consolidated plan. Because the QMB program provides assistance for coinsurance and copayments, that aspect of the program should remain.
- ¶ Taken together, these reforms would deliver a simplified Medicare plan to all elderly, disabled, and unemployed individuals that is not contingent on work history or subject to waiting periods.

A man with a beard and headphones around his neck is sitting in a wheelchair, focused on a laptop. He is in a workshop or office environment with another person working at a desk in the background. The entire image has a magenta color overlay.

LTSS

Long Term Services and Supports

In our current system, individuals who need long term services and supports (LTSS) are eligible to receive that care through Medicaid if they meet certain categorical, financial, and functional status requirements.

To clean up this program, the government should make the following reform:

Eliminate the categorical and financial requirements for receiving LTSS. Any person whose functional impairment qualifies for LTSS under prevailing functional assessments should be eligible to receive care through Medicaid regardless of their income, assets, or any other criteria.



SS + SSI

Old-Age Pension

In our current system, elderly individuals looking to retire must navigate between two programs: Social Security Old-Age (SSOA) and Supplemental Security Income (SSI) for the elderly. SSOA is paid to retired individuals who are 62+ years old and who have 10+ years of work in covered employment. SSI is paid to individuals who are 65+ years old and who have income and assets below a very low amount.

SSOA is an earnings-related pension, meaning that the benefit amounts are determined by a formula that is based on an individual's prior earnings. The formula also takes into consideration when the person retires: individuals who retire at the full retirement age (currently 66) receive their full monthly pension benefit based on

the earnings-related formula, while those who retire before that age receive less than the full monthly amount.

SSI for the elderly is a means-tested pension, meaning that the benefit amounts are determined by a formula that is based on an individual's current income and assets. Individuals with \$2,000+ of countable assets or \$783+/mo of countable income are ineligible.⁶ Individuals with assets and income below those thresholds receive a benefit based on how much countable income they have: \$0/mo of countable income yields \$783/mo of SSI benefits, \$1/mo of countable income yields \$782/mo of SSI benefits, \$2/mo of countable income yields \$781/mo of SSI benefits, and so on.

To clean up the old-age pension system, the government should make the following three reforms:

- 1 Harmonize the full retirement age at 65.** SSI for the elderly has a retirement age of 65 while SSOA has a retirement age of 66, which will soon be increased to 67. These should be harmonized by bringing the SSOA retirement age down to 65, which is also the eligibility age for Medicare.⁷
 - 2 Establish a minimum SSOA pension equal to the one-person poverty line.** Under 2019 Department of Health and Human Services (HHS) guidelines, this would be \$1,041/mo in the 48 contiguous states, \$1,199/mo in Hawaii, and \$1,300/mo in Alaska. States would be permitted to fund supplemental payments to increase the minimum SSOA pension in their state. Every person who has reached the full retirement age would be eligible to receive the minimum pension regardless of their work history, income, or assets.
 - 3 Eliminate SSI for the elderly.** The minimum SSOA pension makes SSI for the elderly unnecessary.
- ¶ Once these reforms are enacted, all individuals who are 65 or older will receive an SSOA pension equal to the greater of (A) the current earnings-related benefit formula or (B) the federal poverty line for a single adult. The new system should virtually eliminate elderly poverty while also greatly simplifying the old-age pension system by eliminating SSI for the elderly and getting rid of asset tests and income tests.

A woman with long dark hair and a prosthetic left arm is sitting at a desk, writing in a notebook. The scene is bathed in a soft, pinkish-red light. The woman is wearing a white t-shirt and a necklace. Her prosthetic arm is black and appears to be a myoelectric or body-powered hand. She is looking down at her work with a focused expression. The background shows a window with a grid pattern, possibly a window blind or a window frame. The overall mood is quiet and productive.

SS + SSI

Disability Pension

Our current disability pension system mostly mirrors the two-tier design of the old-age pension system. Adults with a work-limiting disability who have worked a certain amount of time in covered employment are eligible to receive an earnings-related pension from Social Security Disability Insurance (SSDI). Disabled adults who do not meet that work history requirement are eligible to receive a means-tested pension from Supplemental Security Income (SSI).

To clean up the disability pension system, the government should make the following four reforms:

- 1 Eliminate the waiting period for receiving SSDI benefits.** Currently, individuals must wait five months after they are deemed disabled to receive benefits. There is no reason to have any such waiting period.
 - 2 Harmonize the substantial gainful activity (SGA) limits to the blind people limit.** To be eligible for SSDI in 2020, a non-blind disabled person cannot earn more than \$1,260/mo while a blind person cannot earn more than \$2,110/mo.⁸ There is no reason to have two different SGA limits. They should be harmonized at the higher limit, which is the blind people limit.
 - 3 Establish a minimum SSDI benefit equal to the one-person poverty line.** Under 2019 HHS guidelines, this would be \$1,041/mo in the 48 contiguous states, \$1,199/mo in Hawaii, and \$1,300/mo in Alaska. States would be permitted to fund supplemental payments to increase the minimum SSDI pension in their state. Every adult who has a qualifying work-limiting disability would be eligible to receive the minimum pension regardless of their work history, income, or assets. The SSDI minimum pension would not have a family or overall income test, but the limit on substantial gainful activity would still apply.
 - 4 Eliminate SSI for disabled adults.** The minimum SSDI pension makes SSI for disabled adults unnecessary.
- ¶ As with the old-age pension reforms, these reforms would ensure that all adults with a qualifying work-limiting disability receive an SSDI pension equal to the greater of (A) the current earnings-related formula, or (B) the federal poverty line for a single adult. Simplification is achieved by harmonizing the SGA limit, eliminating SSI for disabled adults, and getting rid of asset tests and some income tests.



SS + SSI

Disability Allowance for Children

In our current system, children with disabilities are eligible to receive a means-tested disability allowance from Supplemental Security Income (SSI). To be eligible, the disability must be a “medically determinable physical or mental impairment...[that] results in marked and severe functional limitations and...has lasted (or is expected to last) for at least one year or to result in death.”⁹ As with other SSI benefits, SSI for disabled children is subject to income and asset tests.

Near the end of 2019, around 1.1 million disabled children received an average of \$676/mo from the program.¹⁰ The maximum SSI benefit level in 2019 was \$771/mo. It will increase to \$783/mo in 2020.¹¹

To clean up the disability allowance for children, the government should make the following two reforms:

- 1** **Establish a universal disability allowance for children through the SSDI program.** All children who satisfy the current SSI disability test would be eligible for the allowance regardless of their income and assets. The allowance amount would be equal to the current SSI maximum benefit, which is \$783/mo in 2020. States would be permitted to fund supplemental payments to increase the disability allowance for children in their state.
- 2** **Eliminate SSI for disabled children.** The SSDI universal disability allowance for children makes SSI for disabled children unnecessary.
 - ¶ For simplicity, fairness, and horizontal equity reasons, all families with severely disabled children should receive an allowance to help offset the financial costs associated with those disabilities. After the government has replaced SSI with minimum SSOA and SSDI pensions and an SSDI allowance for disabled children, it can eliminate the SSI program entirely.

A man is sitting at a desk in a dimly lit room, looking down at a laptop with a stressed expression. He has his hand on his forehead and is holding his glasses. The scene is overlaid with a semi-transparent pink color. On the desk, there is a laptop, a notebook, a pen holder with pens and scissors, and a glass of water. A potted plant is visible in the background.

UI

Unemployment Insurance

In our current system, unemployed people with specific work histories are eligible to receive earnings-related unemployment benefits from their state. Although UI is nominally a federal program established in the Social Security Act, the precise UI tax rates, eligibility rules, benefit amounts, and duration of benefits are established by each state government. This has created a difficult-to-navigate hodgepodge of UI systems that are generally stingy and ineffective.

To clean up this program, the government should make the following four reforms.¹²

- 1 Centralize the UI system in the Social Security Administration (SSA).** The federal government should establish the UI system as a fully federal program funded by the Federal Unemployment Tax Act (FUTA) tax. This would allow states to eliminate their UI programs, eliminate the taxes used to fund them, and keep any surpluses they currently have in their state UI trust funds. As part of the transition, the federal government should buy out the debt of all state UI trust funds that have a negative balance.
 - 2 Use the SSDI benefit formula for UI recipients.** The newly centralized system would need a single benefit formula to replace the current mix of state formulas. The simplest formula would be the formula currently used for the SSDI earnings-related disability pension, which, in 2020, provides 90% income-replacement for the first \$960 of monthly earnings, 32% of income-replacement for the next \$4,825 of earnings, and 15% of additional monthly earnings up to the maximum monthly benefit.¹³ This formula would be applied to the wages earned by a beneficiary in the year prior to becoming unemployed.
 - 3 Use one year as the benefit duration.** The newly centralized system would need a single benefit duration to replace the current mix of state benefit durations. One year is a reasonable amount of time for the duration of earnings-related unemployment benefits. This amount could be adjusted upwards in recession.
 - 4 Create a minimum unemployment benefit equal to the one-person poverty line.** Under 2019 HHS guidelines, this would be \$1,041/mo in the 48 contiguous states, \$1,199/mo in Hawaii, and \$1,300/mo in Alaska. States would be permitted to fund supplemental payments to increase the minimum unemployment benefit in their state. All unemployed jobseekers would be eligible to receive the minimum unemployment benefit regardless of work history, income, or assets. This includes new labor market entrants and individuals who have exhausted their year of earnings-related unemployment benefits. It also includes people whose benefits under the earnings-related formula would be less than the one-person poverty line.
- ¶ As with the old-age and disability pension reforms, these reforms would ensure that all unemployed jobseekers receive a UI benefit equal to the greater of (A) the current SSDI earnings-related formula, or (B) the federal poverty line for a single adult. It would also dramatically simplify the UI system by replacing dozens of state bureaucracies and programs with a centralized federal program that is operated by the same Social Security Administration that handles old-age and disability benefits.

A woman with curly hair is shown in a grocery store, looking down at a bowl of food. The image is overlaid with a magenta tint. The word "SNAP" is written in white in the top left corner.

SNAP

Supplemental Nutrition Assistance Program

In our current system, SNAP provides families with low incomes cash-like benefits that can only be spent on unprepared food. The core benefit structure of SNAP mirrors that of a negative income tax: individuals with \$0 of income receive the maximum benefit amount and then that benefit amount phases out at a 30% rate for income received above a certain level. On top of that structure, the program has a dizzying array of eligibility restrictions for certain categories of people and time limits. As with the current UI system, the precise mix of rules varies considerably by state.

New SNAP benefit level by gross income and family size

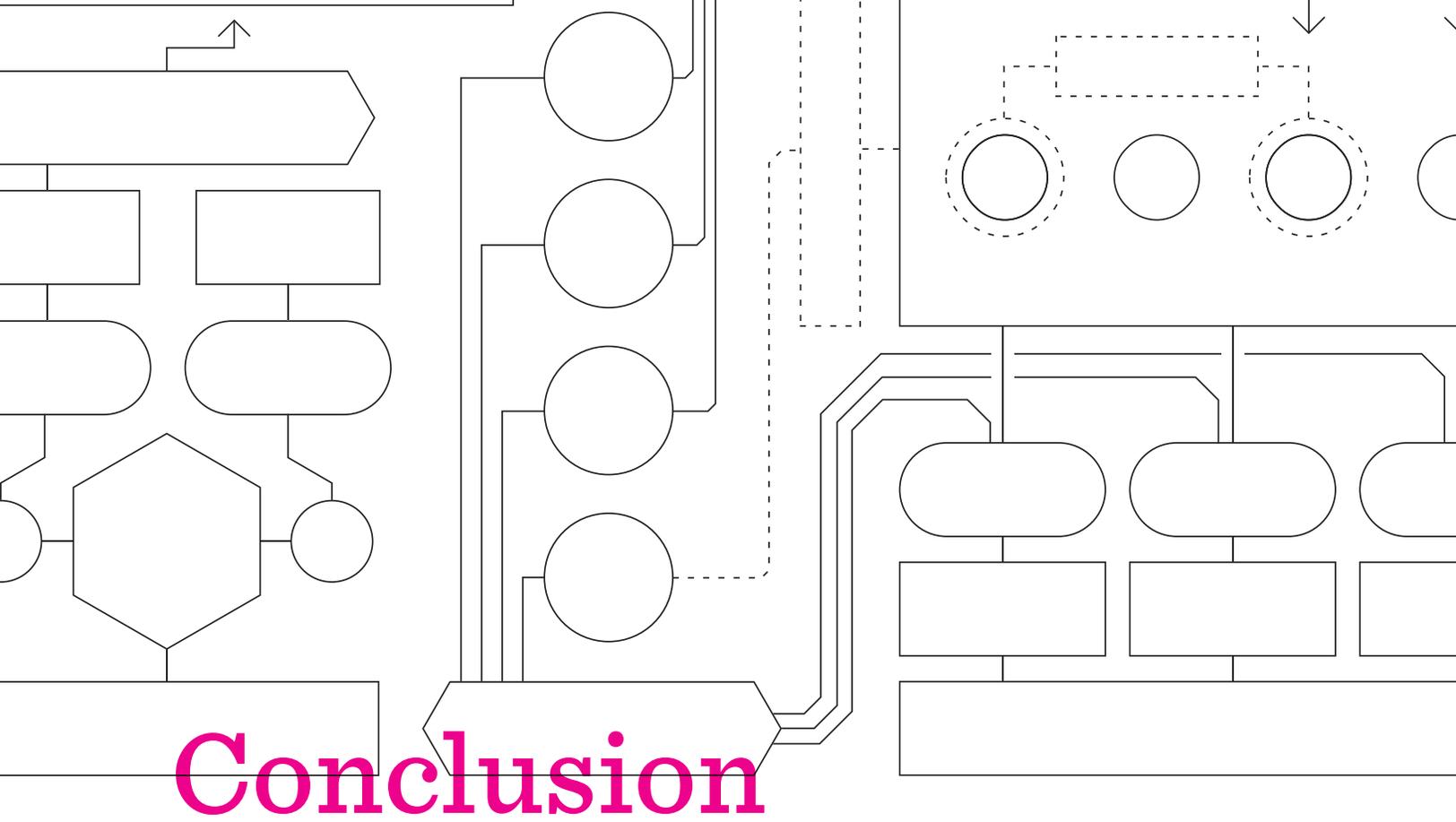


4 Create a new benefit formula based solely on gross income. The newly centralized SNAP would need a uniform benefit formula to replace the hodgepodge of state formulas currently in use. The new benefit formula should mostly mirror the parameters used in the current system.¹⁴ It should have the same maximum benefit amounts (e.g. \$646/mo for a family of four living in the 48 contiguous states), the same benefit phase-out rate of 30%, and the same gross income test used by the most generous states, which is 200% of the federal poverty line (FPL).

The new formula should differ in one main way though: it should get rid of SNAP's complicated net income test and rely solely on gross income when determining benefit amounts. This would be ac-

complished by determining at what gross income level it is necessary to apply a 30% phase-out rate in order to bring a family's SNAP benefit to \$0 at 200% of the FPL. Families with gross incomes below that level ("the kink point") would get the maximum benefit, while families above that level but below 200% of FPL would get a proportionally smaller benefit. As in the current system, gross income would be defined as all other income, including cash benefits received from old-age pension, disability pension, and unemployment insurance.

¶ The reformed SNAP would be dramatically simpler than the current program while still retaining the same fundamental structure of a modest negative income tax with a 30% phase-out rate.



THIS IS NOT AN EXHAUSTIVE ACCOUNT OF everything that needs to be cleaned up in our current welfare system. But it is a good start that covers the largest and most important welfare programs in our country. These reforms would achieve an extraordinary amount of simplification. Billions of pages of paperwork currently dedicated to recording income, assets, and expenses of households would be eliminated. Hundreds of state-level SNAP and UI programs would also be eliminated as the programs are centralized into the Social Security Administration.

These reforms would also create a much clearer and better benefit system. After the reforms are implemented, every elderly, disabled, and unemployed adult will receive public health insurance from a

consolidated Medicare program as well as an earnings-related cash benefit or a minimum cash benefit equal to the one-person federal poverty line. Every individual in need of long term services and supports will be eligible to receive benefits from Medicaid. SSI for disabled children will become a universal SSDI allowance for disabled children. The SSI program and most of the Medicare savings programs will be eliminated. And SNAP will become a full-blown negative income tax based solely on a family's gross income.

These are moderate reforms that are faithful to the general structure and purpose of the existing welfare programs. In any decent society, they would not be controversial. **3P**

Notes

- 1** Optional Medicare Advantage plans include some or all of these parts.
- 2** 2019 Medicare Trustees Report. Table II.B1
↳ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>
- 3** 2019 Medicare Trustees Report. Table II.B1, II.D2
↳ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2019.pdf>
This includes Medicare Advantage.
- 4** Due to these reforms, Medigap plans will no longer need to cover Part A and Part B deductibles and so they should be cheaper.
- 5** Medicare Savings Programs
↳ <https://www.medicare.gov/your-medicare-costs/get-help-paying-costs/medicare-savings-programs>
- 6** SSI Federal Payment Amounts For 2020
↳ <https://www.ssa.gov/oact/cola/SSI.html>
See also
↳ <https://www.ssa.gov/ssi/text-resources-ussi.htm>
↳ <https://www.ssa.gov/ssi/text-income-ussi.htm>
- 7** Individuals with enough credits to receive the earnings-related pension would still be permitted to retire starting at age 62 in exchange for lower monthly benefits.
- 8** Substantial Gainful Activity
↳ <https://www.ssa.gov/OACT/COLA/sga.html>
- 9** Childhood Disability: Supplemental Security Income Program
↳ <https://www.ssa.gov/disability/professionals/childhoodssi-pub048.htm>
- 10** Monthly Statistical Snapshot, November 2019
↳ https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/
- 11** SSI Federal Payment Amounts For 2020
↳ <https://www.ssa.gov/oact/cola/SSI.html>
- 12** These ideas come from William Spriggs at EPI
↳ <https://www.epi.org/blog/the-time-to-prepare-for-the-next-recession-is-now/>
- 13** PIA definition
↳ <https://www.ssa.gov/oact/cola/piaformula.html>
- 14** Cost of Living Adjustment (COLA) Information
↳ <https://www.fns.usda.gov/snap/allotment/COLA>

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Publisher

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