

Can we use household composition and family ties as a proxy for receipt of in-kind support?

The Need to Simplify Current ISM Policy

As a means-tested program, SSI reduces benefits for receipt of in-kind support and maintenance (ISM). But the current ISM policies pose numerous challenges, primarily because they rely on complex household budgeting information. As a result, ISM reductions are unduly complex to administer, are intrusive for recipients, contribute to improper payments, and expose recipients to instability and payment risk.

Rationale for Basing ISM Determinations on Household Composition and Family Ties

Economic literature and precedents from other programs suggest that it may make sense to rely on household composition and family ties as a proxy for receipt of in-kind support:

- Housing costs are substantial: On average, poor people spend about \$850/month on housing – more than the maximum federal SSI benefit.
- Caregiving is also a substantial form of in-kind support. Even minimal caregiving would cost \$600 or more per month.
- Food is less important, in part because 63% of SSI recipients receive food stamps.
- Economic theory suggests that family is a major source of in-kind support. In times of need or adversity, related households are combined, with some family members providing a form of “social insurance” for others.

Specifics of a Simplified ISM Policy

Therefore, a simplified ISM policy might eliminate all consideration of household budgeting, and instead use the following considerations:

- **Base ISM determinations on household composition and family ties.**—Specifically: (1) whether the recipient is living with a nonspouse adult and (2) whether the recipient is closely related to the cohabitant. Relationship/household information is verifiable and relatively stable, so it would be far simpler and easier to document.
- **Preserve Reductions for SSI recipients with support.**—Congress has specified a benefit reduction of one third for recipients with substantial in-kind support. Apply the one-third reduction to recipients living with close family members, as a proxy for receipt of substantial in-kind support. (See chart below.)
- **Equity.**—Means-tested programs aim to help the most vulnerable. The savings from such an ISM policy could be used to provide additional benefits to SSI recipients who live alone, because this group has the lowest family income and the highest poverty rate (94%).

Flat Rate ISM: Three tier individual Federal Benefit Rate structure

Close Family Case	Recipient lives with parents, adult child, or adult sibling.	Reduce SSI FBR by a flat rate of one third.
Roommate Case	Recipient lives with unrelated or distantly related adult.	Use current FBR.
Living Alone Case	Recipient lives without other adults.	Increase FBR by 10 percent.

By ending analyses of household budgets, such a “flat rate ISM” would reduce error payments and administrative costs. And, with no increase in program costs, it would reduce poverty among all recipients from 59% to 57% and it would reduce extreme poverty from 31% to 20%.