

Making Ends Meet: How Low-Income DI Beneficiaries Meet Their Needs

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6th Annual Meeting of the Disability Research Consortium

August 1, 2018
Washington, D.C.

This research was supported by a grant from the U.S. Social Security Administration (SSA) as part of the Disability Research Consortium (DRC). The findings and conclusions are solely those of the authors and do not represent the views of SSA, any agency of the Federal Government, the NBER Disability Research Center or Mathematica's Center for Studying Disability Policy (CSDP).

1. Introduction

A substantial percentage, approximately 38% of DI beneficiaries are living in- or near-poverty with income of less than 150% of the Federal Poverty Level (FPL) (Bailey and Hemmeter, 2015). In his qualitative study, we interviewed 35 low-income DI beneficiaries to determine how they made ends meet. In other words, how did they manage their budgets (income, expenses, savings and debt) to meet their needs?

There is prior qualitative research on how low-income single mothers that received welfare assistance in the 1990s made ends meet (Edin and Lein 1997). Edin and Lein (1997) found that the welfare cash payments contributed to meeting families' basic needs; however, the cash payment alone generally covered less than one-half of the families' essential monthly expenses. Low-income single mothers made ends meet by combining a variety of cash income sources and in-kind assistance, including informal income from family or friends or unreported work. These findings indicate that the welfare payments alone were not sufficient for the families to make ends meet. The low-income mothers were able to use the additional non-welfare cash income and in-kind assistance from public programs and from families and friends to achieve consumption levels that exceeded what would have been possible with welfare income alone.

How DI beneficiaries with income of less than 150% FPL make ends meet is uncertain. The poverty-level income for a one-person household in 2018 is \$1,012 per month. To put poverty-level income into the context of living expenses, the 40th percentile fair market rent in the area of this study, Worcester, Massachusetts, is \$850 per month for an efficiency apartment (HUD 2018). A monthly 'low-cost' food plan for food prepared at home for a one-person household is \$240 per month (USDA 2018). Thus, the costs of just two basic needs, food and shelter, exceed the poverty level income by \$78 without covering the costs other basic needs including transportation, healthcare, clothing or personal care. Is it possible for beneficiaries to meet their needs on poverty-level income alone given the costs of basic needs?

We expect that low-income DI beneficiaries have some access to resources to support consumption at levels beyond the amount of income suggested by their poverty-level percentage. Prior analyses of survey data indicate that some low-income DI beneficiaries have in-kind income from public assistance programs. Using data from the Survey of Income Program and Participation, Bailey and Hemmeter (2015) estimated that 4.2% of DI beneficiaries received energy assistance, 13.0% received housing subsidies, and 33.8% received SNAP benefits. Using the National Beneficiary Survey, Livermore and Bardos (2014) estimate that 90% of beneficiaries living in households with income of less than 100% FPL were Medicare beneficiaries and 50% were Medicaid recipients. In addition to these resources and as suggested by the findings of the Edin and Lein (1997) study, low-income DI beneficiaries may also have income from informal sources including family and friends or unreported work.

2. Methods

We conducted interviews with 35 DI beneficiaries in greater Worcester area/Worcester County, Massachusetts. Worcester is the second largest city in New England with a population of approximately 184,000. Approximately 16% of the population is Black or African American and 21% is Hispanic or Latino. The poverty level for adults, age 18 to 64 is 21%. The estimated percentage of persons with disabilities, aged 18 to 64 is 13%.

Participants were recruited through a variety of methods to ensure a heterogeneous sample. This includes recruitment through disability serving agencies and community-based organizations. These included state vocational rehabilitation offices, Career Centers, Independent Living Centers, Recovery Learning Communities, community mental health and social service programs, a benefit counseling program, an on-line job board for job seekers with disabilities, and a Ticket-to-Work program. We also used a snowball sampling method and asked individuals who volunteer for the study to share information about the study with others who might be interested in participating. Study participants met the following: had a disability and currently received DI benefits based on own work history and (a) concurrently received SSI or SNAP (an indication of low income status) or (b) currently received a DI payment of less than \$1500 per month and was low income.

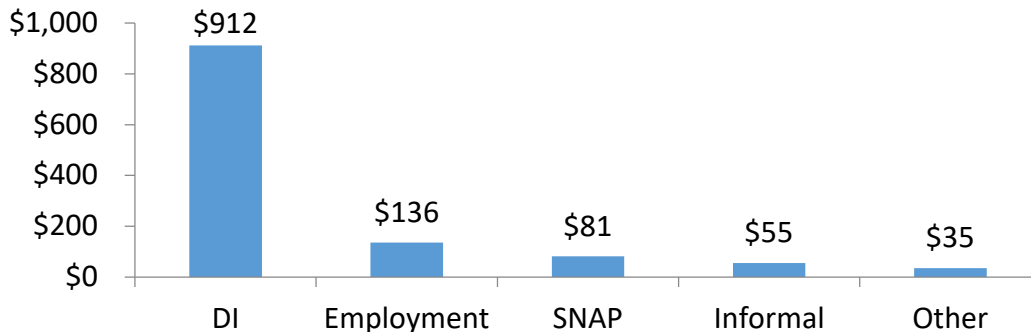
Each participant was interviewed either two or three times. The first interview included open ended questions on participant’s living situation; disability, health and disability benefits; and education and employment. The second interview included questions on expenses, income, savings, debt, strategies to make ends meet, and hardship. The third interview included questions on employment, employment supports, and work incentives.

3. Results

Eighteen of the 35 study participants were 50 years of age or older and only 3 participants were under age 30. There was a range of education levels with 11 participants having completed a 4-year college or postgraduate degree and 12 participants having a high school education or less. Three participants were Hispanic and 6 participants were Black or African American. Approximately one-half of participants (13) were female. Twenty participants reported that they were single and had never been married; only two participants reported currently being married or part of an unmarried couple.

Participants were asked “Overall, which one of the following best describes how well you are managing financially these days?” The majority of participants reported that they were either ‘just getting by’ or ‘finding it difficult to get by’ as one participant described: “*My situation is challenging. I just sometimes don’t have enough coming in to make what’s going out. I’m comfortable on a day to day basis. With no ability to save, I’m very weary.*” Nearly all participants reported approximately balancing their monthly income and expenditures without any substantial monthly savings or debt.

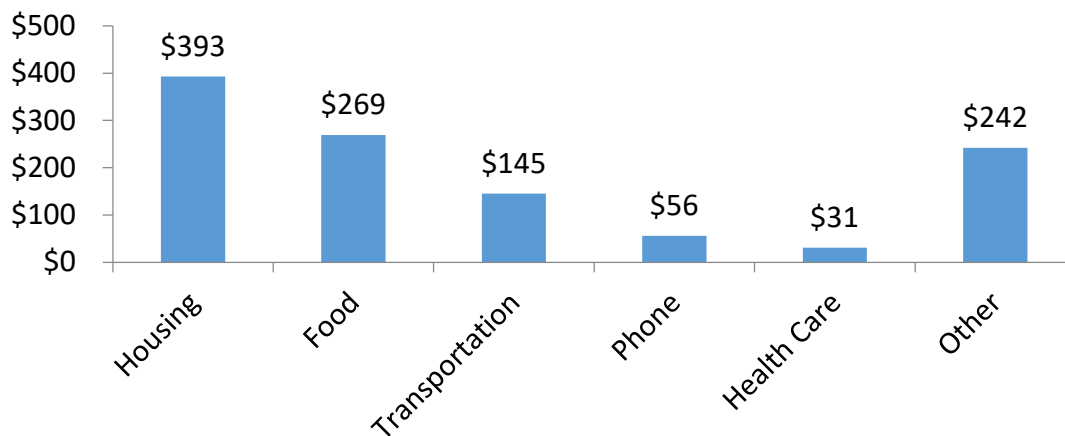
Figure 1: Average Participant Monthly Cash Income by Category



Participants average monthly income, including SNAP was \$1218 (SD \$273). Sixteen participants had income below 100% FPL, 9 participants had income between 100% and 125% FPL, 7 participants were between 125% and 150% FPL, and 3 participants were between 150% and 190% FPL. Participants' DI income ranged from approximately \$500 to \$1500 per month and the average DI monthly income was \$912 (SD \$244). On average, DI accounted for 75% of participants' total cash income; employment accounted for 11%; SNAP for 7%; informal income for 5%; and other income for 3%.

Participant's average expenditure was \$1137 (SD \$347). On average housing expenditures accounted for approximately 35% and food for 24% of total expenditures. Combined, housing, food, transportation, phone and health care expenses were \$895 (SD \$361) and accounted for approximately 79% of total expenditures.

Figure 2: Average Participant Expenditure by Category



Participant's housing expenditures were generally low. The average housing expenditure was \$393 (SD \$259). Seventeen participants had housing costs between \$200 and \$399 and 30 participants had housing costs of less than \$600. On average, higher income participants had higher housing costs and the correlation between total cash income and housing costs was 0.52. Study participants housing expenditures were low because participants were either receiving a public housing subsidy; living in family (parents or siblings) owned housing with a below market-rate rent; living with others; or homeless. Most study participants found that living alone in a market rate apartment was unaffordable. A study participant explained, "Public housing is a three year wait at the very least so roommates are the only option. My own apartment would cost at least \$650. That's not manageable. I could afford \$500 or so." Participant's health care expenditures were very low. Nearly all participants were dually eligible for Medicare and Medicaid. With this dual coverage, participants reported generally only incurring health care expenses for prescription co-payments ranging from approximately \$1 to \$3 per drug.

A portion of participant's consumption was supported by in-kind income. Fourteen participants received housing subsidies and 3 participants lived in family-owned housing for reduced rent. Among these participants, we estimate that the average in-kind housing income was \$465. In addition to housing, participants also received in-kind income to support food, transportation, phone service and other consumption. Based on participant's descriptions we estimated that the in-kind income was roughly 10% of participant expenditures for these goods

and services, \$71. Consumption based on in-kind income is estimated to average \$297. Combining expenditures and in-kind income, participant's total consumption average \$1433 and in-kind income accounted for approximately 21% of consumption

Are participants meeting their basic needs? Nearly all participants reported that their access to health care services covered through Medicare and Medicaid was good and that their consumption of these services was not limited. One participant noted: "*I have MassHealth [Medicaid] and Medicare. I'm getting everything I need.*" Some participants reported that they limited their consumption to make ends meet. A number of participants reported that they limited the quantity or quality of food they consumed to make ends meet. "*I only eat two times a day in the morning and at night and I have to skip the other meal because I don't have the money for it. Because I have other expenses.*" Most participants reported that there was little money available for 'extras. "*Clothing, I could definitely use some new clothing but I don't have the money for it. Yes, that's definitely a problem. Even buying a pair of shoes, I don't have the money for that.*"

4. Study Limitations

The findings of this study are based on the experiences of the 35 study participants and cannot be generalized to the population of low-income DI beneficiaries. The participants were not randomly selected and the characteristics of the participants may vary from the characteristics of the general DI beneficiary population. Also, the participants all lived in the greater Worcester, Massachusetts area. Participants in other areas may have different experiences because of area differences in the cost of living and access to services. The findings are based on self-reported data and there may be measurement error.

4. Summary

The 35 low-income DI beneficiaries in this study primarily made ends meet by using their cash income (approximately 75% DI and 7 % SNAP) to pay for approximately 79% of their consumption (excluding Medicare and Medicaid services). With a few exceptions, study participant's income as indicated by percent of poverty plus SNAP was a good indication of the cash income available to support their spending. In-kind income from public assistance programs and family/friends covered the remaining 21% of consumption. Participant's limited their consumption to match their resources and more or less balanced their budgets monthly without monthly savings. Participants generally had low levels of consumption with the exception of the health care services covered by Medicare and Medicaid.

5. References

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