

US Federal Government Expenditures, Shortfalls in Beneficiaries' Take-up, and Barriers to Take-up/Opportunities for Benefits Integration

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Introduction

This memo describes US federal government expenditures, shortfalls in take-up by intended beneficiaries, and opportunities for benefits integration. Section 1 characterizes government expenditures for the majority of mandatory federal government outlays. Section 2 analyzes shortfalls in take-up for the main programs identified in Section 1. Section 3 outlines barriers to take-up/opportunities for benefits integration for many of these programs.

As documented below, from the twofold perspective shortfall in take-up and of expenditure size of the program, the largest scope for nudging take-up appears to lie in four programs: Medicaid, SSI, SNAP, and EITC.

	Program	Expenditure (US\$ billion)	Take-up (%)	Main barriers
1	Social Security (Old-age and Survivors)	\$738 bil	>90%	NA
2	Social Security (DI)	\$144 bil	NA	NA
3	Medicare	\$634 bil	>96%	Lack of information; asset test for LIS
4	Medicaid	\$350 bil	89%	Complicated application process including citizenship verification and face-to-face interview process
5	Federal Civilian and Military Retirement	\$161 bil	NA	NA
6	Veterans' Programs including Income Security	\$92 bil	NA GI Bill <50%	NA
7	EITC	\$85 bil	80%	Knowledge, salience of benefits
8	SNAP	\$76 bil	83% (<50% among age 60+)	Recertification, lack of information on eligibility
9	SSI	\$55 bil	~60%	Stigma, crowd out by family transfers

Note: Expenditure data are for 2015. Take-up from 2015, or in some cases 2014

Section 1. US Federal Government Expenditures.

According to the Congressional Budget Office (CBO), US federal government on-budget outlays in 2015 totaled approximately US\$3.7 trillion.¹ Mandatory outlays totaled

¹ Table 1-2. Congressional Budget Office. An Update to the Budget and Economic Outlook: 2016 to 2026. August 2016.

roughly US\$2.6 trillion, and discretionary outlays totaled approximately US\$1.2 trillion (including US\$583 billion in discretionary defense spending).

Four categories of expenditures comprised 73 percent (nearly \$1.9 trillion) of the approximately \$2.6 trillion in mandatory outlays. These were:

- i. “Social Security, Old-Age and Survivors Insurance” (\$738 billion)
- ii. “Social Security, Disability Insurance” (\$144 billion)
- iii. Medicare (\$634 billion)
- iv. Medicaid (\$350 billion).

Three broad sets of categories of expenditures comprised another 18 percent of mandatory outlays.

- i. EITC, SNAP, and SSI (\$85 billion, \$76 billion and \$55 billion respectively; in total, \$216 billion)
- ii. Federal Civilian and Military Retirement (\$161 billion)
- iii. Veterans’ Programs including Income Security (\$92 billion).

In total, these seven categories (or broad categories) of expenditures account for approximately 91 percent of US federal government mandatory outlays in 2015. See Appendix Table 1 for more information on outlays.

Section 2. Shortfalls in Take-Up.

a. Social Security, Old-Age and Survivors Insurance: In 2015, there were 49.16 million beneficiaries of Social Security Old-Age and Survivors Insurance.² Among individuals age 65 years and older, 9 out of 10 received Social Security income in 2016.³ Because some individuals age 65 and older are not eligible for Social Security, the shortfall in take-up among individuals age 65 and older is likely less than 10 percent and may be close to zero percent.⁴

b. Social Security, Disability Insurance: In 2015, there were 10.81 million beneficiaries of Social Security Disability Insurance.⁵ Administrative data on the number of eligible individuals may not be available.

c. Medicare: In 2015, approximately 55.3 million individuals were currently enrolled in Medicare, of whom roughly 46 million were age 65 years or older and 9 million were

² Social Security Administration. 2016.

<https://www.ssa.gov/oact/STATS/OASDIbenies.html>

³ <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

⁴ Data on take-up among eligible survivors may not be available.

⁵ Social Security Administration. 2016.

<https://www.ssa.gov/oact/STATS/OASDIbenies.html>

under age 65.⁶ According to intercensal estimates, there were approximately 47.8 million individuals age 65 years or older in 2015.⁷ Thus, the Medicare take-up shortfall among individuals age 65 and above was less than 4 percent.⁸

d. Medicaid: In 2015, 68.9 million individuals were currently enrolled in Medicaid.⁹ An additional nearly 8.9 million non-elderly individuals (including 3.2 million children) were eligible for Medicaid and not enrolled.¹⁰ Thus, the Medicaid take-up shortfall was approximately 11 percent.

e. EITC^{11,12}: In tax year 2015, 27.5 million individuals received the EITC.¹³ The IRS estimates that 1 out of every 5 individuals who are eligible do not claim the EITC, for a shortfall in EITC take-up of roughly 20 percent.¹⁴

f. SNAP: In 2015, an average of 45.77 million individuals received SNAP.¹⁵ The USDA estimated that in 2014, 83 percent of all individuals eligible for SNAP participated in SNAP, and 42 percent of elderly individuals (i.e. age 60 and above) eligible for SNAP

⁶ THE BOARDS OF TRUSTEES, FEDERAL HOSPITAL INSURANCE AND FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS. 2015. 2016 ANNUAL REPORT OF THE BOARDS OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE AND FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUNDS. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/downloads/tr2016.pdf>

⁷ United States Census Bureau. 2015. Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States, States, Counties, and Puerto Rico Commonwealth and Municipios: April 1, 2010 to July 1, 2015. <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

⁸ Data on the number of eligible individuals under the age of 65 years not available.

⁹ Office of the Actuary Centers for Medicare & Medicaid Services. 2015 Actuarial Report on the Financial Outlook for Medicaid.

¹⁰ Rudowitz, Robin, Samantha Artiga, Anthony Damico, and Rachel Garfield. 2016. A Closer Look at the Remaining Uninsured Population Eligible for Medicaid and CHIP. The Henry J. Kaiser Family Foundation, Issue Brief, February 2016.

¹¹ The IRS has a EITC Awareness Day, and their own awareness outreach programming. <https://www.eitc.irs.gov/Partner-Toolkit/awarenessday>

¹² At least one state, Minnesota, has a nonprofit advocating for eligible individuals who are not claiming the EITC to claim it. “Claim it! is a public awareness campaign created in 2006 to increase utilization of the Earned Income Tax Credit and free tax preparation in Minnesota.” <http://www.youclaimit.org>

¹³ <https://www.eitc.irs.gov/EITC-Central/press>

¹⁴ <https://www.eitc.irs.gov/Partner-Toolkit/awarenessday>

¹⁵ USDA. 2016. Supplemental Nutrition Assistance Program Participation and Costs. <http://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>

participated in SNAP.¹⁶ In the latest year for which data are available (i.e. 2011), 96 percent of children eligible for SNAP participated in SNAP. Thus, the overall shortfall in SNAP take-up is approximately 17 percent and the shortfall in take-up among the elderly is 58 percent.

g. SSI: In 2015, an average of 8.2 million individuals received SSI.¹⁷ Further, 9.1 million individuals received at least one month's SSI benefit. Administrative data on the number of eligible individuals may not be available. Survey data from the Health and Retirement Study (HRS) suggest that less than 60 percent of individuals eligible for SSI receive SSI.¹⁸ Thus, the overall shortfall in SSI take-up is roughly 40 percent.

h. Federal Civilian and Military Retirement: Estimating take-up in shortfall requires further research.

i. Veterans' Programs including Income Security: There are more than 20 veterans programs administered by the Veterans Benefits Administration. In lieu of an existing analysis of VBA program take-up among eligible beneficiaries, we focus on a program, the GI Bill, where take-up likely is low relative to the eligible population.¹⁹ Survey data from the Washington Post/Kaiser Family Foundation indicates that take-up of the GI bill is less than 50 percent among veterans of the Iraq and Afghanistan wars.²⁰

Section 3:

a. Medicare (Medicare LIS): A survey of Medicare beneficiary counselors across the country shows that the most common reasons beneficiaries do not apply for the LIS are that they do not have the information they need; they are not aware that a subsidy

¹⁶ USDA. 2016. Trends in Supplemental Nutrition Assistance Program Participation Rates: Fiscal Year 2010 to Fiscal Year 2014. June, 2016. See Table 2. <http://www.fns.usda.gov/sites/default/files/ops/Trends2010-2014.pdf>

¹⁷ Social Security Administration. 2016. Annual Report of the Supplemental Security Income Program.

¹⁸ McGarry, Kathleen and Robert Schoeni. 2015. Understanding Participation in SSI. Michigan Retirement Center Working Paper WP 2015-319, University of Michigan.

¹⁹ Detailed utilization data are available here: <http://www.va.gov/vetdata/Utilization.asp>

²⁰ Note: "This Washington Post/Kaiser Family Foundation poll was conducted by telephone August 1 – December 15, 2013, among a random national sample of 819 adults who served in Iraq or Afghanistan since September 11, 2001, including users of both conventional and cellular phones. The results from the full survey have a margin of sampling error of plus or minus five percentage points. Sampling, data collection and tabulation by Social Science Research Solutions (SSRS) of Media, Pa. NOTE: Results among Marine Corps members are based on a small sample size with an error margin of 14 percentage points. *= less than 0.5 percent"

https://www.washingtonpost.com/page/2010-2019/WashingtonPost/2015/10/20/National-Politics/Polling/question_13812.xml?uuid=hcm2xHdyEeW14kDWsq0Y3Q

is available, they do not know how to apply for the subsidy, or they think they are ineligible for financial reasons. Medicare beneficiaries are also confused about the two-step process required for low-income beneficiaries to enroll in a Medicare Part D drug plan and apply for the LIS. One source of complexity related to the application process is the resource or asset test. Beneficiaries may not understand what information they must provide, they may have difficulty obtaining the information needed to apply, or they may be wary of sharing detailed information about their finances.²¹

- b. *Medicaid*: A 2011 survey by the Kaiser Family Foundation’s Commission on Medicaid and the Uninsured found that half of the states made it easier to sign up for Medicaid by using clients’ Social Security information to verify citizenship, enhancing online application tools and eliminating a face-to-face interview requirement. Several states also began enrolling children in CHIP based on their eligibility for other government assistance programs such as food stamps.²² An NCSL report also recommended Utah’s policy to overcome enrollment barriers to Medicaid and health insurance on the exchange: enrollment specialists in clinics assist families through each step of the application and enrollment process. An evaluation found that 74 percent of children in families that were provided application assistance were successfully enrolled compared to 26 percent of children at a comparison clinic in which families were provided an application but no direct enrollment assistance.²³
- c. *SNAP*: A qualitative study by the AARP foundation found that the greatest barriers to accessing SNAP for 50-59 year olds were: dissatisfaction with the quality of service received from local SNAP office staff; lack of knowledge; benefit estimates too low to justify the level of effort required to apply; and seasonal variation in income.²⁴ Recertification is also a barrier. A report by the Food Research and Action center indicates that In some jurisdictions, an estimated seven in ten SNAP cases close at recertification for “procedural reasons”—such as for missed appointments or paperwork, rather than because the household is financially ineligible. One initiative to increase enrollment has been to develop partnerships with state level agencies administering unemployment to identify and conduct outreach (letters) to individuals who have exhausted their unemployment benefits. Programs like this have occurred in Massachusetts and Pennsylvania. In MA, SNAP outreach is also integrated with outreach to uninsured individuals, where health insurance enrollment counselors screen patients for SNAP and WIC eligibility in emergency rooms, at patients’

²¹ http://www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2009/May/1266_Summer_increasing_particip_benefit_progs_v3.pdf

²² <http://khn.org/news/states-ease-barriers-to-medicaid-chip-enrollment-survey-says/>

²³ <http://www.ncsl.org/documents/health/MedicaidandMarketplaceOptionsforStates514.pdf>

²⁴ http://www.aarp.org/content/dam/aarp/aarp_foundation/2013-pdfs/SNAP_White_Paper_Mar_2013.pdf

bedsides, in outpatient clinics, on a telephone helpline, and through a community outreach program²⁵

- d. *EITC*: A recent IRS field experiment addressed the incomplete take-up of EITC benefits, specifically assessing the influence of program confusion, informational complexity, and stigma by evaluating response to experimental mailings distributed to 35,050 tax filers who failed to claim \$26 million despite an initial notice. While the mere receipt of the mailing, simplification, and the heightened salience of benefits led to substantial additional claiming, attempts to reduce perceived costs of stigma, application, and audits did not. The study, and accompanying surveys, suggests that low program awareness/understanding and informational complexity contribute to the puzzle of low take-up.²⁶
- e. *SSI*: A study by the Michigan retirement research center focusing on correlates of SSI take-up found that of likely eligibles, calculated benefit for participants (vs non-participants) is nearly \$100 per month higher, and they are more likely to be nonwhite and have less schooling. Among the eligible nonparticipants, the likelihood of receiving a transfer is approximately twice as high as both participants and non-eligibles at 11.1 percent. This is suggestive of family support crowding out public assistance.²⁷ Lack of knowledge does not seem to be a major factor—those receiving social security are more likely to be informed about the program, but this is not correlated with participation. Those enrolled in Medicaid are more likely than other SSI eligibles to be enrolled, (SSI recipients are categorically eligible for Medicaid). There does seem to be strong evidence that enrollment is related to need, as measured both in terms of the magnitude of the expected benefit and other factors that proxy financial well-being. This relationship is consistent with the hypothesis that there is a stigma associated with the receipt of welfare benefits that increases the cost of enrolling.²⁸

²⁵ http://www.frac.org/pdf/making_a_difference.pdf

²⁶ <https://www.cmu.edu/dietrich/sds/docs/bhargava/bhargava-aer-2015.pdf>

²⁷ <http://www.mrrc.isr.umich.edu/publications/papers/pdf/wp319.pdf>

²⁸ <http://www.nber.org/papers/w7574.pdf>

Table 1: US Federal Government Expenditures, 2015 (actual) (billions of dollars)

	<i>Mandatory/Discretionary</i>	<i>Category</i>	Expenditure
1	Mandatory	Social Security, Old-Age and Survivors Insurance	738
2	Mandatory	Social Security, Disability Insurance	144
3	Mandatory	Medicare	634
4	Mandatory	Medicaid	350
5	Mandatory	Health insurance subsidies and related spending	38
6	Mandatory	Children's Health Insurance Program	9
7	Mandatory	Earned income, child and other tax credits	85
8	Mandatory	Supplemental Nutrition Assistance Program	76
9	Mandatory	Supplemental Security Income	55
10	Mandatory	Unemployment compensation	33
11	Mandatory	Family support and foster care	31
12	Mandatory	Child nutrition	22
13	Mandatory	Federal Civilian and Military Retirement, Civilian	97
14	Mandatory	Federal Civilian and Military Retirement, Military	57
15	Mandatory	Federal Civilian and Military Retirement, Other	7
16	Mandatory	Veterans' Programs, Income Security	76
17	Mandatory	Veterans' Programs, Other	16
18	Mandatory	Other Programs, Agriculture	13
19	Mandatory	Other Programs, Deposit Insurance	-13
20	Mandatory	Other Programs, MERHCF	10
21	Mandatory	Other Programs, Fannie Mae and Freddie Mac	0
22	Mandatory	Other Programs, Higher Education	22
23	Mandatory	Other Programs, Other	56
24	Discretionary	Defence, Outlays	583
25	Discretionary	Nondefence, Outlays	585
26	TOTAL	TOTAL	3724

NOTE: Measured in billions of dollars. Expenditures are 2015, actual.

SOURCE: Congressional Budget Office. An Update to the Budget and Economic Outlook: 2016 to 2026. August 2016.