

Social security "chained CPI" proposal threatens economic security

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Behind closed doors in Washington, the budget negotiations continue. And no matter which deal gets made, it appears the outcome will significantly threaten the economic security of America's middle class families and seniors.

As always in Washington, the devil is in the details.

One proposal buried in the fine print of the drafts circulating around Capitol Hill involves shifting how inflation is measured, an approach that would result in Social Security and Supplemental Security Income (SSI) cuts for today's beneficiaries and future generations.

Describing it as a mere technical fix, some Washington policy makers, including the Senate's Gang of Six, have proposed using something called a "chained CPI" – as opposed to the current Consumer Price Index (CPI) – to calculate annual benefit adjustments. Unlike the traditional CPI, the chained CPI purports to reflect how consumers alter spending in response to changes in prices.

This proposal is anything but a small technical fix. The chained CPI would jeopardize the already fragile economic status of many of the most vulnerable seniors and others dependent on Social Security and SSI as a primary, albeit, inadequate source of income. Adoption of the chained CPI would diminish the core income security benefits promised to every American.

One in three seniors relies on Social Security as 90% or more of their income. Average Social Security income for older women amounts to a little over \$12,000 for women and slightly under \$16,000 for older men. Small benefits cuts that compound over time will increase economic vulnerability and financial hardship among aging and disabled Americans and most of all for women.

For today's Social Security recipient who begins receiving benefits at 65, use of the chained CPI would result in a \$560 annual benefit cut by age 75. Cuts would disproportionately harm older women who tend to live longer and on lower incomes. For an older woman living on \$1,100 a month, the median Social Security benefit, the chained CPI would reduce her benefits by an estimated \$672 per year by the time she reaches age 80, \$1,044 by age 90 and \$1,212 by age 95.

The Gang of Six endorsement of the chained CPI is one of the first of many budget proposals to name SSI as a target. Adoption of the chained CPI, regardless of when it is phased in, would cut the already woefully inadequate benefits for those Americans unable to work due to disability, blindness or old age or with very low incomes. By definition, anyone eligible for SSI is already living under the federal poverty line – \$10,890 per year for an individual in 2011. SSI offers a Federal Benefit Rate of \$674 per

month to provide a basic income floor for our nation's most vulnerable, and in most states, this is the only income benefit provided to those on SSI. Because the chained CPI would be applied to a standardized benefit rate, these cuts would affect populations who rely heavily on SSI benefits.

WOW's Elder Economic Security Standard Index, a measure of the true cost of living in retirement, indicates that a typical older renter requires \$20,326 to meet basic needs. Average Social Security benefits for an older woman provide only 62 percent of what's needed to be economically secure. And for those older adults who need SSI, the Federal Benefit Rate of \$674 covers only 39 percent of basic living costs. For older Americans, persons with disabilities and their families, these income shortfalls suggest that even modest benefit cuts will have dire consequences.

Proponents of the chained CPI claim that it more accurately reflects Americans' spending patterns, but that's simply not true. Both the chained CPI and currently used CPI fail to reflect what it costs for elders and persons with disabilities to make ends meet. Neither takes into account the significant cost – on average nearly 30 percent - of health care and prescription drugs for seniors. The truth is, moving to a chained CPI is yet another effort to put the burden of fixing the economic crisis on seniors and America's most vulnerable residents, a moral outrage at a time when tax cuts and loopholes are being protected for the richest people in our country.

As the decision on the budget deal nears, it is imperative that the Obama Administration and Congress protect older and middle class Americans by rejecting a move to the chained CPI. A dialogue on how to make the Social Security system solvent is necessary, but it must occur separately from deficit reduction talks and reflect the true costs of making ends meet for Americans of all ages and abilities.

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