

**REQUEST FOR BOARD ACTION**

**HENDERSON COUNTY  
BOARD OF COMMISSIONERS**

**MEETING DATE:** September 19, 2012  
**SUBJECT:** Social Services' Informational Update  
**PRESENTER:** Lee Luebbe, DSS Board Chair  
**ATTACHMENTS:** Yes

**SUMMARY OF REQUEST:**

The DSS Board is providing monthly three-minute informational updates to the Board of Commissioners regarding various Social Services issues. The September 2012 update, provided by DSS Board Chair Lee Luebbe, pertains to safety net programs.

**BOARD ACTION REQUESTED:**

No Board action requested. This item is for information only.

**Suggested Motion:**

*No motion suggested.*

## Safety Net Spending and American Work Ethic

Safety net benefits are distributed through many programs, ranging from the giants like Social Security, Medicare and Medicaid to the \$40 coupons issued to people with old televisions so they can buy digital converter boxes. Safety net benefits make up one-fifth of American's income and, according to the US Census, half (49.5%) of Americans live in a household receiving benefits. In 2000, federal and state governments spent \$.37 on benefits for every dollar collected; in 2010, \$.66 of every dollar was spent. The problem is familiar to most: revenues don't cover the spending. In 2012, The Heritage Foundation released a report stating spending on the three giants...Social Security, Medicare and Medicaid...is projected to double as a share of the US economy.

People are expected to work and make their own way. Many Americans assume safety net benefit programs undermine work and go to Americans who prefer to depend on benefits rather than work. This assumption contrasts sharply with the facts. Analysis of the federal budget and census data for 2010, according to a 2012 Center on Budget and Policy report, found that 90% of the benefit dollars go to people who are elderly, seriously disabled, children or members of working households...not to able-bodied working individuals who choose not to work. Safety net programs in this report included Social Security, Medicare, Medicaid, Unemployment Insurance, Food Stamps, SSI (Social Security disability), Temporary Assistance for Needy Families (TANF/Work First welfare program), school lunch program, Children's Health Insurance Program (CHIP), Earned Income Tax Credit, and the refundable part of child tax credit.

Social Security and Medicare include pay roll deductions from American workers anticipating future benefits for themselves. Retired workers benefiting from Medicare pay a premium. Beneficiaries receive no assistance unless they have paid into the program for a period of time. Social Security and Medicare are entitlement programs from the 1930's and 1960's respectively. Entitlement means everyone who meets program qualifications has a legal right to receive the benefit. Entitlement spending is open-ended rather than a capped amount.

Spending on Medicare will account for a larger share of the projected increase in the spending over the next decade than any other spending except interest payments on the federal debt. Medicare spending is increasing because workers' wages pay only \$1 for every \$3 spent. Medicare premiums do not cover costs. Medicare cost increases have a lot to do with the increase in retirees and increased costs of health care. The Office of Management and Budget lists Medicare as the second highest benefit program at \$519 billion; Social Security is number one at \$689 billion.

Social Security and Medicare are popular benefit programs to middle class Americans. Both are programs American workers feel they have mutually paid for with government and their benefits are earned. Both are social insurance trust funds for the elderly. Ronald Reagan wrote in his 1992 diary "the press is trying to paint me as trying to undo the New Deal. I'm trying to undo the Great Society." What did Reagan mean? Even though Medicare started in the 1960's, it is like Social Security which started in the 1930's in that benefits in retirement are based on prior work and for all income levels, unlike Great Society programs serving only the low income.

Great Society programs are often means-tested with benefits limited to eligible low income Americans. Most means-tested programs are federal block grants to states, meaning spending is capped and Americans do not have a guaranteed legal right to benefits. Well known means-tested benefits are Medicaid, Food Stamps (SNAP), and Temporary Assistance for Needy Families (TANF). The Heritage Foundation refers to means-tested programs as "cradle to grave" providing medical care, food and nutrition, housing, social services job training, community development funds and education aid assistance to low income Americans and communities.

Medicaid and Food Stamps are federal entitlement programs like Social Security and Medicare; Americans have a legal right to the benefits and funding is open-ended. But unlike Social Security and Medicare, Medicaid and Food Stamps are means-tested Great Society programs. According to The Heritage Foundation, half of all means-tested program costs are service payments to Medicare. The Office of Management and Budget lists Medicaid spending at \$382 billion and Food Stamp spending at \$65 billion.

Many Americans view the means-tested programs as handouts to Americans who prefer not to work. This assumption contrasts sharply with the facts. The 2012 Center on Budget and Policy report found 83% of means-tested benefit dollars go to Americans who are elderly, seriously disabled, children or members of working households...not to able-bodied working individuals who choose not to work. The Heritage Foundation, in testimony to Congress in April 2012, stated only 8% of means-tested program spending goes to able-bodied, non-elderly without children. In Henderson County, only 5% of the able-bodied benefit from Food Stamps and that's a 170% increase since 2009.

Another issue is how to view benefit payments that the government makes on behalf of a beneficiary, like Medicaid payments to doctors or Food Stamp payments to grocery stores. The Congressional Budget Office and most economists count such payments as income for the beneficiaries because it reflects the value of the service received. But dollars spent go to doctors and grocery stores. This method, counting the service benefits as income of a beneficiary, creates the misleading impression that an American is getting cash when in fact the person is getting services for sickness and hunger.

The impact of Great Society means-tested welfare benefits on work, particularly Temporary Assistance for Needy Families (TANF), has always been a contentious issue. The Great Society is viewed as creating dependence.

Since 1995, Federal Welfare Reform, called Work First in North Carolina, requires states to have work requirements and time-limited benefits. At any given moment, 50% of beneficiaries must be working or involved in work activities. Sanctions are imposed on states and beneficiaries if work requirements are not met. Sanctions motivate states to maintain work requirements and motivate beneficiaries to work. Temporary Assistance for Needy Families (TANF) is a federal block grant with states receiving a capped amount of money. Beneficiaries are not entitled to receive benefits. States are granted the authority to design and run the program as long as the basic 50% work requirement and time limit is met. The Office of Management and Budget lists TANF spending at \$11 billion.

From 1998 to 2012, the number of Henderson County families benefitting from the Work First (TANF) Program decreased 80% from 1250 to 250 a month; Work First program costs decreased from \$208,000 to \$53,000 per month. Compare this to the 90% increase in Henderson County residents benefitting from Medicaid...from 7,775 in 1998 to 14,800 in 2012 with a projected monthly payment to the medical community of \$8.2 million in FY 12-13. That's \$98 million annually!

All government safety net programs need critical scrutiny and there is plenty of room for meaningful debate, policy changes and cost reduction. But spending for giants such as Social Security, Medicare and Medicaid has little to do with non-working able-bodied Americans and a lot to do with increased healthcare cost for the elderly and disabled and the increasing number of retirees.