

# Calculating Break-Even Points

February 2011

## What is the Break-Even Point (BEP)?

The break-even point or BEP is the point at which an SSI recipient's countable income causes the SSI cash benefit to be reduced to zero. Basically, the break even point is reached when the countable income equals or exceeds the SSI individual's or couple's applicable Federal Benefit Rate (FBR). The break-even point is not the same for every SSI recipient, but rather varies depending upon the individual's or couple's living arrangement, which determines the FBR, and countable income. The break-even point may be affected by each of the following specific factors alone, or in combination:

1. Amount of in-kind support and maintenance (ISM) received and whether ISM is valued under the VTR or PMV rule
2. Amount of unearned income received
3. Amount of earned income received other than wages
4. Eligible couple status or spouse-to-spouse deeming
5. Living arrangement – specifically when an individual resides in a Medicaid funded facility
6. Use of specific work incentives such as IRWE, BWE and/or PASS

For CWICs, the BEP generally refers to something more specific than the total amount of countable income a recipient can have before the SSI check is reduced to zero. Many SSI recipients who come to WIPA projects for counseling want to know how much they can **earn** before they lose their SSI check. The question these individuals pose relates only to the addition of earned income to whatever income circumstances already may be affecting the SSI check. It is important for CWICs to be able to make individual estimates of how much a person can generate in wages before the SSI payment stops.

The BEP is important because it generally indicates the transition from 1619(a) status to 1619(b) status in which SSI cash payments cease, but Medicaid eligibility may continue (assuming the individual meets ALL of the 1619b eligibility criteria). Knowing when this transition occurs and planning for the loss of SSI cash payments is important for making sure that extended Medicaid coverage is provided without interruption. This transition can be particularly challenging in states where SSA does NOT determine Medicaid eligibility.

Calculating BEP is also important for beneficiaries receiving extended Medicaid through the Pickle Amendment or as former SSI recipients who lost SSI due to entitlement to CDB or DWB. For more information about these special Medicaid beneficiaries, see Unit 1, Module 4 of the CWIC Initial Training Manual, entitled "Understanding Medicaid". Medicaid benefits for these

special protected classes of former SSI recipients are only provided up to the point at which countable income reaches the SSI Break-Even Point or BEP.

## How to Calculate Break-Even Points in Different Situations

### Example 1 - SSI eligible individual receiving the full FBR with no ISM or other unearned income

For SSI recipients who have no in-kind support and maintenance (ISM) or unearned income and are not using any of the work incentives, the BEP point is determined by reversing the basic SSI income calculation formula. Thus, instead of subtracting \$20, \$65, and dividing wages by two, you instead take the Federal Benefit Rate (FBR), multiply it by two, and add the \$20 and \$ 65 exclusions.

Natalie receives \$674 each month in SSI. She lives alone and pays for all of her own food and shelter. Natalie is concerned about her cash benefits and Medicaid if she were to start working. She comes to your office and asks how much she can earn before she loses her SSI. She has no unearned income and no work incentives have been identified.

To determine her break-even point you would apply the following calculations:

1.) Take the Individual FBR (\$674 in 2011) and multiply it by 2	\$1,348.00
2.) Add \$65.00	\$1413.00
3.) Add \$20.00	\$1,433.00

\$1,433.00 is Natalie's Break-Even Point or BEP. This is how much Natalie's gross earnings can be before her SSI will be reduced to zero.

### Example 2 - Calculating BEP for an Eligible Couple

Denise and Gary are an SSI eligible couple. Both receive SSI cash payments and Medicaid. They live independently and have no unearned income. Gary wants to get a job and he asks you how much he can earn before he loses his SSI. He also wants to know what will happen to Denise's SSI benefits. To determine the break-even point for an eligible couple, apply the following calculations:

1. Take the Couple FBR (\$1011 in 2011) and multiply it by 2	\$2,022.00
2. Add \$65.00	\$2,087.00
3. Add \$20.00	\$2,107.00

\$2,107 is the Break-Even Point or BEP for this couple. This is how much Denise and Gary's combined gross earned income can be before the SSI will be reduced to zero.

**REMEMBER:** Eligible couple situations can be complex. If Gary reaches the break-even point due to his earned income, and he meets all other requirements, he should qualify for continued

Medicaid under 1619(b). However, under current laws and regulations, if Denise failed to contribute any earned income when Gary’s earnings caused the couple to hit their break-even point, she will lose her SSI cash benefits and Medicaid. Denise would NOT be eligible for 1619(b) extended Medicaid because she is not working. If Denise has earned income when the couple reaches the break-even point, she will also be eligible to enter 1619(b). For more information on eligible couples, refer to Unit 5, Module 3, of the CWIC Initial Training Manual entitled “Understanding SSI”.

**Example 3 - Calculating the BEP when an individual receives unearned income**

Randy receives \$450.00 SSDI and \$244.00 SSI cash benefits. He lives independently and wants to get a job. He understands how work will impact his SSDI but is still unclear when he will lose his SSI cash benefit. To determine the break-even point when there is unearned income such as SSDI, use the following calculations: (assuming the 2011 FBR rate of \$674.)

- |    |   |                    |          |
|----|---|--------------------|----------|
| 1. | Unearned Income minus \$20 (GIE)                            | $\$450 - \$20$     | \$430.00 |
| 2. | Take the Individual FBR minus the countable unearned income | $(\$674 - \$430)$  | \$244.00 |
| 3. | Take the original SSI payment times 2                       | $(\$244 \times 2)$ | \$488.00 |
| 4. | Add \$65.00   |                    | \$553.00 |

Randy’s break-even point (BEP) is \$553.00. This is the amount of his unearned income (the SSDI payment) and earned income that will cause the SSI check to be reduced to zero. You can check your work by plugging the figures into the SSI calculation sheet. If the adjust SSI check comes out to be zero, you did it correctly!

**Example 4 - Calculating the BEP when an individual receives full in-kind support and maintenance (ISM) under the VTR rule**

Deanna receives SSI cash benefits and Medicaid. She lives with her Mother and does not contribute anything to her pro-rata share of the household living expenses. SSA has determined that Deanna receives FULL in-kind support and maintenance (ISM). Under the VTR rule, Deanna’s monthly SSI cash payment is reduced by one third of the FBR. Deanna wants to get a job and she asks you how much she can earn before she loses her SSI. She has no unearned income. To determine the break-even point for Deanna, use the following calculations

- |    |                  |  |          |
|----|------------------|--|----------|
| 1. | Take the VTR FBR | $(\$449.34 \text{ for } 2011) \text{ and multiply it by } 2$ | \$898.68 |
| 2. | Add \$65.00      |  | \$963.68 |
| 3. | Add \$20.00      |  | \$983.68 |

\$983.68 is Deanna’s break-even point.

**Example 5 - Calculating the BEP when an individual receives in-kind support and maintenance under the PMV rule**

Jade is eligible for and receives SSI cash benefits and Medicaid. She lives with her Mother. Jade is able to contribute toward her pro-rata share, but is unable to pay her fair share of the household expenses. SSA has determined her ISM to be \$150 per month under the PMV rule. SSA considers this amount as unearned income when calculating her continued eligibility for an SSI cash payment. Jade’s SSI check will be reduced by the unearned income of \$150 minus the \$20 GIE, for an adjusted SSI payment of \$544. Jade wants to get a job and she asks you how much she can earn before she loses her SSI. She has no other unearned income. To determine the break-even point for ISM valued under the PMV rule, use the following calculations:

1.	Unearned Income minus \$20 (GIE) (\$150 - \$20)	\$130.00
2.	Take the Individual FBR minus the Countable Unearned Income (\$674 - \$130)	\$544.00
3.	Take the original SSI payment times 2 (\$544 x 2)	\$1,088.00
4.	Add \$65.00	\$1,153.00

\$1,153.00 is Jade’s break-even point.

**Example 6 – Calculating BEP when an individual has Impairment Related Work Expenses (IRWEs)**

If the individual uses IRWE, add an amount equivalent to the amount of the IRWE to the BEP figures above. Let’s revisit Natalie – Natalie has secured employment and has identified \$150.00/month in IRWEs. To re-determine her break-even point:

1.	Take the Individual FBR (\$674 in 2011) and multiply it by 2	\$1,348.00
2.	Add \$65.00	\$1,413.00
3.	Add \$20.00	\$1,433.00
4.	Add the monthly IRWE expense (\$150.00)	\$1,583.00

\$1,583.00 is Natalie’s revised BEP. You will notice that her BEP has gone up by using the IRWE. This makes sense because the IRWE actually decreases the amount of countable earned income which SSA counts against Natalie’s SSI. In turn, this increases the amount of earned income Natalie can have before her SSI check is reduced to zero.

**Example 7 – Calculating BEP for an individual with Blind Work Expenses (BWEs) or a Plan for Achieving Self Support (PASS)**

If the individual uses Blind Work Expense (BWE) or PASS, add twice the amount of the allowable deduction to the result of whichever BEP calculation you used above. Using Natalie as an example again, let’s say that Natalie has secured employment and has identified \$300.00/month in BWEs. To determine her break-even point, use the following formula:

1.	Take the Individual FBR (\$674 in 2011) and multiply it by 2	\$1,348.00
2.	Add \$65.00	\$1,413.00

- |    |  |            |
|----|--|------------|
| 3. | Add \$20.00  | \$1,433.00 |
| 4. | Take the BWE, multiply it by 2 (\$300 x 2=\$600) and add | \$2,033.00 |

\$2,033 is Natalie's revised BEP – the point where her SSI check will be reduced to zero. Because the BWE is deducted in the SSI calculation sheet AFTER we divide by two, we reverse that in determining the BEP by multiplying the BWE by two.

If Natalie has secured employment and was setting aside \$600.00/month in PASS expenses instead of using BWEs, you would calculate her BEP in the same manner:

- |    |   |            |
|----|---|------------|
| 1. | Take the Individual FBR (\$674 in 2011) and multiply it by 2                        | \$1,348.00 |
| 2. | Add \$65.00   | \$1,413.00 |
| 3. | Add \$20.00   | \$1,433.00 |
| 4. | Take the monthly PASS contribution,<br>Multiply it by 2 (\$600 x 2=\$1,200) and add | \$2,633.00 |

Natalie's revised BEP is \$2,633.00 – the point where her SSI check will go to zero now that she is contributing \$600 each month to an approved PASS. Just like in the example using BWEs, we multiply the PASS contribution by two when determining the BEP since this deduction comes after we divide by two in the SSI calculation sheet. You can double check your work by plugging these figures into the SSI calculation sheet. If your adjusted SSI payment is zero, you know you calculated the BEP correctly.

### Example 8 – Calculating BEP for an individual who resides in a Medicaid facility

Keep in mind that the SSI payment may be reduced to \$30 per month for individuals who reside in certain Medicaid facilities. For eligible couples in which both members reside in a Medicaid facility, the payment is \$60 per month, with each member of the couple receiving \$30. For more information about how the \$30 federal payment limit is applied, see POMS SI 00520.011. For someone receiving the \$30 federal payment limit, the BEP is calculated in the following manner:

- |    |  |       |
|----|--|-------|
| 1. | Take the \$30 federal payment limit and multiply it by 2 | \$ 60 |
| 2. | Add \$65.00  | \$125 |
| 3. | Add \$20.00  | \$145 |

If otherwise eligible, a recipient who is subject to the \$30 payment cap and whose countable income precludes any SSI payment may be eligible for section 1619(b) extended Medicaid if his/her countable **unearned** income is less than the full FBR (POMS SI 02302.030 – Section 1619b Process and Procedures).

## **Conclusion – Using the BEP as a Benefits Counseling Tool**

While estimating a recipients' BEP is a useful tool, CWICs need to keep in mind that only SSA personnel are authorized to determine the actual BEP. WIPA projects must always work in concert with the local SSA field office on these matters. Furthermore, the BEP is not a “one-size fits all” provision, but will vary depending on the unique circumstances of the recipient at that specific point in time. It is important for CWICs to caution their clients that BEP estimates may change over time.

The most important point to stress with SSI recipients is that hitting the break-even point does not typically result in any adverse consequences. As long as the individual continues to be eligible for Medicaid under the 1619(b) provisions, hitting the break-even point really is not something most SSI recipients should even be concerned about.

CWICs do need to be aware that hitting the break-even point will generally cause the loss of Medicaid for Special Medicaid beneficiaries such as Pickle people and former SSI recipients who lost SSI due to establishing eligibility for or getting an increase in CDB or DWB payments. For these individuals, the BEP can be of critical importance! In these cases, the individual's BEP should be calculated and thoroughly explained.

Finally, there is one more situation in which calculating the BEP can be of critical importance. Adult SSI recipients who live with minor children (under the age of 18) who also receive SSI are exempt from parent-to-child deeming. This means that none of the income the parent receives is counted against the SSI eligible children in determining their eligibility for SSI or the monthly payment amount. This continues until the SSI eligible parent has sufficient countable income to hit the break-even point. If and when the income of the parent causes the loss of his/her SSI cash payment, parent-to-child deeming will begin. CWICs will need to help SSI eligible parents with SSI eligible children understand this issue and will need to calculate the BEP for such individuals.

## **Conducting Independent Research**

SI 00820.001 -- Earned Income  
SI 00820.500 -- Earned Income Exclusions – General  
SI 00820.530 -- Work Expense Exclusions - General  
SI 02005.090 -- SSA-4968 - SSI RMA Payment Worksheet

## **Acknowledgements**

Contributing Authors and Editors: Terri Uttermohlen and Lucy Miller

The development of this paper was funded by the Social Security Administration under Contract Number: SS00-07-60050, Training and Technical Assistance for the Work Incentive Planning and Assistance (WIPA) Program.