



Inflation-Indexing Elements in Federal Entitlement Programs

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Summary

In recent months, various proposals have been discussed in the context of ways to reduce federal budget deficits. One of the proposals, for example, is the use of a different measure of consumer price change to index various provisions of federal programs, including cost-of-living adjustments (COLAs). For example, under current law, the Social Security COLA is based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Under the proposal, the Social Security COLA would be based instead on the Chained Consumer Price Index for All Urban Consumers (Chained CPI-U or C-CPI-U). Because the goal of the Chained CPI-U is to better reflect how consumers change their buying habits in response to changes in prices, supporters of the proposal argue that it is a more accurate measure for computing COLAs and making other automatic program adjustments. Because the Chained CPI-U typically has risen more slowly than either the CPI-W or the “regular” CPI-U, however, opponents view the proposal as a backdoor way of reducing benefits. Some observers point out that the Chained CPI-U is published as a preliminary value that is subject to revision over a period of more than two years, and that it may not accurately reflect the cost of living for certain groups, such as the elderly population.

The current discussion of a potential change in the way the Social Security COLA is computed raises questions about indexing in other federal entitlement programs. The purpose of this report is to identify key indexing elements in major federal entitlement programs under current law and present the information in a summary table. As shown here, indexing affects more than benefit levels paid to individuals through COLAs. Indexing also affects, for example, federal payments to providers and eligibility criteria for some programs. In addition, the report provides a brief description of the measures of consumer price change used to index various elements of these programs under current law, as well as the alternative measure of consumer price change (the Chained CPI-U) that has been proposed for computing Social Security COLAs and making inflation adjustments to other federal programs.

This report does not evaluate the best measure of consumer price change for making automatic inflation adjustments in federal entitlement programs. In addition, broader issues, such as the technical aspects of different measures of consumer price change, potential implications of using an alternative measure of price change to index various elements of major federal entitlement programs, and the indexing of other items (for example, the federal poverty threshold and parameters of the tax code) are beyond the scope of this report.

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Introduction

Recent deficit reduction commissions, including the National Commission on Fiscal Responsibility and Reform, have recommended using an alternative measure of consumer price change to make inflation adjustments to federal programs government-wide.¹ The proposal would change, for example, the way the Social Security cost-of-living adjustment (COLA) is computed, as well as COLAs under other federal programs. Rather than using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to compute the Social Security COLA, the proposal calls for the Social Security COLA to be based on the Chained Consumer Price Index for All Urban Consumers (Chained CPI-U or C-CPI-U).²

In general, the goal of the Chained CPI-U is to more accurately reflect how consumers change their buying habits in response to changes in prices. The Chained CPI-U typically has risen more slowly than either the CPI-W or the “regular” CPI-U. Supporters of the proposal argue that the CPI-W overstates inflation and, therefore, overestimates how much money is needed for Social Security beneficiaries to maintain their standard of living. Opponents of the proposal, however, view using the Chained CPI-U to adjust Social Security benefits for inflation as a backdoor way of reducing benefits. They maintain that the market basket of goods and services purchased by the elderly is different from that of the general population around which the CPI is constructed. It is more heavily weighted with healthcare expenditures, which rise notably faster than the overall CPI, and thus they contend that the cost of living for the elderly is higher than reflected by the overall CPI. For this reason, some policymakers support using the experimental Consumer Price Index for the Elderly (CPI-E) to compute the Social Security COLA.³

The current discussion of a potential change in the way the Social Security COLA is computed has raised questions about indexing provisions in other federal entitlement programs. The purpose of this report is to identify key indexing provisions in major federal entitlement programs under current law and present the information in a summary table (see **Table 1**). The programs included in the table are based on the major mandatory spending programs/categories shown in *The Budget and Economic Outlook: An Update*, published by the Congressional Budget Office (CBO) in August 2011, with some modifications.⁴ For example, the Congressional Research Service (CRS) identified specific *programs* within CBO *categories* (such as “child nutrition”) and included additional programs, such as Railroad Retirement which is closely coordinated with the Social Security program. Although there are other federal entitlement programs with indexing provisions, the programs included in the table represent a majority of federal mandatory spending. **Table 1** is not intended to address or fully explain all of the indexing provisions within the laws and regulations governing these programs. Rather, it is an overview and a general guide.

¹ For example, see *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 1, 2010, available at http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

² The Consumer Price Index (CPI) and its various series are measures of consumer price change published by the U.S. Department of Labor, Bureau of Labor Statistics (BLS). For more information on the CPI, see the BLS website at <http://www.bls.gov/cpi/>.

³ For information on the projected effects of using the C-CPI-U and the CPI-E to compute the Social Security COLA, see Social Security Administration, Office of the Chief Actuary, Memo to the Honorable Xavier Becerra, June 21, 2011, available at <http://ssa.gov/OACT/solvency/index.html>.

⁴ Specifically, see Table 1-4, CBO’s Baseline Projections of Mandatory Spending, on pages 18-19. The CBO report is available at <http://www.cbo.gov/ftpdocs/123xx/doc12316/08-24-BudgetEconUpdate.pdf>.

The report also provides a description of the measures of consumer price change used to index various elements of these programs under current law and the measure of consumer price change that has been proposed for making inflation adjustments to a range of federal entitlement programs (the Chained CPI-U). It is not intended to evaluate the best measure of consumer price change for inflation adjustments within a particular program or programs. Similarly, broader issues, such as the technical aspects of different measures of consumer price change and the indexing of other items (for example, the federal poverty threshold and parameters of the tax code), are beyond the scope of this report.⁵

Current and Proposed Measures of Consumer Price Change

The U.S. Bureau of Labor Statistics (BLS) publishes the CPI-W and the CPI-U whose month-to-month fluctuations reflect changes in the prices faced by consumers. More specifically, the change in the indexes is the average change in the retail price of a market basket composed of more than 80,000 items purchased by consumers at outlets (e.g., grocery stores and gasoline stations) in 87 urban areas across the nation. Changes in the prices of items in each area are averaged together using weights that reflect the items' importance in the spending of the CPI-W population⁶ and the CPI-U population.⁷ The national CPI-W and CPI-U are calculated by combining the local area data for all items in the market basket to obtain a U.S. city average. The rates of change in consumer prices as measured by the national CPI-W for all items and national CPI-U for all items have differed only slightly over time.⁸

In addition to their use in calculating constant-dollar estimates of other economic indicators (e.g., earnings), the national CPI-W and CPI-U as well as indexes for specific goods and services (e.g., medical care) are used for inflation indexing by the federal government. The percentage change in the national CPI-W (all items) is the basis for determining the annual COLA of Social Security benefits and the national CPI-U (all items) is the basis for determining certain features of the Earned Income Tax Credit, for example.⁹ In addition, the percentage change in the CPI-U for specific groups of items is used to inflation-adjust various features of other federal programs. For example, per-meal subsidies paid to schools under child nutrition programs are tied to changes in the CPI-U "food away from home" index (which is a combination of indexes for full-service

⁵ For related information, see Center for Retirement Research at Boston College, *Implications of a "Chained" CPI*, by Alicia H. Munnell and William M. Hisey, September 2011, available at http://crr.bc.edu/images/stories/Briefs/IB_11-12_508.pdf.

⁶ The CPI-W population is composed of households for whom at least one-half of household income comes from wage earners in clerical, craft, and sales among other occupations with at least one worker employed for 37 or more weeks. It covers about 32% of the U.S. population. The CPI-W series began in 1921.

⁷ In 1978, BLS initiated the CPI-U in order to cover more of the U.S. population. Households in the CPI-U, which covers about 87% of the population, include the CPI-W population plus households of salaried workers (e.g., professionals and managers), part-time workers, the self-employed, the unemployed, and households with no one in the labor force (e.g., retirees).

⁸ For additional information, see CRS Report RL30074, *The Consumer Price Index: A Brief Overview* and U.S. Bureau of Labor Statistics, *Handbook of Methods*, Chapter 17. The Consumer Price Index, Washington, DC, June 2007, <http://www.bls.gov/opub/hom/pdf/homch17.pdf>.

⁹ In addition, different inflation *measurement periods* are used by various programs.

meals and snacks, limited-service meals and snacks, food at employee sites and schools, food from vending machines and mobile vendors, and other food away from home).

As part of its ongoing efforts to develop an index that more accurately measures changes in the cost of living, BLS developed the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). The population of the C-CPI-U and CPI-U are the same. The prices used to calculate the C-CPI-U, CPI-U, and CPI-W are the same. However, the formula for calculating the C-CPI-U better accounts for the ability of consumers to maintain their standard of living in the face of an increase in prices overall by changing their spending pattern toward items whose prices have increased more slowly and away from items whose prices have increased more quickly.¹⁰

Although the C-CPI-U was first published in 2002, the modified measure has not replaced the CPI-U or CPI-W and no federal program has used the C-CPI-U to date. Some members of the public policy community interested in curtailing growth of the U.S. budget deficit have proposed switching inflation-indexed federal programs and income tax provisions to the C-CPI-U, however. Because the C-CPI-U typically has risen more slowly than either the CPI-W and CPI-U, changing the basis for indexation could substantially lower outlays and raise revenues. But, the proposal to switch from the CPI-W to the C-CPI-U has prompted concern in some quarters about the ability of Social Security beneficiaries to maintain their standard of living. Some have suggested instead changing to the experimental index for those at least 62 years old (CPI-E)¹¹ in the arguable belief that it better reflects the elderly population's experience with inflation (i.e., this population's above-average spending on health care services whose prices have increased faster than overall prices).¹²

Policy Considerations

As shown in **Table 1**, inflation adjustments affect many features of federal entitlement programs. The most recognized effect of inflation adjustments is on benefit levels. For example, monthly cash benefits, such as Social Security and Supplemental Security Income benefits, increase when a COLA is paid. Other types of benefits are indexed as well. Non-cash benefits provided under the Supplemental Nutrition Assistance Program (SNAP),¹³ for example, are indexed to reflect food-price inflation. Coverage amounts under Medicare's standard outpatient prescription drug benefit (Part D) are adjusted for inflation.

Inflation adjustments also affect entitlement programs in ways that are less well known, from federal payments to providers to program eligibility requirements. For example, when a Social Security COLA is paid, the amount of wages subject to the Social Security payroll tax increases.¹⁴

¹⁰ For additional information on the C-CPI-U and the current policy debate, see CRS Report RL32293, *The Chained Consumer Price Index: What Is It and Would It Be Appropriate for Cost-of-Living Adjustments?*

¹¹ The 1987 amendments to the Older Americans Act of 1965 (P.L. 100-175) directed BLS to develop a consumer price index for the elderly members of the population.

¹² Congressional Budget Office, *Using a Different Measure of Inflation for Indexing Federal Programs and the Tax Code*, Economic and Budget Issue Brief, February 24, 2010; and CRS Report RS20060, *A Separate Consumer Price Index for the Elderly?*

¹³ SNAP was formerly known as the Food Stamp Program.

¹⁴ When a Social Security COLA is paid, the Social Security taxable wage base is increased based on average wage growth.

Indexing affects the number of Medicare beneficiaries subject to higher income-related Part B and Part D premiums, as well as the amount of Medicare payments to providers. In another example, indexing affects cost-sharing amounts paid by Medicaid beneficiaries for prescribed drugs and for non-emergency services provided in an emergency room. Per-meal subsidies paid to schools, for example, under the National School Lunch program are indexed. Finally, indexing affects eligibility criteria for some programs, including Medicaid and the child tax credit.

Generally, switching to the C-CPI-U to compute COLAs and index other elements of federal entitlement programs is considered as a cost-saving measure in an effort to reduce federal budget deficits. For example, CBO estimates that switching to the C-CPI-U to compute Social Security COLAs would reduce federal outlays by about \$27 billion over five years (2012-2016) and by \$112 billion over 10 years (2012-2021).¹⁵

If applied on a government-wide basis, however, switching to the C-CPI-U could increase program costs in some cases. Under Medicare, for example, cost-sharing amounts for outpatient drugs paid by low-income beneficiaries who receive subsidies under Part D are indexed annually to the CPI-U under current law. Because the Chained CPI-U grows more slowly than the CPI-U when consumer prices increase, indexing cost-sharing amounts to the Chained CPI-U would result in an increase in federal Medicare spending.

Similarly, consider the refundable portion of the child tax credit (referred to as the additional child tax credit or ACTC). Taxpayers must have earnings that exceed the refundability threshold to claim the ACTC. The lower the threshold, the greater the number of low-income taxpayers who become eligible for the refundable child tax credit. Indexing the refundability threshold to a lower inflation index would expand the availability of the refundable child tax credit.

A further consideration with respect to switching to a chain weighted CPI on a government-wide basis is that BLS has developed a chain weighted CPI for the CPI-U series only. BLS has not, for example, developed a chain weighted CPI for the CPI-W series, which is used to determine Social Security COLAs and COLAs under other federal programs. As such, some proposals call for using the Chained CPI-U in place of both the CPI-U and the CPI-W where those indexes are used for inflation adjustments under current law. It could be argued that it would be more consistent with current law to apply the chained CPI concept to the CPI-W series and use that index (rather than the Chained CPI-U) to compute Social Security COLAs and COLAs under other federal programs that use the CPI-W. Switching to a new measure of consumer price change (such as the Chained CPI-U) to index various provisions within complex federal programs would require careful consideration with respect to implementation to avoid inconsistencies within and across federal programs.

As CBO points out, another consideration with switching to the Chained CPI-U to compute COLAs and index other provisions of federal entitlement programs is that BLS publishes the index initially as a preliminary value and then revises it over a period of more than two years. As a result, federal programs would be indexed to a preliminary estimate of the Chained CPI-U that

¹⁵ Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, March 2011, pp. 58-59, available at <http://www.cbo.gov/ftpdocs/120xx/doc12085/03-10-ReducingTheDeficit.pdf>.

is subject to estimation error. CBO further points out that the Chained CPI-U “may understate growth in the cost of living for some groups, such as older people.”¹⁶

¹⁶ Congressional Budget Office, *Using a Different Measure of Inflation for Indexing Federal Programs and the Tax Code*, Economic and Budget Issue Brief, February 24, 2010, page 1, available at http://www.cbo.gov/ftpdocs/112xx/doc11256/CPI_brief.pdf.

Table I. Key Inflation-Indexing Elements in Major Federal Entitlement Programs

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)	
Social Security^a (Program Contacts: Dawn Nuschler, 7-6283, dnuschler@crs.loc.gov / Alison Shelton, 7-9558, ashelton@crs.loc.gov)			
Are Benefits Indexed?	<p>Social Security benefits are indexed using an annual cost-of-living adjustment (COLA) based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).</p>	<p>The CPI-W, which is published by the U.S. Department of Labor’s Bureau of Labor Statistics, is based on retail market prices for more than 80,000 items collected in 87 urban areas across the United States.</p> <p>It is based on the purchasing patterns of individuals in the population who earn more than half of their income from clerical or wage occupations and were employed at least 37 weeks in the previous year. The CPI-W population represents about 32% of the total non-institutional population.</p> <p>Before 1978, the CPI-W was the only CPI published.^b</p> <p>Information on the CPI-W is available at http://www.bls.gov/cpi/.</p>	<p>In 1972, Congress enacted legislation providing for automatic cost-of-living increases, beginning in January 1975 (P.L. 92-336).^c</p> <p>Before the 1972 law, benefits were increased by Congress on an ad-hoc basis.</p> <p>The legislative history indicates that some policymakers supported automatic increases to avoid the substantial time lags between benefit increases that had occurred in the past.</p> <p>Others believed that automatic increases tied to the increase in consumer prices would alleviate the persistent political pressure to increase benefits. Moreover, they believed that linking benefit increases to the change in consumer prices would result in smaller benefit increases compared to what Congress would enact on an ad-hoc basis.^d</p>
Other Major Indexing Provisions	<p>The Social Security COLA triggers other changes in the Social Security program. For years in which a COLA is payable (i.e., there is an increase in the CPI-W over the measuring period), the Social Security taxable wage base and the exempt amounts under the Social Security retirement earnings test (RET) are adjusted according to the Average Wage Index (AWI).</p>	<p>The national average wage indexing series is determined by the Social Security Administration.</p> <p>The AWI reflects the average amount of total wages for each year after 1950, including wages in non-covered employment and wages in covered employment in excess of the Social Security taxable wage base. (A detailed definition of the AWI can be found in Title 20,</p>	

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
<p>In addition, the substantial gainful activity (SGA) amount for blind disabled beneficiaries, which is tied to the RET, is adjusted according to the AWI.</p> <p>Although not triggered by the Social Security COLA, the SGA amount for non-blind disabled beneficiaries is adjusted according to the AWI.</p> <p>With respect to the computation of initial monthly benefits, elements of the benefit formula (the bend points) and workers' earnings histories (through age 60) are adjusted according to the AWI.</p> <p>(Note: The income thresholds that determine whether a beneficiary must pay federal income taxes on part of his/her Social Security benefits are <i>not</i> indexed.)</p>	<p>Chapter III, section 404.211(c) of the Code of Federal Regulations.)^e</p>	
<p>Medicare (Program Contact: James Hahn, 7-4914, jhahn@crs.loc.gov)</p>		
<p>Are Benefits Indexed?</p>	<p>Some Medicare benefits are indexed annually to the Consumer Price Index for All Urban Consumers (CPI-U), such as the initial and catastrophic coverage amounts under the standard outpatient prescription drug benefit (Part D).</p>	<p>The CPI-U, which is published by the U.S. Department of Labor's Bureau of Labor Statistics, is based on retail market prices for more than 80,000 items collected in 87 urban areas across the United States.</p> <p>It is based on the purchasing patterns of all urban consumers and covers about 87% of the population.</p> <p>Beginning in 1978, the CPI-U was introduced so that a broader share of the population would be included in estimates of changes in the price level (as compared with the CPI-W).^f</p> <p>Information on the CPI-U and its various components is available at http://www.bls.gov/cpi/.</p>

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Are Premiums Paid by Beneficiaries Indexed?	Generally, income thresholds used for the definition of high-income thresholds for higher Part B and Part D premiums are indexed annually based on the CPI-U . However, between 2010 and 2019, the thresholds are fixed; indexing is scheduled to resume in 2020.	
Are Cost-Sharing Amounts Paid by Beneficiaries Indexed?	Cost-sharing amounts for outpatient drugs paid by low-income beneficiaries receiving subsidies under Part D are also indexed annually to the CPI-U .	
Other Major Indexing Provisions	Provider payment amounts are also indexed. For detailed information, see CRS Report RL30526, <i>Medicare Payment Policies, Medicare Payment Policies</i> .	

Medicaid

(Program Contacts: Elicia Herz, 7-1377, eherz@crs.loc.gov / Evelyne Baumrucker, 7-8913, ebaumrucker@crs.loc.gov)

Are Eligibility Criteria Indexed?	Indexing using the CPI-U applies to eligibility for long-term care services for persons with home equity interest below \$500K (up to \$750K at state option). At state option, indexing using the CPI-U applies to eligibility for families that meet the financial requirements of former states' AFDC cash assistance programs.	See description of CPI-U under Medicare.
Are Cost-Sharing Amounts Paid by Beneficiaries Indexed?	Indexing using the CPI-U, Medical Care Component , applies to traditional cost-sharing maximums, as well as selected components of alternative cost-sharing established under the Deficit Reduction Act (DRA) of 2005; the applicable DRA components include cost-sharing for prescribed drugs and for non-emergency services provided in an emergency room.	The Medical Care Component of the CPI-U covers the part of healthcare commodities, services, and health insurance premiums that consumers pay for "out of pocket." Source: <i>BLS Handbook of Methods</i> , Chapter 17, The Consumer Price Index, page 26, at http://www.bls.gov/opub/hom/pdf/homch17.pdf .

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Other Major Indexing Provisions	States are required to make “disproportional share hospital” (DSH) adjustments to the payment rates of hospitals treating large numbers of low-income and Medicaid beneficiaries. State-specific federal allotments are available for such payments. Beginning in FY2003 through FY2013, indexing using the CPI-U must apply to the federal DSH allotments.	See description of CPI-U under Medicare.
<p>Supplemental Security Income (SSI) (Program Contact: Umar Moulta-Ali, 7-9557, umoultaali@crs.loc.gov)</p>		
Are Benefits Indexed?	<p>The Social Security COLA, which is based on the CPI-W, triggers an increase in SSI benefits.</p> <p>SSI benefits are increased by the same percentage as the Social Security COLA.</p>	See description of CPI-W under Social Security.
Other Major Indexing Provisions	<p>The Social Security COLA, which is based on the CPI-W, triggers an increase in the earned income exclusion for students who receive SSI benefits.</p> <p>The amount of the exclusion is increased by the same percentage as the Social Security COLA.</p> <p>(The countable resource limits for SSI eligibility (\$2,000 for an individual and \$3,000 for a couple) are <u>not</u> indexed and have been at the current levels since 1989.)</p>	See description of CPI-W under Social Security.

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Earned Income Tax Credit (Program Contact: Christine Scott, 7-7366, cscott@crs.loc.gov)		
Are Benefits Indexed?	Certain parameters used to calculate the credit are indexed to the CPI-U : maximum income level; phase-out income level (unmarried and married); and disqualifying investment income level.	See description of CPI-U under Medicare.
Other Major Indexing Provisions	Not applicable. However, many other tax provisions that are indexed use the CPI-U.	
Child Tax Credit (Refundable Portion) (Program Contact: Margot Crandall-Hollick, 7-7582, mcrandallhollick@crs.loc.gov)		
Are Benefits Indexed?	The \$1,000 per child value of the credit is NOT indexed to inflation, although the parameter that is indexed, the refundability threshold, can have an impact on the final value of the credit for certain low-income taxpayers.	
Other Major Indexing Provisions	From 2001-2007, the refundability threshold used to calculate the refundable portion of the child tax credit (sometimes referred to as the additional child tax credit or the ACTC) was indexed to the CPI-U . From 2008-2012, the threshold was not indexed for inflation. After 2012, if only the EGTRRA modifications to the child tax credit are extended, the refundability threshold will again be indexed to inflation. The inflation adjustment for a given tax year is calculated as the amount by which the CPI-U for the preceding year exceeds the CPI-U in 2000. The inflation adjusted refundability threshold is then rounded to the nearest multiple of \$50.	See description of CPI-U under Medicare.

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Unemployment Compensation (Program Contacts: Julie Whittaker, 7-2587, jwhittaker@crs.loc.gov / Katelin Isaacs, 7-7355, kisaacs@crs.loc.gov)		
Are Benefits Indexed?	Unemployment compensation is indexed in 33 states, as well as the District of Columbia, Puerto Rico and the Virgin Islands, based on the Average Weekly Wage in covered employment.	Benefits are indexed to Average Weekly Wages in the state, for employees who are covered by the unemployment insurance program. The Average Weekly Wage (AWW) is determined by calculation set by each state's law.
Other Major Indexing Provisions	<p>Sixteen states and the Virgin Islands index the tax base of state taxes collected under the authority of the State Unemployment Tax Acts (SUTA).</p> <p>Most of these states automatically adjust the tax base according to the state Average Annual Wage. A few states index to the Average Weekly Wage.</p> <p>(Note: Federal taxes collected under the authority of the Federal Unemployment Tax Act (FUTA) are <i>not</i> indexed.)</p>	<p>In most states that index the taxable wage base, the tax base is indexed to the Average Annual Wage (AAW) in the state. State law determines the methodology and exact period of time to be used to calculate each state's AAW. The AAW is computed variously in the states as the sum of wages over preceding calendar year, the sum of wages for 12 months ending March 31, the sum of wages for 12 months ending June 30, or the sum of wages of the previous 12 months ending 6 months before effective date.</p> <p>The intent is for the tax base to increase taxes in line with wage growth in the state and growth in the average weekly benefit amount.</p>
Supplemental Nutrition Assistance Program (SNAP, Formerly the Food Stamp Program) (Program Contact: Randy Aussenberg, 7-8641, raussenberg@crs.loc.gov)		
Are Benefits Indexed?	<p>SNAP benefits are indexed to reflect food-price inflation.</p> <p>Normally, SNAP benefits are indexed annually to the cost of the Thrifty Food Plan, which is a market basket of food determined to be minimally adequate to a household's needs.</p> <p>However, under the American Recovery and Reinvestment Act (ARRA; P.L. 111-5), SNAP allotments have been increased temporarily to 113.6% of the June 2008 Thrifty Food Plan amounts. This increase expires on November 1, 2013, as P.L. 111-226 and P.L. 111-296 amended this ARRA provision.</p>	<p>Figures for the cost of U.S. Department of Agriculture food plans are calculated and published by the Agriculture Department's Center on Nutrition Policy and Promotion.</p>

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Other Major Indexing Provisions	<p>Income eligibility standards are tied to changes in the federal poverty income guidelines, which are indexed annually based on the CPI-U. The federal poverty income guidelines are issued by the U.S. Department of Health and Human Services.</p> <p>Limits on liquid assets that eligible households may hold are indexed annually based on the CPI-U.</p> <p>Other aspects of this program are indexed, but indexing is not at the individual benefit level for those aspects. Rather, those examples affect the magnitude of funding at a nationwide or state level.</p>	See description of CPI-U under Medicare.
Child Nutrition Programs (Including School Meal Programs, Assistance for Child Care and Other Outside-of-School Programs) (Program Contact: Randy Aussenberg, 7-8641, raussenberg@crs.loc.gov)		
Are Benefits Indexed?	<p>Per-meal subsidies paid to providers (e.g., schools and child care centers) are indexed annually based on the CPI-U, Food Away from Home Component. For family child care homes, the annual indexing is based on the CPI-U, Food at Home Component.</p>	<p>The Food Away from Home Component of the CPI-U covers the following categories: full service meals and snacks; limited service meals and snacks; food at employee sites and schools; food from vending machines and mobile vendors; and other food away from home.</p> <p>Source: <i>BLS Handbook of Methods</i>, Chapter 17, The Consumer Price Index, Appendix 2, page 3, available at http://www.bls.gov/opub/hom/pdf/homch17.pdf.</p> <p>(For a detailed listing of items included in the Food at Home Component of the CPI-U, see Appendix 2, pages 1-3, of the BLS document.)</p>

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Other Major Indexing Provisions	<p>Income eligibility standards for free and reduced-price meals to lower-income children are tied to changes in the federal poverty income guidelines, which are indexed annually based on the CPI-U. The federal poverty income guidelines are issued by the U.S. Department of Health and Human Services.</p> <p>Other aspects of these programs are indexed, but indexing is not at the individual benefit level for those aspects. Rather, those examples affect the magnitude of funding at a nationwide or state level.</p>	See description of CPI-U under Medicare.
<p>Civil Service Retirement System (CSRS)^g (Program Contact: Katelin Isaacs, 7-7355, kisaacs@crs.loc.gov)</p>		
Are Benefits Indexed?	<p>Benefits are indexed using an annual COLA based on the CPI-W. The program uses the same measuring period and formula for computing the COLA as the Social Security program.</p> <p>All CSRS retirees and survivors receive COLAs.</p>	See description of CPI-W under Social Security.
Other Major Indexing Provisions	Not applicable.	
<p>Federal Employees Retirement System (FERS)^h (Program Contact: Katelin Isaacs, 7-7355, kisaacs@crs.loc.gov)</p>		
Are Benefits Indexed?	<p>Benefits are indexed using an annual COLA based on the CPI-W. All COLAs paid under FERS are limited if the rate of inflation exceeds 2.0%.</p> <p>Nondisabled retirees under age 62 do not receive COLAs.</p> <p>Survivors and disabled retirees are eligible for COLAs regardless of age.</p>	See description of CPI-W under Social Security.
Other Major Indexing Provisions	Not applicable.	

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)
Military Retirement (Program Contact: Charles Henning, 7-8866, chenning@crs.loc.gov)		
Are Benefits Indexed?	Benefits are indexed using an annual COLA based on the CPI-W . The program uses the same measuring period and formula for computing the COLA as the Social Security program.	See description of CPI-W under Social Security.
Other Major Indexing Provisions	Not applicable.	
Veterans Disability Compensation (Program Contact: Christine Scott, 7-7366, cscott@crs.loc.gov)		
Are Benefits Indexed?	Benefits are not indexed automatically. Legislation is passed each year providing a COLA equal to the Social Security COLA, which is based on the CPI-W . By law, any increase for 1998-2013 is limited to the Social Security COLA.	See description of CPI-W under Social Security.
Other Major Indexing Provisions	Not applicable.	
Veterans Pensions (Program Contact: Christine Scott, 7-7366, cscott@crs.loc.gov)		
Are Benefits Indexed?	The Social Security COLA, which is based on the CPI-W , triggers an increase in veterans pension benefits. Benefits are increased by the same percentage as the Social Security COLA.	See description of CPI-W under Social Security.
Other Major Indexing Provisions	Not applicable.	

Application of Index	Brief Description of Index	Rationale for Using a Particular Index (If Known)	
Dependency and Indemnity Compensation (Program Contact: Christine Scott, 7-7366, cscott@crs.loc.gov)			
Are Benefits Indexed?	Benefits are not indexed automatically. Legislation is passed each year providing a COLA equal to the Social Security COLA, which is based on the CPI-W . By law, any increase for 1998-2013 is limited to the Social Security COLA.	See description of CPI-W under Social Security.	
Other Major Indexing Provisions	Not applicable.		
Railroad Retirement Board (RRB) (Program Contact: Alison Shelton, 7-9558, ashelton@crs.loc.gov)			
Are Benefits Indexed?	The Social Security COLA, which is based on the CPI-W , triggers an increase in RRB benefits. Tier I benefits (which are equivalent to Social Security benefits) are increased by the same percentage as the Social Security COLA. Tier II benefits (which are equivalent to private pensions) are increased by 32.5% of the Social Security COLA.	See description of CPI-W under Social Security.	RRB and Social Security benefits are closely coordinated.
Other Major Indexing Provisions	With respect to the computation of initial monthly tier I benefits, elements of the benefit formula (the bend points) and workers' earnings histories (through age 60) are adjusted according to the Average Wage Index (AWI) .	See description of AWI under Social Security.	

Source: Table prepared by the Congressional Research Service. The table is not intended to address or fully explain all of the indexing elements within the laws and regulations governing these programs. Rather, it is an overview and a general guide.

Notes: The Temporary Assistance for Needy Families (TANF) block grant is not included in the table. The TANF block grant does not provide entitlements to individuals. The block grant is an entitlement to the states, but is legislatively fixed and not adjusted. TANF does have contingency funds, that increase grants to states if certain conditions are met. (Program Contact: Gene Falk, 7-7344, gfalk@crs.loc.gov) In addition, Foster Care, Adoption Assistance and Kinship Guardianship Assistance (Title IV-E of the Social Security Act) are not included in the table. Neither monthly benefits nor program eligibility are indexed. States have complete discretion to determine benefit levels. Federal rules govern program eligibility and they are mostly static. (Program Contact: Emilie Stoltzfus, 7-2324, estoltzfus@crs.loc.gov)

- a. For more information, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*.

- b. CRS Report RL30074, *The Consumer Price Index: A Brief Overview*.
- c. Under P.L. 92- 336, benefits were increased automatically each January if the cost of living increased 3% or more over the measuring period. Under current law, benefits are increased automatically if there is an increase of at least 0.1% in the CPI-W over the measuring period. If there is a less than 0.1% change in the CPI-W, benefits stay the same. For information on the Social Security COLA computation under current law, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*.
- d. *Indexation of Federal Programs*, Senate Budget Committee, 97th Congress, 1st Session, May 1981, pp. 143-146.
- e. *The 2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, p. 208.
- f. CRS Report RL30074, *The Consumer Price Index: A Brief Overview*.
- g. For more information, see CRS Report 94-834, *Cost-of-Living Adjustments for Federal Civil Service Annuities*.
- h. *Ibid*.

For Additional Reading

For more information on the programs referenced in the table, see the following CRS reports.

Social Security: CRS Report RL33544, *Social Security Reform: Current Issues and Legislation*, by Dawn Nuschler

Medicare: CRS Report R40425, *Medicare Primer*, coordinated by Patricia A. Davis and Paulette C. Morgan

Medicaid: CRS Report RL33202, *Medicaid: A Primer*, by Elicia J. Herz

Supplemental Security Income: CRS Report 94-486, *Supplemental Security Income (SSI)*, by Umar Moulta-Ali

Earned Income Tax Credit: CRS Report RL31768, *The Earned Income Tax Credit (EITC): An Overview*, by Christine Scott

Child Tax Credit: CRS Report R41873, *The Child Tax Credit: Current Law and Legislative History*, by Margot L. Crandall-Hollick

Unemployment Compensation: CRS Report RL33362, *Unemployment Insurance: Programs and Benefits*, by Katelin P. Isaacs and Julie M. Whittaker

Civil Service Retirement System / Federal Employees Retirement System: CRS Report 98-810, *Federal Employees' Retirement System: Benefits and Financing*, by Katelin P. Isaacs

Military Retirement: CRS Report RL34751, *Military Retirement: Background and Recent Developments*, by Charles A. Henning

Veterans Disability Compensation: CRS Report RL34626, *Veterans' Benefits: Benefits Available for Disabled Veterans*, by Christine Scott and Carol D. Davis

Veterans Pensions: CRS Report RS22804, *Veterans' Benefits: Pension Benefit Programs*, by Christine Scott and Carol D. Davis

Dependency and Indemnity Compensation: CRS Report R40757, *Veterans' Benefits: Dependency and Indemnity Compensation (DIC) for Survivors*, by Christine Scott

Railroad Retirement Board: CRS Report RS22350, *Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits*, by Alison M. Shelton

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