



# Calculating Break-Even Points

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## **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 varies depending upon the individual's or couple's applicable FBR and countable income. The break-even point may be affected by each of the following specific factors alone or in combination:

1. Living arrangement – specifically when an individual resides in a Medicaid funded facility;
2. Amount of in-kind support and maintenance (ISM) received and whether ISM is valued under the Value of the One-Third Reduction (VTR) or Presumed Maximum Value (PMV) rule;
3. Amount of unearned income received;
4. Amount of earned income received;
5. Eligible couple status or spouse-to-spouse deeming; and
6. Use of specific work incentives such as SEIE, 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 receive before Social Security reduces the SSI check to zero. Many SSI recipients who come to WIPA projects for counseling want to know how much they can **earn** before the SSI check stops. The question these individuals pose relates only to the addition of earned income to whatever income already may be affecting the SSI cash benefit. It's 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 regular 1611 or 1619(a) status to 1619(b) status in which SSI cash payments cease, but Medicaid eligibility continues - assuming the individual meets ALL of the 1619(b) eligibility criteria. Knowing when this transition occurs is important for making sure that extended Medicaid coverage continues

without interruption. This transition can be particularly challenging in states where Social Security doesn't determine Medicaid eligibility.

Calculating the BEP is also important for beneficiaries receiving extended Medicaid through one of the special Medicaid categories (Pickle Amendment or as former SSI recipients who lost SSI due to entitlement to, or increases in, CDB or DWB). For more information about [special Medicaid beneficiaries](#), see the resource document on this topic posted on the VCU NTDC website (<https://vcu-ntdc.org/resources/viewContent.cfm?contentID=136>).

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

### **Example 1: SSI eligible individual receiving the full FBR with no In-Kind Support and Maintenance (ISM) or other unearned income**

For SSI recipients who have no ISM or unearned income and who are not using any of the work incentives, the BEP is determined by simply reversing the basic SSI income calculation formula. Thus, instead of subtracting \$20, \$65, and dividing wages by two, you take the current FBR, multiply it by two, and add the \$20 and \$65 exclusions.

Let's say that Natalie receives the full FBR of \$794 each month in SSI in 2021. 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 has no unearned income and doesn't anticipate using any work incentives. She wants to know how much she can earn before her SSI cash payments would stop. To determine her BEP you would apply the following calculations:

1. Take the Individual FBR (\$794 in 2020) and multiply it by 2 \$1,588
2. Add \$65           \$1,653
3. Add \$20           \$1,673

Natalie's BEP in this example would be \$1,673. This is how much Natalie's monthly gross earnings can be before Social Security will reduce her SSI to zero. You can check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

### **Example 2: Calculating BEP for an Eligible Couple**

Denise and Gary are members of 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 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 BEP for an eligible couple, apply the following calculations:

1. Take the Couple FBR (\$1,191 in 2020) and multiply it by 2    \$2,382
2. Add \$65                    \$2,447
3. Add \$20                    \$2,467

The BEP for this couple would be \$2,467. This is how much Denise and Gary’s combined monthly gross earned income can be before Social Security reduces the SSI to zero. You can check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

**REMEMBER:** Eligible couple situations can be complex. If Gary reaches the BEP 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 BEP 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 BEP, she will also be eligible for 1619(b) extended Medicaid coverage. For more information on [eligible couples](https://vcu-ntdc.org/resources/viewContent.cfm?contentID=21), refer the resource document posted on the VCU NTDC website (<https://vcu-ntdc.org/resources/viewContent.cfm?contentID=21>).

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

Randy is a concurrent beneficiary who receives \$520 of SSDI and \$294 of SSI cash benefits each month in 2021. He has no other form of income. He lives independently and wants to get a job. Randy understands how work will impact his SSDI but is still unclear when he will lose his SSI cash benefit. To determine the BEP point when there is unearned income such as SSDI, use the following calculations: (assuming the 2021 FBR rate of \$794)

1. Unearned Income (SSDI of \$520) minus \$20 (GIE)    \$500
2. Take the individual FBR minus the countable unearned income (\$794 - \$500)    \$294
3. Take the original SSI payment times 2 (\$294 x 2)    \$588
4. Add \$65                    \$653

Randy’s BEP is \$653. This is the amount of earned income that (in combination with his SSDI payments) will cause Social Security to reduce the SSI check to zero. You can check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

#### **Example 4: Calculating the BEP when an individual receives full ISM under the Value of the One-Third Reduction (VTR) rule**

Deanna receives SSI cash benefits and Medicaid. She lives with her mother and doesn't contribute anything to her pro-rata share of the household living expenses. Social Security has determined that Deanna receives ISM valued under the VTR rule. Under the VTR rule, Social Security reduces Deanna's base SSI rate by a full one-third of the current FBR which would result in a base rate of \$529 in 2021 (two-thirds of \$794). 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 BEP for Deanna, use the following calculations:

1. Take the VTR FBR (\$529 for 2021) and multiply it by 2      \$1,058
2. Add \$65      \$1,123
3. Add \$20      \$1,143

In this example, Deanna's BEP would be \$1,143. You can check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

#### **Example 5: Calculating the BEP when an individual receives ISM valued under the Presumed Maximum Value (PMV) rule**

Jade receives SSI cash benefits and Medicaid. She lives with her mother and she is able to contribute some toward her pro-rata share, but is unable to pay her full fair share of the household expenses. Social Security has determined her ISM to be \$150 per month under the PMV rule. Social Security considers this amount as unearned income when calculating Jade's SSI cash payment. Social Security will reduce Jade's SSI check by the unearned income of \$150 minus the \$20 GIE (\$130), for an adjusted SSI payment of \$664 in 2021. 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 BEP for ISM valued under the PMV rule, use the following calculations:

1. Unearned Income minus \$20 (GIE) (\$150 - \$20)      \$130
2. Take the individual FBR minus the Countable  
Unearned Income (\$794 - \$130)      \$664
3. Take the original SSI payment times 2 (\$664 x 2)      \$1,328
4. Add \$65.00      \$1,393

\$1,393 of gross monthly earned income is Jade's BEP. You can check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

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

If the beneficiary has approved IRWEs, add an amount equivalent to the amount of the IRWE to the BEP figures above. Let's revisit Natalie's case. She has gotten a job and has identified \$150/month in IRWEs. To re-determine her break-even point perform the following steps:

1. Take the Individual FBR (\$794 in 2020) and multiply it by 2 \$1,588
2. Add \$65 \$1,653
3. Add \$20 \$1,673
4. Add the monthly IRWE expense (\$150) \$1,823

\$1,823 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 earned income which Social Security counts against Natalie's SSI. In turn, this increases the amount of earned income Natalie can have before Social Security reduces her SSI check to zero. Don't forget to check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

### **Example 7: Calculating the BEP for an individual with Blind Work Expenses (BWEs) or a Plan to Achieve Self Support (PASS)**

If the individual uses BWEs 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 she has gotten a job and has identified \$300/month in BWEs. To determine her BEP, use the following formula:

1. Take the Individual FBR (\$794 in 2020) and multiply it by 2 \$1,588
2. Add \$65 \$1,653
3. Add \$20 \$1,673
4. Take the BWE, multiply it by 2 (\$300 x 2=\$600) and add to above \$2,273

\$2,273 is Natalie's revised BEP – the point at which 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. Again, be sure to check your work by plugging the figures back into the SSI calculation sheet. If the adjusted SSI check comes out to be zero, you did it correctly.

### **Example 8: Calculating the BEP for an individual who resides in a Medicaid facility**

Keep in mind that Social Security may reduce the SSI payment 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](https://secure.ssa.gov/poms.nsf/lnx/0500520011), see POMS SI 00520.011 found online (<https://secure.ssa.gov/poms.nsf/lnx/0500520011>). For someone receiving the \$30 federal payment limit, we calculate the BEP in the following manner:

1. Take the \$30 federal payment limit and multiply it by 2      \$60
2. Add \$65                      \$125
3. Add \$20                      \$145

The BEP for an individual subject to the \$30 monthly payment would be \$145 of gross wages per month. If otherwise eligible, an SSI 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 1619(b) Process and Procedures).

## **Conclusion – Using the BEP as a Work Incentives Counseling Tool**

While estimating a recipients' BEP is a useful tool, CWICs need to keep in mind that only Social Security personnel are authorized to determine the actual BEP. WIPA personnel must always work in concert with the local Social Security 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 individual at that specific point in time. It's important for CWICs to caution their clients that BEP estimates may change over time.

Keep in mind that there is one 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 Social Security counts none of the income the parent receives 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.

Finally, CWICs should not stress the break-even point too strenuously with SSI recipients. The vast majority of SSI recipients who lose SSI cash payments due to earned income will retain Medicaid eligibility through the 1619(b) protections and suffer no ill effects from having the SSI check cease. **CWICs should always point out how much more disposable income individuals can generate from work in the SSI program. SSI recipients always come out ahead financially by working!**

## **Conducting Independent Research**

POMS SI 00820.001 -- Earned Income

POMS SI 00820.500 -- Earned Income Exclusions – General

POMS SI 00820.530 -- Work Expense Exclusions - General

*This document produced at U.S. taxpayer expense.*