



SOCIAL SECURITY

Office of Retirement and Disability Policy

DEC 9 2013

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your July 17, 2013 letter requesting additional information to complete the record for the hearing on work incentives in our disability programs. Enclosed you will find the answers to your questions and Representative Schock's questions.

I hope this information is helpful. If I may be of further assistance, please do not hesitate to contact me, or your staff may contact Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

David Weaver
Associate Commissioner
for Program Development and Research

Enclosures (2)

**Questions for the Record
For the June 19, 2013 Hearing
On Return to Work**

Questions from Chairman Sam Johnson

- 1. The President's Fiscal Year (FY) 2013 budget included a proposal to simplify the work rules to help beneficiaries return to work, known as the Work Incentives Simplification Pilot (WISP). However, the President's FY 2014 budget did not include WISP but included a request for broader authority to test broader interventions. Does the Administration still support WISP?**

In addition to providing new authority to test early interventions, the President's FY 2014 budget proposes a reauthorization of existing disability insurance (DI) demonstration authority. Reauthorization would allow us to continue to test ways to boost employment and support return to work for current DI and Supplemental Security Income (SSI) beneficiaries, including exploring work incentive simplifications.

- 2. On page of four of your testimony, you state that under the Vocational Rehabilitation (VR) Cost Reimbursement Program, in FY 2012, the Social Security Administration (SSA) made over 5,300 payments to VR agencies totaling almost \$79 million based on the work activity of over 4,400 beneficiaries. On average, what percentage of beneficiaries who have received these services leave the rolls and for how long? Would you consider this program a success?**

We recently reviewed data on the 3,420 disability beneficiaries who initially assigned their Tickets in 2006, and for whom we made a subsequent payment to a State VR agency under the traditional cost-reimbursement payment method. We found that over a 6-year period, 78 percent of these beneficiaries did not receive cash benefits because of work for at least 1 month, and 32 percent were not receiving benefits at the end of the period.

Because the VR cost reimbursement program is a nationally available and voluntary program, it is difficult to assess the program's success in terms of its net effect on earnings or its cost effectiveness. Researchers have tried different methods to answer these questions using comparison groups drawn from individuals who are similar to participants, such as applicants who withdraw from VR before receiving services. These studies generally find positive returns to VR investment for client earnings (see, for example, *Dean, et al 2001*¹), but because there are likely to be relevant differences between those in the comparison group and those getting VR services, none of these methods has provided definitive answers (see *Bloom et al, 2002*² for a review of the results from comparison group impact methods as compared to experimental methods). A recent examination focusing on VR impacts for people

¹ Dean, D., Dolan, R., Schmidt, R., Wehman, P., Kregel J., and Revell, G. (2001). *A Paradigm for Evaluation of the Federal-State Vocational Rehabilitation Program*. Richmond, Virginia: Rehabilitation Research and Training Center for Workplace Supports, Virginia Commonwealth University.

² Bloom, Howard S., Charles Michalopoulos, Carolyn J. Hill, Ying Lei (2002). *Can Nonexperimental Comparison Group Methods Match the Findings from a Random Assignment Evaluation of Mandatory Welfare-to-Work Programs?* MDRC Working Papers on Research Methodology.

with mental illness (see [Dean, et al, 2013](#)³) found smaller, but positive, returns to VR investment for client earnings, but also found that VR increased the likelihood of receiving benefits.

- 3. Under current law, individuals working above the substantial gainful activity threshold are no longer be eligible for benefits after 12 months once the Trial Work Period is completed and the grace period ends. Have you examined the impacts of providing cost reimbursement to VR after individuals leave the rolls instead of before?**

No. We would need to establish a demonstration project to test the effect of the new VR payment structure on beneficiaries who leave the rolls due to earnings. We currently lack the statutory authority to test this change. As you know, the President’s FY 2014 budget proposes a reauthorization of existing DI demonstration authority.

- 4. On page three of your testimony is a flowchart entitled “The Complexity of Returning to Work” illustrating the maze of work incentives a beneficiary trying to work must navigate. You noted in your testimony that the budget does not track the cost of these work incentives. Why is that? Do beneficiaries typically use just one work incentive or are several used in combination, and what percentage of eligible beneficiaries actually use these incentives? Further, how much has been spent on the Ticket to Work (Ticket) program to date, and how many beneficiaries have left the rolls as a result? What is the savings of the Ticket program?**

We have numerous work incentives, or employment supports, to assist beneficiaries in their efforts to become self-sufficient through work. Because our work incentives are interrelated and we consider all of our work incentives together when we make decisions about work activity in the DI program, we cannot track the cost of each work incentive separately.

Since our work incentives are interrelated, the majority of beneficiaries who use work incentives will use more than one. For example, all DI beneficiaries who work at a level that ultimately results in suspension or termination of benefits will first complete the Trial Work Period and then enter the Extended Period of Eligibility, a period during which beneficiaries may receive payment for any month they do not perform substantial gainful activity. We know that work is often episodic for our beneficiaries, and many will need different work incentives at different times with different employers. Our beneficiaries have a wide range of impairments and represent diverse age groups, levels of education, work experience, and capacities for potentially returning to work. Therefore, our work incentives are a total package that provides multiple levels of support to beneficiaries attempting to achieve greater economic independence.

Several of our evaluation reports have included information on awareness and use of SSA work incentives. Table 30 from the report “2006 National Beneficiary Survey: Methodology and Descriptive Statistics,”

http://socialsecurity.gov/disabilityresearch/documents/TTW5_4_NBSstats2.pdf, shows

³ Dean, D., Pepper, J., Schmidt, R., and Stern, S. (2013). *The Effects of Vocational Rehabilitation for People with Mental Illness*. Working paper.

awareness and self-reported use of work incentives based on data from the 2006 National Beneficiary Survey (NBS). Exhibit 18 from the report “SSI and DI Beneficiaries with Work-Related Goals and Expectations,”

http://socialsecurity.gov/disabilityresearch/documents/TTW5_5_WOB.pdf, shows use of work incentives based on administrative data from the 2007 Ticket Research File, which tracks beneficiary demographics, work activity, and earnings. This table illustrates how use based on our administrative data differs from reported use from the survey data shown in Table 30. Finally, Table III.24 from the report “2010 National Beneficiary Survey: Methodology and Descriptive Statistics,”

<http://socialsecurity.gov/disabilityresearch/documents/NBS%20stats%20methods%20508.pdf>, provides updated figures on awareness of work incentives based on data from the 2010 NBS. We have not updated the self-reported use of work incentives figures based on the 2010 NBS data.

I have also enclosed two tables (see Enclosure 2), which provide more information on the numbers of beneficiaries who currently use work incentives. The first table comes from unpublished agency data and shows those who completed the Trial Work Period, entered the Extended Period of Eligibility and had their benefits suspended and finally terminated, and had subsidies or impairment related work expenses considered as part of the work determination. The second table is from our SSI annual statistical report, http://www.socialsecurity.gov/policy/docs/statcomps/ssi_asr/2012/ssi_asr12.pdf, and shows 2012 use of certain work incentives by SSI recipients.

Regarding the cost and savings of the Ticket program, the answers to these questions are more complex than a simple accounting of operational costs. The most current comprehensive estimate we can provide is for 2009 from Mathematica Policy Research, Inc.’s (Mathematica) evaluation report “Can the Ticket to Work Program Be Self-Financing?,” <http://www.socialsecurity.gov/disabilityresearch/documents/TTW%20Financing%20508.pdf>. In FY 2009, Mathematica determined our operational costs and payments to employment networks were approximately \$46 million.

We do not receive a specific appropriation for the Ticket program; we fund the program from our regular budget. As a result, our accounting system does not track operational costs for the Ticket program. Moreover, estimating operational costs requires interviewing agency employees who implement the program, collecting agency administrative information, and making assumptions about the magnitude of Ticket program activities relative to all our activities related to beneficiary work efforts. Ticket program costs have increased since 2009 due to changes to the structure of our Program Manager contracts. Much of the increases are temporary, so it is currently unclear whether these changes will imply long-term annual costs for the Ticket program that are above the 2009 estimates.

To determine the effect of the program, we must consider the costs in relation to what would have occurred in the absence of the program. A recent evaluation by Mathematica, which focused on the period before 2008, concluded that the Ticket program produced no measurable effects on work activity or reductions in benefit payments due to work. Without measurable effects, we cannot state that there were savings from the Ticket program through 2007.

We do not think it will be possible to estimate effects for the period after 2007. However, outcomes after 2007 are the same or somewhat poorer than in the earlier period, so there is no reason to think that the effects have improved.

Questions from Representative Aaron Schock

5. Based on available data regarding the number of DI applicants and beneficiaries who have earnings, how many of these individuals do you estimate could return to work or increase their earnings with assistance in transitioning back to work?

Based on our research, we believe that most beneficiaries cannot return to the level of work necessary to no longer be eligible for DI benefits, but many beneficiaries are interested in working in some capacity. The “2010 National Beneficiary Survey: Methodology and Descriptive Statistics,”

<http://socialsecurity.gov/disabilityresearch/documents/NBS%20stats%20methods%20508.pdf>, provides the major findings from a survey of beneficiaries who were receiving DI or SSI disability benefits in 2010. From this survey, we have information on the characteristics of beneficiaries who work, those who are able to work, and those interested in work.

In the same 2010 survey, 91 percent of all beneficiaries reported that their physical or mental condition prevents work. Roughly, 7 percent of all beneficiaries reported they were working when we interviewed them, and 5 percent were looking for work. In the previous year, 10 percent of all beneficiaries reported working. Sixteen percent of all beneficiaries interviewed and 22 percent of working beneficiaries saw themselves working and earning enough to leave benefits within 5 years.

Interest in work in some capacity is broader than just the beneficiaries who are working at the time of the interview. Of beneficiaries interviewed in 2010, 40 percent were interested in working at some point; they either expected to work in the future or had career goals and expectations. We refer to these individuals as work oriented and note that this proportion has remained relatively constant since we first measured it in 2004. From “SSI and DI Beneficiaries with Work-Related Goals and Expectations,”

<http://www.socialsecurity.gov/policy/docs/ssb/v71n3/v71n3p61.html>, we know that most work-oriented beneficiaries eventually engage in return-to-work activities.

Our 2010 survey also provides information on the services used by employed beneficiaries. In the prior year, employed beneficiaries used employment services for work assessment and help finding a job (54 percent), and a combination of other employment services, including job training, on-the-job training, job modification, and job advice (58 percent).

In addition to showing the attitudes and employment-related activities of work-oriented beneficiaries, the same 2010 survey illuminated some of the key characteristics of the 10 percent of beneficiaries who had been recently employed when we interviewed them. There are distinct differences between the 90 percent of beneficiaries who were not working and the 10 percent who were working. Compared to all beneficiaries, the employed beneficiaries:

- Experienced the onset of their disability at a younger age (49 percent of working beneficiaries had disability onset before age 18 versus 22 percent for all beneficiaries).
- Have no difficulties with Activities of Daily Living (ADL), such as bathing, dressing, or getting around inside the home. They also have no difficulty with Instrumental Activities of Daily Living (IADL), such as shopping or getting around outside of the home (48 percent of working beneficiaries have no ADL/IADL difficulties versus 28.2 percent for all beneficiaries).
- Are in better health, and their health has not declined (16 percent of working beneficiaries had poor or very poor health, and 6 percent had health that was worse than the previous year versus 42 percent with poor or very poor health and 17 percent with declining health among all beneficiaries).
- Are more likely to have a high school education (27 percent of working beneficiaries have not completed a high school degree or a GED versus 34.3 percent for all beneficiaries).

Among employed beneficiaries:

- Forty percent of all employed beneficiaries worked in supported employment/sheltered workshops.
- Fifty-nine percent of employers of all working beneficiaries made at least one accommodation.

The survey also identified the following supports or accommodations for working beneficiaries: help finding a better job, more flexible work schedules, reliable transportation, help caring for children or others, help with personal care, and special equipment.

While certain characteristics are associated with work, we cannot predict who and how many beneficiaries will return to work. Who will work depends on many individual and environmental factors that we either cannot measure well or cannot measure at all. We continue to pursue ways to access new sources of information that may help us assess this issue.

- 6. The SSA works with VR and employment network providers to encourage people to return to work. It also works with third-party representatives who screen out some claimants who don't qualify and help those who do qualify move along the process. Has the SSA studied ways in which these groups can get involved in improving the Ticket program? Has any consideration been given to moving the Ticket program to a step earlier in the process (ex. tying Ticket with the DI application review process)?**

Third-party representatives do not screen out claimants for us. If a claimant hires an attorney or non-attorney representative to help with his or her claim, we may have contact with that third-party representative, but the representative works for the claimant, not SSA. We have not studied the role third-party representatives can play in our return to work efforts.

Currently, the law does not authorize us to provide vocational rehabilitation services to people who are not receiving DI or SSI benefits. While we have not studied the early interventions

you describe, we are interested in studying the effect of early intervention. We look forward to working with you on ways we might study the effects of using early intervention, provided we possess the necessary resources and demonstration authority. As you know, the President's FY 2014 budget proposes a reauthorization of existing DI demonstration authority.

Enclosure 2 – The Honorable Sam Johnson

Disabled Workers

Number utilizing work incentives and terminated due to substantial gainful activity (SGA) by year.

Calendar Year	Utilizing a Trial Work Period (TWP)		Completed a TWP		Suspended during the Extended Period of Eligibility		Utilizing the impairment related work expenses work incentive		Utilizing a Subsidy		Terminated due to SGA ^a	
	Number	Percent of total disabled beneficiaries (December)	Number	Percent of total disabled beneficiaries (December)	Number	Percent of total disabled beneficiaries (December)	Number	Percent of total disabled beneficiaries (December)	Number	Percent of total disabled beneficiaries (December)	Number	Percent of total disabled beneficiaries (December)
2008	235,739	3.2	96,718	1.3	139,448	1.9	11,000	0.1	23,500	0.3	37,711	0.5
2009	185,615	2.4	76,087	1.0	124,307	1.6	10,000	0.1	22,500	0.3	32,445	0.4
2010	185,825	2.3	68,863	0.8	111,578	1.4	9,500	0.1	20,500	0.2	40,959	0.5
2011 ^b	176,609	2.1	73,018	0.9	102,068	1.2	9,000	0.1	18,000	0.2	39,813	0.5
2012 ^b	113,388	1.3	46,739	0.5	76,320	0.9	6,500	0.1	12,000	0.1	38,228	0.4

a. Year when processed.

b. Work reviews are still incomplete for 2011 and 2012.

Recipients Who Work

Table 46. Blind and disabled recipients who work and their average earnings, by selected characteristics, December 2012

Characteristic	Number	Percent	Average monthly earnings (dollars)
Total	313,634	100.0	526
Work incentives ^a			
Section 1619(a)	11,823	3.8	1,298
Section 1619(b)	67,920	21.7	1,318
Plan to achieve self-support (PASS) ^b	315	0.1	824
Impairment-related work expenses	3,157	1.0	670
Blind work expenses	1,410	0.4	1,090

NOTE: Includes section 1619(b) participants.

a. The sum of the entries may be greater than the total because some recipients may receive more than one type of earned or unearned income or both earned and unearned income, or they may benefit from more than one work incentive provision.

b. Number of working recipients with a PASS. See Tables 53–56 for data on all recipients with a PASS.