

July 29, 2013

Kim Hildred  
Staff Director  
Subcommittee on Social Security  
Committee on Ways and Means  
U.S. House of Representatives  
B-317 Rayburn House Office Building  
Washington, DC 20515

Dear Ms. Hildred,

Thank you for the opportunity to testify before the Committee on Ways and Means Subcommittee on Social Security at the June 19, 2013, hearing on “Encouraging Work Through the Social Security Disability Insurance Program”. I hope my testimony was helpful to the Committee. Below are my responses to the questions that were sent to me on July 17, 2013.

1. The Ticket Act, signed into law in 1999, required demonstration projects to test alternative ways to reduce benefits based on earnings. Specifically Congress has not yet received an answer from the demonstration projects on the effects of replacing the so-called “cash cliff” where workers lose all benefits if they earn just \$1 above the substantial gainful activity (\$1,040 per month this year), with a gradual benefit offset. Almost 15 years later, reports state the project will cost \$153 million, not counting benefit costs and that final report won’t be ready for several more years. Congress, however, has the findings of the Four State pilot. Vermont was one of the States in the pilot phase of this demonstration project. What did you learn from this project, and is this policy ready for nationwide implementation?

I believe the key finding from the Four State Pilot was that current policy with the “cash cliff” suppresses the work efforts of beneficiaries. When the “cash cliff” was replaced by a gradual \$1 for \$2 offset, beneficiaries were more likely to work above substantial gainful activity (SGA) level. As noted in my testimony, overall, for the offset group across the four states, the policy led to a 25-percent increase in the percentage of beneficiaries with earnings above the annualized SGA or “Cash Cliff” amount.<sup>1</sup> This study has confirmed what beneficiaries and advocates have been saying for years—that the “cash cliff” is a barrier to increased work efforts and traps beneficiaries in ongoing poverty.

<sup>1</sup> The impact of changing financial work incentives on the earnings of Social Security Disability Insurance (SSDI) beneficiaries; Robert R. Weathers II<sup>1</sup>, Jeffrey Hemmeter; *Journal of Policy Analysis and Management* Volume 30, Issue 4, pages 708–728, Autumn (Fall) 2011.



The Four State Pilots were all implemented using a rigorous random experimental design with a total of 1,829 beneficiaries participating (929 Treatment, 900 Control). So this was not a small study with a few hundred participants. Most importantly, the study was implemented across four state sites, so the findings cannot be attributed to the specific service environment in one state. Therefore, I believe the study provides Congress with the necessary research data to support policy change on a nationwide basis now.

As noted in the question, the Benefit Offset National Demonstration (BOND) is expected to cost \$148 million and will not be complete until 2017. The BOND is essentially testing exactly the same intervention as the Four State Pilots, a \$1 for \$2 offset starting at SGA. Other than providing a study with a much larger sample, the BOND will not provide Congress with any new information on other issues including:

- What would the impact be of an offset at less than SGA (50% of SGA)?
- What would the impact be of eliminating the Trial Work Period and replacing it with an earnings offset?
- What would be the impact of offering continued attachment to the program (as long as medically eligible) combined with an offset, similar to the 1619B program in the Supplemental Security Income (SSI) program?
- Would other programmatic incentives encourage employment at higher levels?

I believe that the Four State Pilot that has already been conducted meets the requirements of the Ticket to Work Act and that the BOND is not necessary. The BOND contractors have planned and implemented a costly demonstration that will not yield any more information than is already available.

I would propose that Congress consider a packet of reforms to the SSDI work rules including an earnings offset. The premise of any reform should be to always make work pay for the beneficiary. In my testimony I provided some policy proposals that could also result in savings to the program such as elimination of the Trial Work Period and starting the earnings offset at 50% of SGA. As Congress did with the SSI program 1619A and 1619B work rules, these reforms could be implemented with a five-year sunset date. This would allow the Congress to assess the impact of the reforms and any unintended consequences and make adjustments accordingly.

2. The Work Incentives Simplification Pilot approach is different from the approach of the benefit offset demonstrated by Vermont and three other States. Do you believe these approaches can work together?

Yes. After, completing the Four State Pilot studies, the four State Project Directors developed a policy proposal (attached) that independently included a number of the elements proposed by

the Social Security Administration in the Work Incentives Simplification Pilot (WISP). Specifically, the WISP and the Four State Pilots both proposed:

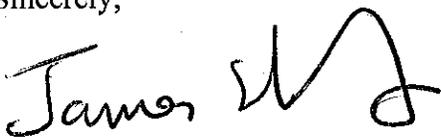
- The elimination of the Trial Work Period.
- The elimination of the Extended Period of Eligibility and replacing it with continued attachment to the program (as long as the beneficiary remains medically eligible). This would be similar to the 1619 B provision currently in place in the SSI program.

I served on a Technical Advisory Panel for the WISP for Social Security Administration and it was clear they saw WISP as a platform for a benefit offset. I believe a combination of the WISP proposal with an earned income offset for SSDI would both substantially improve the work incentives and significantly reduce the administrative burden for Social Security. I also believe a combination of the offset and WISP would achieve the following:

- Make the SSDI program work incentives much simpler for beneficiaries to understand.
- Ensure beneficiaries are always better off financially the more they work.
- Align the work incentives for the SSI and SSDI much more closely, which would especially help beneficiaries who receive both SSI and SSDI.
- Reduce the administrative burden to Social Security field staff. Administering the Trial Work Period is particularly challenging and results in frequent overpayments, inappropriate cessations and other errors.

Thank you again for the opportunity to speak to the Subcommittee. If I can be helpful in anyway in the future please let me know. I can be reached at [james.smith@state.vt.us](mailto:james.smith@state.vt.us) or via phone at (802) 871-3031.

Sincerely,



James Smith  
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