ENCOURAGING WORK THROUGH THE SOCIAL SECURITY DISABILITY INSURANCE PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

JUNE 19, 2013

Serial 113–SS7

Printed for the use of the Committee on Ways and Means

U.S. GOVERNMENT PUBLISHING OFFICE

89–583 WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON WAYS AND MEANS

DAVE CAMP, Michigan, *Chairman*

SAM JOHNSON, Texas
KEVIN BRADY, Texas
PAUL RYAN, Wisconsin
DEVIN NUNES, California
PATRICK J. TIBERI, Ohio
DAVID G. REICHERT, Washington
CHARLES W. BOUSTANY, JR., Louisiana
PETER J. ROSKAM, Illinois
JIM GERLACH, Pennsylvania
TOM PRICE, Georgia
VERN BUCHANAN, Florida
ADRIAN SMITH, Nebraska
AARON SCHOCK, Illinois
LYNN JENKINS, Kansas
ERIK PAULSEN, Minnesota
KENNY MARCHANT, Texas
DIANE BLACK, Tennessee
TOM REED, New York
TODD YOUNG, Indiana
MIKE KELLY, Pennsylvania
TIM GRIFFIN, Arkansas
JIM RENACCI, Ohio

SANDER M. LEVIN, Michigan
CHARLES B. RANGEL, New York
JIM MCDERMOTT, Washington
JOHN LEWIS, Georgia
RICHARD E. NEAL, Massachusetts
XAVIER BECERRA, California
LLOYD DOGGETT, Texas
MIKE THOMPSON, California
JOHN B. LARSON, Connecticut
EARL BLUMENAUER, Oregon
RON KIND, Wisconsin
BILL PASCRELL, JR., New Jersey
JOSEPH CROWLEY, New York
ALLYSON SCHWARTZ, Pennsylvania
DANNY DAVIS, Illinois
LINDA SÁNCHEZ, California

JENNIFER M. SAFAVIAN, *Staff Director and General Counsel*
JANICE MAYS, *Minority Chief Counsel*

SUBCOMMITTEE ON HUMAN RESOURCES

SAM JOHNSON, Texas, *Chairman*

PATRICK J. TIBERI, Ohio
TIM GRIFFIN, Arkansas
JIM RENACCI, Ohio
AARON SCHOCK, Illinois
MIKE KELLY, Pennsylvania
KEVIN BRADY, Texas

XAVIER BECERRA, California
LLOYD DOGGETT, Texas
MIKE THOMPSON, California
ALLYSON SCHWARTZ, Pennsylvania

CONTENTS

ENCOURAGING WORK THROUGH THE SOCIAL SECURITY DISABILITY INSURANCE PROGRAM

WEDNESDAY, JUNE 19, 2013

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room B–318, Cannon House Office Building, the Honorable Sam Johnson [chairman of the subcommittee] presiding.

[The advisory of the hearing follows:]

HEARING ADVISORY

Chairman Johnson Announces Hearing on Encouraging Work Through the Social Security Disability Insurance Program

Washington, June 12, 2013

U.S. Congressman Sam Johnson (R–TX), Chairman of the House Committee on Ways and Means Subcommittee on Social Security, today announced a hearing on encouraging work through the Social Security Disability Insurance program. **The hearing will take place on Wednesday, June 19, 2013, in B–318 Rayburn House Office Building beginning at 10:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

Disability Insurance (DI) benefits provide an essential income safety net for disabled workers and their families. Between calendar years (CY) 1970 and 2012, the number of people paying into the DI program increased 72 percent, but those receiving disability benefits (both disabled workers and their dependent family members) increased by over 300 percent from 2.7 million to over 10.9 million, according to the Congressional Budget Office (CBO). This growth is primarily due to the aging of the population, more women in the workforce and eligible for DI, changes in federal policy, and changes in opportunities for employment and compensation. In its May update, CBO projects that over 12.4 million beneficiaries will receive $207 billion in benefits in fiscal year 2023, up from $135 billion in 2012. According to the recently released 2013 Social Security Trustees report, in 2016, DI program revenues will only be able to finance 80 percent of benefits, unless Congress acts.

The recession and slow economic recovery resulted in an increase in disabled worker applications and benefit awards. Benefit awards grew from 818,000 in CY 2007 to a peak of 1.04 million in 2010. In CY 2012, 984,000 disabled workers were awarded benefits. Approximately 30 percent of those receiving disabled worker benefits were under 50 years of age in 2011.

After being awarded benefits based on an inability to work, individuals may attempt to return to work and are offered a variety of programs and support by the Social Security Administration (SSA). Work incentive provisions are designed to encourage return-to-work by allowing disability beneficiaries to test their capacity to sustain work before their benefits are ceased. The SSA also administers the Ticket to Work program, which provides additional return-to-work support. Among beneficiaries tracked over 10 years, 28 percent worked at some point, but only 4 percent had sufficient earnings to have their benefits ended. Younger beneficiaries—those under 40—were more likely to work than older beneficiaries.

Overall, according to the SSA, among all workers who exited the disability rolls in 2011, 52 percent converted to retirement benefits, 36 percent died, 4 percent medically improved to the extent they no longer met the eligibility criteria, and 6 percent returned to work.

Increasingly, experts are researching the challenges facing the disability program and developing new proposals intended to help more individuals remain in the workforce or return to work once they begin receiving disability benefits. In the most recent beneficiary survey, 40 percent of beneficiaries expressed an interest in working. Recently, other countries, such as the Netherlands and Norway, have undertaken reforms to reduce the growth in their disability rolls by focusing efforts

on keeping applicants in the workforce or returning beneficiaries to work as soon as possible.

In announcing the hearing, Social Security Subcommittee Chairman Sam Johnson (R–TX) said, **"It's just plain wrong that those receiving disability benefits who want to work are sentenced to a lifetime of near poverty with no way out. Social Security's return-to-work efforts are simply failing do their job of helping our fellow citizens find work. We must find ways to help these Americans trade in their disability check for a paycheck that can provide a better life."**

FOCUS OF THE HEARING:

The hearing will examine the impact of the DI program on the economy, efforts by Social Security to return individuals to work, efforts internationally to return individuals to work, and other options to encourage work.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov/*, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday July 3, 2013**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days' notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://www.waysandmeans.house.gov/*.

Chairman JOHNSON. The committee will come to order.

Good morning. Welcome to our hearing on Encouraging Work in Social Security Disability. The Disability Insurance program provides essential income security to people with disabilities and their families. And we are glad to have all of you here today.

Over the past 40 years, changes in demographics, Federal policy, and the availability of jobs have driven a 300 percent increase in the number of people receiving Disability Insurance benefits from 2.7 million to over 10 million. Within 10 years, over 12.4 million beneficiaries will receive $207 billion in benefits. That is up 53 percent from the $135 billion paid last year. So it ought to come as no surprise that in their 2013 Annual Report, the Social Security Trustees again warned us that these most vulnerable beneficiaries face a 20 percent across-the-board benefit cut in just 3 years unless Congress acts. Those who depend on this critical benefit are counting on us to act, and we will.

In the last 3 years, this subcommittee has held 10 hearings on disability. As we work to protect and preserve this vital program, we also need to consider how to help those who can and want to work. Work contributes to an individual's well-being. Work sustains families. Work drives our economy. When people aren't working, we all suffer.

Unemployment in this country remains unacceptably high at 7.6 percent. Those with disabilities seeking to get back into the workforce face a higher unemployment rate of 13.4 percent. But the unemployment rate only tells part of the story. It doesn't count those who are no longer looking for jobs because they are out of the labor market. And it doesn't consider the toll on human dignity as those who may want to work can be trapped by the disability program since earning a dollar too much could mean losing thousands of dollars in cash benefits.

While not everyone receiving disability benefits can return to work, experts tell us more people would return to or stay at work if given the right kind of help to do so. Surveys show 40 percent of beneficiaries are interested in working, yet only one-half of 1 percent leave the rolls annually due to earnings from work.

And today we are going to examine the views of our expert witnesses regarding the impact of the disability program on the economy, efforts by other countries to return individuals to work, and new ways to encourage work. We will hear from a frontline service provider about the challenges facing those with disabilities trying to stay on the job and the help that enables them to stay at work or get back to work as soon as possible. We will also get an update from the Social Security Administration regarding its efforts to help those individuals return to work.

Now more than ever, how every dollar is spent matters to our country and to our taxpayers. Programs that don't achieve positive results must be reformed or end. I have seen firsthand how beneficiaries and employers benefit when the system works. We went to the Walgreens distribution center in Waxahachie, Texas, where they are working. There, with the help of the Texas Department of Assistive and Rehabilitative Services, those with disabilities, including former beneficiaries, work side-by-side with the other work-

ers doing the same job for the same pay. Those who can and want to work should not be sentenced to a lifetime of near poverty with no way out. We can and we must achieve the results taxpayers expect and those with disabilities deserve.

I now recognize the ranking member Mr. Becerra for his opening statement.

Mr. BECERRA. Thank you, Mr. Chairman. Thank you for holding this hearing. And we thank all of the witnesses for being here.

American workers earn their Social Security Disability Insurance. Nearly 160 million Americans contribute to Social Security, earning protection for themselves and their families when they retire or if they should die or if they become severely disabled.

We should support the work efforts of disabled Americans. But at the same time, it is essential that we do no harm to those who cannot work and need the Social Security benefits that they have earned. This requires a careful balancing. On the one hand, Social Security should not be a barrier to work. That is, individuals who qualify for benefits but may be able to return to work should be able to try to work without risking their income and their health.

At the same time, we should keep in mind that only those who have demonstrated that they are unable to work qualify for Disability Insurance. Although many Disability Insurance recipients would prefer to be working, most are simply too sick or impaired to sustain work. Only about four in 10 applicants, the sickest and most severely disabled, qualify for DI. A significant number of DI beneficiaries have terminal illness. In fact, about one in five men and about one in seven women die within a few years of becoming eligible for the benefits.

By law, workers with disabilities that do not prevent them from working do not qualify for benefits. DI benefits replace only about half of a typical worker's predisability earnings. So, few beneficiaries would give up their work for DI if they were able to work.

Studies of actual DI beneficiaries show that while many DI beneficiaries make an attempt to work, most are not able to sustain employment.

Another point: budget cuts and the so-called sequester law undermine the Social Security Administration's work promotion efforts. The Social Security Administration's budget is about $800 million lower this year than it was in 2010 due to a series of budget cuts and the sequester. As a result, local SSA offices have lost more than 10 percent of their staff, including some of their most experienced case workers. With less staff and the loss of various senior, more experienced staff, Social Security often struggles to administer the complicated rules intended to protect beneficiaries who try to return to work.

Before we institute any new rules or requirements for disabled workers, we need to consider carefully whether we are prepared to pay for the cost of assisting them. Our track record quite honestly is a cautionary tale on this point.

Finally, Social Security Disability Insurance payments are just one small part of our overall national strategy to promote fairness and work for disabled Americans. DI is for those with the most severe impairments with almost no capacity to work. For the majority of disabled Americans who are able to work, we also have a

Federal State vocational rehabilitation system, anti-discrimination and accommodation requirements through the Americans with Disabilities Act. We have special education services for every child who needs them. We have various pathways to affordable health insurance, and we have a Federal income tax credit program for those who are disabled.

I think our discussion here today will demonstrate that there is a need to improve support for those with partial impairments, a much larger group of people than those who qualify for Disability Insurance. But in such tight fiscal times, we need to be fully aware of the costs and trade-offs. As a rule, Americans who are able to work with some support are not eligible for any benefits from Social Security because Social Security is not meant to be a partial disability system. If we are going to talk about changing the rules to allow more people to combine work and Disability Insurance, we also need to discuss how we will pay for the added cost of coverage for less disabled workers.

There is no doubt that there is room for improvement in our national policy for supporting people with disabilities, including those who can work and those who cannot. However, we cannot pretend that this can be done on the cheap, that all we need to do is make a few tweaks, and thousands of DI recipients will all of a sudden be able to support themselves through work. And we must be careful not to do so at the expense of those Americans who have no choice but to rely on the disability benefits that they paid for and have earned.

The question I have for my colleagues and our witnesses is, what are we, Congress, willing to invest to support work among people with disabilities? Should our efforts be aimed primarily at the sickest and most disabled, the people who qualify for Social Security Disability Insurance? If so, the first step is to provide SSA with adequate resources to administer the work incentives and support services Congress has already authorized. Or should we cast the net more broadly to assist those who are struggling to work, despite the effects of their impairments, but do not meet the very strict eligibility criteria for Social Security? I look forward to hearing from our witnesses today as we sort through these challenges.

I yield back, Mr. Chairman.

Chairman JOHNSON. Thank you.

As is customary, any member is welcome to submit a statement for the hearing record.

And before we move on to our testimony today, I want to remind our witnesses to please limit your oral statements to 5 minutes.

However, without objection, all of the written testimony will be made part of the hearing record.

We have one witness panel today. Seated at the table are Mark Duggan, a professor from the Wharton School, University of Pennsylvania, PhD.

Mary C. Daly, another PhD, group vice president and Associate Director of Research, Federal Reserve Bank of San Francisco; Kevin Ufier, National Director, Managed Disability, GENEX Services; Lisa Ekman, Director of Federal Policy, Health & Disability Advocates, on behalf of the Consortium for Citizens With Disabilities Social Security Task Force; James Smith, Budget and Policy

Manager, Division of Vocational Rehabilitation, Vermont Agency of Human Services.

Thank you for being here.

David Weaver, PhD, Associate Commissioner for the Office of Program Development and Research, accompanied by Bob Williams, Associate Commissioner for the Office of Employment Support Programs, Social Security Administration.

Mr. Duggan, welcome. Thanks for being here. Please proceed.

STATEMENT OF MARK G. DUGGAN, PH.D., PROFESSOR, THE WHARTON SCHOOL, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PENNSYLVANIA

Mr. DUGGAN. Chairman Johnson, Ranking Member Becerra, and Members of the Committee, it is truly an honor to be with you here today. The Social Security Disability Insurance program currently provides insurance against the risk of disability to more than 150 million American adults. The program represents an extremely important part of our Nation's safety net, as it protects workers and their families from the risk of a disability that prevents or greatly inhibits a person's ability to work. As shown in figure one, enrollment in the SSDI program has grown steadily since the late 1980s, from 2.3 percent of adults 25 to 64 in 1989 to 5.0 percent in 2012.

As I outlined in my written testimony, several factors have contributed to this growth in SSDI enrollment, including an aging of the Baby Boom population. As people at higher ages are more likely to receive SSDI has contributed as has a growth in employment among women, which has made more of them insured for the program. But these factors contribute less than a third to the growth in SSDI enrollment outlined above.

A more important factor outlined in figure two has been an evolution of the diagnoses with which individuals have been qualifying for SSDI benefits resulting from a liberalization of the program's medical eligibility criteria that occurred in the mid 1980s. Looking at the figure, you can see that conditions circulatory and neoplasms award rates have remained roughly flat. Strokes, heart attack, cancer, and so forth has been very little change in the award rates. Those are the four series in the middle. And each bar represents an award rate in 1983, 1989, 1999 or 2009.

On the other hand, if one looks at, for example, diseases of the musculoskeletal system, an example of that would be very severe back pain, the award rate over this period has increased by a factor of five, from 0.4 to 2.0, as measured above.

Another important driver of the growth factor in SSDI enrollment is the sensitivity of the program to economic conditions. As outlined in figure three, applications to the SSDI program are highly responsive to the unemployment rate, with applications rising during economic downturns and falling when the economy improves. Several other factors have contributed as well. But my research and the research of many others suggests that the SSDI program is having a large and growing important impact on the U.S. labor market.

In order to receive an SSDI award, a person must be deemed unable to engage in substantial gainful activity. Once on the program,

SSDI recipients have little incentive to return to work, as earnings beyond the SGA threshold will lead to a termination of benefits. And given that the present value of an average SSDI award is $270,000, including Medicare benefits, that is a risk many SSDI recipients will be reluctant to take.

The growth in SSDI has coincided with a significant reduction in employment rates among individuals with disabilities. For example, from 1988 to 2008, the employment rate of men in their 40s and 50s with a work-limiting disability fell from 28 percent to 16 percent. As shown in figure four, there has been a growing gap in employment rates between workers with and without disabilities that has coincided with the growth in SSDI enrollment.

Previous research has also shown that workers have become much more likely to respond to adverse demand shocks in the economy by applying for SSDI rather than seeking a new job. This is going to serve to reduce both the unemployment rate and the labor force participation rate below what it otherwise would be, and it also reduces employment, as SSDI recipients so rarely leave the program to return to the workforce.

My analysis of the application data shown in figure two indicates that more than 2.5 million people have applied for SSDI as a result of the economic downturn. The steady increase in SSDI enrollment since the 1980s has contributed to a differential decline in labor force participation among both men and women in the U.S. relative to other industrialized countries.

One way to improve incentives for workers in the SSDI program is to intervene sooner for individuals with work-limiting conditions so that they can continue to work. Many people with more subjective disorders, such as back pain, could benefit from such early intervention.

In a recent paper, David Autor and I have proposed adding a front end to the SSDI system that would include early intervention for rehabilitation-related services with the goal of keeping workers with work-related disabilities in the labor market.

An additional approach would be to improve work incentives for people on the SSDI program to return to the workforce. Recent evidence from Norway indicates that programs that increase the incentive to work among people on Disability Insurance can lead to a large growth in their labor supply.

The lack of progress and improving work incentives in SSDI stands in marked contrast to the Temporary Assistance to Needy Families program. Reforms introduced in the late 1990s led to substantial gains in employment among past, current, and potential future TANF recipients and to a steady drop in program enrollment and expenditures. Based on my own research and that of many others, I believe similar progress is possible within SSDI and the need for such progress is, indeed, urgent both because of a pending expiration of the trust fund and the trends in the U.S. labor market as described above.

Thank you.

Chairman JOHNSON. Thank you, sir. You sped that up and made it on time. Congratulations.

Mr. DUGGAN. I did. I was watching that clock.

[The statement of Mr. Duggan follows:]

Testimony before the Subcommittee on Social Security

of the Committee on Ways and Means

"The Rise in SSDI Enrollment, the Impact on the Labor Market, and the Need for Reform"

June 19th 2013

Mark G. Duggan

Professor of Business Economics and Public Policy

The Wharton School at the University of Pennsylvania

Chairman Johnson, Ranking Member Becerra, and members of the Committee, it is truly an honor to be here with you today. The Social Security Disability Insurance (SSDI) program currently provides insurance against the risk of disability to more than 150 million American adults. This program represents an extremely important part of our nation's safety net as it protects workers and their families from the risk of a disability that prevents or greatly inhibits a person's ability to work.

Nearly 9 million adults received SSDI disabled worker benefits in May 2013 and total program expenditures exceeded $140 billion in the 2012 calendar year. SSDI recipients also receive health insurance through the Medicare program (after two years from onset of disability), with those costs financed by Medicare. SSDI expenditures currently exceed program revenues by almost 30 percent and as a result the program's trust fund is rapidly being depleted, having fallen from $216 billion at the end of 2008 to $115 billion in May 2013. Current projections from the OASDI Trustees (under the intermediate scenario) suggest that the SSDI trust fund will hit zero in 2016.

As shown in Figure 1, enrollment in the SSDI program has grown steadily since the late 1980s, from 2.3 percent of adults aged 25-64 in 1989 to 5.0 percent by 2012. This increase has coincided with a reduction in employment rates among individuals with disabilities (Autor and

Duggan, 2010). In my testimony today, I will briefly summarize the factors that are responsible for this growth. I will then outline the implications of this growth for the U.S. labor market. Finally, I discuss the potential for changes to SSDI that could increase employment and improve economic well-being among individuals with disabilities while also reducing the fiscal burden of the program.

Why Has SSDI Enrollment Increased?

One contributor to the growth in SSDI enrollment has been the aging of the baby boom generation. Individuals in their fifties and early sixties are significantly more likely to receive SSDI benefits than their counterparts in their thirties and forties. However, as the following table demonstrates, the percentage of adults receiving SSDI has also risen sharply within age groups.

Age Group	% of Adults on SSDI		% of Men on SSDI		% of Women on SSDI	
	1989	2011	1989	2011	1989	2011
25-39	0.8%	1.4%	1.1%	1.5%	0.5%	1.4%
40-49	1.9%	3.7%	2.5%	3.8%	1.2%	3.6%
50-59	4.3%	8.2%	5.8%	8.7%	2.9%	7.6%
60-64	7.8%	13.0%	11.0%	14.5%	5.0%	11.5%
25-64	2.3%	5.0%	3.0%	5.2%	1.5%	4.7%

Consider individuals between the ages of 50 and 59. In 1989, 1 out of 23 adults in this age group was receiving SSDI benefits. But by 2012, this had almost doubled to 1 in 12. The increase was similarly dramatic for adults in their forties and also substantial for adults in their early sixties and those between 25 and 39. The aging of the population explains just 18 percent of the increase in SSDI enrollment from 2.3 percent to 5.0 percent during the 1989 to 2012 time period.[1]

To be insured for SSDI benefits, a person must have worked in at least five of the ten most recent years. Because employment rates have increased among women since the 1980s, the fraction of women insured for the program has risen as well, from 66 percent to 76 percent during the 1989 to 2012 period. This has also contributed to enrollment growth in the SSDI program and partially explains why SSDI has grown more rapidly among women than among men during this time period.

[1] Put another way, if age-specific rates of SSDI enrollment had remained unchanged from 1989 to 2012, the percentage of adults 25-64 on SSDI would have increased from 2.3 percent to 2.7 percent.

But this factor explains just 12 percent of the rise in SSDI enrollment. Taken together, the aging of the baby boom population and changes in the fraction of adults insured for SSDI can explain less than one-third of the growth in the program depicted in Figure 1 from 1989 to 2012.

A much more important determinant of the growth in SSDI enrollment since the 1980s is the liberalization of the program's medical eligibility criteria that occurred in the mid-1980s (Duggan and Imberman, 2009). As shown in Figure 2, there has been a dramatic increase in award rates for mental disorders and diseases of the musculoskeletal system (e.g. back pain). In contrast, award rates for neoplasms (cancer) and circulatory conditions (e.g. heart attack, stroke) have remained roughly constant. This shift is important because, as shown in recent research (von Wachter et al, 2011), the employment potential of SSDI applicants with these more subjective conditions is substantial and it is often difficult to verify the severity of these conditions (in contrast to cancer or heart conditions).

A fourth contributor to the rise in SSDI enrollment has been the reduction in the generosity of OASI retired worker benefits. Individuals born in 1937 or earlier could receive 80 percent of their full retirement benefit if they claimed retired worker benefits at the age of 62. As a result of federal legislation passed in 1983, this has gradually fallen to 75 percent for individuals born from 1943 to 1954 and will soon fall to 70 percent for individuals born in 1960 or later (with an associated increase in the full retirement age from 65 to 67 as well). No corresponding changes were made to SSDI benefits and thus SSDI has become relatively more attractive financially. More specifically, SSDI benefits were 25 percent more generous than retirement benefits at age 62 for those born in 1937 or earlier but will be 43 percent more generous for those born in 1960 or later. Recent research demonstrates that the declining generosity of retired worker benefits has induced a substantial number of adults to apply for and ultimately receive SSDI, and that this explains a substantial fraction of the growth in SSDI enrollment since the late 1980s (Duggan et al, 2007).

Another important driver of the growth in SSDI enrollment is the sensitivity of the program to economic conditions. As shown in Figure 3, applications to the SSDI program are highly

responsive to the unemployment rate, with applications rising substantially during economic downturns and falling when the economy improves. Previous research has shown that the SSDI program has become much more sensitive to economic conditions since the early 1980s and that individuals who lose their job or who are unable to find a new job are increasingly likely to exit the labor force and apply for SSDI benefits (Autor and Duggan, 2003). Thus the program is to some extent serving as a form of long-term unemployment insurance for some workers, which is troubling when one considers the low exit rate from the program back to the labor force.

A sixth contributor to the growth in SSDI enrollment is the rise in replacement rates for the typical low-skilled worker, which is caused by the interaction of two factors (Autor and Duggan, 2003). First, SSDI (like OASI) uses a progressive 90-32-15 benefit formula with "bend points" that increase each year with average earnings growth. Second, earnings for low-income workers have grown more slowly than the average, and as a result workers replace an increasing fraction of their earnings at a 90 percent rate rather than 32 percent rate. This has increased the financial incentive to apply for SSDI benefits and enrollment in the program.

Other factors have also contributed to the steady rise in SSDI enrollment since the late 1980s. Individuals who are initially rejected when they apply for SSDI have become more likely to appeal those decisions and are increasingly likely to be represented by a lawyer or other professional if/when they ultimately appear before an administrative law judge.[2] The fraction of recipients receiving a continuing disability review and exiting the program for no longer meeting SSDI's medical eligibility criteria has also declined. For all of these reasons, enrollment in the SSDI program has grown steadily and rapidly while average health has if anything improved among non-elderly adults during this period (Duggan and Imberman, 2009).

[2] In the average year from 2000 to 2008, administrative law judges made awards in 72 percent of their decisions (SSA, 2012). This is striking when one considers that ALJs consider appeals only among those rejected twice previously by SSA. One potential contributor to the high award rate is that SSA is not represented at the hearing – only the applicant and/or his/her representative are typically present with the ALJ (Autor and Duggan, 2006).

Labor Market Effects of the Rise in SSDI Enrollment

While providing valuable insurance to tens of millions of Americans, the SSDI program reduces the incentive to work both for individuals on the program and also for those applying for SSDI benefits. In order to receive an SSDI award, a beneficiary must be deemed unable to engage in substantial gainful activity (SGA, currently $1,040 per month). Once on the program, an SSDI recipient has little incentive to return to work, as earnings above the SGA threshold will lead to a termination of benefits. And given that the present value of the average SSDI award is $270,000 (including Medicare benefits), that is a risk that many SSDI recipients would be reluctant to take.

The growth in SSDI enrollment has coincided with a substantial reduction in employment rates among individuals with disabilities. For example, from 1988 to 2008, the employment rate of men in their forties and fifties who reported a work-limiting disability fell from 28 percent to 16 percent while the corresponding rate for men without a disability rose slightly from 87 to 88 percent (Autor and Duggan, 2010). As shown in Figure 4, the gap in employment rates grew similarly rapidly for women with and without disabilities in this same age range.

Previous research has shown that workers have become increasingly likely to respond to adverse labor demand shocks by applying for SSDI rather than seeking a new job (Autor and Duggan, 2003). This serves to reduce both the unemployment rate and the labor force participation rate below what it otherwise would be. It also reduces the eventual employment rate as SSDI recipients rarely leave the program to return to the workforce. For example in 2010, only 0.7 percent (7 out of 1,000) of SSDI recipients left the program for improving health and/or to return to work.

This responsiveness of the SSDI program to economic conditions can be seen visually in Figure 2, with increases in the unemployment rate leading to large increases in the SSDI application rate. My analysis of this application data reveals that there have been approximately 2.5 million "extra" SSDI applications since 2008 as a result of the economic downturn. Many of these applicants have withdrawn from the labor force, either because they have been awarded SSDI benefits or are

still in the process of applying given the long lags in the process (especially at the appeal stage). Still others have likely withdrawn because their attachment to the labor force has declined during the application process (even if ultimately denied) and thus their potential wages as well.

The steady increase in SSDI enrollment since the late 1980s has contributed to a differential decline in labor force participation among both men and women in the U.S. relative to other industrialized countries. For example, the labor force participation rate declined by 4.7 percentage points (from 93.4% to 88.7%) among men 25-54 in the U.S. during the 1990 to 2011 period while falling just 1.5 percentage points (from 93.6% to 92.1%) among the EU-15 (OECD, 2013).[3] Similarly while the labor force participation rate was almost unchanged among women 25-54 in the U.S. from 1990 to 2011 (rising slightly from 74.0% to 74.7%), it increased by 14.8 percentage points (from 63.7% to 78.5%) among women in the EU-15 during this same period. Thus labor force participation rates for both men and women in the 25-54 age range were in 2011 substantially higher in the EU-15 than in the U.S. While there are of course many factors that influence both the level and the trend in labor force participation, previous research indicates that the SSDI program is an important factor.

Improving Work Incentives in the SSDI Program

The disability determination process that is currently used by the SSDI program awards benefits to individuals who are deemed unable to engage in substantial gainful activity. This reduces the incentive to work among those who have filed an initial application for SSDI and among those appealing a rejection. According to data from the Social Security Administration, approximately 40 percent of SSDI awards are now made on appeal and the time between the initial application and the ultimate decision is very long for this group. For example, the average lag for an applicant who appeals to an Administrative Law Judge (ALJ) is 27 months (SSA, 2008). This is problematic

[3] These differences are even larger when focusing on men between the ages of 25 and 64 and are somewhat smaller when restricting attention to the 1990 to 2008 period. Declines in labor force participation among men aged 25-54 were also much lower in Australia, Canada, and Japan than in the U.S. during this same period.

because those initially rejected are likely to be in better health on average than those receiving an initial award and thus to have higher employment potential. And the longer that a person remains out of the workforce, the more that their earnings potential declines. Thus even if an applicant never receives an SSDI award, the program's application process can permanently harm his/her employment prospects (Autor et al, 2011).

One way to improve incentives in the SSDI program is to intervene sooner for individuals with work-limiting conditions so that they can continue working. Many individuals with more subjective disorders – such as back pain – could benefit from such early intervention. In a recent paper, David Autor and I proposed adding a "front end" to the SSDI system that would include early intervention through rehabilitation and related services with the goal of keeping workers with work-limiting disabilities in the labor market (Autor and Duggan, 2010). Employers would contract with private insurers to administer this coverage and would have a financial incentive to keep their workers off the SSDI system (much as the Unemployment Insurance and Workers' Compensation programs provide employers with these types of financial incentives).

The payoff to keeping a potential SSDI applicant in the workforce is very high. The average present value of an SSDI award (including Medicare expenditures) is approximately $270,000. Additionally, to the extent that the program reduces employment, it also reduces tax revenue and GDP. While many awarded SSDI benefits are completely unable to work, recent research makes clear that a substantial number of them could work (Autor and Duggan, 2003; Burkhauser and Daly, 2011; von Wacther et al, 2011; Maestas, Mullen, and Strand 2012; French and Song, 2013).

Increasing employment among individuals with disabilities could improve their economic well-being and increase their autonomy while also reducing the fiscal strains on Social Security. Past efforts to achieve this goal have unfortunately had little impact. For example, the Ticket to Work program, which was authorized by Congress in 1999, allowed SSDI recipients to have a trial work period of 9 months during which they could retain their benefits. But takeup of the program was very

low, perhaps because these incentives arrived too late after most SSDI recipients had been out of the labor force for years. Recent efforts to increase work incentives among disability insurance recipients have had some success in other countries (see Kostol and Mogstad, 2013 for evidence in Norway) and thus modifications to the Ticket-to-Work approach may have a higher payoff.

There are other potential reforms that could improve the functioning of the SSDI program. For example, currently only the applicant and his/her representative are present at appeal hearings before ALJs. Thus SSA does not have someone present explaining why they rejected the application twice and this may partially explain why 72 percent of those initial decisions that appeal a second time are overturned by ALJs (SSA, 2011). Additionally, there has been a substantial decline in recent years in the share of SSDI recipients receiving a continuing disability review (CDR) with this partially explaining the lower exit rate from the program. Careful consideration of the appropriateness of the program's medical eligibility criteria also seems warranted given the major shift in the conditions with which individuals qualify for SSDI benefits as shown in Figure 2. And to the extent that economic (rather than only health) factors are considered by a disability examiner or administrative law judge when making an SSDI award, one could consider a form of time limit or a mandatory CDR for some awardees.

The lack of progress in improving work incentives in the SSDI program stands in marked contrast to the Temporary Assistance to Needy Families (TANF) program. Reforms introduced in the 1990s (along with changes to the Earned Income Tax Credit) led to substantial gains in employment among past, current, and potential future TANF recipients and to a steady drop in program enrollment and expenditures. Based on my own research and that of many others, I believe that similar progress is possible within the SSDI program. The need for such progress is indeed urgent, both because of the pending expiration of the SSDI program's trust fund and because of the trends in the U.S. labor market described above.

References:

Autor, David H., and Mark Duggan. "Supporting work: a proposal for modernizing the US disability insurance system." *Center for American Progress and the Hamilton Project* (2010).

Autor, David H., and Mark Duggan. "The Growth in the Social Security Disability Insurance Rolls: A Fiscal Crisis Unfolding." *Journal of Economic Perspectives* 20, no 2 (2006): 71-96.

Autor, David H., and Mark Duggan. "The rise in the disability rolls and the decline in unemployment." *The Quarterly Journal of Economics* 118, no. 1 (2003): 157-206.

Autor, David, H., Nicole Maestas, Kathleen Mullen, and Alexander Strand. 2011. "Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants." MIT Working Paper.

Burkhauser, Richard V., and Mary C. Daly (2011). "The Declining Work and Welfare of People with Disabilities: What Went Wrong and a Strategy for Change," The American Enterprise Institute for Public Policy Research, Washington, D.C.

Duggan, Mark, Perry Singleton, and Jae Song. "Aching to retire? The rise in the full retirement age and its impact on the social security disability rolls." *Journal of Public Economics* 91, no. 7 (2007): 1327-1350.

Duggan, Mark, and Scott A. Imberman. "Why are the disability rolls skyrocketing? The contribution of population characteristics, economic conditions, and program generosity." In *Health at older ages: The causes and consequences of declining disability among the elderly*, pp. 337-379. University of Chicago Press, 2009.

French, Eric, and Jae Song. "The effect of disability insurance receipt on labor supply: a dynamic analysis." (2013) Forthcoming in the *American Economic Journal: Economic Policy*.

Kostøl, Andreas, and Magne Mogstad. "How financial incentives induce disability insurance recipients to return to work." (2013) Forthcoming in the *American Economic Review*.

Maestas, Nicole, Kathleen J. Mullen, and Alexander Strand. "Does Disability Insurance Receipt Discourage Work?" forthcoming in the *American Economic Review*.

Social Security Administration. *Annual Statistical Report on the SSDI program*. Various years.

Social Security Administration. *Annual Statistical Supplement*. Various years.

Social Security Administration. Office of the Inspector General. "Audit Report: Disability Claims Overall Processing Times." 2008.

Von Wachter, Till, Jae Song, and Joyce Manchester. "Trends in employment and earnings of allowed and rejected applicants to the social security disability insurance program." *American Economic Review* 101, no. 7 (2011): 3308.

Figure 1: % of Adults 25-64 Receiving SSDI Benefits

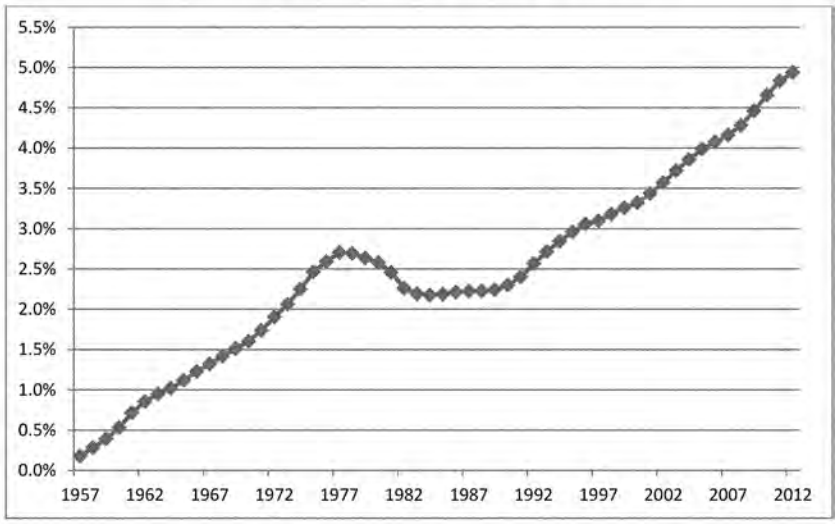


Figure 2: Awards per 1000 Insured for SSDI by Diagnosis Category in 1983, 1989, 1999, 2009

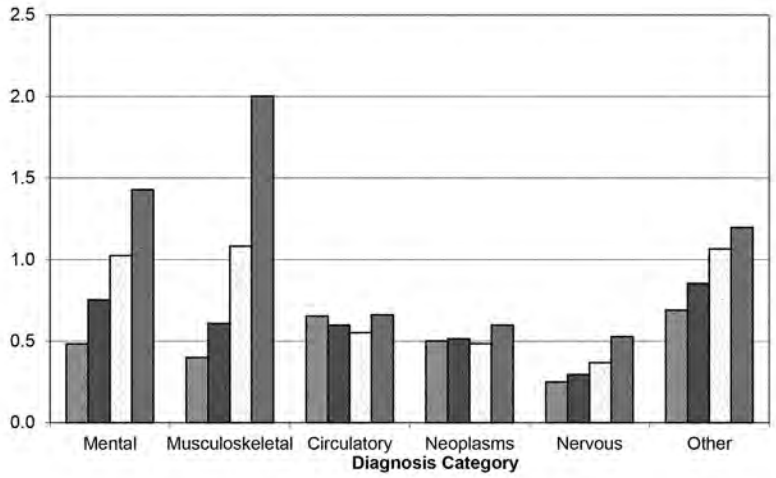
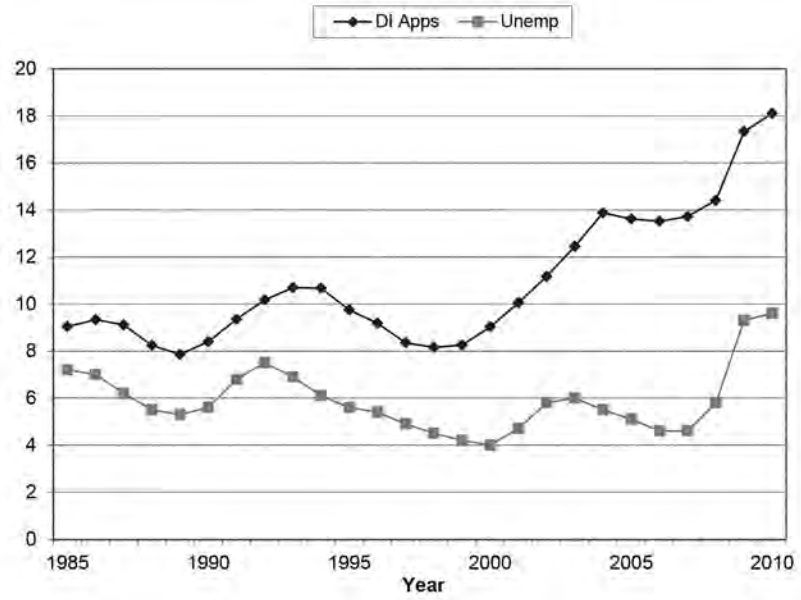
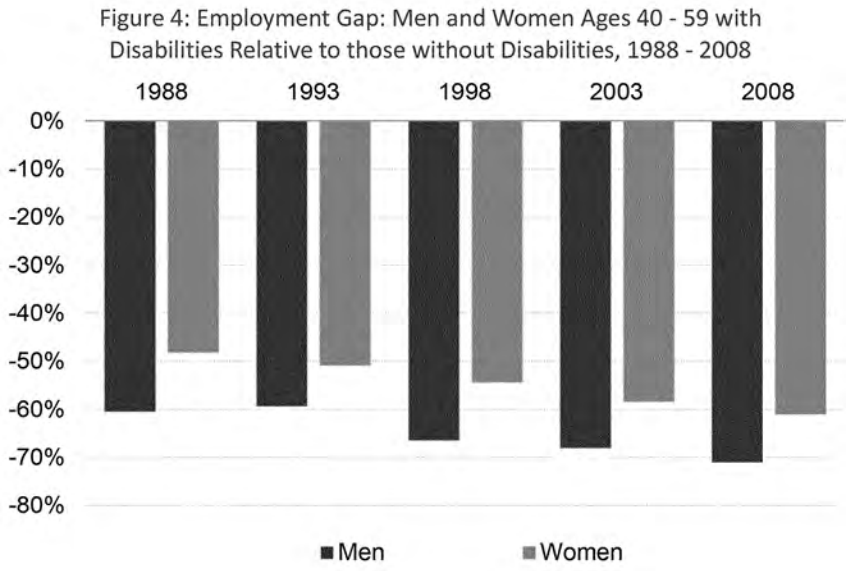


Figure 3: SSDI Applications per 1000 Insured Workers and Unemployment Rate





Chairman JOHNSON. Dr. Daly, welcome. Please proceed.

STATEMENT OF MARY C. DALY, PH.D., GROUP VICE PRESIDENT AND ASSOCIATE DIRECTOR OF RESEARCH, FEDERAL RESERVE BANK OF SAN FRANCISCO, SAN FRANCISCO, CALIFORNIA

Ms. DALY. Thank you. Chairman Johnson and Members of the Committee, it is an honor to be here. I will say that my remarks

today are my views and do not necessarily reflect those of the Federal Reserve System.

That said, I wanted to make three points this morning. The first point is referenced in figure one and basically is the following: That the growth in the DI program that we have witnessed over the last couple of decades is not completely explained by factors that are transitory, such as the aging of the population, the entry of women onto the DI program because of their increased eligibility, or the increase in the normal retirement age.

In fact, if I control for those three things, similar to Professor Duggan, what we find is that the red line, which shows growth controlling for those factors, has continued to rise. And that is the portion that is unexplained by these transitory variables. And if you extrapolate out that growth, you think that the program might be in an unsustainable position.

The second point I would like to make is that, in the United States, we are not alone in having these types of challenges. In fact, our European counterparts faced similar challenges more than a decade ago. They had rapidly rising disability recipiency rates that were not explained by demographic or health trends. They undertook particular reforms in those areas to try to curb the growth in the benefit roles and stem the tide of new beneficiaries in particular.

I want to focus on figure two on two countries. There are other countries you could use as an example, but these two countries I think paint a nice picture. I want to refer your attention to Sweden and the Netherlands. Both of those countries had very rapidly rising disability recipiency rates and recipiency rates that, on average, have been far higher than the United States. When the OECD evaluated these rates, they concluded that the difference in the U.S. and these countries is that these countries have much more generous systems that replace a larger share of earnings.

The important thing though in this chart for today's discussion I believe is to look at the last decade of the experience. And you see notably that, in Sweden and the Netherlands, caseloads have begun to come down. The recipiency rates falling. In contrast, the U.S. recipiency rate continues to rise. So the question before us is, how did they do this? And what happened?

And for the rest of my remarks, I want to focus on a 30,000-foot level view of what they did. So, in both the Netherlands and Sweden, they began the program with fundamental reforms. They had tried many times to tweak the existing system and reduce caseloads and found those attempts lacking. So they attempted fundamental reform.

The very first stage of fundamental reform was to modernize the definition of disability and no longer consider it to mean incapacity. They had programs similar to ours, that in order to get any kind of services, you had to prove that you were unable. They said, this is not the right expectation. It is not good for people with disabilities. And it is certainly not good for our economy when we need all the productive assets to be able to contribute.

With that in mind, they then made the following observation: They said just because we observe that many people with even severe disabilities do not work is not empirical evidence that they

cannot work. So we don't want to confuse—this is their words, not mine—we don't want to confuse what we observe today under a particular program design with what is possible in the future if we change the program design.

Importantly, both countries attempted different program designs. They took different trajectories. In the Netherlands, they incentivized employers by making them pay for the first 2 years of support for disability if you put your worker into a disability system, and you are experience rated if you move them onto long-term benefits. You have to pay a higher DI premium.

In Sweden, they work through the state adjudicators to put time limits at 3, 6 months, 12 months and 30 months. They would have checkpoints, evaluate your functional capacity. And if people were able to find jobs and work up to that capacity, their earnings were subsidized. If they didn't, they considered that noncompliance and would remove them from the benefit system.

The point of both of those projects or both of those reforms is this: Early intervention matters. Getting in right when a person has an impairment is the critical component of those reforms. And enforcing that with a social expectation that you work if you have a disability unless you can't and you demonstrate you cannot, but then also having a commitment—and I think we heard this earlier in the opening remarks—a commitment to support work, very similar to what we did with TANF, if you recall, that the expectation is that you work, but there is support for work.

The other thing I would note is that they had much less success in reducing the stock of existing beneficiaries. Both those countries have now said that that is a much more difficult problem to solve and that the returns on investments are best made to reduce the flow of new beneficiaries onto the system.

I will conclude by saying that the important metric I think for evaluating any reform is to ask, did people with disabilities suffer? Were people made worse off? And in these countries, they were not. Incomes remained and the same, and employment rates rose.

Chairman JOHNSON. Thank you.

[The statement of Ms. Daly follows:]

For release on delivery
June 19, 2013

Statement by

Mary C. Daly

Group Vice President and
Associate Director of Research

Federal Reserve Bank of San Francisco

before the

House Committee on Ways and Means
Subcommittee on Social Security

Reforming Social Security Disability Insurance: Lessons from European Nations

June 19, 2013

Opinions expressed in this testimony do not necessarily reflect the views of the management of the Federal Reserve Bank of San Francisco or of the Board of Governors of the Federal Reserve System. Richard V. Burkhauser and Brian T. Lucking contributed to this testimony.

This testimony is based on: Richard V. Burkhauser and Mary C. Daly. 2011. *The Declining Welfare and Work of People with Disabilities: What Went Wrong and a Strategy for Change*, AEI Press: Washington DC, Burkhauser and Daly (2012) and Burkhauser, Daly, and Lucking (forthcoming).

THE STATE OF THE SSDI PROGRAM

The Social Security Disability Insurance (DI) program is growing at an unsustainable pace. Over the past 40 years the number of disabled worker beneficiaries has increased nearly six-fold, rising from 1.5 million in 1970 to 8.8 million in 2012. This rapid growth has put increasing pressure on program finances. Since 1970 real DI expenditures have risen from $14 billion to $127 billion (in 2012 dollars).[1] Based on current growth, the DI program is projected to be insolvent by 2016 (Social Security Administration, 2013).

WHY HAVE CASELOADS RISEN?

Eligibility for DI benefits requires applicants to be "unable to perform any substantial gainful activity on any job in the economy for at least one year." In principle. this criterion is quite strict and was meant to make DI a last resort program for those with permanent and total impairments.

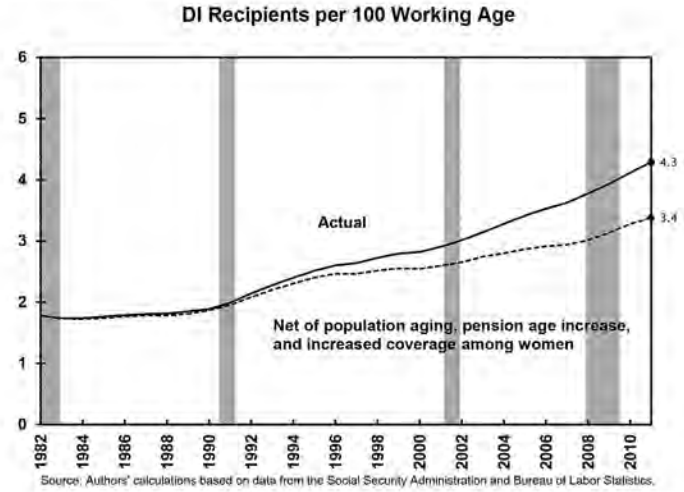
Although the words describing eligibility criteria have not changed over time, implementation has, and in a direction that has increased the number of working-age adults receiving disability benefits. Figure 1 shows growth in the DI program from 1982 through 2011 as a share of the working age population.[2] The shaded years represent official U.S. recession periods as denoted by the National Bureau of Economic Research.

---

[1]Nominal values converted to real dollars using the CPI (Consumer Price Index-All Urban Consumers. U.S. All Items, 1982-84=100 – CUUR0000SA0).

[2]The definition of working age used by the OECD is 16-64. We adopt this definition to allow comparisons between the U.S. and other OECD nations.

Figure 1. DI Caseload Growth 1982-2011



The upper line of Figure 1 shows that in 1982, 1.73 percent of the population aged 16-64 received DI benefits. By 2011, this percentage had reached 4.28 percent. Some of the growth since 1982 is beyond the control of the DI program. The aging of the workforce, the increase in eligibility age for OAI retirement benefits from 65 to 66 (and hence an additional year on the DI program for beneficiaries before they are automatically shifted to the OAI retirement program), and the rise in the employment rate of women and associated increase in DI coverage all drove up disability recipiency among the working age population.

But as the lower line in Figure 1 shows, controlling for these exogenous factors does not completely explain the increase.[3] The adjusted lower line shows that, even when controlling for these factors, growth is still considerable—a near doubling of the 1982 DI population ratio to 3.38 percent, with the fastest growth coming since 2007. All together, about two-thirds of the

[3]See Daly, Lucking, and Schwabish (forthcoming) for details of this calculation.

growth in DI recipiency in the working-age population can't be explained by factors outside the program's control.[4]

Autor and Duggan (2010) and Burkhauser and Daly (2011) argue that this residual growth in DI recipiency is not explained by changes in the underlying health of the working-age population or in the percentage of that population with work-limiting impairments. Rather, they find that the easing of eligibility rules, a greater willingness of disability program gatekeepers to accept applicants based on these new standards, and the growing tendency of low-skilled and unemployed workers to apply for and gain entry onto the DI rolls primarily contributed to the rise.

As evidence, these authors show that the fastest growth in new beneficiaries comes from: 1) increases in medical listing categories that are the most difficult to objectively measure—muscular skeleton (back pain) and mental illness; 2) increases among those who have an impairment that is not sufficient in itself to gain entry but who do so based on vocational characteristics—older age, lower education, manual work history; 3) increases among those who qualify only after being denied benefits at the initial level of review. In addition, recent evidence by Maestas, Mullen and Strand (forthcoming) show that the outcome of the eligibility determination of 23 percent of those evaluated for the DI program was decided by whether the evaluator was a strict or less strict interpreter of the evaluation criteria.

Importantly, the stage for many of these trends was set in the mid-1980s with an easing of eligibility standards. But due in part to a strong economy, the easing resulted in only small increases in the rolls during the second half of that decade. When the next recession hit in the early 1990s, movement onto the disability rolls accelerated substantially. In the boom years of

[4]Daly, Lucking and Schwabish (forthcoming) show that setting women's disability recipiency rates to those of men in 1982 adds another 13 percent to estimates of the impact of women's increased eligibility. Adding this term reduces the unexplained portion of DI growth since 1982 to one-half.

the second half of the 1990s through the early years of the next decade, growth slowed somewhat but increased again after the Great Recession. Since those who go onto cash disability programs rarely return to the labor market, even temporary increases in program inflows can lead to fiscally unsustainable program growth.

These trends are symptomatic of categorical disability programs whose beneficiaries are increasingly coming from a pool of unemployed workers with some level of work limitations, but who, under a different set of disability policies, could work and did so before 1990. They underscore the contradictions of current DI policy and the transformation of the DI program from a last-resort cash income program for those not able to hold any substantial gainful employment to a long-term unemployment program.

ECONOMIC AND SOCIAL COSTS ASSOCIATED WITH RISING DI CASELOADS

The changes in program incentives and the growth in the disability transfer rolls these changes have produced have real economic and social costs. First, by predicating disability benefits and support on demonstrating an inability to work, the system encourages individuals with health-based impairments not to work in order to qualify for benefits. Since average benefits are lower than average wages and reentering the labor market after the absence required to receive benefits is generally difficult, this choice has real economic consequences for decision makers. Second, by expanding disability cash-transfer programs while other nonwork transfer programs (such as welfare) have been declining, the system unintentionally increased the relative value of moving onto the disability rolls, even for those who might otherwise choose to work. This, in turn, has increased the administrative burden associated with determining which applicants qualify for benefits and which do not, ultimately boosting costs for taxpayers relative to other program designs. Finally, abstracting from the individual and social costs of the

programs, the focus on cash assistance in lieu of earnings ignores the value of work itself. Work links individuals to the economy and to the returns of economic growth. Work also connects individuals socially and culturally, which is a goal of advocates for those with disabilities. Importantly, work is also a social expectation. Not working generally comes with a cost. It's a serious matter to leave the work force and should generally happen only with an ongoing cause. The value of work—both to individuals and to the society that depends on everyone's productive effort—suggests that work, rather than benefits, should be the primary means for assisting and insuring people with disabilities and those who have experienced negative economic shocks.

These costs, as well as the financial burdens they place on taxpayers, are more worrisome when put in the context of the broader goals of the DI program to protect the economic well-being of people with disabilities. Since the passage of the Americans with Disabilities Act of 1990 (ADA), the employment of those with disabilities has declined considerably and their household income has remained flat. Increasingly, people with disabilities are substituting DI benefits for labor-market earnings, making them net withdrawers rather than net contributors to the tax base during their working age. This outcome threatens the finances of the DI program and is at odds with the view of disability codified in the ADA that people with disabilities should be able to participate more fully in the labor market.

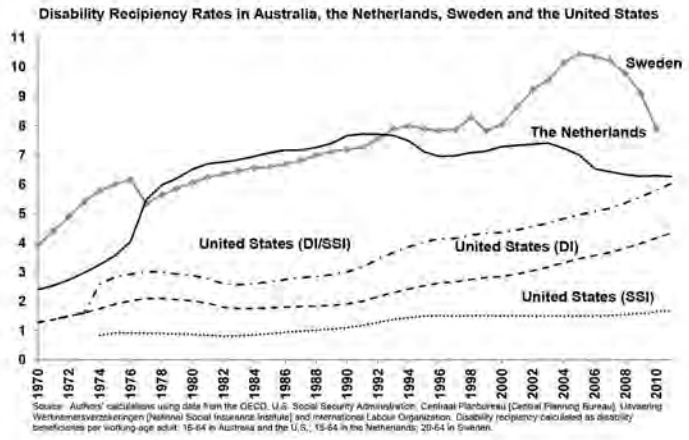
EXPERIENCES IN OTHER NATIONS

The United States is not the first country to experience the trends described here. Many European nations, with more expansive and generous disability systems than we have, experienced rapid and unsustainable growth a decade or more ago and have already begun to

reform their systems to curb caseload growth and costs.[5] The Netherlands and Sweden are useful examples and provide insights into fundamental reforms the U.S. may consider.

To illustrate the challenges in the Netherlands and Sweden and their relevance to the U.S. experience, Figure 2 plots the total number of persons receiving long-term categorical disability income benefits as a share of the working-age population in the three countries. To make comparisons with other countries accurate for the United States, the figure shows the disability rate reported for DI beginning in 1970, (as reported in Figure 1) as well as the rate when combined with Supplemental Security Income for disabled adults (SSI).

Figure 2. Disability Benefit Caseload Growth in the U.S., the Netherlands, and Sweden



Note first that the difference in levels and trends across countries cannot be explained by health or demographics. Rather they reflect deliberate policy choices. In Sweden and the Netherlands, disability programs replace a much greater share of past earnings for workers who

[5]For a detailed review of the European experience see OECD, 2010.

exit employment due to a work disability. Consequently, the shares of their working-age populations on these categorical transfers programs are greater than in the United States. Moreover, changes in disability eligibility rules and their enforcement played an even larger part in the fluctuations of disability cash transfer populations in the Netherlands and Sweden than in the United States.

In the past decade, the Netherlands and Sweden fundamentally reformed their disability programs by changing the culture and social expectations regarding people with disabilities, better aligning the incentives embedded in program design with these expectations, and reducing the flow of new entrants onto the system. From the U.S. perspective, the reforms represent an important success and relevant starting point for discussions about building a sustainable system.

In 2002, the Netherlands reformed undertook fundamental reform designed to reduce the disability cash transfer rolls while ensuring that a strong, albeit less generous, social minimum safety net remained for those who absolutely could not work. The 2002 reforms recognized that disability program rules, the administration of those rules, and the methods established to pay for disability programs greatly influenced the behavior of both employees and employers when a worker became disabled. Recognizing that the existing system did little to signal the true cost to either workers or their employers of moving onto the long-term disability transfer rolls, Dutch policymakers restructured the program so that both employers and employees more directly observed and bore the expense. The results have been notable. As seen in Figure 2, the share of the Dutch workforce receiving disability benefits has declined significantly. This has happened without swelling the rolls of other transfer programs.

The Dutch reforms focused on reducing inflows onto long-term disability benefits by making employers bear more of the direct costs of the program. All Dutch businesses are now

required to fund the first two years of disability benefits to their workers and to pay an experience-rated disability tax based on the number of their workers who move onto the long-term disability insurance program. These reforms provide incentives for employers to offer accommodation and rehabilitation in lieu of moving workers with disabilities onto cash transfer rolls.

The reforms also led to the development of a private-sector market for disability insurance and with it greater management of newly impaired workers. This shift in incentives is partly responsible for the subsequent decline in inflow of new beneficiaries to the Dutch long-term disability insurance program. Importantly, the reduction in inflows reflects that workers with disabilities are more regularly returning to work rather than moving onto other more general cash transfer programs (van Sonsbeek and Gradus 2011; de Jong 2012).

The acknowledgement that program rules affect how people with disabilities react to, and fare after, the onset of a health-based impairment is a necessary step to building a sustainable U.S. disability system. If individuals and employers are immune from the costs of providing long-term disability benefits, they have no direct financial incentive to accommodate and rehabilitate employees who could keep on working. Waiting until individuals are already on DI before engaging the private sector to help them get off loses a valuable opportunity to intervene early and to potentially prevent individuals from moving onto benefits in the first place.

Although both the Netherlands and Sweden reformed their systems when they became financially unsustainable, a key lesson from their reforms is that preventing problems is far easier than solving them once they occur. It is much easier to stem the flow of new beneficiaries onto the program than to return existing beneficiaries to work. This point is highlighted by Sweden's experience. In 2008, the Swedish government undertook a series of reforms to its

sickness and long-term disability programs to reduce the number of workers leaving the labor force for permanent disability benefits and return existing beneficiaries to the labor market.

Reforms were aimed at strengthening the incentives for individuals with disabilities to work and improving their opportunities to do so. The key reform was a new timeline for the provision of rehabilitation services under the sickness absence program. Checkpoints were closely aligned with assessment of work capacity and a reduction of the cash value of sickness benefits for those who did not return to work. In addition to adding more checkpoints, the reforms also front-loaded evaluations to do them at 3-, 6-, and 12-month increments. The earlier checkpoints provided rehabilitation, counseling and assessment much closer to the onset of an impairment, when return to work was more likely.

The reforms significantly increased the return to work of new sickness program entrants and reduced their time on the program. In contrast, few of those already on the sickness program when these new reforms were initiated returned to work. When sickness benefits ended, they simply moved onto other social assistance programs. These findings provide empirical evidence that early intervention matters. Waiting even one year following the onset of impairment significantly reduces the chance that rehabilitation will result in a return to work.

The Swedish experience also highlights the difficulties in reducing the stock of disabled beneficiaries. Even when strict time limits are put in place, movement off the disability system for longer-duration beneficiaries is difficult. And when it happens, most frequently it results in a shift to another public program rather than to employment.

A final lesson learned from the Dutch and Swedish experience is that disability programs are a subset of more general employment and transfer programs. Reforms to one program can affect the costs and caseloads of others. This means that policy reforms cannot take place in partial

equilibrium, but must be made comprehensively as part of a package of programs targeted on working-age adults. As European nations have demonstrated, doing otherwise pushes off, but does not solve, the long-term fiscal challenges of non-employment among working age adults.

References

Autor, D. H. and Duggan, M. G. (2010) *Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System*, The Hamilton Project and Center for American Progress: Washington, D.C.

Burkhauser, R. V. and Daly, M. (2012) "Social Security Disability Insurance: Time for Fundamental Change," *Journal of Policy Analysis and Management*, 31(2): pp. 454–461.

Burkhauser, R. V. and Daly, M. (2011) *The Declining Work and Welfare of People with Disabilities: What Went Wrong and a Strategy for Change*, AEI Press, Washington, D.C.

Burkhauser, R.V., Daly, M.C. and Lucking B.T. (forthcoming) "Is Australia One Recession Away from Disability Blowout? Lessons from Other OECD Countries," *Australian Economic Review*.

Daly, M.C., Lucking, B.T., and Schwabish, J. (forthcoming) "Assessing the Future of the Social Security Disability Insurance Program," *FRBSF Economic Letter*.

de Jong, P. (2012) *Recent Changes in Dutch Disability Policy*, University of Amsterdam and Aarts, De Jong, Wilms and Goudriaan Public Economics (APE), The Hague, The Netherlands, viewed June 2013, http:www.ape.nl/include/downloadFile.asp?id=322

Maestas, N., Mullen, K. J., and Strand, A. (forthcoming), 'Does disability insurance receipt discourage work? Using examiner assignment to estimate causal effects of SSDI receipt', *American Economic Review*.

Organization for Economic Co-operation and Development (2010) *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*, OECD, Paris, viewed March 2012, <http://www.oecd-ilibrary.org/social-issues-migration-health/sickness-disability-and-work-breaking-the-barriers_9789264088856-en>.

Social Security Administration (2013) *The 2013 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, Washington, D.C., viewed May 2013, <http://www.ssa.gov/oact/tr/2013/tr2013.pdf>.

Van Sonsbeek, J. M. and R. Gradus 2011, "Estimating the Effects of Recent Disability Reforms in The Netherlands," Tinbergen Institute Discussion Papers 11-121/3, Tinbergen Institute.

Chairman JOHNSON. Mr. Ufier, you are now recognized.

STATEMENT OF KEVIN UFIER, NATIONAL DIRECTOR MANAGED DISABILITY, GENEX SERVICES, WAYNE, PENNSYLVANIA

Mr. UFIER. Thank you, Mr. Chairman and Members of the Committee.

I appreciate this opportunity to testify concerning the best practices for returning employees back to work who have medical impairments and facilitating return to work for these employees on their stay-at-work programs.

Many of GENEX Services' business clients include individuals, small employers, mid-sized companies, Fortune 500 corporations. I would like to discuss our perspective of what we have seen in terms of what disability is and assessing employees to stay at work.

Disability is not merely having a medical condition. Disability is a medical-legal construct. A medical diagnosis alone does not equate to the adjudication of disability or a lifetime entitlement to unemployment, though many individuals perceive disability benefits as everlasting once they begin.

Disability is usually considered of a limited duration, except in those instances where there is a rapidly deteriorating condition without a reasonable expectation of improvement exists for terminal cases. For our customers, disability episode can result in millions of dollars a year beyond just the sick time benefits. Most importantly, the episodes result in lost productivity, lost revenue for employers. Employers and insurers engage GENEX to develop strategies to help keep people at work under stay-at-work—return-to-work programs or rapid return to works.

We understand that motivated employees who want to return to work are the best candidates to be successful in returning to work. We also recognize that the sooner the intervention by employers and claim administrators in providing support through processes of return to work promote better improved outcomes.

When employers provide return-to-work programs and immediate support of an employee upon a disability event, there is an expectation that the employee will make an effort to immediately attempt to return to work or start on that process. Typically, the return-to-work programs will have formal written policies in place that encourage return to work once the employee is on disability. These are known as transitional return-to-work programs. The employer should provide the training of operations and other essential staff concerning the return-to-work process. Employer management, human resource, and benefit team members know their assigned roles and responsibilities in the process. There is usually an internal corporate sponsor that promotes the program internally, basically a champion within the company.

The return-to-work process permits increased incremental ability for someone to try to go back to work through a scheduled duration. Often an option of light duty is written into a program that will allow for safe work functioning during a period of adjustment back to the work environment. The return-to-work program always applies accommodation principles to provide for minimum risk of

additional loss of functioning during the attempt for return to work. Each individual worker will have their own return-to-work plans specific to the requirements of their own job and their own medical restrictions.

Transitional work is not permanent. It is meant to be a short duration. The goal is always to return a person to their own job full time. Conditioning programs, such as work hardening, can be utilized to accelerate the work capacity when appropriate. When an individual worker has developed restrictions or limitations prior to filing a disability claim, many employers utilize a stay-at-work program to encourage continued productivity at work, yet accommodating the employees for a designated function and for a short period of time. Stay-at-work programs include many of the same elements as transitional work but are deployed prior to the actual disability event. Many programs also employ ergonomic programs, which is assessing the interaction between the work site and the human psychology and physical activities. And that can be invaluable in preventing additional limitations to the individual that is going back to work as well as preventing, even, disability.

In general, employers and claims administrators should engage the workers as soon as possible about continuing to work in some capacity or planning to return to work. Steps include setting up expectations that employees will go back to work, have employers involved in the return to work for employees, monetary incentives for work return to work, pay for adaptive equipment, day and elder care issues, dedicated support or professional staff promoting return to work within the organization, and corporate human resource operational structure which outlines roles and responsibilities for return to work. This outlines our philosophy that we have experienced at GENEX. And I thank you for the opportunity to express these views.

Chairman JOHNSON. Thank you, sir.

[The statement of Mr. Ufier follows:]

440 East Swedesford Road, Suite 1000
Wayne, PA 19087
(800) 454-4762

Testimony of

Kevin Ufier

National Director, Managed Disability

GENEX Services, Inc.

Wayne, PA

On

Encouraging Work Through the Social Security Disability Insurance Program

To

United States House of Representatives

Ways and Means Committee

Social Security Sub-Committee

Wednesday, June 19, 2013

My name is Kevin Ufier and I am the National Director, Disability Services for GENEX Services. I have worked in the disability and rehabilitation industry for 27 years. I have been with GENEX Services for over 17 years and work primarily with disability carriers and employers serving their Short term and Long term disability medical and vocational case management needs.

For 35 years, GENEX has provided insurers, employers and Third Party Administrators with a broad array of managed care solutions and information management capabilities through its 2,700 employees and more than 60 service locations throughout North America. The company has a demonstrated ability to help clients manage and control the medical, wage loss, and productivity costs associated with claims in the workers' compensation, disability, automobile, and health care systems. GENEX services include utilization management, case management, medical bill review, preferred provider organizations, specialty networks, Social Security representation, information management, Medicare Set-Aside and related capabilities. All of these services are designed to assist employers and insurers with the escalating costs associated with an injured or disabled employee.

I am here to discuss how employers and insurers work with their disabled employees to return them to work. My discussion relates to short term and long term disability eligible employees. I appreciate the opportunity to discuss the best practices for return to work.

What is Disability and How does it Impact Employers?

Disability is not purely a medical determination. A medical diagnosis alone does not render a person "disabled." Disability exists when a person has a medical condition, whether the condition results in physical or mental impairments and the degree of impairment interferes with that person's ability to perform the essential duties of their "own occupation." In most Long Term Disability cases, if a person can prove they cannot perform their own occupation, they are paid disability benefits. After a designated period, usually defined at two years in the Long Term Disability industry, individuals may be tested on their ability to perform the essential duties of "any occupation" based upon their education, training and or other experience. This is called the change in definition period and at this time, in order to continue to be paid benefits; the disabled individual must prove they are unable to perform any occupation. This is similar to the Social Security standard. The private sector sees disability as a medical/legal contract determination which takes into consideration a person's medical impairment, restrictions and limitations, vocational and educational background and perhaps most importantly, the employer's disability benefit plan language defining the meaning of "disability" and when benefits are payable.

Employers may provide Short Term disability and Long Term disability benefits as part of incentives to retain employees. It is estimated that approximately 30% of workers in the United States are covered by employer sponsored disability plans. In most cases the employer and employee contribute to the plan. The disability coverage is meant to protect employees financially in the event a disabling event prevents the employee from working and continuing to earn an income. This benefit is expensive and can impact company's earnings with costs that can approach 15% of payroll. [1]. Thus, the reason not all employers offer the benefit. Based upon individual employer policy, employees while on disability may continue to

receive pension credits, retain medical coverage, life insurance and other benefits. Because of the expense of disability plans and an emphasis on the value of employees in terms of human capital, many employers contract with companies such as GENEX to help reduce the cost of disability within the workplace, by keeping people at work or returning them to work as soon as possible after a disabling event.

Employers Strategies to Reduce the Cost of Disability in the Work Place

Employers develop strategies to retain their workplace talent and to keep them working with programs and processes designed to bring employees back to work as early as possible. Companies spend thousands of "man hours" to develop knowledgeable and efficient workers. The goal of most disability management programs within the employer is to keep their most valuable assets, their employees, in production. Countless employer groups have been able to build stay at work and return to work programs for the disabled that effectively create the right working environment for the disabled employee. Return on investment with these types of programs has been estimated to be between 2:1 to 10:1 [2].

These savings are accomplished through Early Intervention programs, where as soon as a disabling event occurs, the employee enters into the process which will be the road map for return to work. Early intervention includes claims management which requires benefit plan language to be met from a clinical and vocational perspective. Clinically, the employee needs to submit medical documentation that objectively supports the diagnosis and also demonstrates impairment. This impairment needs to be quantified to the degree an individual diagnosis creates restrictions or limitations. The next step in evaluation requires comparison of the requirements of the employee's job with the restrictions and limitations provided by the treating physician. This is a critical element in claims determination. Often when engaging in this step, with an eye toward assisting the employee to return to work, the claim administrator or case manager will directly contact the treating physician to discuss the employee's job description and the requirements of the specific job. This step ensures the physician knows the employee's job, sets an expectation that the employee will eventually return to work and also increases the validity of the initial claim decision.

The consequence of early intervention provides for appropriate claim decisions that have sufficient weight of evidence as well as set the expectation for return to work (RTW). Employers and claim administrators alike provide resources to facilitate return to work as the expectation. Most disability events for employees are not ones that are permanent; they are mostly episodic in nature with generally short durations. Those individuals with short durations, or easily accommodated work opportunities, never make it to the SSDI rolls. Those that go on to Long Term Disability have a higher likelihood of applying for and receiving SSDI benefits. These are cases where the disabling condition(s) are severe enough that the individual is unable to perform work at most occupations. However, even in the Long Term disability scenario, employers are having success in retraining and returning people to work. When an employee is receiving Long Term disability benefits, the claim is repeatedly evaluated medically and vocationally to set a plan for future return to work. Reviews of Long Term disability claims occur regularly for return to work potential; Private sector disability contracts require that the medical

impairment is being treated and regular updates are received for review. It is critical for success to have the return to work plan developed in the early stages of disability and then followed and adjusted appropriately as time goes on to ensure the employee remains engaged and interested in eventual return to work.

Return to Work Programs

Employers will often offer a variety of safety and targeted wellness programs to eliminate the impact of medical conditions and their impairments on their employees' ability to be productive at the work site. National statistics indicate "disabled" workers who are off work more than 12 consecutive weeks have only a 50% likelihood of returning to work. Employers who don't have transitional work programs, or the flexibility to provide sedentary or light duty alternative jobs, risk lengthy claims and poor outcomes. The three main options to promote return to work are:
1) Transitional work programs, 2) Ergonomic programs and 3) Stay at work programs.

Transitional Work

When an employer is paying their employees a disability benefit they are always looking to assist them to return to work. When an employee is out of work due to a disabling condition, employers will often utilize a Transitional Work program meant to assist employees in returning the impaired employee to work. The cornerstone of the Transitional Work concept is employers have a defined program that creates a pathway for the disabled employee to safely return to work. The program for Transitional Work presumes the employee who experiences a disability event is expected to return to work. This philosophy is understood by the employer and the employees and is a part of the culture of the organization.

Transitional work program includes the following elements:

- Pathway for transitional work. If the employee cannot return to work at full capacity, they can return to work at a reduced rate of hours or responsibilities and over time return to full capacity
- Allows for limited duration of "light duty" work assignments that permit the employee to safely return to a work routine during the period of impairment, not at their normal work duties
- Specific Human Resource Return to Work policies that include responsibilities and expectations for all roles involved in the process and expected durations of each program
- Financial incentives that encourage timely and early return to work
- Include an internal advocate or champion to promote the program from within the corporation
- Include specific employees who are directly involved in the process on daily basis. These staff directly work with operations managers, HR, payroll, claims
- Medical staff as well as vocational or nurse case managers working with the claim organization
- Education for supervisory staff supporting the program intent and process

- Ergonomic intervention-modification of the worksite, work schedule. In a successful scenario, an employee has a disability event, the claims organization objectively confirms the claim as valid, payment is made, and the employee understands they will eventually return to work at their job or another job.
- Vocational or Nurse staff evaluate the potential for return to work based upon updated and current medical
- Contact is made to the employee concerning RTW planning
- Dialogue with the employer supervisor concerning confirmation of the job requirements
- Discussion of what are the essential job requirements and what job duties can be re- assigned to other team members or consideration to devices that permit the employee to perform their normal duties
- Maximum duration of transitional duty would be planned at initiation of the transitional work process with schedule periods of mandatory reassessment

Not all attempts at transitional work are successful. Many times the individual cannot return to work at their own job but may be better suited for other employment within or outside the employer. If the employee moves to Long Term Disability, the claim administrator may utilize vocational rehabilitation resources to identify alternative employment opportunities at the employer. If that is not possible the vocational staff will look at other employment opportunities for alternate occupations the worker can perform with their transferrable skills despite their limitations related to their disabling condition.

ERGONOMIC PROGRAMS

Ergonomic intervention may be a part of transitional work programs. Ergonomics is concerned with human anatomical and biomechanical elements as they relate to physical requirements of work. Ergonomists will assess workplace postures, materials handling, how movements are accomplished, how this impacts the musculoskeletal system, workplace design , and perhaps most importantly, safety . Ergonomic assessments offer recommendations to reduce risk factors, the need for special equipment, suggestions for equipment providers, and equipment costs. A key element in ergonomics is the use of assistive technology that can assist in bridging the gap between a person's physical abilities and the requirements of the job.

An ergonomic intervention will begin with a physical demands analysis. A physical demand analysis provides a biomechanical description of the essential functions of a job and the physical demands required to perform them. This analysis is used to determine the cause of physical problems related to improper mechanics in the workplace, assisting in identifying medical treatment plans, return to work planning and accommodation.

The Physical Demands Analysis will:

- Define the physical abilities necessary to perform the essential functions
- Define the essential functions in an ADA-compliant fashion
- Match the physical abilities of employees with job demands

- Enhance Independent Medical Examinations and Functional Capacity Evaluation outcomes-utilized frequently by private sector claims organizations
- Facilitate consistency of treatment

STAY AT WORK

A third program that employers may provide is Stay at Work. This is approach is specifically geared toward assisting employees who are claiming restrictions to work functioning due to physical or mental impairments, but are not out of work or receiving disability benefits. Employers are taking note of this proactive approach to return to work in part due to the recently enhanced requirements of the Americans with Disability Act. Progressive employers do not debate whether a specific employee is a qualified employee with a qualified disability in order to provide accommodations; instead they engage in a conversation with the employee as soon as they are given notice of a medically supported diagnosis and impairment. At this time they will begin to provide assistance to keep the employee at work. Stay at Work Programs include:

- Modification of work tasks-for a pre-determined period of time. If employee cannot continue to work at full capacity, they work at a reduced rate of hours or responsibilities and over time return to full capacity.
- Specific Human Resource Stay at Work policies that describe responsibilities for all parties involved in the process and offers expected durations of the plan.
- Financial incentives that encourage timely and early return to work
- Internal advocate to promote the program from within the corporation
- Employee participants who are involved in the process on daily basis with the corporation
- Education for supervisory staff concerning the program intent and process
- Ergonomic interventions, modifications of the worksite, work schedule or providing of assisting devices.

Advantages to the Employer

- Communication and relationships between employees and management are enhanced based on the commitment by all parties.
- The company's interest and concern for employees are reinforced.
- Allows an impaired employee to continue to be productive and to contribute to the company.
- Company retains the production of skilled and experienced workers.
- No expenses are incurred for recruiting, hiring, training or salary of replacement workers.
- No overtime is required to make up for lost production.
- Work delays and business interruptions are eliminated when an experienced employee returns to work.
- Increased productivity by returning workers to their jobs as quickly as possible.
- Increased worker morale and motivation at work.

- Complying with applicable labor and employment laws such as the Americans with Disabilities Act.
- Reduced injury/illness related costs may help preserve benefits and jobs as well as contribute to improved work environment.

Advantages to Employees

- Employees and their families experience less disruption to lives.
- Employees maintain contact with and support from co-workers and friends.
- Employees remain active and productive.
- Employees maintain job skills.
- Full or partial wages are earned bringing the employee's income closer to pre-injury wages.
- Stress, boredom and depression from the injury or illness and from being unproductive are reduced or eliminated.
- Loss of physical fitness and muscle tone due to inactivity is prevented.
- Overall wellness is promoted.
- Maintains communications between employees and management.
- Reinforces the company's interest and concern for employee's.
- Improves communications between company, the employee and the treating physician.
- Discourages malingering.

Assessing and Identifying Return to Work Candidates

Who is the best candidate to receive the benefits of Ergonomic, Stay at Work and Transitional Return to Work programs? Without question, individual workers who are motivated to return to work are the best candidates [3].

Many times we see individual workers who are impaired by crippling spinal cord injuries that require mechanical devices to assist them with simple movements, return to work. At the same time we see individuals significantly less impaired unable to work. What is the difference with these two individuals? Motivation, or desire to work, appears to be an essential personality component of the successful return to work candidate. A successful RTW employee desires to earn money, contribute to a group, and be productive. Other predictors for return to work include the medical diagnosis itself. For instance, muscular-skeletal diagnoses appear to be most amenable to return to work programs and are usually the greatest single diagnosis category that causes an employee to be disabled and out of work. Individuals with higher levels of education and more sophisticated work skills are also most likely to return to work. Employers who develop and maintain return to work programs are committed to maintaining employees at work.

Does SSDI become an Obstacle to Return to Work?

In the general workforce, individuals may apply for SSDI when they believe they can no longer work. Many times they apply long after their disabling condition has prevented work, missing the opportunity for appropriate RTW intervention. Evidence suggests that individuals who are out of work for more than 26 weeks are less likely to ever return to work. The time that it takes for an individual to go through the Social Security determination process, sometimes one to two years or more, with no interventions regarding RTW opportunity, may become an insurmountable barrier to return to work. Though the Ticket to Work program is tasked with returning SSDI recipients to work, the process of returning the recipient to work often begins too late to be effective compared to private return to work interventions that begin with early intervention. Therefore it is suggested that if the Social Security process included early intervention or return to work assessment at the time of application, there may be possible successes that would reduce the amount of time on SSDI and eventually return individuals to productive work.

Recommendations -What needs to be done to help Employees Return to Work?

- Engage the disabled workers as soon as possible about transitional work or eventual return to work.
- Prevent disabilities through safety and wellness programs, ergonomics and Stay at Work programs
- Set expectations that it may be possible to return to work even if they have had a disabling event Monetary incentives for return to work: Pay for equipment, assistive devices, day and eldercare issues
- Dedicated professional promoting return to work at worksite
- Enhance claims processes that continually evaluate for appropriateness of disability payments
- Develop strategies for employers to have "skin in the game" in terms of disability expenses

Conclusion

Sigmund Freud comments that "love and work are the cornerstone of our humanness." Many researchers have commented on the importance of work in our society and to the individual [5]. Medical conditions can affect a large portion of the population for short periods of time to the degree individuals cannot work. A smaller percentage of people are permanently impacted by medical infirmities.

There are programs that provide assistance in both the federal and private systems. What is needed is a more systematic approach to encourage early intervention for return to work and stay at work by employers and at the federal level to reduce the increasing numbers of applicants for Social Security Disability benefits.

In closing I wish to thank you for the opportunity to testify. I am willing to answer any questions you may have.

1-The Total Cost of Employee Absences- Mercer Survey Highlights, 2008

2-Corporate Return to Work Policies and Practices: A National Study; Burton Blatt Institute Syracuse University, June 2012

3-US Department of Labor BLS

4- Kenneth Mitchell .The Dance of the Invisible Impairment: Chronic Pain Syndrome & the Disability Insurer; American Society of Chronic Pain Newsletter, October 2000

5- Zedeck, S. (1997) Commentary on Diversity and Work Family Values. New Perspective on International Industrial/Organizational Psychology. 319-332, New Lexington Press, San Franciso.

Chairman JOHNSON. Ms. Ekman, welcome aboard. Please go ahead.

STATEMENT OF LISA D. EKMAN, DIRECTOR OF FEDERAL POLICY, HEALTH & DISABILITY ADVOCATES, ON BEHALF OF THE CONSORTIUM FOR CITIZENS WITH DISABILITIES SOCIAL SECURITY TASK FORCE

Mr. EKMAN. Good morning.

Chairman Johnson, Ranking Member Becerra and Members of the Subcommittee, thank you for the opportunity to testify at this hearing on encouraging work through the SSDI program.

My name is Lisa Ekman, and director of Federal policy for Health & Disability Advocates, and I am testifying today on behalf of the cochairs of the Social Security Task Force of the Consortium for Citizens with Disabilities. The SSDI program provides vital income security to millions of people with impairments so severe that they are unable to perform substantial work, many of whom would live in abject poverty and be homeless without them.

And only, as Ranking Member Becerra said, people with the most significant disabilities receive SSDI benefits. Of the 57 million Americans with disabilities and the 38 million with significant disabilities, only about 14 million receive any type of income support through the Social Security system.

The U.S. already has one of the strictest if not the strictest definition of disability in the developed world. The people receiving benefits are diverse, including for example people with heart disease, end stage renal failure, significant intellectual disabilities, severe mental illnesses, severe physical disabilities, advanced stage cancers, debilitating arthritis, deafness, and blindness. And the vast majority of the people receiving SSDI simply do not have the capacity to work at any meaningful level.

Many factors must be present for people with significant disabilities to be able to obtain and sustain work. The person's health and impairment must allow them to do so. And this is the most important factor. More than eight out of 10 people with disabilities who weren't working, in a recent Bureau of Labor Statistics survey, said it was their disability itself that prevented them from doing so. But they also must have access to affordable housing and transportation, health insurance, and the services and supports required to work, including personal attendant care and assistive technology for many.

The Social Security system does not provide nor should it provide any of the items on that list besides income support. SSDI does exactly what it was designed to do, replace wages for people who are no longer able to work due to a severe impairment. And although we strongly support efforts to increase employment of people receiving SSDI and people with disabilities who do not receive SSDI, we do not believe such efforts will result in significant numbers of people achieving economic self-sufficiency or no longer requiring SSDI benefits if they already do.

Contrary to assertions made by some, SSDI is not a disincentive to work for people with work capacity. Many SSDI beneficiaries do work, but it rarely results in earnings that allow people to leave the rolls and stay off of them. Researchers examined earnings of

a group of beneficiaries for 10 years and found that 28 percent of them attempted work and 4 percent had benefits terminated due to earnings. The same Bureau of Labor Statistics survey mentioned before found that income support from any government program, including SSDI, had absolutely no effect on the work efforts of 92.5 percent of people with disabilities surveyed.

And SSDI benefits are modest, the least generous of all OECD countries, except for South Korea. Wage replacement rates are very low, as Mr. Becerra pointed out, less than half of what their prebenefit wages for more than a majority of beneficiaries. And many people live near or below poverty, despite receiving SSDI benefits.

We cannot examine SSDI in a vacuum. We have to look at the entire disability support system. And we should not blame SSDI for the failure of other programs in that system. We need to look at Medicaid, which provides health care and supports and services, such as personal attendant care; the Department of Labor programs, which provide training and job search assistance; and the vocational rehabilitation program, the sole mission of which is to assist people with disabilities to obtain or maintain employment. We also need to look at the funding for these programs, which are already inadequate and provide more funding to them to help accomplish the goals of helping people with disabilities work.

It is the role of these other programs to help people with disabilities work. SSA does not have the infrastructure or expertise to do so. Any new programs to delay or prevent workers who develop workers from applying for SSDI should not be administered by or funded through the Social Security system. The best time to intervene is at least several years before people apply for SSDI. And we explain the reasons for that fully in our testimony.

In addition, the Social Security Administration already lacks sufficient resources to do their existing workload, let alone to take on a new role. And the resulting overpayments, due in large part to inadequate staff, are a major disincentive to work and could be avoided by increasing SSA's budget and dedicating staff to this important workload.

We do believe there are improvements that could be made to the SSDI work incentives, and we outlined those in our testimony.

In conclusion, when considering the reforms suggested here today, we urge Congress to evaluate them based on the principles contained in our written statement, avoid any proposal that could have the unintended consequence of having less people be hired who have disabilities, such as experience rating SSDI taxes, and to use caution in making international comparisons with other countries with less stringent disability definitions, much more generous benefits, much more expensive social insurance and pension programs, and provide already much more adequate services and supports. Thank you.

Chairman JOHNSON. Thank you.

[The statement of Ms. Ekman follows:]

Commemorating 40 Years
Of Disability Advocacy
1973-2013

Hearing before the House Ways and Means Committee Subcommittee on Social Security

Encouraging Work Through the
Social Security Disability Insurance Program

June 19, 2013

Testimony of
Lisa D. Ekman, JD, MSW
On Behalf of the Social Security Task Force
Consortium for Citizens with Disabilities

1825 K Street, NW, Suite 1200 • Washington, DC 20006 • PH 202-783-2229 • FAX 202-783-8250 • Info@c-c-d.org • www.c-c-d.org

Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee, thank you for the opportunity to provide testimony for this hearing on Encouraging Work Through the Social Security Disability Insurance (SSDI) program.

I currently serve as the director of federal policy for Health & Disability Advocates (HDA). HDA is a national policy and advocacy group headquartered in Chicago, Illinois that promotes economic and health care security for people with disabilities. For more than 20 years, HDA has been working at the intersection of health and economic security, focusing on employment and health related employment supports. I also am a member of the Consortium for Citizens with Disabilities (CCD) Social Security Task Force. CCD is a working coalition of national consumer, advocacy, provider, and professional organizations working together with and on behalf of the 54 million children and adults with disabilities and their families living in the United States. The CCD Social Security Task Force focuses on disability policy issues in the Title II disability programs and the Title XVI Supplemental Security Income (SSI) program. I present this testimony on behalf of the Co-Chairs of the CCD Social Security Task Force.

The SSDI program provides vital and much-needed economic security and access to health care for individuals whose impairments are so severe that they preclude substantial, gainful work. This income support program is an integral component of our nation's safety net, reflecting the core American value of assisting those in need. We appreciate your interest in and attention to this critical program.

Any effort to improve the work opportunities and outcomes for people receiving SSDI should start with ensuring that the Social Security Administration (SSA) has adequate administrative resources to effectively administer the SSDI program and the SSDI work incentives in an accurate and timely manner. SSA's administrative budget (Limitation on Administrative Expenses or LAE) has been woefully inadequate in recent years. We urge Congress to provide SSA with adequate resources to carry out all necessary program functions, especially to process wage reports and complete work reviews, including hiring sufficient staff in SSA's field offices and dedicating staff to program integrity and disability employment-related workloads.

The CCD Social Security Task Force Co-Chairs strongly support increasing efforts to help people with significant disabilities to work up to their potential, whether that means helping them keep their attachment to the labor force thus delaying or eliminating the need to apply for disability benefits; or providing the training, services, and supports a beneficiary might need to return to work. We thank the Chairman and Ranking Member for holding this hearing to explore ways to encourage and support work among SSDI beneficiaries.

I. Principles for Improving Employment Opportunities and Outcomes

Before discussing specific proposals and offering our recommendations, we present the following principals the Social Security Task Force believes ought to guide efforts to increase employment opportunities and outcomes for people with disabilities:

Principle 1: Preserve the basic structure of Social Security's disability programs, including the definition of disability.

Social Security's disability programs are critical to people with disabilities and their families. Their basic structure is effective and should be preserved. Any efforts to change the Social Security disability programs must protect and expand the effectiveness of these income support programs, as well as protect access to the corresponding health coverage provided through Medicare and Medicaid. Additionally, because the intent of

the Social Security disability programs is to provide income support for individuals who do not have the capacity to work, the existing definition of disability is appropriate. The current definition is strict, providing benefits only to individuals with the most significant impairments. The current structure also provides sufficient flexibility to allow for policies that promote employment for beneficiaries who are able to do some work.

Principle 2: Efforts should be made to increase employment opportunities and improve employment outcomes for Social Security disability beneficiaries, but those efforts should not be achieved through any tightening of eligibility criteria for cash benefits and/or narrowing of health care benefits.

CCD supports new legislative and regulatory proposals that could increase employment opportunities for individuals with disabilities who receive Social Security disability benefits. However, **new initiatives should be funded outside of the Social Security disability benefit structure and should not come at the expense of existing Social Security disability benefits. A top priority for CCD is to retain current eligibility criteria for income support and associated health care benefits while also promoting ways to improve employment outcomes for individuals with disabilities who have the capacity for work.**

Programs designed to allow flexibility for people with disabilities to return to work, including programs authorized under the Ticket to Work and Work Incentives Improvement Act (TWWIIA), should be supported in order to provide Social Security disability beneficiaries with the flexibility they need to return to work. These programs offer people with disabilities the options to try different work opportunities without risk of losing their benefits should a return to work be unsuccessful. Providing individuals with disabilities the opportunities to work up to their capacity without risking the vital income support and health care coverage allows them the chance to increase their independence and self-sufficiency.

Principle 3: Given that Social Security disability program beneficiaries have already been found unable to perform substantial gainful activity, participation in work or activities to prepare for work should remain voluntary.

While it is critical that high-quality employment services be made readily available to all beneficiaries, the person with a disability is in the best position to evaluate his or her own health condition and ability to participate in such activities. Because many people with disabilities face great challenges in returning to work, and because of the significant diversity of disabilities represented within the Social Security disability programs, receipt of Social Security disability benefits should not be conditional on participation in work or work preparation activities. CCD therefore opposes any type of work requirements in the Social Security disability programs, including any requirements that beneficiaries participate in community service, volunteer work, vocational rehabilitation, training, or other pre-employment activities as a condition of receiving benefits or to avoid sanctions.

Principle 4: Eligibility and cash benefits should not be subject to time limits.

In our experience, even those beneficiaries who eventually attain self-supporting employment may take a long time to do so. Placing arbitrary time limits on benefits could be counterproductive and exacerbate physical or mental health problems. It is also impossible to predict who might be able to work at a self-sustaining level as the course a disability or illness may take is unpredictable and definitely not known ahead of time. For those who are not able to attain a significant level of employment, or not able to do so within the prescribed time frames, a time-limited program would greatly increase the need for repeated applications and adjudications, causing great stress for beneficiaries as well as increased administrative costs for the Social Security

Administration. The current policy of conducting continuing disability reviews avoids these problems and additional costs, while ensuring that individuals who no longer qualify for the program have their benefits terminated.

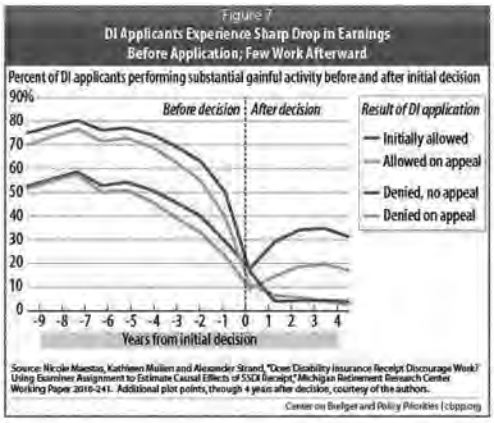
II. Recommendations for Improving Employment Opportunities and Outcomes for People with Disabilities

Keeping these principles in mind, we present the following recommendations to the Subcommittee. In this section, we present recommendations that seek to: (1) help people with disabilities remain in the workforce; and (2) improve work opportunities and outcomes for current and future SSDI beneficiaries. We also share concerns regarding certain proposals that risk detrimental consequences for people with disabilities.

a. Helping People with Disabilities Remain in the Workforce

We strongly support efforts to provide services and supports, access to health care, and help with expenses incurred by workers with disabilities in order to maintain their attachment to the labor force. We believe that early intervention could help many people with disabilities and chronic health conditions remain at work.

About 57 million, or 1 in 5 Americans, live with disabilities, and about 38 million or 1 in 10 have a severe disability.[i] The Social Security disability programs provide vital support to only those with the most significant disabilities—about 14 million children and working-age adults.[ii] Most people who apply for benefits are denied, and only about 40 percent of applicants are awarded benefits under the strict Social Security definition of disability—even after all stages of appeal.[iii] Early intervention efforts will likely help people who would never have applied for SSDI even in the absence of such efforts, as well as people who would not be eligible for SSDI benefits because they would fail to meet the strict definition of disability for the SSDI program.



We believe that the best time to intervene is long before someone walks through the door of the Social Security office or visits the web site to file a disability application. By the time they walk through that door, many adults with severe disabilities have made repeated attempts to work or stayed at work beyond when recommended by health care professionals, often exacerbating their impairments, before finally turning to the Social Security disability programs for critical income support. As the above chart shows, earnings typically begin dropping several years before an individual applies for benefits. Early intervention programs should target individuals with disabilities and chronic conditions while they are still attached to the labor force, before they lose significant earning capacity, and as early as possible in the course of an individual's impairment.

We believe that a program offering enhanced employment supports and services for workers who have experienced the onset of disability or worsening health, should be administered separate from the Social Security disability programs and outside the Social Security Administration, which lacks the capacity, infrastructure and expertise for individual vocational case management. Several other Federal agencies already administer programs that perform similar functions and are tasked with helping all American workers, including people with disabilities, retain or regain employment and receive significant appropriations to do so. For instance, the Workforce Investment Act programs, administered by the United States Department of Labor, are available to all workers to assist with training, retraining, and assisting with job search related activities. In addition, the vocational rehabilitation program administered by the United States Department of Education is designed to provide individuals with significant disabilities training, education, equipment, job preparation and search assistance, and any other service needed for competitive integrated employment. State Vocational Rehabilitation Agencies received more than $3 billion in FY2012 to provide employment services to people with disabilities. Despite the significant appropriations received by these programs, they are significantly underfunded and would need additional resources to effectively serve workers with disabilities in an early intervention program. And, although we are not endorsing any particular early intervention approach in this testimony, we urge Congress to carefully examine existing public programs such as the One-Stop Career Centers and the vocational rehabilitation program when considering early intervention designs for people with disabilities.

Importantly, for the above reasons, we believe that the funding for an early intervention program should **NOT** come from Social Security funds—either Federal Insurance Contribution Act (FICA) taxes (otherwise known as payroll taxes), the Disability Insurance Trust Fund or the Social Security Administration LAE.

Experience Rating Would Have a Chilling Effect on Hiring of People with Disabilities

We do not believe that experience rating SSDI FICA payroll taxes will increase employment or retention of people with disabilities. In fact, we believe that this proposal would have the opposite effect—it would make it less likely that people with disabilities or chronic conditions would be hired in the first place. This would especially be the case for people with disabilities that tend to worsen over time, like Multiple Sclerosis, or diabetes, as well as for people with episodic conditions, who are likely to go on and off benefits over time.

Although prohibited by law, discrimination against people with disabilities in hiring can be difficult if not impossible to prove. To prove disability discrimination in hiring, a job applicant must produce explicit evidence (such as an overt verbal or written statement or a witness) that establishes that that the employer did not hire them because of the fact that they have a disability. This burden can be extremely difficult for individuals to meet, as such evidence is rarely available to anyone but the employer.[iv] And in today's economy when there are often hundreds of applicants for every job, it has become even harder to prove that disability is the reason a person did not get a job.

Many employers already have concerns regarding whether it will be more costly to hire a person with a disability than his or her non-disabled peer. This misplaced fear is based on the perceived cost of complying with the Americans with Disabilities Act's (ADA) requirement to provide reasonable accommodations and it often puts potential employees with disabilities at a competitive disadvantage relative to applicants without a disability. The cost of providing reasonable accommodations is less than $600 total for more than half of employees with disabilities who require accommodations (and many people with disabilities do not require accommodations with any cost)—yet misperceptions and fears persist among many employers[v]. Particularly in today's hyper-competitive job market, we are very concerned that adding another potential risk or financial disincentive to the costs employers already fear when considering hiring a person with a disability, could have a dramatic chilling effect on hiring of people with disabilities and chronic conditions.

In response to this concern, proponents of experience rating have suggested reducing disability discrimination in hiring by requiring workers to self-identify as "disabled" on the front end of the hiring process, so that they can be exempted from the experience rating pool. This sort of approach is very likely unconstitutional and in direct contravention of the ADA.[vi] Employers are prohibited from asking an applicant or an employee to disclose their disability status. How could a certain class of employees be exempted from the experience rating process without running afoul of this Constitutional prohibition? Such an approach is misguided and will unavoidably run roughshod over the Constitutional rights of people with disabilities.

In addition, proponents of such a system also fail to grasp the reality of today's employment landscape. How would the system apply to part-time workers? What about workers who experience disability onset in between jobs, while not currently connected to an employer? What about workers with two employers, or three? What about workers with terminal illnesses or other conditions that make remaining on the job impossible? Suppose an employer does everything in their power to keep a worker and, due to the worker's significant disabling condition, the worker applies for and receives SSDI benefits regardless of the employer's efforts? Would that employer still be penalized by having his or her FICA taxes go up? If so, how is that providing the proper incentives for employers? The employer in that scenario exhibited the exact behavior this proposal purports to be designed to encourage but the employer would not benefit from those efforts. It could have the absurd result of encouraging employers to "triage" workers and not try to prevent people with more significant impairments from leaving their jobs – figuring that they will have their FICA taxes go up regardless of their efforts so why spend the time and money trying to keep the employee. This result would be perverse because the same employer might have undertaken significant efforts to keep that employee absent the experience rating system being in place. Would there be an appeals process through which the employer could contest the increase in taxes? Would there be an appeals process for workers with disabilities to contest their requirement to remain on the job but who are unable to do so? If so, how would that work? Many important questions remain yet to be answered.

Caution is Necessary in Considering Other Countries as Models

We urge caution in looking overseas for reform models. While some point to particular elements of disability program reforms in Europe (particularly in Germany, the Netherlands, and the United Kingdom) as potential models for changes to the Social Security disability programs, such proposals fail to take into account that these nations have much more generous disability systems, less stringent disability standards, higher levels of expenditures on social assistance generally, and more regulated labor markets than the United States.

According to the Organisation for Economic Co-operation and Development (OECD), the U.S. has the most restrictive and least generous disability benefit system of all OECD member countries except Korea. The OECD describes the U.S. disability system, along with those of Korea, Japan, and Canada, as having "the most

stringent eligibility criteria for a full disability benefit, including the most rigid reference to all jobs available in the labor market." The OECD also reports that the U.S. spends less as a share of its economy on incapacity-related benefits than other nations. In 2009, U.S. expenditures on incapacity-related benefits amounted to just 1.5 percent of GDP, compared to an average of 2.4 percent for all OECD nations.

Moreover, the ADA provides strong civil rights protections to Americans with disabilities in employment and other areas of public life. It might be necessary in countries lacking such strong civil rights protections to try to accomplish some of the goals of ADA, such as the requirement to provide reasonable accommodations and the ability to enforce those rights in court, through alternate means.

Finally, additional aspects of other countries' social insurance systems render them incomparable to the United States, as well. People with significant disabilities require a number of different services and supports (e.g. health care, long-term services and supports including personal attendant care, transportation, and housing) to obtain and maintain employment. Assuming that policies that have worked in other countries with universal health care and generous pension structures, as well as significantly more robust programs that provide these services and supports, would also work in this country, which lacks such complementary policies and programs, would be a mistake—and could be potentially catastrophic for people with disabilities.

Further Consideration is Needed to Evaluate Effective Strategies to Help Workers with Disabilities Remain on the Job

Although coverage of private disability insurance can be a benefit to workers, we do not believe that requiring employers to purchase such policies would significantly reduce the number of people receiving Social Security disability benefits. Although disability insurance policies and the associated disability management programs can be effective in keeping the attachment of some workers to the labor force, we think that most people who receive SSDI benefits are dissimilar from the majority of workers covered by private disability insurance in key respects.

Approximately 1 in 3 workers in the United States is currently covered by private disability insurance. In general, these workers tend to be skilled and highly educated and work in white collar jobs. On the other hand, the majority of SSDI beneficiaries have a high school diploma or less (42% did not complete high school and another 35% have only a high school diploma or equivalent). SSDI beneficiaries tend to have worked in careers in the service industry or jobs that require physical labor and are older (70% are age 50 or over and nearly 1 in 3 is over 60). Disability management programs and other efforts to assist employees who develop disabling conditions or whose existing impairments worsen are better suited to help white collar workers retain their positions than a coal miner, window washer, or construction worker. We urge caution in adopting this strategy without a thorough examination of the characteristics of the two populations and determining if the strategies that work for highly skilled workers would be effective for the more typical SSDI beneficiary.

It is also worth noting that private disability insurance policies typically contain provisions requiring covered employees that the insurance company believes will not be successful in assisting to remain at work to file for SSDI. This triage process determines who will receive intensive services and who will not. In addition, private disability insurance policies usually include provisions which allow the benefits they pay to be offset by the SSDI benefit a person receives. It therefore is in the insurance carrier's financial interest to require people to whom they are paying benefits to apply for SSDI so the company's benefit payments can be reduced.

b. Improving Work Opportunities and Outcomes for Current and Future SSDI Beneficiaries

Development of a system to support work by people with disabilities must start with the needs of the beneficiaries and be designed to meet those needs, rather than letting costs and savings to the disability programs be the driving factor. As a general matter, we have serious concerns that people with disabilities will be hurt by implementation of untested proposals, and urge thoughtful consideration and testing prior to endorsing or implementing any changes to the disability programs. Importantly, we reiterate here that although we support efforts to assist current SSDI or SSI beneficiaries to return to work, we do not expect that they will result in significant numbers of people leaving the disability rolls due to earnings over SGA—nor should savings be the driving factor behind providing supports and services to people with disabilities. As discussed above, the people receiving Social Security disability benefits have very significant disabilities and the vast majority of them have very limited work capacity. We do not believe that efforts to assist current disability beneficiaries return to work will result in significant numbers of people leaving the disability rolls due to earnings over substantial gainful activity (SGA).

Nor do we believe that SSDI as currently constructed acts as a significant work disincentive to people applying for or receiving benefits. Indeed, according to a recent supplement to the Current Population Survey administered by the Bureau of Labor Statistics, just over 8 in 10 people with disabilities who were not working surveyed reported that the biggest barrier to employment was their own disability (80.5 percent). More than 9 in 10 people surveyed indicated that the receipt of public income support benefits had **NO** effect on their work activity. In fact, 92.5 percent of those who received financial assistance within the past year reported that "the program(s) they used did not cause them to work less than they otherwise would have."[vii]

A recent report illustrates the low work capacity even of individuals whose applications for disability benefits were denied:

- Barely half of rejected applicants have any earnings. Some 53 percent of rejected male applicants age 45 to 64 (compared with about 20 percent of accepted applicants) had any earnings two years after application, as compared with 82 percent of a control group (selected for its similar demographic characteristics and past work history) of non-applicants who had earnings.
- Fewer had significant earnings. Two years after application, 43 percent of rejected applicants (compared with about 13 percent of accepted applicants) had earnings equivalent to three months out of the year at the minimum wage. In contrast, 79 percent of non-applicants had at least that level of earnings.
- For those with earnings, median amounts are quite low. Among rejected applicants who worked, median annual earnings (in 2000 dollars) were only $10,000, just slightly above the poverty threshold, (compared with about $3,500 for accepted applicants). This compared with median earnings of $35,000 among non-applicants.[viii]

In our experience, an array of factors contributes to the high rate of unemployment among working-age people with disabilities. These include individual-specific factors that vary from person to person (e.g., the impact of the impairment on the individual's physical or mental capacity to work) and structural barriers, such as the lack of health care coverage and the lack of easily accessible, reliable and affordable housing and public transportation, which can conspire to trap people with disabilities in an endless cycle of poverty. All of these factors must be addressed in constructing a system to assist those people with disabilities who may be able to transition into the workforce and achieve a greater degree economic self-sufficiency.

Finally, the lack of adequate administrative resources for SSA results in work disincentives for beneficiaries who attempt work due to overpayments and other problems. Providing SSA with adequate resources would eliminate those work disincentives, as discussed later in this testimony.

Decoupling Access to Services and Supports from Social Security Disability

As attitudes and expectations regarding people with disabilities evolved, so did a system of programs designed to support people with disabilities to live independently. And as the programs were added to provide needed services and supports, the Social Security disability programs became the "gateway" to access other needed services and supports. Many other important programs use eligibility for Social Security benefits to determine eligibility for the other benefits. For example, receiving a disability determination from SSA and/or receiving Supplementary Security Income automatically entitles a person to receive Medicaid in many states. And SSDI beneficiaries are eligible for Medicare after a 24-month waiting period. This effectively requires people to apply for and receive income support benefits (whether needed or not) in order to obtain the services and supports they need. We recommend that access to services and supports (other than income support) be decoupled from eligibility for the Social Security disability programs.

Improving the Social Security Work Incentives

Although we do not expect that the following work incentives improvements will result in significant numbers of people working their way off benefit eligibility, we do believe that these improvements will allow SSDI and SSI beneficiaries with work capacity to work up to that capacity and will allow some beneficiaries to become self-supporting. We recommend the following:

a. Extend SSA's Title II Demonstration Authority.

SSDI beneficiaries face a complex set of rules regarding earnings and, if concurrently eligible for SSI, their assets. Demonstrations allow SSA to test additional ways to help beneficiaries navigate the system and can provide important information about assisting beneficiaries to attempt or to return to work. Currently, SSA only has demonstration authority for the SSI program, as demonstration authority for the Title II programs expired in 2005. Congress should extend SSA's Title II demonstration authority.

b. Ensure Continuation of the Work Incentive Planning and Assistance (WIPA) and Protection and Advocacy for Beneficiaries of Social Security (PABSS) Programs.

The WIPA and PABSS programs, established in 1999, provide critically important employment services that help beneficiaries of Social Security's SSDI and SSI disability programs attain greater economic self-sufficiency. WIPA grants go to local non-profits and other agencies to support outreach, education, and benefits planning services for SSI and SSDI beneficiaries about work incentives and services for finding, maintaining, and advancing in employment. WIPA grantees inform beneficiaries about the impact that employment will have on their disability income and medical coverage, and address many of the real fears that individuals have about going to work at the risk of losing health coverage. PABSS provides a wide range of services to SSI and SSDI beneficiaries. This includes information and advice about obtaining vocational rehabilitation and employment services, information and referral services on work incentives, and advocacy or other legal services that a beneficiary needs to secure, maintain, or regain gainful employment. The WIPA and PABSS programs should be permanently authorized to prevent service interruptions and loss of well-trained and skilled employees.

c. Improve Program Navigation and Remove Barriers to Work.

Over the years, the CCD Social Security Task Force has developed a number of proposals to make it easier for beneficiaries to navigate the SSDI system, particularly when attempting work. As we have noted in prior testimony before this Subcommittee, we generally support efforts to improve the disability claims process, including through the use of technology, so long as the changes do not infringe on claimants' rights. SSA has already implemented a number of significant technological improvements that have helped claimants and their representatives and have made the process more efficient for SSA employees.

We strongly recommend that SSA develop a better wage reporting and recording system and promptly adjust benefit payments to reduce overpayments. Many individuals with disabilities are wary of attempting a return to work out of fear that this may give rise to an overpayment when reported earnings are not properly recorded and monthly overpayments are not properly and promptly adjusted.

Additional recommendations for strengthening the SSDI program include the following:

• **Establish an earnings offset in the SSDI program.** One of the most difficult and enduring barriers to work for SSDI beneficiaries is the sudden termination of cash benefits when someone crosses the substantial gainful activity (SGA) threshold after the trial work period. This affects both the individual's benefits as well as those of any dependent(s). We recommend establishing a $1 for $2 earnings offset in SSDI to parallel the provision in the SSI program, which has existed since the mid-1980s. An earnings offset would eliminate the "cash cliff" for beneficiaries who are able to work, and would help ensure that individuals are financially better off by earning wages than by not earning. This long-overdue proposal is currently being tested. The disability community has been advocating for this change for decades.

• **Provide a "continued attachment" to SSDI and Medicare, as long as a beneficiary's impairments last.** Beneficiaries who are sometimes able and other times unable to be employed should have continued attachment to cash and medical benefits that can be activated with a simple and expedited procedure that is as "seamless" as possible. For example, the President has proposed the Work Incentives Simplification Pilot (WISP). Under the WISP, work would no longer be a reason for terminating SSDI benefits, similar to the SSI program. SSA would continue to pay cash benefits for any month in which earnings were below the established threshold, but would suspend benefits for any month in which earnings were above the threshold. SSA would evaluate whether this pilot simplification reduces the number of improper payments due to work, and allows the agency to redirect those administrative resources to other areas.

• **Support and strengthen programs designed to allow flexibility for people with disabilities to return to work, including programs authorized under the Ticket to Work and Work Incentives Improvement Act (TWWIIA).** These programs offer people with disabilities the options Support and strengthen programs designed to allow flexibility for people with disabilities to return to work, including programs authorized under the Ticket to Work and Work Incentives Improvement Act (TWWIIA). These programs offer people with disabilities the options to try different work opportunities without risk of losing their benefits should a return to work be unsuccessful. Providing individuals with disabilities opportunities to work up to their capacity without risking vital income support and health care coverage promotes their independence and self-sufficiency.

• **Revise the rules for impairment-related work expenses (IRWE).** Under current rules, beneficiaries can deduct from earned income the costs of IRWEs; IRWE deductions are made for SGA determinations. The IRWE deduction can be a significant work incentive by allowing individuals with disabilities to obtain services, medical items, and other assistance that allow them to engage in work activity. Our proposals for revising IRWE include:

o Applying the current SSI blindness rule to SSDI disability claimants and beneficiaries to allow the consideration of all work expenses, not only those that are "impairment related." Currently, for Title II and SSI disability claimants and beneficiaries, only those work expenses that are "impairment-related" are considered. However, the SSI income counting rules for individuals who qualify based on statutory blindness are more liberal because all work expenses can be deducted, not only those that are "impairment-related." There is no public policy basis for this continued disparate treatment of people with different significant disabilities.

o Allowing beneficiaries to include their health insurance premiums as IRWEs. This would recognize the higher costs incurred by workers with disabilities who must pay premiums for the Medicaid Buy-In or for continued Medicare after the termination of free Part A benefits.

• **Increase the SGA level for all beneficiaries to be the same as the SGA level for beneficiaries who are blind,** and maintain annual indexing of the SGA to adjust for inflation and cost of living increases.

• **SSA must receive sufficient administrative funding in order to process earnings reports timely and adjust benefits as appropriate.** When an SSDI beneficiary goes to work, she is required to report her earnings to SSA so that a work continuing disability review (CDR) can be performed and benefits can be adjusted when appropriate. If the earnings report is processed in a timely manner, the benefits are adjusted and no overpayment results. However, if SSA lacks the staff to process earnings reports in a timely manner, the beneficiary is likely to receive an overpayment. The longer the delay in processing, the larger the overpayment will be. According to Acting Commissioner Colvin's testimony before this Subcommittee in January 2012, SSA has allocated additional resources to work CDRs, targeting cases with the oldest earnings reports – those more than a year old. During the hearing, Acting Commissioner Colvin stated that it takes more than 270 days on average for SSA to complete a work CDR.[ix] Every month that passes from the time that a beneficiary reports earnings before a work CDR is completed increases the likelihood of a large overpayment.

This delay in processing of earnings reports often has a very detrimental impact on people with disabilities. When beneficiaries faithfully notify SSA of earnings or other changes that may reduce their benefit payment amounts, as noted above, it may be months or years before SSA sends an overpayment notice to the beneficiary, demanding repayment of sometimes tens of thousands of dollars of accrued overpayments. It is shocking to beneficiaries to receive these notices, when they reasonably assumed that SSA had processed the information they submitted, and it is challenging, if not impossible, for someone subsisting on benefits alone to repay the overpayments.

Many individuals with disabilities are wary of attempting a return to work out of fear that this may give rise to an overpayment, resulting in a loss of economic stability and health care coverage upon which they rely. SSA needs to develop a better reporting and recording system and promptly adjust benefit payments –thus preventing these overpayments. It is important to note that, in and of themselves, overpayments do not indicate fraud or abuse as beneficiaries are encouraged to work if they are able. The problems arise when reported earnings are not properly recorded and monthly overpayments are not properly adjusted. SSA must have adequate resources and staffing to allow the agency to reduce both the backlog and processing time of earnings reports.

In closing, we strongly support efforts to increase employment opportunities and outcomes for people with significant disabilities. The Social Security disability programs provide critical income support for people with significant disabilities. We urge caution in considering changes to the disability programs that could cause

vulnerable individuals who are unable to support themselves through work to lose access to these vital benefits. Thank you again for your interest in this vital program and the opportunity to present this testimony today.

Sincerely,

Lisa D. Ekman, Health & Disability Advocates
Jeanne Morin, National Association of Disability Representatives
TJ Sutcliffe, The Arc of the United States
Rebecca Vallas, Community Legal Services, Inc.
Ethel Zelenske, National Organization of Social Security Claimants Representatives

Co-chairs of the CCD Social Security Task Force

---

[i] U.S. Census Bureau, Current Population Reports, Americans with Disabilities: 2010 (July 2012), http://www.census.gov/prod/2012pubs/p70-131.pdf
[ii] http://www.socialsecurity.gov/policy/docs/quickfacts/stat_snapshot/index.html
[iii] Anne DeCesaro and Jeffrey Hemmeter,"Characteristics of Noninstitutionalized DI and SSI Program Participants," Research and Statistics Note, No. 2008-02, January 2008. http://www.ssa.gov/policy/docs/rsnotes/ rsn2008-02.pdf.
[iv] See e.g. http://www.bgsu.edu/offices/oed/page7607.html; http://meloukhia.net/2012/01/a_civil_crime_disability_discrimination_in_the_workplace.html
[v] See e.g. http://www.thinkbeyondthelabel.com/Learning-Tools/5Myths-and-RealFacts.aspx
[vi] See http://www.eeoc.gov/policy/docs/medfin5.pdf
[vii] United States Department of Labor, Bureau of Labor Statistics, News Release, PERSONS WITH A DISABILITY: BARRIERS TO EMPLOYMENT,TYPES OF ASSISTANCE, AND OTHER LABOR-RELATED ISSUES —MAY 2012," April 24, 2013; available at http://bls.gov/news.release/pdf/dissup.pdf
[viii] Kathy Ruffing, Social Security Disability Insurance is Vital to Workers With Severe Impairments, Center on Budget and Policy Priorities, August 9, 2012. http://www.cbpp.org/cms/index.cfm?fa=view&id=3818
[ix] Statement of Carolyn Colvin, Deputy Commissioner for Social Security, before the Committee on Appropriations Subcommittee On Labor, Health and Human Services, Education, and Related Agencies, March 17, 2011. http://www.ssa.gov/legislation/testimony_031711.html. 6

Chairman JOHNSON. Mr. Smith, please, go ahead.

STATEMENT OF JAMES SMITH, BUDGET AND POLICY MANAGER, DIVISION OF VOCATIONAL REHABILITATION, VERMONT AGENCY OF HUMAN SERVICES, BURLINGTON, VERMONT

Mr. SMITH. Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee, thank you for this opportunity to

talk to you about a major disincentive to return to work for SSDI beneficiaries.

My name is James Smith, and I have worked directly with SSDI beneficiaries since 1986. Over the years, I and my staff have talked with thousands of SSDI beneficiaries about their efforts to return to work. Based on this experience, I am convinced the current SSDI work rules undermine their efforts because they do not make work pay.

In fact, the rules do the opposite. In particular, I am referring to the so-called cash cliff built into the SSDI work rules. The cash cliff works as follows: If a beneficiary earns above the so called substantial gainful activity or SGA level, the amount that is already below the poverty line, that single dollar results in a complete loss of SSDI cash benefits.

In my written testimony, I provided you with a typical case study of how the SGA cash cliff works. In this case, Joe's total monthly income is actually reduced if he increases his working hours from 15 to 20 hours per week. He would actually have to work 31 hours simply to match the income he had working 15 hours a week. At the same time, he would risk complete detachment from the program. Because Joe has schizophrenia and his illness is unpredictable, this is a very risky proposition for him. As a result, Joe does not attempt to increase his earnings, and continues to receive his full SSDI benefits. Nobody wins.

Joe's case is not an exception or an outlier. My staff and I see this issue play out every day. The obvious alternative to the SSDI cash cliff is a gradual $1 for $2 earnings offset, whereby benefits are decreased by $1 for every $2 of earnings. So the beneficiary is always better off the more they work.

To its great credit, Congress has already implemented an earnings offset in the SSI program. The SSI earnings offset has been in place for over three decades and provides SSI beneficiaries with a clear incentive to work. So this is by no means a new or untested approach.

While the merit of an earnings offset for SSDI seems common sense, until recently, there has been no research data to support it. However, data from a four-State pilot, including Connecticut Wisconsin Utah and my State Vermont, provides clear evidence that an earnings offset for SSDI benefits would result in increased earnings. Just over 1,800 SSDI beneficiaries participated across the State, using a rigorous random assignment experimental design. Overall, the studies showed the offset led to a 25 percent increase in the number of beneficiaries earning above the annualized SGA or cash cliff amount. So, clearly, the 1 for 2 did increase beneficiary earnings.

The question is, what were the policy implications? How do we improve the SSDI work incentives and still be cost-effective? First, implement a graduated 1 for 2 earnings offset to always make work pay. Second, Congress should consider starting the threshold for the offset at less than SGA. Right now, Social Security pays 100 percent of a beneficiary's benefits unless the beneficiary earns above the SGA threshold. Therefore, most work activity does not result in any savings to the program. If you were to start the offset

at, for example, 50 percent of SGA, you would be much more likely to generate savings to the program, just like the SSI program.

Third, eliminate the trial work period. Right now, Social Security pays 100 percent of benefits during the 9-month trial work period, regardless of how much a beneficiary is earning. With an offset, savings would be generated from the first month a beneficiary goes to work, just like the SSI program.

Four, allow beneficiaries continued attachment to the SSDI program regardless of work activity. This would be as long as they continue to be medically eligible. Disability can be unstable and unpredictable. Beneficiaries with schizophrenia or multiple sclerosis, for example, may have periods of time when they can work 40 hours a week and other periods where they cannot work at all. Continued attachment would give beneficiaries the security they need to try to work, without the fear of being completely cut off.

Finally, implementing a graduated offset would eliminate a major barrier to the success of the ticket-to-work program. Unless the SSDI work rules always make work pay, the ticket-to-work program will never achieve its full potential.

So, in summary, what I propose is to support return to work by always making work pay within the SSDI program. You can potentially increase savings to the SSDI program by starting the offsets at a point less than SGA, simplify the work incentives for both beneficiaries and Social Security, and align the SSDI program work rules with the goals of the ticket to work program. Thank you.

Chairman JOHNSON. Thank you, sir.

[The statement of Mr. Smith follows:]

Testimony of James Smith

Before the Social Security Subcommittee

House Ways and Means Committee

June 19, 2013

A Proposed Policy Change to Make Work "Worth It" and Help Save the Social Security Trust Fund

---

Chairman Johnson, Ranking member Becerra, and members of the Subcommittee:

Thank you for this opportunity to talk to you about a longstanding barrier to return to work for Social Security Disability Insurance (SSDI) beneficiaries. I am very happy to see that you are focusing on return to work as part of the policy discussion for the future of this critical program for people with disabilities.

My name is James Smith. I am currently the Budget and Policy Manager for the Vermont Division of Vocational Rehabilitation. I have worked directly with SSDI beneficiaries to help them go to work since 1986 in New York and Vermont. I and my state have a long history of partnership with the Social Security Administration and have participated in numerous demonstrations to improve employment outcomes for beneficiaries. Over the years, I and my staff have talked with thousands of SSDI beneficiaries about their efforts to return to work and some of the challenges they face. Based on this experience I am convinced a significant portion of current SSDI beneficiaries want to and can work at higher levels and increase their earnings. However, I am also convinced that the current SSDI work rules undermine the efforts of beneficiaries to return to work and ultimately have a better life.

As you know, there has been a dramatic increase in the number of beneficiaries entering the SSDI program. This increase threatens the solvency of the program as soon as 2016. While there are many reasons for this growth, including broad demographic trends, there

is also strong evidence that more people with disabilities have become detached from the workforce and are entering the SSDI program. There are two broad employment policy strategies that could help to slow this growth:

- Intervene early to prevent workers with disabilities becoming detached from the workforce in the first place; and
- Provide effective incentives and supports for current SSDI beneficiaries to re-enter the work force and reduce their SSDI payments.

I am going to speak to the second of these approaches and how current efforts to help SSDI beneficiaries return to work at substantial levels are hamstrung by the program's outdated work rules. In particular how the "cash cliff" built into the SSDI program is a powerful disincentive to work.

Advocates, disability policy analysts and researchers have long identified the SSDI "cash cliff" as a critical area for policy reform. The "cash cliff" describes the SSDI rules whereby a beneficiary may earn a single dollar above a SSA established maximum amount—an amount below the poverty line—and that dollar could easily result in a complete loss of the SSDI cash benefit. Many stakeholders have argued the specter of a precipitous loss of benefits and possible detachment from the SSDI program forces beneficiaries to limit their earnings rather than risk total loss of support.

However, until recently, there has been no rigorous research to support this assertion. Today I want to briefly describe a four state study, that my state and three other states implemented on this issue. This study tested an alternative set of SSDI work rules that removed the "cash cliff" and replaced it with a gradual ramp down or offset in benefits paid. I believe the findings from this four state study show an offset could increase the number of SSDI beneficiaries who work at a substantial level. I also believe it provides the necessary evidence for a long overdue change in the SSDI work rules.

Based on the results of the four state study, I will outline a proposed policy change that I believe will:

- Support return to work by always making work worth it;
- Increase savings to the SSDI program as a result of work activity;
- Simplify the work incentive provisions for both beneficiaries and SSA; and
- Align the SSDI program with the goals of the Ticket to Work program.

The SSDI "Cash Cliff" from the beneficiary's perspective

Before getting into the details I think it is really important to look at how the SSDI work rules look to the beneficiary. The following is an example of how the current SSDI program work rules apply and how the "cash cliff" acts as a major disincentive to work:[1]

Joe's Job	Joe's Earnings	Joe's SSDI Benefit	Joe's Total Income
Joe takes a part time job earning $13 per hour. He works 15 hours per week.	Joe's total monthly earnings are $838.	Because Joe is earning below $1,040 per month he receives his whole SSDI check of $900.	Earnings of $838 plus SSDI income of $900 equals a total of $1,738 per month.
Joe's boss wants him to work 20 hours per week at $13 per hour.	Joe's total monthly earnings are $1,118.	Because Joe is earning above $1,040 per month he ***loses*** his whole SSDI check, so his benefit is $0.	Earnings of $1,118 plus SSDI income of zero equals a total of $1,118.

[1] This example is based on the 2013 figures for Substantial Gainful Activity, the threshold at which an SSDI payment may be ceased.

- If Joe increases his hours from 15 to 20 per week, his total monthly income is actually reduced by $620.
- Joe would have to work 31 hours per week just to maintain the income he would have working only 15 hours per week.
- If he continues to work above the $1,040 Substantial Gainful Activity (SGA) he risks losing eligibility for the program.
- Because Joe has a disability that is unpredictable (schizophrenia) he feels it is an unreasonable risk.

Clearly the current design of the program presents a powerful disincentive for SSDI beneficiaries to increase their earnings. As a result, many beneficiaries on SSDI feel the program traps them in ongoing poverty and dependence. A significant number of people on SSDI want to return to work on a full- or part-time basis, to increase their income, to provide for their economic security and to more fully take part in the life of their communities. However, the design of the SSDI program—with its "cash cliff"—discourages work. To many SSDI beneficiaries, the rules of the program seem to reward a person for not working or limiting their work, while punishing those who try to work more and reduce their dependence on the system. *It is therefore not surprising that less than half of one percent of SSDI beneficiaries leave the benefit rolls annually as a result of work activity*[2].

The Obvious Alternative

The obvious alternative to the SSDI "Cash Cliff" is graduated earnings offset, where your benefits are gradually decreased as your earnings increase. To its great credit, Congress has already implemented an earnings offset in the Supplemental Security Income (SSI) program. The SSI earnings offset has been in place for over three decades and provides SSI beneficiaries with a clear incentive to work. Between 1987 and 2008, the number of SSI beneficiaries who zeroed out their SSI benefit[3] using the offset

---

[2] Annual Statistical Report on the Social Security Disability Insurance Program, 2011.

[3] Under the SSI 1619(b) provision an SSI beneficiary can zero out their cash benefit as a result of earnings but retain eligibility for the program and retain Medicaid eligibility.

increased from 15,532 to 99,481[4]—a fivefold increase. So this is by no means a new or untested approach.

The concept of a $1 for $2 earnings offset is very simple. You set a threshold for beneficiaries, where any earnings above that threshold[5] are reduced $1 for every $2 earned until the beneficiary zeros out their benefit. Under this model, the beneficiary is always better off financially the more they work and earn. It provides a clear and simple incentive for the beneficiary to try to work as much as they possibly can.

The Four State Offset Pilot Studies

While the merit of the $1 for $2 offset model seems to be common sense, as I noted earlier, until recently there have been no research data to support the assumption that beneficiaries would actually increase their employment if an offset were available. However, data from the four state pilots established by the Social Security Administration (SSA) between 2005 and 2009 have provided clear evidence that a gradual offset of SSDI benefits would result in increased earnings.

The four state pilots included Connecticut, Wisconsin, Utah and Vermont. The study was implemented using a rigorous random assignment experimental design to test the effect of a $1 for $2 offset starting at SSA Substantial Gainful Activity (SGA) "Cash Cliff" threshold ($830 in 2005). The offset was time limited to 72 months after the completion of the Trial Work Period[6], so beneficiaries knew they would not have the $1 for $2 offset forever. A total of 1,829 SSDI beneficiaries participated in the study (929 in the offset group and 900 in the control group).

In summary, the results of the four state pilots were as follows:

- Three of the four states (Connecticut, Utah and Vermont) found that beneficiaries with the offset were statistically more

---

[4] SSI Annual Statistical Report, 2011.
[5] The SSI program currently has an earned income threshold of $65. So any monthly earnings above that amount are subject to the $1 for $2 earnings offset.
[6] A full description of the four state pilots and research outcomes and published papers can be found at: http://www.socialsecurity.gov/disabilityresearch/offsetpilot.htm.

likely to work over the SGA "Cash Cliff" level than the control group.

- Wisconsin did not find statistically significant differences but had a positive trajectory for the offset group.
- 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.[7]

The Policy Implications of the Four State Pilots

Based on the results of the four state study, the removal of the "Cash Cliff" had a positive impact on beneficiary earnings. This was despite the fact that this was a very time-limited pilot in which the beneficiaries knew they would not have the offset forever. It also provides strong evidence that the current SSDI work rules suppress work activity because of a clear and obvious financial disincentive. SSDI work rules that actually suppress beneficiary work activity surely must be bad policy.

The question then is, what is the policy alternative? Is it possible to improve the SSDI work incentives and increase beneficiary earnings while at the same time generating savings to the program as a whole? I believe it is with the following policy adjustments.

Implement a graduated $1 for $2 offset of earnings to SSDI benefits to always make work pay: Gradually decreasing benefits as earnings increase makes employment attractive and ensures that beneficiaries are always better off the more they work. This would also make the SSDI program more consistent with the SSI program.

---

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

Start the offset at a threshold that is less than SGA to generate savings to the program: The four State Pilots tested an offset starting at SGA. However, Congress may want to consider alternative thresholds as the starting point for an offset. Right now SSA pays 100% of a beneficiary's benefit unless the beneficiary earns above SGA, so most work activity does not result in any savings to the program. Starting an offset at, for example, 50% of SGA ($520 per month in 2013) would be more likely to generate savings to the Trust Fund while also providing a clear incentive for increased employment. Congress should also consider making the starting point for an offset the same for both SSDI and SSI. This would make the work incentives easier to understand and possibly easier to administer.

Eliminate the Trial Work Period (TWP) and Extended Period of Eligibility (EPE) to generate additional savings from work activity and reduce the administrative burden to SSA: The TWP and EPE add a tremendous administrative burden to SSA. The TWP in particular causes a significant number of payment errors because of the administrative challenges in verifying if a Trial Work Month was actually used. The TWP and EPE also cause considerable confusion for beneficiaries. In addition, this approach would result in greater savings to the Trust Fund because under the current rules SSA pays 100% of the benefit during the TWP regardless of how much the beneficiary is earning at the time. SSA has already proposed this reform as part of the Work Incentive Simplification Project (WISP).

Continue attachment to the SSDI program if the beneficiary continues to be medically disabled regardless of work activity: For many SSDI beneficiaries a major concern about returning to work is that their disability is unstable and unpredictable. Beneficiaries with schizophrenia or multiple sclerosis, for example, may have periods of time where they can work forty hours a week and other periods of time where they may not be able to work at all. The "cash cliff" presents a particular barrier for these individuals because they risk everything if their disabling condition unexpectedly deteriorates. Continued attachment would allow beneficiaries to retain eligibility for SSDI, even if they zero out their

SSDI cash benefit as a result of earnings. This proposal is unlikely to add significant costs to the program because so few beneficiaries (0.5% annually) leave the rolls because of work. In addition SSA has already proposed this reform as part of the Work Incentive Simplification Project (WISP).

The continued attachment proposal assumes that SSA would and should continue to implement medical reviews of beneficiaries to determine their continued medical eligibility for the program.

Align the SSDI work rules with the Ticket to Work (TTW) Program through implementing the Offset: Employment Networks participating in TTW have a potential conflict of interest with their SSDI consumers because of the "cash cliff". The majority of payments under the Ticket to Work program occur for earnings above the SGA "Cash Cliff" level. However, this may not always be in the beneficiary's best financial interest as outlined in the earlier case study of Joe. This puts Employment Networks in a difficult position and may be one reason many potential providers have chosen not to participate in the Ticket program. With an SSDI Offset, this conflict would be resolved because increased earnings would always mean the beneficiary is financially better off. The Employment Networks and the beneficiary's interests would be clearly aligned in achieving the highest level of employment possible.

Summary

As I have attempted to outline today, under current SSDI work rules, the only circumstance in which there are cost savings to the program is when beneficiaries work themselves completely off benefits. Historically, this occurs with less than one half of one percent of beneficiaries. A beneficiary must work at least nine months above a Trial Work Level and then earn above SGA ($1,040) per month before there is a single dollar savings to the program.

In contrast, the proposed policy will result in savings to the program at the point a beneficiary earns over the starting point for an offset (for example 50% of SGA). Beneficiaries' SSDI checks will be reduced by $1 for every $2 dollars they earn above the offset

threshold. I believe this approach is far more likely to result in cost savings to the program. At the same time, this approach will offer beneficiaries a clear incentive to work, while recognizing their need to feel secure that they are not risking a complete loss of their safety net by working. Such an approach is both fiscally prudent and humane.

Thank you for giving me the opportunity to speak to you today. I wholeheartedly agree with Congressman Johnson that "it is just plain wrong that those receiving disability benefits who want to work are sentenced to a lifetime of near poverty with no way out". I believe the policy adjustments I have laid out today will offer a way out to better life for many beneficiaries.

Thank you.

Chairman JOHNSON. Dr. Weaver, welcome. Please proceed.

STATEMENT OF DAVID WEAVER, PH.D., ASSOCIATE COMMISSIONER, OFFICE OF PROGRAM DEVELOPMENT AND RESEARCH, ACCOMPANIED BY ROBERT WILLIAMS, ASSOCIATE COMMISSIONER, OFFICE OF EMPLOYMENT SUPPORT PROGRAMS, SOCIAL SECURITY ADMINISTRATION

Dr. WEAVER. Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee, thank you for the opportunity to discuss our responsibility to help beneficiaries with disabilities to return to work.

My name is David Weaver, and I am the Associate Commissioner for Program Development and Research. Joining me today is Bob Williams. He is the Associate Commissioner for the Office of Employment Support Programs.

Congress has included a number of incentives in the Social Security Act to encourage disability beneficiaries to work. My written testimony provides further detail. Generally, these incentives provide beneficiaries with continued benefits and medical coverage while attempting to return to work or pursuing an employment goal. As illustrated by the work incentive chart in my written testimony, our work incentive provisions are complex and difficult for disability beneficiaries to understand and for us to administer. Simplifying these rules would help our beneficiaries and would streamline our administrative process.

Since the beginning of the disability program, State vocational rehabilitation, or VR, agencies have been the primary providers of employment support for our beneficiaries with disabilities. The 1999 legislation that created the ticket-to-work program expanded the universe of service providers and gave beneficiaries choices beyond the State VR agencies to obtain services and supports needed to secure and maintain employment.

Under our current ticket program rules, any adult disability beneficiary is eligible to participate in the ticket program. Individuals eligible to participate in the ticket program may choose to receive services from a State VR agency or an employment network. We contract with employment networks, or ENs, to provide or coordinate the delivery of employment support services to our disability beneficiaries. Some State VR agencies also act as ENs.

In order to become an EN, an entity must apply and meet our qualifications. In addition, ENs must meet performance standards that are part of every agreement that we sign with the ENs. As of May 31, 2013, there are 44,452 tickets assigned to 653 ENs.

The Ticket Act created two other programs to supplement the assistance available at our field offices. The Work Incentives Planning and Assistance, or WIPA, program and the protection and advocacy for beneficiaries of Social Security program. The two programs authorize grants to organizations with ties to the disability community at the local level. These programs are useful tools in our return-to-work efforts, and we thank you for your continued support of them.

The Ticket Act authorized us to test how certain statutory changes to the disability program would affect beneficiary work activity. Pursuant to this demonstration authority, we initiated four demonstration projects, including the Benefit Offset National Demonstration, or BOND, and the Youth Transition Demonstration, or YTD. The BOND will measure the effect of reducing Title II disability benefits by $1 for every $2 a beneficiary earns above substantial gainful activity, or SGA. The YTD identified services, implement service interventions, and test modified Supplemental Security Income and resource exclusion, intended to lead to better education and employment outcomes for youth with disabilities.

Demonstration projects are the best vehicle for identifying promising program changes and measuring their effects on disability beneficiaries and potential beneficiaries. For example, we completed a four State pilot for the BOND in 2008, which we used to inform the design of a nationwide BOND. The pilot also yielded some preliminary outcomes, such as more beneficiaries earning above SGA and more beneficiaries receiving higher benefit amounts.

We also found that YTD services increased the paid employment rate for disabled youth relative to control groups from 24 percent to 43 percent in West Virginia, and from 13 percent to 23 percent in Miami, Florida. Based on these research findings, we have asked the WIPAs to focus outreach in the coming year to families with disabled youth. The YTD demonstration shows that WIPA services to this population can increase employment among disabled youth.

Our authority to initiate disability demonstration projects under Title II of the act expired in December 2005. The President's budget for fiscal year 2014 includes a legislative proposal that would authorize us to test ways to help people with disabilities remain in the workforce. In addition to providing new authority to test early interventions, it would re-establish and broaden the Title II demonstration authority that we previously had. Thus, we would be able to further test effective ways to boost employment and support current disability beneficiaries who are seeking to return to work.

We urge you to support this important proposal. We are proud of the role our disability programs play in the Nation's social safety net. It is not realistic to expect every disability beneficiary to become financially independent by working. However, we must find ways to improve work outcomes for those who can. Thank you for the opportunity to testify at today's hearing.

Bob Williams and I are happy to respond to any questions.

Chairman JOHNSON. Thank you, sir. We appreciate your testimony.

[The statement of Dr. Weaver follows:]

HEARING BEFORE

THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

UNITED STATES HOUSE OF REPRESENTATIVES

JUNE 19, 2013

STATEMENT
OF
DAVID WEAVER
ASSOCIATE COMMISSIONER
OFFICE OF PROGRAM DEVELOPMENT AND RESEARCH
SOCIAL SECURITY ADMINISTRATION

Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee:

Thank you for the opportunity to discuss our responsibility to help disability beneficiaries return to work, or to go to work for the first time in the case of young adults with disabilities receiving Supplemental Security Income (SSI). 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. Despite significant resource and staffing challenges, helping these beneficiaries with employment opportunities remains one of our highest priorities. We are making progress and building on our commitment that began over 50 years ago to help beneficiaries return to work. Today, I will discuss several topics related to our return to work efforts, including statutory work incentives, the Ticket to Work (Ticket) Program, and our demonstration projects.

Introduction

We serve a diverse population of Americans with disabilities through the Social Security Disability Insurance (SSDI) and the Supplemental Security Income (SSI) programs. In calendar year 2012, we paid about $135 billion in SSDI benefits to 10.9 million people, and about $33 billion in SSI benefits to 5.5 million people aged 18 to 64 based on disability.

According to our Chief Actuary, most of the growth in the SSDI rolls over the last 30 years can be attributed to a combination of demographic factors and increased employment of women. Specifically, the baby boom generation aged and reached its disability-prone years and more women entered the labor force. Changes in the law that raised the full retirement age further added to program growth as more people formerly classified as retired were classified as disabled.

While the SSDI program constitutes a part of our Nation's social safety net, we cannot say that the benefits it offers substantially discourage work. For example, in December 2012 a disabled worker received, on average, a little over $1,100 in SSDI benefits per month. Thus, a disabled worker seeking more than a basic standard of living cannot rely on the SSDI program. Quite simply, he or she must return to work in order to achieve long-term financial stability and independence.

We must not downplay or dismiss the very real difficulties disability beneficiaries face. The Social Security Act (Act) defines disability stringently – a person must be unable to engage in any substantial gainful activity (SGA) due to a physical or mental impairment that has lasted or is expected to last at least one year or to result in death. SSDI beneficiaries are some of our Nation's most severely disabled people. Realistically, we cannot expect most of them to return to work or leave benefits through substantial earnings. For most, self-supporting employment may not be a viable option. In fact, while approximately 40 percent of SSDI beneficiaries express interest in working, only

about three percent of those awarded benefits in 1996 had their benefits terminated due to work activity within a 10 year follow-up period.[1]

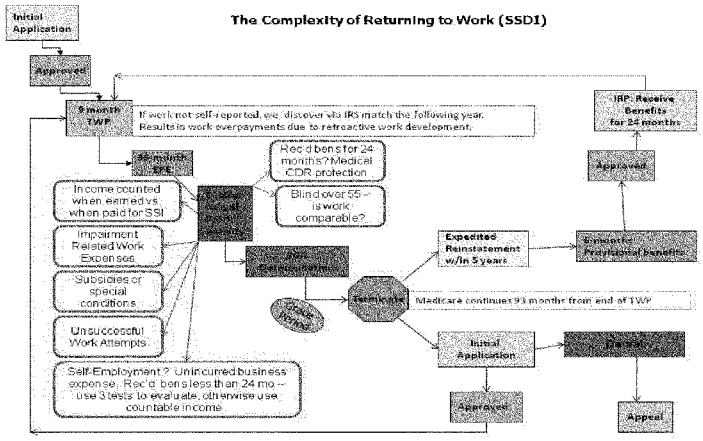
Therefore, we need to be realistic and strategic about the number of beneficiaries who can become financially independent through work and earnings. We must also ensure that our work incentives and the Ticket program provide a path to jobs that lead to self-supporting futures.

Work Incentives

The Act includes a number of incentives to encourage disability beneficiaries to return to work. Generally, these incentives provide beneficiaries with continued benefits and medical coverage while working or pursuing an employment goal. For example, in the SSDI program, work incentives include the trial work period and the extended period of eligibility. The SSI program has different work incentives, such as special rules for counting earnings after disability is established and the Plan to Achieve Self-Support. Both programs have special rules about impairment-related work expenses, expedited reinstatement, and medical insurance. The *Ticket to Work and Work Incentives Improvement Act of 1999* (Ticket Act) extended Medicare and Medicaid coverage for individuals even after they have become fully self-supporting and earned their way off SSDI or SSI. I have attached a more comprehensive description of our work incentives at the end of my testimony (Appendix A). Because work incentives are integral to both of our disability programs and are relevant to a significant number of disability claims, we have not captured work incentive costs as a separate budget item. Our work incentives should be viewed as a total package to fully appreciate the multiple levels of support available to help our beneficiaries achieve their goal of greater economic independence.

We have trained our field office personnel to explain work incentives, and we publish information on our website and in print to help people understand them. Nevertheless, as illustrated by this hard to understand chart, our work incentive provisions are complex and may be difficult for beneficiaries to understand and can be challenging for us to administer.

[1] Gina A. Livermore, "Earnings and Work Expectations of Social Security Disability Beneficiaries." Washington, DC: Mathematica Policy Research, Inc., 2008.



Because the work incentive rules are different for SSDI than they are for SSI, the situation is even more complex if a person is entitled to both types of benefits.

The Vocational Rehabilitation Cost Reimbursement Program

The issue of return to work has been a part of any discussion about the Social Security disability program since it was created by the *Social Security Amendments of 1954*. The law included a requirement that all disability claimants be referred to the State vocational rehabilitation (VR) agency "so that the maximum number of disabled individuals may be restored to productive activity."[2]

Today, the VR cost reimbursement program is the primary employment support program used by our beneficiaries. VR cost reimbursement came into existence in the early 1980s after Congress determined that more accountability was required of State VR agencies receiving Trust Fund dollars to provide services to our beneficiaries. The program requires a State VR agency to file a reimbursement claim with us after the agency completes its work with a beneficiary and that beneficiary becomes employed. The claim documents the services provided and the cost of those services, both direct and indirect. Once we verify that the beneficiary earned an amount sufficient to allow reimbursement, the State VR agency receives funds from us as program income.[3] The statutory reimbursement standard for State VR agencies is earnings at the SGA level for a

[2] H.R. Rep. No. 1698, 83rd Congress, 2nd Sess., at 76. The Ticket Act struck this requirement.
[3] SSA cost reimbursement is in addition to the allotment of Federal funds State VR agencies already receive from the Department of Education under Title I of the Rehabilitation Act of 1973 (as amended).

continuous period of nine months. In FY 2012, we made 5,343 payments to VR agencies in the total amount of $78.8 million based on the work activity of 4,418 beneficiaries. [4]

The Ticket to Work Program

Despite the State VRs' long history as partners in our employment support efforts, access to VR services remained an issue for disability beneficiaries. As Chairman Jim Bunning noted during a hearing in July 1997 before this Subcommittee:

> ...fewer than one-half of one percent of disabled recipients leave the rolls because of successful rehabilitation. Social Security and disability recipients are just not getting rehabilitative services they need.... Congress must give recipients with disabilities the opportunity to obtain the tools and training they need to return to productive and self-sufficient lives.[5]

In 1999, Congress passed the Ticket Act, which established the Ticket program. Congress intended the Ticket program to expand the universe of service providers and to provide beneficiaries with choices beyond the State VR agencies to obtain the services and supports they need to secure and maintain employment.

Ticket to Work Program Overview

Under our current Ticket program rules, any adult SSDI beneficiary or individual receiving SSI benefits based on blindness or disability is eligible to participate in the Ticket program. A beneficiary who is eligible to participate in the Ticket program may choose to assign his or her Ticket to an Employment Network (EN) or work with a State VR agency. We contract with ENs (which are qualified State, local, or private organizations) to provide or coordinate the delivery of employment support services to our disability beneficiaries. Some State VR agencies also act as ENs.[6] Recently, we approved an AmeriCorps project to function as an EN.

Because ENs (including the Department of Labor's American Job Centers and state and local workforce investment boards) are a critical element of the Ticket program, we rely on several oversight measures to help ensure they provide quality service. We have a specialized quality assurance unit that verifies the qualifications of prospective ENs and monitors the performance of current ones. Two years ago, we established new criteria for assessing EN qualifications and defined EN performance standards more clearly. These standards are a part of every EN agreement and measure whether the ENs substantially

---

[4] Seventeen percent of those reimbursement claims were supplemental claims for service to the same beneficiary.

[5] *Barriers Preventing Social Security Disability Recipients from Returning to Work*, 105th Cong. 5 (1997) (opening statement of Representative Jim Bunning).

[6] Our rules allow State VR agencies and ENs to work collaboratively in an arrangement known as Partnership Plus. This team approach allows beneficiaries to consecutively access services from both State VR agencies and ENs. We believe this initiative increases the likelihood that beneficiaries will keep working, become self-supporting, and leave the rolls.

provide the services they agreed to provide to the beneficiaries. They also measure job placement rates for each EN and the extent to which the ENs help our disability beneficiaries achieve at least SGA-level earnings. These standards also require that ENs maintain at least quarterly contact with beneficiaries to assist with job retention.

Beneficiaries, ENs, and State VR agencies voluntarily participate in the Ticket program. An EN decides whether to accept a Ticket from the beneficiary. Once a beneficiary assigns a Ticket to an EN, the EN provides employment support services to assist the beneficiary in obtaining self-supporting employment. The beneficiary receives these services at no charge. Consistent with congressional intent, we pay an EN only when it is successful in assisting beneficiaries secure and maintain employment.

As of May 31, 2013, there were 44,452 Tickets assigned to 653 ENs. The measures we have taken to enhance the performance of ENs that participate in the program have resulted in fewer ENs, but the participating ENs are better qualified to help beneficiaries achieve their work goals. We have also directed ENs to put more emphasis on job retention and seek clients that want to become financially independent from disability cash benefits. The process of improving the performance of ENs is a gradual one.

Overall, we estimate that we spent approximately $46 million to run the Ticket program in fiscal year (FY) 2009, including the cost of agency staff responsible for overseeing the program, milestone and outcome payments to ENs, and support contracts.[7] This estimate is the best and most current one available for program costs. In FY 2012, we made 46,001 payments to Employment Networks in the total amount of $28.4 million dollars based on the work activity of 8,408 beneficiaries.

The Ticket program can be valuable even if it helps only a small number of beneficiaries return to work. Each disability award is expensive; on average, an award costs about $250,000 in SSDI benefits and Medicare costs over a beneficiary's lifetime. To the extent that we get some of our beneficiaries back to work and off the disability rolls, we will save a portion of those program costs; it does not take many beneficiaries to return to work for those savings to add up.

Ticket to Work Program Success Stories

We continue to take steps to improve the Ticket program. For example, we are researching how former disability beneficiaries fare after they earn their way off the rolls. We plan to survey beneficiaries and analyze data to identify needs, characteristics, and experiences of these former beneficiaries to improve our return to work and job retention efforts.

[7] Craig Thornton, "Can the Ticket to Work Program Be Self-Financing?" Washington, DC: Mathematica Policy Research, Inc., 2012. Specifically, operational costs were approximately $32 million, and the costs for payments to ENs were approximately $14 million, for a total annual cost of $46 million.

The Ticket program has already helped some disability beneficiaries. Let me share a few stories.

- In 2007, T. lost her job when her employer downsized. She was also diagnosed with cancer, and its severity qualified her for SSDI benefits. Those benefits kept her from losing her house, but they could not guarantee financial stability. Once she completed her cancer treatment, she needed to resume working.

  However, T. was concerned that she might not fit in with the modern workforce. She was also concerned that she would prematurely lose her benefits. Using her Ticket, she found an EN that helped her develop a plan to achieve her employment goals. The EN explained our work incentives to her, helped her improve her job-seeking techniques, and recommended that she develop her computer skills. Today, T. works as a loan specialist at a bank and as a trainer for a retailer. She no longer receives or needs benefits.

- After being diagnosed with lung cancer, F. had to take a medical leave of absence from her job. She qualified for SSDI benefits. These benefits helped cover some of her family's household expenses. However, they would not be enough to keep her family farm. Therefore, she was worried that she would lose her job if she stayed on leave for too long. After a year of treatment, she used her Ticket to receive services that allowed her to transition back to work. F. was able to keep her job and her farm. She does not receive benefits.

- R. served in the military. After leaving the military, he worked as a civil servant. It was during this period when R. began to experience pain and difficulty walking. A surgical procedure to correct a ruptured disc left him paralyzed. The Department of Veterans Affairs (VA) helped get him SSDI benefits. Most importantly, VA introduced him to the Ticket program, and connected him to his EN. The Ticket program provided him the safety net supports and opportunity he needed to return to work.

  Today, R. assists and advises other disabled veterans on how to access VA health care and employment support services. He does not receive benefits.

Other Return to Work Efforts

The Ticket Act created two other programs, the Work Incentives Planning and Assistance (WIPA) program and the Protection and Advocacy for Beneficiaries of Social Security (PABSS) program, to supplement the assistance available at our field offices. The two programs authorize grants to organizations with ties to the disability community at the local level.

The full-year continuing appropriations act that Congress passed for FY 2013 included $23 million and $7 million for the WIPA and PABSS programs, respectively. These

programs are useful tools in our return to work efforts. We expect to make WIPA awards by August 1, 2013, and WIPA services will resume immediately thereafter.[8] We have worked closely with the 57 PABSS grantees to resume services as quickly as possible. We estimate that all of the grants will be awarded by June 30, 2013.

Work Incentives Planning and Assistance

The WIPA program assists disability beneficiaries across the country. As I mentioned earlier, work incentives are complex and may be difficult to understand. Our WIPA grantees are community based organizations that help disability beneficiaries understand work incentives and the effect of earnings on disability and healthcare benefit eligibility. Currently, 95 of the 102 WIPA projects funded in 2012 are expected to resume services. We will have a WIPA project in almost every State, and we have successfully negotiated with WIPA projects within the same State or a contiguous State for coverage of catchment areas addressed by the seven previously funded WIPA projects that declined resumed funding in 2013.[9]

Specifically, the grantees offer information and referral (I&R) services and intensive services to our disability beneficiaries. I&R services consist of providing general information about work incentives and referrals to employment and support services. WIPA services help a beneficiary determine his or her work goals and the best way to achieve them.

Intensive services include the following:

- counseling individuals on available options for obtaining or maintaining employment based on their goals and abilities;

- providing individualized information to beneficiaries regarding the effect of changes in employment or personal circumstances on their benefits and health care coverage; and

- providing long-term assistance and support to beneficiaries as changes occur in their employment and benefits status.

Given the complexity of our work incentives, providing this assistance is of vital importance and is probably the WIPA program's most valuable service. We have also

---

[8] To restart the WIPA program, we will award FY 2013 WIPA cooperative agreements to those entities submitting compliant applications that have previously applied for, received (through a competitive process), and performed WIPA cooperative agreements over the past several years. Upon reaching agreement with the entity on a budget, we will fund the cooperative agreements for a full 12 months from August 1, 2013 through July 31, 2014. We expect to spend $20 million for the grants and $3 million for training and technical assistance. This period will be the first year of an up-to two-year extension of the previous cooperative agreements. The second year will be contingent on an entity's satisfactory performance during the year.

developed six WIPA benchmarks and one annual performance indicator.[9] The annual performance indicator will measure the extent to which the WIPA services facilitated beneficiaries achieving full employment and self-sufficiency. The WIPA projects use the benchmarks as performance targets.

Technical Assistance

We set aside $3 million of the WIPA funds for our training and technical assistance contractor. Currently, Virginia Commonwealth University (VCU) helps us administer and manage the National Training Center that provides training, certification, and technical assistance to the WIPA projects. Specifically, VCU trains and certifies Community Work Incentives Coordinators so that each WIPA project is staffed with experts with the capacity to provide the most current and accurate information to our beneficiaries, enabling them to make informed choices about employment and financial self-sufficiency.

Protection and Advocacy for Beneficiaries of Social Security

The PABSS is a network of organizations (State-designated protection and advocacy agencies) in all 50 States, the District of Columbia, U.S. territories, and the tribal entities. This network represents the Nation's largest provider of legal-based advocacy services for persons with disabilities. While WIPA projects provide our beneficiaries with information about our work incentives, the 57 agencies in the PABSS help beneficiaries obtain VR services, appropriate employment supports, and legal guidance and representation as needed when there are obstacles to employment and financial self-sufficiency.

The PABSS grantees provide I&R and in-depth services to beneficiaries. I&R are short-term interventions that range from simply referring a beneficiary to a more appropriate service provider to making calls or writing letters on a beneficiary's behalf. In-depth services involve more assistance than I&R and range from short-term problem solving and legal assistance and counseling to litigation help.

The primary goal of the PABSS grantees is to advocate for the removal of barriers to work. To maintain the flexibility of the PABSS, we do not dictate the number or types of cases a grantee must take. Instead, we outline the general nature of the services as part of the terms and conditions of the award. We monitor PABSS grantees by reviewing performance reports that offer numerical and narrative information about the project activities supported under PABSS funding. Our project officers review those reports to ensure that the cases described fit within the PABSS' mission and grant conditions.

[9] I have attached a copy of the benchmark document at the end of my testimony (Appendix B).

Disability Demonstration Projects

The Ticket Act authorized us to test how certain statutory changes to the disability program would affect beneficiary work activity.[10] Pursuant to this demonstration authority, we initiated four demonstration projects: (1) the Benefit Offset National Demonstration (BOND); (2) the Mental Health Treatment Study (MHTS); (3) the Accelerated Benefits Demonstration (AB); and (4) the Youth Transition Demonstration (YTD). Each project has distinct objectives.

Benefit Offset National Demonstration

Because SSDI beneficiaries lose all of their cash benefits for any month in which they engage in SGA after completing the trial work period, they are often reluctant to attempt to work. The BOND project tests the effects of replacing this "cash cliff" with a benefit offset that reduces SSDI benefits $1 for every $2 a beneficiary earns above the SGA threshold. This benefit offset takes effect after the beneficiary completes the trial work period and subsequent three-month grace period, during which the beneficiary continues to receive his or her full benefits regardless of earnings amounts. We also offer certain BOND participants enhanced work incentives counseling. Based on data from this project, we will estimate the effect of the benefit offset and counseling on beneficiary work activity.

This demonstration consists of two phases. During the first phase, which lasted from August 2005 to December 2008, we conducted a four-State pilot project.[11] These States tested a $1 benefit offset for every $2 earned above SGA in combination with benefits counseling. Published research on outcomes for the four-State pilot found increases in the percentage of individuals earning above SGA, but also increases in benefit payments. However, because the sites and pilot participants were not nationally representative, researchers have noted that only a national test will yield results that provide definitive information on the earnings outcomes and potential costs associated with a $1-for-$2 offset.[12]

The four-State pilot has also helped inform our national demonstration project. In the four-State pilot, we used a manual process instead of building an automated system for delivering notices and adjusting benefit payments. We used our experience from the pilot to identify the extensive systems work that was necessary to create an automated process of delivering notices and benefit payments for the much larger sample of beneficiaries in the BOND.

During the second phase, we are conducting a more expansive demonstration in sites across the Nation. We started full field operations of BOND in April 2011 and have met

[10] Our authority to initiate new demonstration projects expired on December 18, 2005.
[11] The four States were Connecticut, Utah, Wisconsin, and Vermont.
[12] See "The Impact of Changing Financial Work Incentives on the Earnings of Social Security Disability Insurance (SSDI) Beneficiaries", Journal of Policy Analysis and Management, Vol. 30, No. 4, 2011 by Robert R. Weathers II and Jeffrey Hemmeter.

our enrollment goals. We currently have over 1,000 beneficiaries working at a level where their benefit payment is offset. We are conducting additional outreach to ensure that participants are aware of the BOND program and the modified rules. Because enrollment ended in September 2012, we do not have meaningful data yet on employment outcomes.

Regarding administrative costs, we spent $10.6 million dollars on the BOND design contract and $9.4 million on the four-State pilot. Our implementation and evaluation contract is for $124.8 million, and we expect the project will be completed within the $124.8 million. We are completing systems work with Lockheed Martin and will have spent $8 million on the systems changes to administer BOND payments. The total non-benefit cost of BOND and the four-State pilot activities will be approximately $152.8 million.

Mental Health Treatment Study

We awarded a contract in September 2005 for the MHTS. This study tested the hypothesis that access to medical care and employment supports would enable SSDI beneficiaries with schizophrenia or affective disorders to return to work. We developed this demonstration for the following reasons: (1) SSDI beneficiaries with psychiatric impairments represent roughly one-quarter of the SSDI roles; (2) there are employment supports that can help people with mental illness return to work; and (3) despite surveys consistently indicating that they want to work, individuals with severe mental illness have one of the lowest employment rates of any subpopulation.

Conducted between November 2006 and July 2010, the MHTS included 2,238 beneficiaries in 23 study sites throughout the United States. Beneficiaries volunteering to participate in the study received a random assignment to either a treatment group or a control group and participated for 24 months. The study collected data on the primary outcome measures of employment (including earnings), health status, and quality of life. The contractor completed the final report in August 2011, and it is available on our website: http://socialsecurity.gov/disabilityresearch/mentalhealth.htm.

Overall, study findings show that beneficiaries in the treatment group ended the study, relative to the control group, with the following:

- significantly better employment rates;
- higher earnings and income;
- more hours worked;
- a greater number of months worked;
- better mental health; and
- a higher quality of life.

Study findings also show that the treatment package played a significant role in reducing inpatient hospital use (for both admissions and number of days) and reducing psychiatric crisis visits. This reduction in hospital days per year translated into reduced annual

medical costs of approximately $1,800 per person.[13] The study had no impact on increasing SGA or reducing SSDI benefit payments among beneficiaries.

We continue to do research on the study population and to conduct outreach activities to share findings, promote best practices, and encourage additional research in this area.

Accelerated Benefits Demonstration

Under current rules, most SSDI beneficiaries have a 24-month waiting period after the date of entitlement before they are eligible for Medicare. In this project, we tested the effect of providing immediate access to healthcare to newly entitled SSDI beneficiaries. Specifically, we tested whether providing medical benefits sooner would result in better health and return to work outcomes for beneficiaries. The project started in October 2007. We enrolled about 2,000 beneficiaries in one of three study groups: (1) a control group; (2) a group that receives a medical benefits package (AB group); and (3) a group that receives the medical benefits package and comprehensive support services (AB plus group). We completed this project in January 2011. The final report is available to the public on our website: http://www.ssa.gov/disabilityresearch/accelerated.htm. We continue to use the data collected during the project to further examine outcomes in the areas of health and mortality, earnings and employment, and health care spending and utilization.

Our recent findings include:

- Participants made extensive use of program services.
- AB health care benefits increased health care use and reduced reported unmet medical needs.
- We found positive effects on mental health and physical health for those who had access to the AB health insurance.
- AB Plus services encouraged people to look for work, increased use of employment services, and increased Ticket to Work participation.
- The AB intervention led to a 50 percent increase in employment levels and a significant increase in annual earnings two years after enrollment in the project. These impacts shrink by the third year, with all groups reaching a similar level of employment and earnings.
- AB health care benefits reduced difficulties paying for basic necessities.

[13] Average is for all MHTS participants in the treatment group.

We will continue to use the data collected during the project to track outcomes to assess whether there are long-term employment gains and reduced need for health care that result in future savings for the Federal government.

Youth Transition Demonstration

The YTD seeks to identify effective and efficient methods for assisting youths to transition from school to work and become self-sufficient. This project identifies services, implements service interventions, and tests modified SSI income and resource exclusions that lead to better education and employment outcomes for youth with disabilities. The YTD serves youths between the ages of 14 and 25 who receive SSI or SSDI (including child's insurance benefits based on disability) or who are at heightened risk of becoming eligible for those benefits.

To date, we have found impacts on earnings in three of the six sites. YTD services increased the paid employment rate for disabled youth (relative to control groups) from approximately 24 percent to 43 percent in West Virginia and from approximately 13 percent to 23 percent in Miami, Florida.[14] Based on these research findings, SSA has asked the WIPAs to focus additional outreach in the coming year to families with disabled youth. We believe WIPA services to this population may yield tangible outcomes in the labor market.

Several interim reports are available to the public on our website: http://www.ssa.gov/disabilityresearch/youth.htm. We plan to complete a comprehensive final report on this project by 2014.

Promoting Readiness of Minors in SSI

Although this is not an SSA demonstration, I want to take this opportunity to mention another effort to improve future opportunities for young SSI beneficiaries with disabilities. Promoting Readiness of Minors in SSI (PROMISE) is an interagency pilot project with the Departments of Education, Labor, and Health and Human Services to improve outcomes for youth receiving SSI payments through better, more-strategic provision of services to children with disabilities and their families. The Department of Education will award competitive grants to States that will develop and implement model demonstration projects that will test and evaluate interventions provided through State interagency partnerships to improve the educational and economic well-being of children receiving SSI and their families. The model demonstration projects will focus on improving a range of outcomes, such as graduating from high school ready for college and a career, completing postsecondary education and job training, and obtaining competitive employment in an integrated setting. In conjunction with improving outcomes, PROMISE aims to reduce reliance on SSI and, in the long run, other public services through greater self-sufficiency.

[14] Two charts at the end of my testimony illustrate some of the YTD results (Appendix C).

PROMISE will encourage innovation by better coordinating existing programs and services that are likely to reduce the probability of future dependency on SSI. The program also intends to help families of child SSI recipients through improved services and supports such as education and training. Our YTD findings have helped shape PROMISE. The importance of early employment, as demonstrated by YTD, will be central to the PROMISE service package. We will further support this effort by developing and conducting a rigorous evaluation to guide implementation and to gather evidence on the effectiveness of the interventions.

New Demonstration Authority

The President's Budget for Fiscal year 2014 includes a legislative proposal that would authorize us to test ways to help people with disabilities remain in the workforce. In addition to providing new authority to test early interventions, it would re-establish and broaden the SSDI demonstration authority that we previously had. Thus, we would be able to further test effective ways to boost employment and support current SSDI and SSI beneficiaries who are seeking to return to work, including through work incentive simplifications.

We urge you to support this proposal. Demonstration projects are the best vehicles for identifying promising program changes and measuring their effects on disability beneficiaries and potential beneficiaries. However, our authority to initiate SSDI demonstration projects expired in December 2005.

Return to Work and Overpayments

A work continuing disability review (work review) evaluates a beneficiary's work activity to determine if the work represents SGA and if eligibility for benefits should continue. When conducting a work review, we consider a number of factors to determine whether an SSDI beneficiary who is working can continue to receive monthly benefits. For example, an SSDI beneficiary who has not completed a trial work period will continue to receive monthly benefits even if his or her earnings are above the SGA level. In FY 2012, we completed about 287,650 work reviews. These work reviews resulted in more than 123,740 cessations of benefits or subsequent reinstatements or suspensions of benefits during the extended period of eligibility.[15]

The potential for an overpayment may discourage some beneficiaries from working, and we have taken several steps to handle our work reviews more quickly and efficiently. For example, we allocated additional staff resources to analyze work reports and to conduct work reviews, and we are targeting the oldest cases – those over 365 days old. We are also shifting work to offices with more capacity to conduct work reviews.

[15] The Social Security Administration, Fourth Annual Accountable Official's Report – Reducing Improper Payments. March 2013.

Furthermore, we have established internal goals for processing work reviews. When we receive a report of work directly from a beneficiary, our goal is to screen that report within 30 days to determine if the work activity is likely to affect benefit payments or entitlement. If the work activity will affect benefits or entitlement, we assign the case for review, with a goal of completing the case review and handling within 270 days. Although we instruct beneficiaries to report any work activity, most do not. We learn about this work activity through our annual match with earnings information from the IRS. In those cases, our goal is to process 95 percent of the work alerts we receive within one year of receipt.

We also developed a statistical model that predicts the likelihood of beneficiaries being at risk of receiving large earnings-related overpayments.

- In October 2010, we began a pilot using this model in our New York Region. We prioritize the alerts we receive on SSDI beneficiaries with unreported earnings according to the likelihood of risk of a "critical" overpayment ($20,000 or more). Prioritization is based on historical earnings, prior alerts, previous benefit increases due to earnings, overpayments, amount of monthly benefits, time on the rolls, and impairment codes. In June 2011, we expanded the pilot to include over 50 percent of the work review cases, with the inclusion of the Kansas City Region and the Office of Central Operations. We completed our pilot evaluation in May 2013 and implemented the predictive model nationally in June 2013.

- In October 2012, we began to pilot a process to identify and delay pending benefit recomputations for beneficiaries who also have pending work reviews. We use our predictive model to identify the beneficiaries at risk of receiving large earnings-related overpayments and delay the increase in benefits for six months for the highest predicted 10 percent of cases nationwide. This delay provides additional time to complete work reviews, and prevents an increase in the benefits that we may later determine are not payable as a result of completing the work review. The initial results of the pilot are promising, and we plan to continue the pilot in October 2013 with approximately the same size sample.

Finally, we are developing new policies and procedures that will streamline work review case processing, resulting in faster decisions and reduced overpayments. Examples include the following:

- revising our work activity reports and streamlining our follow-up procedures;

- minimizing documentation for work activity that is obviously not SGA; and

- updating our work review instructions to improve coordination between our field offices and processing centers.

Let me repeat that our work incentives are very complex. This complexity can contribute to overpayments in two ways – disability beneficiaries may not understand when they

have to report earnings to us, and our employees need considerable time to handle work reviews properly. Both of these can contribute to the likelihood of overpayments. We believe simplifying work incentives would reduce overpayments resulting from work, thereby making reporting and administration easier and encouraging more disability beneficiaries to attempt to work.

Conclusion

We are proud of the role our disability programs play in the Nation's social safety net. It is not realistic to expect that every disability beneficiary can become financially independent by working. However, we must find ways to improve work outcomes for those who can. We look forward to continuing our work with this subcommittee to support as many individuals as possible to pursue their employment goals and reduce their reliance on disability insurance benefits.

Thank you again for your support and interest in this matter.

Appendix A

Work Incentives

The Social Security Act (Act) defines disability as the inability to perform substantial gainful activity (SGA) due to a medically determinable impairment that has lasted or is expected to last at least one year or to result in death. SGA refers to the performance of significant physical or mental activities in work for pay or profit or in work of a type generally performed for pay or profit. SGA is a test for determining both initial and continuing eligibility for Social Security Disability Insurance (SSDI). In initial claims situations, if a claimant's work is at SGA, then the claimant generally does not meet the definition of disability and does not receive benefits. Countable earnings averaging over $1,040 a month (in 2013) demonstrate the ability to perform SGA in most cases. For claimants who are blind, countable earnings averaging over $1,740 a month (in 2013) usually demonstrate SGA for SSDI.

The Act includes employment support provisions, commonly referred to as work incentives that encourage our disability beneficiaries to test their ability to work. Some of the work incentives that we may apply to SSDI beneficiaries are:

Trial Work Period (TWP) (Section 222(c) of the Act)—Allows beneficiaries to test their ability to work for at least nine months. During the TWP, beneficiaries receive their full benefits regardless of how high their earnings might be so long as they have not fraudulently concealed work activity and they continue to have a disabling impairment. The TWP continues until the beneficiary accumulates 9 months (not necessarily consecutive) in which he or she performed what we call "services" within a rolling 60-consecutive-month period. In 2013, we consider work to be "services" if the beneficiary earns more than $750 a month or works more than 80 self-employed hours in a month.

Extended Period of Eligibility (EPE) (Section 223(a)(1) of the Act)— At the end of the TWP, a 36-consecutive-month EPE begins unless we find that the beneficiary has medically improved and no longer meets the definition of disability. During the EPE, we pay benefits for:

- the first month that earnings exceed SGA and the next two months (we refer to this as the "grace period"); and
- any month the beneficiary's earnings do not exceed SGA.

After the EPE ends, benefits terminate if a beneficiary's earnings exceed the SGA level in any month.

Impairment Related Work Expenses (Section 223(d)(4) of the Act)—We deduct the out-of-pocket costs for disability-related items and services that a beneficiary needs in order to work when we determine if work is SGA.

Extended Medicare (Section 226(b) of the Act)—If a beneficiary's benefits are terminated because of work, Medicare coverage will continue for at least 93 months after the end of the trial work period (at least eight and one-half years from first return to work).

Expedited Reinstatement (EXR) (Section 223(i) of the Act)—We may be able to start benefits again without a new application if a person stops working within five years of the previous termination date. To be eligible for EXR, the beneficiary must: (1) have had his or her benefits terminated due to work; (2) become unable to continue working at SGA within five years of that termination; and (3) have the same or a related medical impairment.

Unsuccessful Work Attempts (20 CFR 404.1574(c) and 20 CFR 416.974(c))—We disregard earnings from work attempts of six months or less that were stopped or reduced to below SGA due to the beneficiary's impairment or the removal of special conditions.

"Section 301" Payment Continuation (Sections 225(b) and 1631(a)(6) of the Act (created by section 301 of Public Law 96-265))—This provision allows for continuation of SSDI or SSI disability benefits to individuals whose disability medically ceases while they are participating in a vocational rehabilitation or similar program. To be eligible the individual must have begun participating before the month his or her disability ceased. We must also determine that completion of the program will increase the likelihood that the individual will not return to the disability benefit rolls.

Work incentives are also available to Supplemental Security Income (SSI) disability beneficiaries. For SSI disability, SGA is a test to determine only initial eligibility rather than continuing eligibility. We do not use SGA as a factor to determine initial eligibility to SSI for blind individuals. When an SSI disability beneficiary returns to work, we do not apply SGA to determine if eligibility continues. We count income and earnings (after allowable deductions) to determine the monthly payment amount. Some of the work incentives that reduce countable earnings for SSI disability are:

Blind Work Expenses (Section 1612(b)(4)(A)(ii) of the Act)—For people receiving SSI based on blindness, we exclude any earnings used to meet expenses needed to earn that income. The expenses do not need to be related to blindness.

Impairment Related Work Expenses (Section 1612(b)(4)(B)(ii) of the Act)—We exclude out-of-pocket costs for certain impairment-related items and services needed to work when we count earned income for SSI.

Plan to Achieve Self-Support (PASS) (Sections 1612(b)(4)(A)(iii), 1612(b)(4)(B)(iv), and 1613(a)(4) of the Act)—Disability beneficiaries can develop an individualized employment plan that has the goal of reducing or eliminating their dependence on benefits. Under the PASS provisions, an individual can set aside money for specific employment goals that we will not count as income and resources for the SSI means test while the PASS is in effect. The PASS must contain an occupational goal that we expect to increase the individual's prospect for self-support. It must also specify beginning and ending dates, and target dates for reaching milestones that reflect progress towards achievement of the occupational goal.

Student Earned Income Exclusion (Section 1612(b)(1) of the Act)—We exclude some of the earnings of SSI beneficiaries who work and are under age 22, and regularly attending school or training. In 2013, we can exclude $1,730 of earnings monthly up to a maximum of $6,960 annually.

Special SSI Payments for Persons Who Work (Section 1619(a) of the Act)—Recipients can receive SSI cash payments even when earned income is at the SGA level as long as they continue to meet all other eligibility rules.

Medicaid While Working (Section 1619(b) of the Act)—Medicaid coverage can continue even if earnings are too high to allow an SSI payment. Medicaid coverage will continue until an individual's earnings reach an annual "threshold" level. Each State establishes a threshold level every year. We can also determine individualized thresholds for individuals with extremely high medical costs they would be unable to pay without Medicaid

Expedited Reinstatement (EXR) (Section 1631(p) of the Act)—We may be able to start benefits again without a new application if a person stops working within five years of the previous termination date. To be eligible for EXR, the person must: (1) have had his or her benefits terminated due to work; (2) become unable to continue working at SGA, within five years of that termination; and (3) have the same or a related medical impairment.

Our Red Book (http://www.socialsecurity.gov/redbook/) provides comprehensive explanations for all of our work incentives.

Appendix B

(Name of WIPA) BENCHMARKS REPORT for (insert date and time period)
Total Enrolled in WIPA During Date Range: (insert number)

Section	Beneficiary Activity in WIPA/ETO	Population	Definition (how we will program the numbers)	#	%	Bench-mark	Notes and Explanation
Section 1	Level WIPA Services						
1.1	WIPA Baseline Assessment	Total enrolled in WIPA	Number of WIPA Enrollees with a WIPA baseline assessment (regardless of BS&A or WIPs)			100%	
1.2	WIPA Level 2 Services	Total enrolled in WIPA	Number of WIPA Enrollees with a Baseline Assessment and BS&A - (regardless of WIPs)			60%	
1.3	WIPA Level 3 Services	Total enrolled in WIPA	Number of WIPA Enrollees with a Baseline Assessment , BS&A and WIP			40%	
Section 2	Beneficiary Activity Within Prescribed Time Periods Post Intake						
2.1	Time from WIPA Enrollment to Completion of the BS&A	Total enrolled in WIPA with BS&A	Number of WIPA Enrollees with a BS&A completed within 42 days of WIPA Enrollment			80%	BS&A effort date=the recorded date of the effort associated with the BS&A
2.2	WIP Implementation Services	Total with WIPs older than 182 days	Number of efforts for WIPA enrollees with WIPs within 182 days of WIP development			5	WIP effort date=the recorded date of the effort associated with the WIP
2.3	Mean Number of Efforts	Total enrolled in WIPA longer than 182 days	Average number of efforts per beneficiary within 182 days of WIPA enrollment			4	When the WIPA records the BS&A or WIP, they must complete an ***effort*** that identifies BS&A or WIP as the reason for the effort.
Section 3	Total Beneficiaries Served						
3.1	Total Beneficiaries Served		Number served by WIPA per funded CWIC FTE			110	

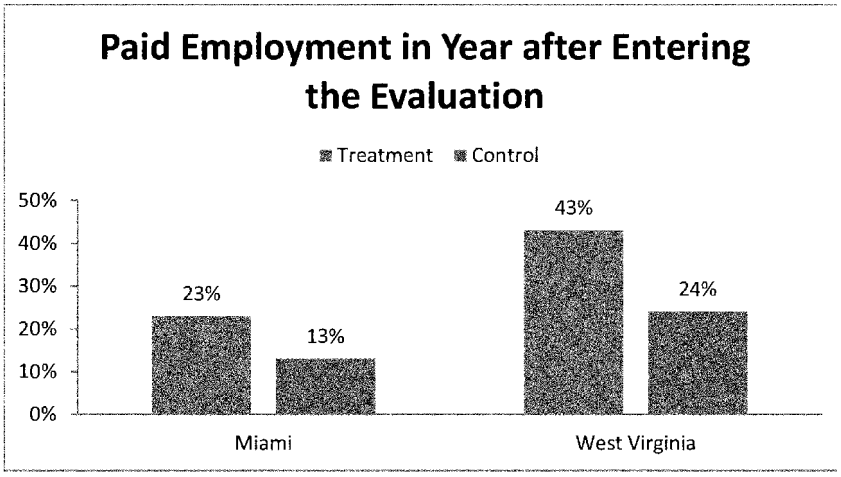
Abbreviations

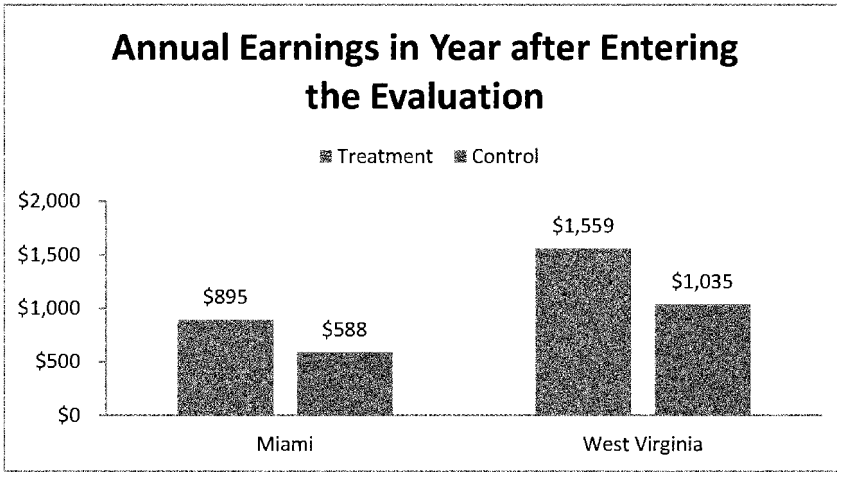
WIPA:	Work Incentives Planning and Assistance
I&R:	Information and Referral
ETO:	Efforts to Outcomes
BS&A:	Benefit Summary and
WIP:	Work Incentives Plan
CWIC:	Community Work Incentive Coordinator
FTE:	Full-time Equivalent

6/17/2013

Appendix C

Youth Transition Demonstration Results





Chairman JOHNSON. Thank you all.

As is customary for each round of questions, I will limit my time to 5 minutes, and I will ask my colleagues to also limit their time to 5 minutes.

Mr. BECERRA. Yes, sir.

Chairman JOHNSON. Dr. Daly, you referred to the transformation of the DI program from a last-resort cash income program for those not able to hold any substantial gainful employment to a long-term unemployment program. What are the causes of that transformation?

Ms. DALY. By my read of the evidence, the program has become, as Professor Duggan has indicated, more cyclically sensitive. Am I supposed to answer now, by the way?

Chairman JOHNSON. Sure.

Ms. DALY. I realize I don't know the rules.

Chairman JOHNSON. You are following them perfectly.

Ms. DALY. Absolutely brilliant.

So the programs become more cyclically sensitive. When academics evaluate why it has been more cyclically sensitive, I think they form a consensus—academic economists, anyway—form a consensus that the eligibility rules that allow vocational and functional criteria to be part of the decision and not just the medical criteria allow people when they get displaced in downturns to think about moving on to benefits—disability benefits as opposed to searching for work. So that makes the program potentially another avenue since we don't have long-term unemployment insurance in the United States, another avenue for getting income support that is outside of the original intention of the disability program but is obviously a good way, a potentially good way, to guarantee yourself an income when work is hard to find, especially when you have impairments.

Chairman JOHNSON. Dr. Duggan, do you have anything to add to that?

Mr. DUGGAN. Thanks for the question.

I agree with what Dr. Daly, with the thrust of her comments.

I think an additional point worth making is there are a number of factors that show there is a strong connection between economic conditions and enrollment applications to this program, the sensitivity of it to the unemployment rate. Also over time, we have seen a steady decline in employment rate among individuals with disabilities. That is just sort of ongoing, and beyond that, a real shift in the conditions with which people are qualifying for benefits into somewhat more subjective, which is not to say that they are not valid, but it is just somewhat more subjective conditions. And recent research by Till von Wachter and others has show that the employment potential of the individuals in these rapidly growing diagnoses is much higher than among let's say a person with late stage cancer or ALS or something else. So there really has been a steadily growing effect of the program on the labor market.

Chairman JOHNSON. And you told us that 2.5 million extra people have applied for disability. How does that growth impact our economy? And how do we reverse that trend?

Mr. DUGGAN. Yes. So if one just sort of traces out the additional applications that have occurred over the last several years as a result of economic conditions, it is about 2.5 million, perhaps a bit more. And I think that is going to—research by David Autor and myself in the past has shown that has led to—that kind of response leads to a reduction in the labor force participation rate and in the unemployment rate. So the unemployment rate right now, if you look economy-wide, we see this unemployment rate coming down from 10 to 7.5 percent, but labor force participation has come down even more, so that the employment population ratio hasn't really grown. And I think it has a measurable effect on the Na-

tion's overall unemployment rate and the overall labor force participation rate.

And I think there is a lot of concern about this among people I think across the ideological spectrum. Is it going to be the case that this recent decline in the labor force participation rate is pretty problematic, given the demographic changes that are now going on?

Chairman JOHNSON. We can't get them back to work, is what you are saying?

Mr. DUGGAN. I think there is some potential to get these individuals back to work through the programs that were mentioned in some of the other testimony today.

But I agree that the biggest bang for the buck is going to be from intervening with people somewhat sooner. And the path to that potentially is really high. With the typical DI award, if you look at what the Federal Government disburses—and this doesn't even take into account the foregone tax revenue from the person not working—is $270,000. If we can figure out a way to sort of get in there sooner with people so that they can return to work, that is going to have a huge payoff for the economy.

But I do think that improving incentives among existing recipients is something worth doing, and there is evidence that it can make some progress, too. But I think it alone is not going to be enough to reverse things.

Chairman JOHNSON. Yeah.

Dr. Daly, do you want to add to that?

Ms. DALY. I do want to add to that and put a calculation on this. Myself, as part of my role in thinking about unemployment rates in the United States, at the Federal Reserve Bank, we calculated how much—if we use historical allowance rates on disability for the number of applications we have, it accounts for about a quarter of the decline in labor force participation that we have seen. So that would be, if history is any guide, that would be a permanent decline in labor force participation in the United States, as Professor Duggan has noted, because those individuals rarely come off the rolls.

I will say one more thing about that. If you look back at Sweden in particular—but you can look at other countries. Sweden is a good example. After the great financial crisis that they had in 1990, their incapacity rate went from something like 8 percent to 16 percent. And those were permanent reductions in their labor force until they dramatically reformed their system. So I think these are real issues that add to the urgency of reforms in addition to the insolvency.

Chairman JOHNSON. Thank you, ma'am.

Mr. Becerra, you are recognized.

Mr. BECERRA. Thank you, Mr. Chairman.

And thank you all for your testimony. It is very enlightening.

Mr. Duggan, I think what I gather from your testimony is that early intervention is very important. And improving incentives to keep people working—very important because once they get into this nose-dive of becoming disabled and feeling disabled, it is tougher to get them to sort of come out of that and stay up in the air flying.

Ms. Daly, I think the same sort of thing, periodic evaluations in my notes here. Early intervention matters. Support work. And you asked a really important question: Did people suffer or were they made worse off as a standard to sort of decide whether we are doing something better or not?

And then, Mr. Ufier, you mentioned all the services that your company is providing to try to keep people at work, even if they are starting to tip into that area of disability.

All that, I think we have to sort of internalize and do more of. But from what I hear Dr. Weaver and Mr. Williams say, SSDI, as Ms. Ekman says, doesn't do any of that. Social Security Disability Insurance is simply to pay someone who is now fully disabled. It is the vocational rehab programs and all the rest that are really there to do that. And so my sense, from everything I hear you saying is, we have got to really beef up the work we are doing to give people the incentive to stay working and to make sure we capture them before they become too disabled to stay at work or at least work for good periods of time. So I think we have a lot of work to do, as Mr. Ufier is doing with his company, to try to make sure we are doing everything we can from letting anyone fall over the cliff and become permanent—you know disabled to the point where you can't work.

So a quick question, Mr. Ufier. What kinds of services—give us very quickly because I am going to run out of time. What are the most important services that you think we need to provide folks to stop them from tipping over to becoming folks who just won't go back to work?

Mr. UFIER. It is an early intervention, being involved right at the beginning of a claim when an individual goes out, employers being involved. So some kind of pressure on the employers to be immediately involved within the first weeks of disability. I deal with a lot of the private sector, which is short-term and long-term disability. So as soon as a person goes out, there is involvement from the employer to engage the employee to stay at work and to think about, okay, you can't work at the moment, but you will in the near future. Let's see what we can do about that.

Mr. BECERRA. So what does "see what we can do about that" mean? What kind of services do you offer?

Mr. UFIER. We would be offering medical intervention with assessing how limited the person is functionally. As I mentioned, disability is not just having a diagnosis but how that diagnosis impairs a person to return to work. So perhaps up front, a person may have a diagnosis, a back injury. But what is the likelihood? How long will they stay out of work?

Mr. BECERRA. So a medical diagnosis, probably follow up, rehab? You are investing money to keep that person at work.

Mr. UFIER. Absolutely.

Mr. BECERRA. So this is not free?

Mr. UFIER. No.

Mr. BECERRA. Your company is paying money to—you are probably figuring, it is better to keep an experienced, capable employee on board than try to train someone to do all this stuff anew.

Mr. UFIER. Yes. We use nurse case managers and voc rehab people up front rather than later in the process to say, let's keep you at work.

Mr. BECERRA. But you have to invest money to make this work.

Now, Dr. Weaver and Mr. Williams, my biggest concern is that we keep cutting the budget of the Social Security Administration at a time that we are talking about investing more to keep people at work to make sure that we intervene early and that we do everything we can to keep someone from tipping over, based on their disability, to the point where they can't work. How do you manage if 10 percent of your Social Security Administration offices—I mean, 10 percent of the staff in your Social Security Administration offices in the field have been cut?

Dr. WEAVER. Thank you for the question. I think staffing is an issue at the agency. You mentioned the reductions in our workforce. Particularly in this area where we talk about the complex work incentives in the law. As our Inspector General said, it is a very work-intensive process. You actually have to put staff on these cases to make sure that beneficiaries don't have their benefits inappropriately stopped. And they can take advantage of all the employment supports that Congress has put in the law. So, in general, I would say that our experience with administering the employment supports and work incentives already in law has been difficult.

Mr. BECERRA. So, Ms. Ekman, you probably deal more with folks who have these disabilities, and they are on that verge of becoming unemployable. What does SSA need to do to try to deal with the fact that they are getting cut?

Mr. EKMAN. Well, first, thank you, Ranking Member Becerra. I think first, I will reiterate that we do not believe that the Social Security Administration is the right agency to perform early intervention or provide these work services to people who are still in the labor force. We think it is a few years before, at least, application. We find that people try to work for as long as they can, often beyond when it is healthy for them, exhaust their savings, and all their other resources, trying not to apply before they walk through Social Security's door.

So I think the Congress needs to give Social Security more resources to perform program integrity work as well as to process earnings reports and to make sure that the person gets the right payment at the right time. It can take up to 8 months on average to process a report. And by that time, a person may have tens of thousands of dollars of overpayments, which will require them in most cases to quit their job and go back on benefits. So it is very counterproductive. And providing enough resources to handle that workload would go a long way towards supporting work.

Mr. BECERRA. Thank you.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you.

Mr. Renacci, you are recognized.

Mr. RENACCI. Thank you, Mr. Chairman.

I want to thank all the witnesses for their testimony.

As I listen to all the testimony, I am thinking that we have got to get to a way of making SSDI better. And I want to start with

the one thing that I know the Chairman mentioned in his opening statement. In a most recent beneficiaries' survey, 40 percent of beneficiaries said they were interested in working and getting back to work. Yet in 2010, only 0.5 percent left the rolls due to the earnings from work. That is where we should start. We should figure out how we can make things better for those 40 percent.

If we can get 25 of the 40 percent back to work, that is a 10 percent savings, and that is what the taxpayers are looking for. That is what they are asking Congress to do, figure out ways to make the program work better.

I want to talk about two individuals in my district. And these are the two that I want to focus on and then maybe ask some questions on how we can do it better. One that I talked about in a previous hearing, I remember golfing with a guy who was on SSDI every week, swinging the golf club, walking with his cart. And he was on SSDI. So he is definitely somebody that can get back to work out of that 40 percent. But he didn't want to get back to work.

And I also had another individual in my district who recently contacted me. He just is on his medical leave. And he had his third back surgery. And he just received SSDI. He is telling me that he wants to go back to work. His intent is to get back to work. And the problem is that he has now received his SSDI payments, and he is concerned because he is going to fall into what we have talked about, this problem of, you receive it, you lose your skills in work, and you start to go down this path of, well, I am just going to accept the payment. So those are the two that I kind of want to talk about.

And the first one, Dr. Duggan, how do we help that second individual? The first individual definitely shouldn't be on SSDI. The second one that I am talking about, how do we help that person?

Mr. DUGGAN. Well, thanks very much for the question. So we have heard a bit of discussion of this program in Vermont that improved incentives among SSDI recipients there to work and that that did generate significant employment gains there. So, basically, allowing people who are on the SSDI program, rather than having this cliff in benefits, if they go over it, they are gone for good potentially, having this benefit offset that enhances individuals' incentives to work.

The recent evidence from Norway, they did an intervention that was not even—didn't even enhance incentives as much as that one, and it had a big payoff in terms of increasing employment among Disability Insurance recipients. So I think there is some scope for us with modifications to the program to help get people back to work so that it pays for them to do it.

And the evidence again and again and again shows that financial incentives matter. This is an area in which if a person works and they can keep more of that earnings, that is going to inspire them to push harder to get back to work and that will enhance our economic growth. So I think there is a lot that we could do there.

Mr. RENACCI. Dr. Daly, you referred to a Swedish disability program, and I know one of the other witnesses said that we shouldn't be comparing to some of the other countries. Do you agree with that?

Ms. DALY. No, I don't agree with that. I would agree with the following statement: We shouldn't just go and take an off-the-shelf program from another country that is quite different from us and adopt it wholesale and think that that would work. But I do think that looking to other countries and seeing where they have got similar experiences to ours and see that they have been successful.

And I will point to Sweden as an example, that at the same time they were scaling back their disability program, they were actually also scaling back their unemployment, long-term employment insurance programs and their welfare programs. And they were doing this because they were trying to move away from a culture that they had had in their country where too many working age people, that is their words, not mine, were moving on to some sort of a transfer program.

So I think it is not just the case that these countries have much better benefits elsewhere and people move from disability to those other benefits. It is actually the case that they are trying to—they call it labor market activation—they are trying to re-enter numbers of people back into their labor market.

I will also conclude, if I may, with the idea that the main thing to take from other countries is that the observation—I said this in my testimony, I want to reiterate it—the observation that people with disabilities currently don't work in the United States is not the same as evidence that they cannot work if they are given the opportunity to do so. So I think that is an important lesson we can learn from other countries.

Mr. RENACCI. Thank you.

Mr. Ufier, I am going to run out of time, but as an employer, I just wanted to make this comment. You know, there were two types. When an employee got hurt at work, that was Workers' Compensation. Then there was the employee who became disabled, and usually, that person just moved off the work roll, and we weren't able to get back with them and try and bring them back to employment. They had moved on already. The person on Workers' Compensation, you know, we were able to work through.

So I am out of time, but at some point in time, I would love to hear how you really handle those differences.

Mr. Chairman, I yield back.

Chairman JOHNSON. Thank you.

Mr. Kelly, you are recognized.

Mr. KELLY. Thank you, Mr. Chairman.

I would like to go back to Ms. Daly. Why did Sweden—what was their driving force? What did they look to reform what they were doing? What was the mover for that?

Ms. DALY. Really they had—really the biggest mover was that they were looking at 20 percent of their working age population being on some sort of a government transfer program, and they—that is fiscally unsustainable for any nation, so they were taking a thorough look at those programs, and that what they recognized is that the disability program was a program that people thought, I have paid in, I pay my taxes, I deserve to have this type of support, but that it was getting away from the overwhelming evidence that in the modern world of disability, that people with disabilities can work.

And so they were driven fiscally, but they actually felt that in their own review of their—in their own policy, they felt it was holding to their core values, which is that no citizen should be sidelined from the opportunities to participate in the labor market and gain a productive life, and they should be making those investments.

Mr. KELLY. And I would think that all would agree.

Sometimes we have a difficult way, we define people, we try to paint them all with the same brush. There are certainly people that cannot go back to work. I understand that.

But what I have a difficult time trying to wrestle with today is we have had so many advances in technology, the way we treat people after an injury. And I agree, you were talking about early intervention, early detection, early intervention is the best thing for anybody. It doesn't matter whether it is a disease or some type of an injury, you have to get to it early. The earlier to it, the better chance of fixing it.

But, again, going back to this, and because I think it is really important what you said about the Netherlands and Sweden, it says—and on page 7 of your testimony, in the past decade, the Netherlands and Sweden fundamentally reformed their disability programs by changing the culture in social expectations regarding people with disabilities.

And I think that is what we constantly wrestle with, because sometimes it is the social expectations. I am an employer, and I have had people who have gotten hurt on the job. They can't work, they can't work; I understand that, but I do know this from growing up and from participating in athletics: The longer you are away from school, the harder it is to go back; and the longer you are off the field, the harder it is to get back on field and want to play again. So I think that early intervention and getting them back on the field, but all of you are dealing with the same thing.

Now, again, disabilities are defined differently. Some people are never going to be able to return to work, I get that, but I think the whole process we are talking about now is are we incentivizing people to go back to work or are we disincentivizing people by the programs that we have right now? Again, not painting everybody with the same brush, but explain to me, when you say the "social expectations," what are we talking about there?

Ms. DALY. So if you look at documents written by the Netherlands and by Sweden, by policymakers, and these were bipartisan documents, and also at the OECD level, the OECD itself has written these documents, the very first paragraph in many of these documents says the following: People with disabilities deserve the opportunity to work. People with disabilities want to and can do work, and—and this is where they put it in underlined or all capped type—people with disabilities have the responsible to try to work.

So that is what I mean by changing the social expectation. And the reason I think European countries are a good example of this to look to is that traditionally the European nations have been more generous with their safety nets—Ms. Ekman mentioned this—and more willing to have that be a social contract that they would sign. And they actually are saying it is not good for the individuals with disabilities, and it is not good for our economy, so this

is what I mean by changing the culture. And the results have been, as I said, to increase the employment of people with disabilities, maintain or increase their incomes and not move them onto other welfare-type benefit programs. So, you know, they are in the first 5 years of their reform, so I don't think we should call these all victories, but I think it is useful evidence to look to.

Mr. KELLY. Well, I have got a lot of friends, and I—like Mr. Renacci, who have gone through these things, but I will say this: It is the excitement about waking up in the morning and being able to get out of bed and go somewhere and do something productive that really drives, not just Americans, but all human beings. And when we have these programs that we can get people back into the workforce where they are contributing members of society, and by the same token, those that can't, I understand that—don't label them as not wanting to go back to work or not having that desire to go back to work. Listen, there are some people that just can't, and those are the people that we want to help, but the other way, we got to get them early, and we got to get them back on the field as soon as we can. I think that is the best way to work.

Mr. Williams, I do want to say something to you. You have overcome a great deal of adversity, and I think that just having you here today and having you present sets a great example of what it is that drives the human spirit to make them, make them do things and maybe they will say, it is going to be harder for me than somebody else, but I don't care, I am still going to achieve. So I applaud you for what you have done with your life. Thanks so much.

And I yield back.

Chairman JOHNSON. Thank you.

Thank you all for your participation.

Mr. Griffin, you are recognized.

Mr. GRIFFIN. Thank you, Mr. Chairman.

I want to associate myself with the remarks of Mr. Kelly.

Thank you all for being here.

Thank you, Mr. Williams.

This is incredibly important, because I hear about this issue a lot back home. And what I have learned from being here 2 and a half years and from being in politics before is that anecdotes are not the end of the story, but usually, they indicate something. If you are hearing things on the ground, they indicate something is going on. And they are not all 100 percent truthful, but they indicate that there is some truth out there associated with the anecdotes that I hear.

And I will tell you that in this area, when I am home in Arkansas, I hear anecdotes about abuse with regard to this program all the time. And I know that they reflect an ongoing problem. You don't hear numerous stories, and say, well, those are a very small percentage; that almost never happens. I hear about these instances, like the golfer, because they are relatively common; so much so, that I hear jokes about, well, maybe I will just get on disability. And you hear that kind of joke all the time. It is almost like the American people know that this program doesn't work the right way on the whole, and so they know it is relatively easy to game. And it is not only a fiscal problem generally, but more im-

portantly, it impacts the people who need it, as Representative Kelly pointed out.

And I want to mention, in addition to the golf situation, there are several anecdotes that I have come across, and I finally decided that if I were to ignore them, it would be malpractice on my part. And there is one lady who volunteered to handle all of the arrangements, all of the emailing, all of the phone calls for a high school reunion. And the comment that she made was, I am on disability, so I can handle all this. Well, there are jobs where she could use those skills.

The other individual is an individual who had been a veterinarian for years, and he said, he pulled his back or something, and he hasn't worked in years. And he is always engaged with me on policy issues and everything—just in his free time, because he has lots of it. And he rides motorcycles and does all kinds of stuff, and he is on disability, and I know him very well. There is another lady, actually related to the vet, who is in a similar circumstance.

This is common. And my constituents that need disability because they can't ever go back to work are as angry about it as everybody else, because it is really not fair at the end of the day.

And I wanted to ask you, is there some sort of financial incentive to report the fraud in this area, like a qui tam incentive? I guess the first question is, how do people that can play golf the way Mr. Renacci's friend did, how do they get complete disability? How does that happen? Are the rules such that allow it? Is there fraud going on? Are there employees that just don't know what they are doing, and they just say, you are approved? How does that happen? Deception? Anybody? Does anybody have any idea how that happens? Dr. Weaver?

Dr. WEAVER. Sure. I will respond. I mean, we—there is a fraud hotline operated by our Office of Inspector General. We provided numbers to Congress to try to quantify that issue. We don't think fraud is rampant in our programs. Generally, people in our programs have pretty serious health impairments. We try to follow the definition Congress put in law that the individual can't work a substantial gainful activity for up to 12 months due to an impairment or an impairment that will result in death. So I do think we feel like we run the program as Congress has written the definition, but we do have—there is a fraud hotline. We don't think fraud is rampant in our programs.

Mr. GRIFFIN. Okay. We need to write a better definition, it sounds like. It looks like I am out of time.

Mr. Chairman, would it be possible to have 30 more seconds?

I know that all these can't—they look fraudulent to me, the ones that I mentioned, may or may not be. I guess we all have different definitions of disabled and fraud. Some—yes, ma'am.

Ms. EKMAN. I wanted to make a couple of points. One is that disability and ability to work change over time. So just because at this point someone is able to golf or ride a motorcycle doesn't mean when they were approved for benefits, they could have or that they could have worked.

So one of the things that Congress could do to help with that problem is to get more resources to the Social Security Administration to perform what—the continuing disability reviews that are re-

quired by statute. The Social Security Administration cannot do them with the resources that they have. So a huge——

Mr. GRIFFIN. Bigger budget.

Ms. EKMAN. Within—they would need a bigger budget to do it. And Congress has previously given funds dedicated to that purpose, and they have also cut them in the past few years. So if we really are worried about that, I would say, give more resources to Social Security to do CDR's on time.

And the other thing is that, you know, just because someone, as I said, looks like they are able to do something on a certain day, a lot of disabilities are cyclical or they get worse and they get better, and it does not mean that someone is committing fraud because on that particular day, they are able to drive or, you know, ride a motorcycle or play golf. And so I think it is important to draw a distinction between fraud and changes in health conditions that Social Security doesn't have the resources to accurately monitor.

Mr. GRIFFIN. Well, I know these individuals, and so I will say this: I don't know, you know—whether they are committing fraud is another issue, but I can tell you that the people I am talking about are able and have been able, and if you are playing golf and you are on disability, that is fraudulent to me, but, you know, that is not the legal definition.

Mr. Duggan, you wanted to jump in? By the way, this is the same Social Security Administration that uses a 1976 cost accounting program. So, you know, I think there is some stuff that can be done on your side. Maybe we need to enable you, but——

Mr. DUGGAN. So I think that the data that I showed earlier pretty clearly indicates that the characteristics that the medical conditions with which people are qualifying for disability has changed enormously over time.

If there is one thing to take away from the SSDI program, it is that in the last two or three decades, it has shifted from a program that provides benefits to people with stroke, heart attack, cancer and so forth to one that differentially provides benefits for more subjective conditions, like mental disorders and back pain.

To me, as I look at all the available data—and SSA is fabulous in their production of data, I have to say. I am just—you know, I know a lot of people there, and they do a great job with the data.

One thing that you can get, just anyone here could go to the SSA Web site and see that 40 percent of SSDI awards are made on appeal. So basically you have a person who applies, they are rejected. They apply again; they are rejected. They appear before an ALJ. And it is pretty striking to me that 72 percent of the cases that appear before ALJ's, cases that have been rejected not once, but twice, are overturned, those initial decisions.

And what to me is especially problematic on the incentives front is that those people have been rejected twice and appear before ALJ's are the very people with perhaps the biggest employment potential among the people who are applying for SSDI, and yet we are giving them the absolutely worst incentives of everyone, because we are basically having them languish through this long process. So I think that there is a lot of scope for us to sort of rethink what is happening with this program. But those numbers

don't lie. I mean, that—it is a totally different program than it was 20 years ago.

Mr. GRIFFIN. Yeah. Thank you, Mr. Chairman.

Mr. Chairman, I would love to join with you in getting whatever ideas we have here and putting them into legislation. I think this is an area ripe for reform, and I think we could have a bipartisan agreement on that.

Chairman JOHNSON. Well, we need to reform the ALJ program to start with, and you probably agree with me.

Mr. DUGGAN. Yes.

Chairman JOHNSON. But, you know, our Inspector General, the IG, is doing a good job at checking on these people who claim a disability, and they are undermanned as well. I am sure you all who are familiar with the system know that.

Mr. Becerra, you had one comment?

Mr. BECERRA. Yes. And thank you, Mr. Chairman.

I think, bipartisanly, when we find these bad apples—and we saw those videos, Mr. Chairman, in some of the previous hearings where some of these folks were walking into the disability office with canes and walkers and then leaving, you know, virtually doing kicks and all the rest. I think, bipartisanly, we want to descend on those folks. We want to slice and dice those bad apples so that they are ground to a pulp, and they do not show up, because they ruin it for everyone else who really is disabled. As Mr. Kelly said, there are some folks who just cannot work. And we have to go after them.

And I would say this with all due respect to my colleagues, to Mr. Griffin and Mr. Kelly, we talk about these anecdotes as if they are the rule. If we know someone who is abusing of the system and playing golf, we are Members of Congress, we are sworn to uphold the laws of the land. Why aren't we reporting those folks ourselves? If we——

Mr. GRIFFIN. Well——

Mr. BECERRA. Yeah. If I could just finish, if I could just finish. And I hope I do incite some conversation about this, because, you know, I hear these stories, and we all hear the stories, oh, that, you know, so and so is abusing of the system and playing golf and on full disability. Give me the name of that person, I will report him, but I don't want even——

Chairman JOHNSON. Even if they are a Republican?

Mr. BECERRA. I don't care if they are—I don't care if they are D or R. They are making it tough for the folks who are truly——

Mr. RENACCI. Will the gentleman yield for 30 seconds?

Mr. BECERRA. I will. I will. I absolutely will yield, but if I could just make the point. I think we have to, as I just said, descend on those folks that are giving a bad rap to an essential program that people paid for. People don't get Disability Insurance unless they paid into the program, and people don't get it unless they are extremely disabled. If we find those bad apples that we catch on video abusing the system, you know, as I said, I want to lock—I want to throw them in the—you know, wherever and lock the key and, as I said, slice and dice them, because we can't afford to have those folks. But we cannot, we cannot stand here or testify in public, because there is a camera here, and we cannot try to give the

American people the impression that of the millions of people who are receiving disability benefits, not all of the millions, because there are lots of millions more who are disabled under the definition of the Americans Disabilities Act and et cetera, who are receiving benefits, but not disability benefits. But for those who are receiving disability benefits who have proven that they are the most disabled of Americans, I would hate for us to tank a system that they have paid for simply because of those bad apples. And so I think absolutely on a bipartisan basis, we should descend on those folks.

And with that, let me yield, Mr. Renacci.

Mr. RENACCI. Thank you, Mr. Becerra.

I do want to explain that comment. You know, I probably haven't golfed for years since I have been in Congress. I have only been here about 2 and a half years. This was about 10 or 12 years ago. But I think the key to that was as we were all golfing, we all wondered how this individual was able to get Social Security, because I could tell you, if I was golfing today and that occurred, I would be reporting him, but this is—I think the American——

Mr. BECERRA. If you give me his name, I will still report him.

Mr. RENACCI. Well, I am not even sure where he is anymore.

Mr. BECERRA. Let's find him. Let's go after that guy.

Mr. RENACCI. The question here for the American people is, the American people see this and they are fed up with it.

Mr. BECERRA. Absolutely.

Mr. RENACCI. And people were fed up 10, 12 years ago. I assumed that as an American back then who wasn't in Congress that he must be okay, he must have been able to get it, it must be a program he is allowed to have. Today, I know different, and that is the problem in America.

Chairman JOHNSON. We are going to let Mr. Kelly make one last comment and then we are going to close this down.

Mr. KELLY. Thanks, Mr. Chairman.

And I want people to take this personally. There is not a better example in the room right now of somebody who has disabilities but refused to let that stand in the way of going back to work, and that is you. And I mean that sincerely.

Mr. BECERRA. That is right. Bipartisanly.

Mr. KELLY. And I know. We talk about bipartisan issues, but then we try to slice and dice each other so that one can be the hero and one can be the villain. It is not good enough in this body anymore to do the right thing. It is okay to do the right thing, but you got to make the other side look really bad.

Listen, the whole purpose of this hearing today, and Mr. Young said something in a hearing yesterday that—a saying, and he said, Well, now we have run out of money, so we just have to start thinking. The whole purpose of this hearing is how do we sustain this, because I am not painting anybody with the same brush. I know how difficult it is for people who are hurt to get back to work, but I also know the path we are on right now is unsustainable. And I keep saying this thing, that unless Congress acts, unless Congress acts. Well, depending on which side you are sitting, what does it mean by "Congress acts"? Is it throwing more money in the

program or is it making the program more sustainable by really thoughtful responses and regulation reform that we need to have?

You are all working to get people back to work. And again, I said about Mr. Williams, what you do every day, you get up with a purpose in your life. I can't imagine putting people in a position they get up that want to go to work, and we have made it impossible for them to see the benefit of working anymore, because we have disincentivized that whole process. So, again——

Mr. WILLIAMS. Can I respond?

Mr. KELLY. Please.

Mr. WILLIAMS. What has not been said today is there are about 4 million Americans with disabilities who are employed. Most make less than $20,000 annually.

I would suggest that a critical question we will need to grapple with is, how do we reward those workers? And it is not just about services. It is creating opportunities for them to get and keep good jobs and careers that can lead to better self-supporting futures.

Mr. KELLY. Well said. And listen, you are a champion. You are a champion. And I am going to tell you, you may be hampered physically, but mentally you have absolutely no problems extolling the human spirit and the desire to somehow overcome whatever we have to overcome every day to add to the value of this country. So thank you so much.

And, Mr. Chairman, thank you for what you have done, and I yield back.

Chairman JOHNSON. Thank you.

I want to thank our witnesses for being here today and for your testimony, and also our members who are present today.

You know, work is important for Americans, their families and this economy. We can and must achieve the results taxpayers expect for those with disabilities that they deserve.

With that, the subcommittee stands adjourned.

[Whereupon, at 11:27 a.m., the subcommittee was adjourned.]

[Questions for the Record follows:]

David Weaver

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 July17, 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, 91percent 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.

	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]	
Calendar Year	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	76,067	1.0	124,207	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	75,018	0.9	102,066	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	1,080

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.

James Smith

VERMONT

State of Vermont
VocRehab Vermont
Department of Disabilities, Aging and Independent Living
103 South Main Street, Weeks 1A
Waterbury VT 05671-2303
www.vocrehab.vermont.gov

Agency of Human Services

Phone or TTY: 802-871-3068
Toll Free: 866-879-6757
Fax: 802-871-3048

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.[1] 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.

[1] The impact of changing financial work incentives on the earnings of Social Security Disability Insurance (SSDI) beneficiaries; Robert R. Weathers II[1], 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:

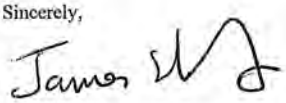
- The elimination of the Trial Work Period.
- The elimination of the Extended Period of Eligibility and replacing it with continued attachment to the program (as long as the beneficiary remains medically eligible). This would be similar to the 1619 B provision currently in place in the SSI program.

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 or via phone at (802) 871-3031.

Sincerely,



James Smith
Budget and Policy Manager
Vermont Division of Vocational Rehabilitation

Kevin Ufier

Question 1.

Your firm is the first point of contact for helping those who have suffered illness or injury stay on the job and get back to work. Please discuss the approaches that are often the most effective. In your experience, when someone applies for disability benefits, it is too late to help the individual return to the workforce, and what can be done to ensure success?

GENEX Services is often involved at the start of disability claims for both occupational (worker's compensation claims) and non-occupational disabilities (short term disability and long term disability). STD, short term disability is a benefit offered by approximately 40% of the employers in the country [1]. This coverage typically covers shorter duration disability episodes starting with the first date of missed work. It is safe to conclude that a person filing for STD has opportunity for return to work. Most "disabilities" are episodic and not permanent and in most instances the worker will not be out of work for a long duration.

Many employers have return to work programs that facilitate return to work for impaired employees receiving STD benefits, in order to minimize the duration of disability and the impact on productivity. The key element to success in assisting the worker to return to work is early intervention through direct engagement with the worker. This is usually performed by the employer and an advocate (case manager or employer return to work specialists) who act as a liaison between the medical providers and the employer. Additionally, early intervention is key to keeping a disabled employee at work through employer's Stay at Work programs or transition employees back to work as soon as possible through employer's Return to Work programs.

The goal is to engage the employee and let them know they are expected to return to work as soon as able. This can be accomplished by actions from both the claim administrator, the employer and a case manager. GENEX Services is often brought into the process at the start of the claim or otherwise early in the disability event. The message from the claim administrator, employer or case management vendor is that the worker, though temporarily impaired and not able to work at the moment, should be thinking about returning to work. If needed, there can be an interactive discussion between the employer and the worker to develop accommodations concerning modification of the requirements of the job for a transitional period.

Examples of accommodations that derive from the interactive discussion include; changing work hours; temporarily being assigned other appropriate tasks not typically performed by the worker; assigning tasks to other members of a work team; and physical modification of the work station as suggested by an ergonomic specialist. In some instances a worker cannot return to a modified form of their own job but might be able to work at other jobs at the employer. This allows for transition back into the work force with the goal of eventually returning back to their old job.

Even if an employee is out of work for an extended period of time, employers in concert with their disability administrators will work to retain talented employees beyond the traditional short term disability duration (6 months). If the employer must hire new staff to meet their production needs, the

disability administrator may continue work with the employee to justify the worker is still disabled from their own job and attempt to locate employment at other employers. The focus is to educate the impaired worker that they will receive disability benefits as long as they meet the definition of disability. In many instances the disability event is an "episode" rather than a permanent condition.

Many employers and disability carriers provide financial support to encourage return to work including re-education in order for the worker to learn new work related skills and placement of the "disabled worker" at more suitable positions with other employers, if the impaired worker will not be able to return to their customary job. Early intervention is required to keep employees at work and return back to work more quickly. Odds are if the employee is out of work for 6 months, there is a 50/50 chance of return to full time employment. There are findings that 50% chance of return to work can occur at the end of just three months out of work. [2]

LTD or Long term disability, provided by employers usually begins at 6 months. This coverage is offered to approximately 30 % of the working population and [3] lasts up to age 65, as long *as the employee meets the definition of disability*. Often by the time an employee reaches eligibility for LTD payments, the worker has been out of work long enough that they may have filed for Social Security Disability Benefits (SSDB). Being out of the work world for longer than 6 months can be problematic and a barrier as the longer a worker is out of work, the opportunity for a successful return to work is decreased.

However, the recovery rates for LTD claims are better than Social Security Disability benefit recovery rates in terms of returning to work. We can account for this difference and distinction due to two factors. One, the disability carriers are diligent in their efforts to continually update the medical and clinical information concerning the worker's claim for disability. This includes quarterly or even monthly requests for medical information from the treating medical entities. Medical documentation is reviewed by internal medical specialists (physicians and or nurses) for congruence with the diagnosis and how it impacts the ability to do other work. Second, at all times there is a focus on determining whether the clinical data confirms the restrictions and limitations caused by the medical condition preventing return to work. If it appears the worker cannot return to work at their previous occupation, the effort changes to assisting the claimant/worker to return to work at other positions. There is an underlying philosophy that assistance will be provided to encourage the individual worker back to work and disability is "mostly" a temporary condition.

Question 2.

During the hearing, some of our witnesses discussed the increase in benefit award rates for those with musculoskeletal condition and mental illness and how these diagnoses have contributed so some of the growth in the disability program. Do you find individuals with these impairments are more likely than those with other impairments to be unable to work? What approaches do you use to ensure they are able to continue working?

By far the largest diagnosis category that GENEX works with is musculoskeletal. These medical conditions generally compose the largest number of claims for work related as well as non-work related disabilities. They also represent the greatest opportunity for successful return to work as indicated by the number of claims as well as successes.

We handle a large number of psychiatric claims as the primary diagnosis as well as it being a co- morbid condition. Our experience has shown that many of the psychiatric conditions are temporary rather than a permanently impairing condition. However, the window of opportunity for return to work with psychiatric claims is of a shorter duration than with most any other class of impairments. Generally, we see fewer cases referred for placement and case management with psychiatric diagnosis as the primary condition than we do for musculoskeletal cases.

Over the past few decades there has been an increased proliferation of mental illness diagnoses documented in the Diagnostic and Statistical Manual of the American Psychiatric Association. Both psychiatric and musculoskeletal conditions can be difficult to evaluate as their manifestations are often subjective in terms of evidence.

It is estimated that nearly one in five adults experience a psychiatric diagnosis in a given year [4] and there are even higher numbers of musculoskeletal disabilities. Most physicians are not trained to evaluate for disability, nor are they trained to encourage return to work. Nowhere is this more evident than physicians working with the psychiatric population where iatrogenic disability frequently occurs [5].

For disability purposes, disability insurance contracts require proper care and treatment. Physicians in the psychiatric realm often provide substandard treatment, with little focus on return to work or review of how certain treatments and medications may cause psychiatric symptoms [6]. Due to the nature of severe mental illness, rapport and trust can be difficult to establish, thus impeding the ability for return to work. Successful return to work with this class of diagnoses is contingent upon the nature and degree of the diagnosis. More volatile and psychotic diagnoses are less likely for success, while adjustment and anxiety disorders have greater opportunity for success.

We view disability as episodic. That is, at a particular moment in time an individual may be unable to do their own job or other work but their inability to work at the moment does not necessarily result in a permanent inability to work. Instead, claims and case management staff work together to continually understand the nature of the impairment and how it limits a person's ability to work. Case Managers monitor the treatment and in some instances direct care or facilitate more aggressive care. Once it appears the worker is able to return to work in some capacity, case managers will be involved in coordinating return to work at the original employer or at other employers who have suitable positions.

With either diagnosis group, early intervention is critical to prevent petrification of the expectation that the worker will not return to work. The earlier the intervention of attempts to return the worker back to work, the better outcomes will be obtained.

Some of case management tasks and tools utilized to shepherd the individual worker back to work for musculoskeletal and psychiatric claims include:

Home Visit-Soon after the start of the disability claim, a nurse case manager will visit the claimant in order to learn more about the individual worker's status. Observations of the worker are made in their home setting. Information is gathered concerning the appearance of the worker, assessments of their movements, presentation, activities of daily living, and mental status. The Case Manager will discuss the documented restrictions and limitations and the worker's impression of them. They further learn and document the workers reported desire to return to work. Review of the home psychosocial dynamics including elder care, child care and household chores distribution is important to observe. A review of medications, current treatments and other plans for medical interventions is addressed. A thorough home visit is a key component to a well-developed case management plan, identifying barriers to return to work and developing rapport with the worker.

Meeting with the Attending Physician (AP) and other Medical Providers- A nurse case manager may meet with the treating medical providers in order to obtain more detailed information concerning the medical condition and discuss restrictions and limitations. Expectations for recovery and a timeframe for return to work is discussed with appropriate education to the physician as to the job duties required of the worker, and what options are available for modified duty. The goal is to reach agreement on the amount of work that could be performed and a start date for the return to work with time frames and treatment interventions if necessary.

Vocational Assessment- A vocational rehabilitation counselor (VRC) meets with individual worker, usually at their home. Information is gathered concerning their medical status, treatment plan, discussion of the workers restrictions and limitations and efforts to return to work. The focus of the assessment is to identify the transferrable skills the worker possesses, in order to evaluate if the worker will need to find work outside of his previous employer.

Transferrable Skills Analysis (TSA) report and local **Labor Market Survey**. A VRC completes an analysis of a workers education and work history and identifies skills that are transferrable to occupations the worker can perform given their medically supported restrictions and limitations. The labor market survey report is research of employers in the local labor market that possess the occupations that the impaired worker can performed with their given skills and despite the existing medical conditions.

Placement Assistance-Once targeted occupations in a TSA have been identified, the VRC works with the impaired worker to identify local employment opportunities, provide assistance in teaching the worker how to complete applications; Coaching the worker as to how to answer questions in interviews including videotaped preparation; Using the Internet to identify employment opportunities

Identify Educational Resources-When required the VRC can identify short term programs that update the skill set of worker or enhance the workers resume with technical programs. Where financial thresholds are met, the VRC may identify programs that provide financial aid for these educational training programs.

Post Placement Support-Once an impaired worker has returned to work, the case manager will follow the individual for period of time to ensure they are adjusting to their work situation without incident. Should roadblocks for successful return to work develop, the case manager is available to facilitate resolutions through discussions with the employer and/or the medical provider.

Ergonomic Assessments and Interactive Discussion-A specialist in the assessment of worksites and its interaction with the human worker can be utilized to assess if the worksite can be modified to prevent injuries to the worker as well as facilitating return to work. A vocational specialist is often utilized to document work requirements and discuss with the employers modifications to the job and its' duties in order to provide accommodations and assistance to a returning worker.

Case management tools are deployed as needed to meet the unique needs of the specific employee which is usually related to their occupation and limitations created by their impairment. Success is contingent upon the motivation of the worker and the willingness of the employer to accommodate job requirements. When case management tools are utilized early, preferably less than 90 days from the start of the disability, the chances for successful return to work is greatly improved.

****

References-

1. AHIP- An Employer's Guide to Disability Income Insurance, 2007
2. Preventing Needless Work Disability by Helping People Stay Employed-American College of Occupational and Environmental Medicine, 2006
3. AHIP- An Employer's Guide to Disability Income Insurance, 2007
4. National Institute of Mental Health, 2003
5. Deception and Detection in Psychiatric Diagnosis Psychiatric Clinics of North America, Volume 21 No 4 December 1998
6. Assessing and Treating Psychiatric Occupational Disability: New Behavioral Health and Functional Assessment Tools Facilitate Return to Work Partnership for Workplace Mental Health

Mark Duggan

Business Economics and Public Policy
The Wharton School, University of Pennsylvania
1400 Steinberg Hall-Dietrich Hall
3620 Locust Walk
Philadelphia, PA 19104
215.898.0928 phone
215.898.7635 fax
mduggan@wharton.upenn.edu

Wharton
University of Pennsylvania

Mark G. Duggan
Professor and Chair, Business Economics
and Public Policy Department
Professor, Health Care Management Department
Rowan Family Foundation Professor
Faculty Director, Wharton Public Policy Initiative

July 26, 2013

Sam Johnson
Chairman
Subcommittee on Social Security
Committee on Ways and Means

Dear Mr. Johnson:

Thank you again for inviting me to testify before the Committee on Ways and Means Subcommittee on Social Security on June 19, 2013. I am writing in response to your letter of July 17, 2013 that posed four questions to me. I have pasted and italicized those questions below and include my answers in the text that follows.

1. On page eight of your testimony, you contrast the Disability Insurance (DI) program with the welfare program. What can the Subcommittee learn from the reforms made to welfare? Is it possible for similar reforms to be implemented in the DI program to help beneficiaries return to work? What would those reforms look like?

During the 1990s, changes to the AFDC / TANF program substantially increased the incentive to work among current and potential future recipients of program benefits. Each state was given greater latitude to reform their programs and stronger financial incentives to reduce program enrollment through a change in the federal match. Recipients were also given much stronger incentives to work and limits were placed on the total duration of program enrollment. These changes at the time were very controversial – with many opponents predicting they would harm millions of the nation's most vulnerable citizens by reducing their transfer income while doing little to increase their earnings. The reforms to welfare programs coincided with an expansion in the federal earned income tax credit, which further increased the incentive to work among lower-income adults with children.

In the years following these reforms, there were significant reductions in program enrollment and similarly large increases in employment among the groups most affected by the reforms (single parents with children). While other factors including strong economic growth contributed to these changes, a large body of literature persuasively demonstrates that reforms to the AFDC / TANF programs played a central role (Blank, 2002). There was no simple one-size-fits-all reform that worked in all states for all recipients. But the combination of reducing the effective tax rate on working, limits on the duration of benefits, and related changes induced an unprecedented decline in program enrollment and a similarly large increase in labor force participation. These changes

coincided with an improvement in the average economic well-being among the groups most affected by the reforms (Meyer and Sullivan, 2004).

The success of AFDC / TANF reforms at reducing program enrollment, increasing employment, and improving economic well-being stand in sharp contrast to the results from the limited efforts to do the same in the federal SSDI program. While the beneficiaries of the two programs differ in many ways and thus the effect of a specific reform may not be the same for the two groups, the results from AFDC / TANF show that simultaneously improving the financial incentive to work while reducing the incentive to remain enrolled can produce substantial changes in behavior that increase employment and improve economic well-being while reducing government expenditures and increasing tax revenues. Reforms to SSDI that incorporate these features and are tailored to the characteristics of program beneficiaries could improve the economic well-being of many individuals with disabilities while reducing program expenditures.

2. Some argue against time limiting benefits since beneficiaries are required to have a review of eligibility every few years, yet it was presented in your testimony as an option to improve the functioning of the DI program. How could time limiting benefits be beneficial? Would you recommend time limiting all benefit or focus on certain categories of impairments?

Each SSDI award decision is all-or-nothing – either the person is awarded benefits or not. However, there are many individuals who are close to the margin of qualifying for benefits, with for example more than 40 percent of SSDI awards now being made on appeal. While it is true that many of those awards made on appeal are to individuals who are unable to work, recent evidence strongly suggests that a large fraction of applicants close to the margin of qualifying can work (French and Song, 2013) and even that many awarded benefits at the initial stage can work as well (Maestas et al, 2013).

Given the low rate at which medical continuing disability reviews (CDRs) are performed (only about 1 percent of SSDI recipients received one each year from 2007-9) and some limitations with the CDR process, one possible reform would be to time-limit benefits for those receiving an SSDI award who are very close to the margin of qualifying. It would not be desirable to apply a time limit to all SSDI recipients, as many on the SSDI program are unambiguously unable to work and almost certainly will be for many years. Additionally, rather than applying this to certain diagnoses but not others, such a time limit could take account of the severity of the person's condition and/or whether temporary labor market conditions played a role in the decision. Of course any such reform would have to be carefully crafted to protect those SSDI recipients who are unable to work while improving incentives for those who can or might be able to in the near future.

One potentially important benefit of such a change is that SSDI awardees who "just qualified" would have an incentive to further their skills and remain connected to the labor market while on SSDI so that they could make the transition back to work if possible given the evolving nature of their health.

3. You discussed in your testimony that Norway has tried programs similar to the Benefit Offset National Demonstration that replaces the "cash cliff" where workers lose all benefits if they earn just $1 above the substantial gainful activity cap ($1,040 per month this year), with a gradual benefit offset. Please discuss he results in Norway. Did the reforms encourage more people to apply for benefits?

Recent research has demonstrated that reforms in Norway that increased the incentive to work among beneficiaries of their disability insurance program led to a significant increase in labor force participation (Kostol and Mogstad, 2013). More specifically, by allowing disability insurance recipients to keep just 40 percent (as opposed to 0 percent) of any earnings beyond the substantial gainful activity threshold, the reform caused an 8.5 percentage point increase in labor force participation among program recipients between the ages of 18 and 49. The success of this reform suggests that similar changes to the SSDI program could increase return-to-work among existing

recipients. While the authors are unable to estimate the effect on program applications, they persuasively argue that applications are unlikely to respond enough to offset much of the budgetary savings stemming from lower disability insurance expenditures and higher tax revenues.

4. In their recent paper, authors Jeffrey Liebeman and Jack Smalligan, found the DI program "is in significant need of reform" because a number of beneficiaries would be better off with a different from of assistance, the actors in the disability program have misaligned incentives, and the disability determination system remains a problem despite recent progress. They proposed several new ideas to test ways to improve the disability program's return to work efforts. These include screening applications and offering some individuals targeted services instead of cash benefits, creating incentives for employers to keep people at work, and allowing States to test alternate approaches. What is your opinion of these ideas to encourage people to stay at work, defer filing, and allow State to innovate to reduce program costs? Should Congress restore Social Security's demonstration authority to test these ideas?

While the Norway evidence suggests that improving incentives to work among existing recipients can have a large payoff, intervening sooner with individuals who may or will soon apply for the program could produce even larger returns (Autor and Duggan, 2010). Thus I agree with the authors' point that targeting services at certain potential applicants and changing employer incentives could stem the flow of individuals onto the SSDI program. The financial payoff to reducing this flow is substantial given that the present value of the average SSDI award is approximately $270,000.

There could also be significant gains from allowing states and the Social Security Administration to experiment – much like they did during the 1990s with AFDC and TANF - to reduce program enrollment and increase employment among current or potential future SSDI recipients. One concern, however, is that pilots could take a long time to roll out and be evaluated if they are not implemented efficiently. Thus an important consideration is the likely delay in the results from any such pilots. Given the fiscal issues facing the SSDI program, it is not clear that policymakers have the luxury to wait for a decade or more before implementing reforms that will get the program on a stronger financial footing. Furthermore, the limited success of pilot programs in the Medicare program suggests that experimentation does not always lead to substantial improvements in large-scale federal programs (CBO, 2012).

I sincerely hope that these comments are helpful to you and other members of the Subcommittee on Social Security. Thank you again for the opportunity to testify last month and please don't hesitate to contact me if I can ever be helpful to you and your colleagues on this important issue.

Sincerely,

Mark Duggan
Professor and Chair, Department of Business Economics and Public Policy
Faculty Director, Penn Wharton Public Policy Initiative
The Wharton School at the University of Pennsylvania

References

Autor, David, and Mark Duggan, 2003. "The Rise in Disability Recipiency and the Decline in Unemployment." *Quarterly Journal of Economics* (February) 118:1, pages 157-206.

Autor, David, and Mark Duggan, 2010. "Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System." The Hamilton Project and Center for American Progress.

Blank, Rebecca, 2002. "Evaluating Welfare Reform in the United States." *Journal of Economic Literature*. (December) Volume XL, pages 1105-1166.

Congressional Budget Office. 2012. "Lessons from Medicare's Demonstration Projects on Disease Management, Care Coordination, and Value-Based Payment."

French, Eric and Jae Song, 2013. "The Effect of Disability Insurance Receipt on Labor Supply, Appeals and Re-applications: Evidence from Hearing Office Level Decisions." Forthcoming in *American Economic Journal: Economic Policy*.

Kostol, Andreas and Magne Mogstad. 2013. "How Financial Incentives Induce Disability Insurance Recipients to Return to Work." Forthcoming in *American Economic Review*.

Maestas, Nicole, Kathleen Mullen, and Alexander Strand. 2013. "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt." Forthcoming in the *American Economic Review*.

Meyer, Bruce, and Daniel Sullivan, 2004. "The Effects of Welfare and Tax Reform: The Material Well-Being of Single Mothers in the 1980s and 1990s." *Journal of Public Economics*. (July) Volume 88, pages 1387-1420.

Social Security Advisory Board. 2011. Technical Panel on Assumption and Methods. Available at: http://www.ssab.gov/Reports/2011_TPAM_Final_Report.pdf

Mary Daly

Mary C. Daly

Senior Vice President and Associate Director of Research

Federal Reserve Bank of San Francisco

Answers to Follow-Up Questions from June 19, 2013 hearing on "Encouraging Work Through the Social Security Disability Program," House of Representatives, Committee on Ways and Means, Subcommittee on Social Security

1. Our analysis finds that a significant fraction of growth in the DI rolls since 1980 remains unexplained. Our review of the evidence suggests that changes in the operation of the program and the increase in the relative value of benefits for low-income workers have combined to make the program more valuable and easier to access. In 1984, Congress expanded the ways workers could qualify for DI benefits. The program's eligibility criteria shifted from a list of specific impairments to a more general consideration of a person's ability to work and medical condition, including pain and other symptoms. Consequently, the proportion of beneficiaries approved based on more subjective vocational or functional criteria grew from 24.6% in 1984 to 54.3% in 2010 (Social Security Advisory Board 2012). Additionally, over the past 20 years, the relative value of cash benefits has risen for low-wage workers. Autor and Duggan (2003) show that the combination of rising income inequality and the indexation of benefits by the average wage level increased the extent to which DI payments replaced wages for low-paid workers. The rising replacement rate has made DI benefits more attractive for low-wage workers and has probably amplified DI's sensitivity to the business cycle. These two factors have increasingly made DI more like a long-term unemployment insurance program for marginally attached workers with impairments than a last-resort cash support program for individuals completely unable to work.

2. In a book with Richard Burkhauser, *The Declining Work and Welfare of People with Disabilities: What Went Wrong and a Strategy for Change,* we argued that the DI program is in need of reform and that *all* of the actors in the disability program face incentives that are misaligned with the ADA goal of fully integrating people with disabilities into society. In our book we called for Social Security and the states to develop and test new initiatives designed to improve the incentives, support, and outcomes for people with disabilities. As a model of "testing" new initiatives before making them national policy we pointed to U.S. welfare reform where through years of waiver-based experimentation states had developed best practices that informed the formulation of TANF.

   With this in mind, the Liebman and Smalligan proposal seems a very important beginning to developing effective reforms to DI. That said, it seems essential that experimentation include agents and agencies beyond the Social Security Administration both in developing the tests and in evaluating their effectiveness. A lesson from the literature on the DI program is that it interacts with many other Federal/State/private insurance and transfer programs. As such, crafting experiments that include and incentivize all agents seems crucial. Finally, a

challenge that the DI program will face relative to welfare reform is that states are not financially responsible for those who move onto DI. This means there will need to be some method of engaging states in these experimental programs—my own assessment is this method will need to have a financial reward/penalty to be effective.

[Public Submissions for the Record follows:]

Health and Disability Advocates

205 W. Randolph St, Suite 510, Chicago, IL 60606
312-223-9600 | TTY: 866-584-8750 | FAX 312-223-9518
www.hdadvocates.org

Statement for the Record: Encouraging Work Through the Social Security Disability Insurance Program

Hearing before the Social Security Subcommittee of the House Committee on Ways and Means
June 19, 2013

Contact:
Barbara Otto
Chief Executive Officer
Health & Disability Advocates
Phone: 312-223-9600
Email: botto@hdadvocates.org

Health & Disability Advocates promotes income security, enhances work and educational opportunities and improves healthcare access and services for children, people with disabilities and low-income older adults.

Encouraging Work Through the for Social Security Disability Insurance Program

The Social Security Disability programs (Social Security Disability) Insurance (SSDI) and the Supplemental Security Income (SSI)) are a vital safety net for adults and children with disabilities. The income support received through these programs prevents millions of Americans from living lives of abject poverty and homelessness. The importance of these programs to one of our nation's most vulnerable populations cannot be overstated. The basic structure of both of these programs is sound and should not be altered. Although more could be done to assist adults with disabilities receiving SSDI or SSI benefits to go to work, or divert more workers with disabilities from applying for benefits to begin with, returning to work at a self-supporting level is not likely for many disability beneficiaries.

Health & Disability Advocates (HDA) applauds Chairman Johnson and Ranking Member Becerra for holding a hearing on the important topic of Encouraging Work Through the Social Security Disability Insurance program. HDA is a national policy and advocacy group headquartered in Chicago, Illinois, that builds better federal, state and local policies that promote economic and health care security for people with disabilities. For more than 20 years, HDA has been working at the intersection of health and economic security, focusing on employment and health related employment supports.

For those individuals with disabilities receiving benefits whose health and other circumstances make work an option, HDA supports all efforts to ensure that the Social Security disability system supports any and all work efforts of beneficiaries. Ensuring adequate services and supports are available at the time that a person is ready to try to work, including benefits planning and counseling services such as those available through the Work Incentives Planning and Assistance (WIPA) program, can make the difference between an individual becoming self-

sufficient and continuing to receive benefits. It is essential that these services continue to be provided and ought to be expanded to allow more individuals to receive services. HDA encourages Congress to permanently authorize and provide adequate funding for the WIPA program.

Encouraging Work Through A Path to Health Care Security

HDA fully supports the recommendations made by the Consortium for Citizens with Disabilities (CCD) in testimony provided at the hearing but provides the following additional recommendations for your consideration. As CCD outlined in its testimony, many factors must be present for an individual with a significant disability to obtain and maintain employment. All of those factors are definitely important but HDA believes that uninterrupted access to affordable and adequate health care coverage is essential. Health care security and economic security for people with significant disabilities are intrinsically linked. If a person with a disability jeopardizes her access to health care coverage by having earnings or sees that working will result in inadequate or unaffordable coverage options, she is unlikely to attempt to work or stay at work. With this in mind, HDA makes the following recommendation for your consideration.

National Medicaid Buy-In Program

Medicaid is the only affordable option to access long-term services and supports for millions of people with significant disabilities. As you know, Medicaid is the payer of last resort and provides long-term services and supports only to individuals who are both medically AND financially needy. Standard health insurance policies do not offer coverage for the long-term services and supports required for individuals with disabilities to live in the community. The Affordable Care Act will provide access to affordable health care coverage for many people with

disabilities, policies available through the Exchanges, will NOT provide long-term services and supports just like other private health insurance policies do not. And, although private long-term care insurance coverage does exist, it is not a realistic option for working age individuals with disabilities. People with disabilities are either denied coverage outright or offered coverage with premiums that are cost prohibitive. In addition, the coverage terms (restrictions on provision of benefits to an institutional setting for example) or the duration of covered benefits (often only 2 years) are inadequate to meet the needs of working-aged individuals with significant disabilities.

In 1997, Congress passed the Balanced Budget Act, and subsequently passed the Ticket to Work & Work Incentives Improvement Act of 1999, which gave states the option to create Medicaid Buy-In (MBI) programs. The MBI programs are the first and only Medicaid option that allowed individuals to "buy into" Medicaid much like a traditional insurance program. This allows individuals to participate Medicaid at higher income and asset levels than ever before available. Forty-six states currently have MBI programs and a more than 200,000 workers with disabilities are currently working and receiving needed long-term services and supports as result of this option. The MBI programs provide the only avenue working-age people with disabilities have to maintain access to services and supports desperately needed to live independently in the community while keeping them from applying for or allowing them to earn their way off of income support programs. While the MBI programs have been vastly beneficial to the individuals enrolled in them, we urge Congress to rectify a number of policy issues that prevent many people from working and increasing their self-sufficiency and have created significant barriers to utilization. We also urge Congress to make the MBI a mandatory Medicaid eligibility category with consistent asset and income limits across the United States.

Issues to be resolved

The two primary criterions for enrollment in MBI programs are the applicant must be both disabled and working. Unfortunately, there is no flexibility for states to design MBI programs that reflect the reality that many working people with disabilities face. For many people with significant disabilities, their impairments and health conditions do not allow them to maintain continuous employment. Some people have disabilities that worsen and improve over time. Some people have symptoms that are improved by medication but the medication becomes ineffective over time and symptoms return. In both of these cases, the person may become unemployed for periods of time. Unfortunately, the authority give to states to create MBI programs under both the BBA and TWWIIAA legislation do not allow for grace periods from the work requirement for a medical setback or retirement. This can leave people without access to needed health care and services and supports because they also may no longer be eligible for Medicaid through traditional eligibility pathways due to resources accrued while participating in the MBI. The result has become a significant disincentive for individuals to save for either unemployment or retirement, but also undermines the image of return to work for individuals as it appears they are no longer eligible for other options of coverage when they need healthcare the most; at retirement or during temporary medical setbacks that result in unemployment.

In order to be eligible for the MBI program, individuals have to be eligible for the program under their state eligibility rules. Because MBI programs are state based, eligibility criteria vary greatly between states. For example, a state like Wyoming has income eligibility of less than 300% FPL or less than $35k in 2013 and an asset limit of $2000, while a state like

Massachusetts has an unlimited income and asset eligibility. This has created a wide range of enrollment and outcomes and effectiveness. A recent analysis shows that Massachusetts and Minnesota, two states that both have unlimited earned income eligibility, account for almost 30% of all MBI enrollees nationally who earn more than 250% FPL. These two states leave many others lagging behind.

Workers who have now gained skills and experience that make them valuable employees with opportunities in other states are feeling the sharp impact of the lack of consistency across MBI programs. The lack of consistency in eligibility rules and availability of MBI programs makes relocating for a better job a significant challenge, if not impossible. Employment simply is not an option for an individual who has an offer in another state that does not have an MBI program with similar income and asset eligibility. Transitioning from one state to another is a significant challenge even when another state has an MBI program. Individuals again find themselves eligible in one state, but ineligible in another based on their earnings amount alone. Also individuals who have accrued assets under the MBI program they are again ineligible to move to another state because of the lack of portability.

For all of the reasons above, HDA fully supports making the MBI a mandatory Medicaid eligibility category with no income or resource limit. This policy option will make work "pay" for people with significant disabilities and provide them with a path to affordable coverage with standard national income and asset rules that people without disabilities will have with the implementation of the Affordable Care Act. HDA also recommends that a national Medicaid Buy-In Program include the flexibility for grace periods for brief periods of unemployment, fully knowing that many individuals with disabilities have chronic conditions that result in higher frequency of medical setbacks.

HDA also proposes eliminating the earned income caps on the Medicaid Buy-in program, creating meaningful incentives for individuals to maximize earning potential, rather than staying under-employed just to access a path to adequate and affordable health coverage. We also propose eliminating maximum asset amount for savings accrued while working under a MBI, again to fully incentivize the greatest amount of self-sufficiency through working.

A mandatory national MBI program would allow individuals the portability to move between states without concerns about losing eligibility due to resources accumulated while participating in the MBI program. HDA also proposes a vesting option to allow individuals who have accumulated assets while enrolled in the MBI to be exempt from future Medicaid eligibility determinations for any eligibility category when working is no longer an option due to a medical setback or upon retirement. Such an exemption would incentivize savings and protect assets when an individual experiences defined periods of unemployment due to medical setbacks thus promoting greater financial security and self-sufficiency.

HDA strongly believes that supporting people with significant disabilities to work requires ensuring uninterrupted access to affordable health care and long-term services and supports. Although we know that the Social Security Subcommittee does not have jurisdiction over the Medicaid program, we believe a national MBI program as described in our statement must be an integral part of any efforts to encourage SSDI beneficiaries to work. Thank you for considering our comments. Please don't hesitate to contact me for additional information.

Sincerely,

Barbara Otto
Chief Executive Officer
Health & Disability Advocates

National Disability Rights Network

NATIONAL DISABILITY RIGHTS NETWORK
Protection & Advocacy for Individuals with Disabilities

Submitted Testimony regarding "Encouraging Work Through the Social Security Disability Insurance Program"
House Ways and Means Committee, Social Security Subcommittee
Wednesday, June 19, 2013, 10:00 am

As the nonprofit membership organization for the federally mandated Protection and Advocacy Systems (P&As) and Client Assistance Programs (CAPs) for people with disabilities, the National Disability Rights Network (NDRN) would like to thank Chairman Johnson, Ranking Member Becerra and the House Social Security Subcommittee for holding a hearing to explore avenues to encourage work through the Social Security Disability Insurance (SSDI) Program. NDRN would specifically like to comment on the role Protection and Advocacy (P&A) agencies, particularly through the Protection and Advocacy for Individual Rights (PAIR), Protection and Advocacy for Beneficiaries of Social Security (PABSS) and the Client Assistance Program (CAP) play in helping Social Security recipients return to work. Although these programs are small, they have provided a critical bridge for thousands of Social Security beneficiaries to cross from reliance on Social Security benefits to obtain an income through employment.

The P&A / CAP Network was established by the United States Congress through eight separate programs to protect the rights of people with disabilities and their families through legal support, advocacy, referral, and education. P&As and CAPs are in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Territories (American Samoa, Guam, Northern Mariana Islands, and the US Virgin Islands), and there is a P&A affiliated with the Native American Consortium which includes the Hopi, Navaho and Piute Nations in the Four Corners region of the Southwest. Collectively, the P&A / CAP Network is the largest provider of legally based advocacy services to people with disabilities in the United States. These services include assistance for people with disabilities wishing to return to work, such as helping Social Security beneficiaries overcome barriers to employment such as discrimination, obtain necessary accommodations, and understand how employment effects the receipt of benefits.

The obstacles facing people with disabilities who wish to return to work are great. People with disabilities continue to face high unemployment, even as the country works its way out of a recession, nearly twice that of the general population. Also, the workforce participation rate for people with a disability is nearly 3.5 times less than for people without a disability. The complex network of Employment Networks, Ticket to Work, Workforce Investment, and Vocational Rehabilitation programs that are meant to help SSDI recipients return to work are often difficult to navigate. There are many barriers to application for and use of these programs that can ultimately discourage people with disabilities from applying.

The P&A and CAP programs provide critical assistance in navigating these and other employment programs. The PAIR program lets people with disabilities know what their rights are in terms of obtaining employment and helps them obtain accommodations from employers, while the CAP program assists them with obtaining services from Vocational Rehabilitation programs. The PABSS program provides assistance and awareness to Social Security beneficiaries of their legal rights when navigating the feederal return to work programs. Collectively, these programs provide people with disabilities access to the services, skills, and information necessary to enable them to return to work. Returning to work helps make the Social Security Trust Fund viable in the long-run by enabling people to get off of benefits and begin paying into the payroll tax system. It also benefits both the Social Security recipients who are able to become independent and enter the workforce, as well as the employers who are able to obtain quality employees.

Specific examples of how the PABSS program has helped people with disabilities return to work or maintain employment include the following:

- In Illinois, a person with an intellectual disability contacted Equip for Equality (the Illinois P&A agency) after she found out that the job coaching services that she received from the Department of Rehabilitation Services (DRS) were about to end. DRS planned to terminate the client's assistance based on the client's alleged inability to perform the work, even with assistance from a job coach. The PABSS staff investigated and found that the level of services provided by the job coaches varied and that any perceived performance issues were related to poor job coach performance, not due to the client's ability to work. The advocate provided extended assistance and ensured that the client's job coaching services would continue. In addition, Equip for Equality advised the client to request that only the more qualified job coaches continue working with the client, and DRS agreed. Due to PABSS advocacy, the client was able to maintain her employment.

- A client contacted Michigan Protection and Advocacy Systems (MPAS) with concerns about a small business he was working on starting up, a private law practice. Michigan Rehabilitation Services had been working with him on starting the business. The individual was struggling to get clients, to attend meetings due to lack of transportation, and needed affordable mental health treatment. MPAS assisted the individual in discussing his concerns about his business with his counselor at Michigan Rehabilitation Services. The individual needed assistance from a business consultant about marketing. MPAS negotiated with the counselor who agreed to provide additional sessions with the small business consultant. The individual is still a practicing attorney in Michigan.

- PABSS staff with the Wyoming Protection and Advocacy System represented a 57-year-old female SSDI beneficiary located in an urban county in Wyoming. The beneficiary was diagnosed with bilateral blindness and orthopedic disabilities, and had not been employed for several years, since she lost her eyesight. She sought to return to work and applied for services from the Division

of Vocational Rehabilitation (DVR). DVR took her application, disregarded statutory presumptive eligibility, and sent her a letter finding that she was ineligible for DVR services because of "transferable job skills." As a direct result of PABSS advocacy, DVR reopened the beneficiary's case, found her presumptively eligible, conducted an appropriate Comprehensive Assessment of Rehabilitation Needs, and negotiated with the beneficiary's former employer to allow her to return to her longtime previous part-time position. DVR purchased assistive technology devices and services, trained the employer on use of the devices, and trained the beneficiary on the devices. As a result, the client has returned to part-time employment, and is gradually taking steps toward regaining full-time employment.

Unfortunately, PABSS funding has not been consistent over the past year. The authorization of appropriations for the PABSS program expired on September 30, 2011, ,and based on the opinion that it lacked the authority to continue WIPA and PABSS without an authorized appropriation, the Social Security Administration stopped funding the PABSS program as of September 30, 2012 . Thankfully, Congress restored funding for the PABSS program in the second Fiscal Year 2013 Continuing Resolution passed earlier this year. However, the time in which funding was not available to the PABSS program hurt the P&A agencies, which had to lay off many highly-trained employees and terminate vital supports for people with disabilities for a number of months. The suspension in funding resulted in an incredible loss of knowledge and expertise that has delayed and hindered the delivery of assistance to individuals seeking employment. Although the PABSS agencies have resumed their work, Congress should reauthorize the PABSS program to ensure that such a break does not occur again and that stable funding continues for the indefinite future.

We are grateful for the opportunity to submit testify and discuss ways to encourage the employment of beneficiaries of Social Security. If you would like to discuss these issues further or have any questions, please do not hesitate to contact Patrick Wojahn at Patrick.Wojahn@ndrn.org.

National Employment Network Association

Written Testimony
To
U.S. House of Representatives Committee on Ways and Means
Social Security Subcommittee
Encouraging Work Through the SSDI Program
Hearing June 19, 2013

Submitted By:
The National Employment Network Association (NENA)
725 Lewis Street, Eugene OR 97402
602-443-0711 – www.nenaticket.com
July 3, 2013

The National Employment Network Association (NENA) submits this written testimony with regard to the Ticket to Work (TTW) Program.

NENA is a membership association representing the more than 650 Employment Networks (ENs) around the country. NENA provides education and peer mentoring services to ENs that are SSA contractors through the Ticket to Work (TTW) Program. NENA promotes best practices among ENs to encourage quality and effectiveness. NENA conducts surveys of our members and operates several committees to develop regular collaboration and recommendations to SSA and MAXIMUS to improve Program policies, regulations, operations, and beneficiary marketing.

Our testimony primarily responds to elements of the joint testimony delivered at this hearing by Bob Williams, SSA's Associate Commissioner of the Office of Employment Support Programs, and David Weaver, Associate Commissioner of the Office of Program Development and Research. A significant part of their testimony outlined oversight policies implemented in response to the Government Accountability Office (GAO) report in May, 2011. In that report and in the GAO's testimony before this subcommittee on September 23, 2011, the GAO discussed SSA's lack of sufficient oversight of the TTW Program.

SSA's response to the GAO report includes a number of policies designed to ensure that ENs are delivering quality services and adhering to Performance Indicators that GAO said were not yet developed. NENA provided written testimony in response to that report and the hearing comments by expressing our

concern that too much oversight (bureaucracy) in an outcome-based program discourages the flexibility ENs need to partner with beneficiaries in the individualized manner that works for each ticket holder.

Nearly two years following that hearing we find that our fears of too much oversight were warranted. The oversight policies have resulted in the following:

1. According to a recent study NENA conducted using actual EN data we found that ENs on average spend 42% of our time on administrative activities and only 58% directly serving beneficiaries. ENs have been forced to stymie any growth and some have downsized staff and reduced their number of tickets because of the increased administrative requirements.

2. According to SSA's testimony, there are only 653 ENs practicing as of May 31, 2013 as opposed to a high in 2010 of 1,603. SSA terminated contracts with hundreds of ENs that had less than ten tickets or who did not respond to SSA's requests to discuss their contract. Why would providers who signed up to be ENs not respond to SSA's attempts to contact them? Why would so many ENs have such a low number of tickets? NENA has no empirical data to answer those questions. Anecdotally, however, we know that ENs dropped out because of administrative complexity and burden. Lack of beneficiary inquiries due to changes in SSA's marketing methods seriously diminished ENs' ability to continue operating.

3. SSA's new EN qualification requirements in the August 27, 2012 Blanket Purchase Agreement (BPA) are so stringent that most of the more than 600 Centers for Independent Living and hundreds of mental health agencies cannot qualify. Very few even bother to apply.

4. SSA's BPA is so prescriptive that it strangles the individualized approach needed to succeed even though other elements of the BPA demand it. For example, SSA dictates that ENs should provide services that lead to career-level jobs. This goal is unrealistic and causes ENs to refuse tickets from ticket holders whose goal is to get off benefits but have no desire to pursue upward mobility. The decision is up to the ticket holder as long as they are happy and they are working towards getting off benefits, that should be a sufficient goal. ENs should not be judged as low performers by helping someone get a job they like versus getting a job that someone else thinks they should have.

5. SSA's increased documentation requirements for ENs to get paid have added more layers of proof that we are entitled to the payments claimed, such that ENs are forced to forgo payments or wait inordinate amounts of time, sometimes with multiple appeals, to receive them.

6. SSA's August 27, 2012 BPA shifted responsibility for beneficiary marketing to ENs. The new BPA requires ENs to identify in a business plan how we will market the program – an additional expense for already struggling providers. Instead, ENs experienced a noticeable slowdown in beneficiary inquiries after SSA stopped mailing Tickets to beneficiaries and opted instead to use an algorithm to target beneficiaries based on certain criteria and use Robo-calls for outreach. SSA is still attempting to figure out why the calls to ENs are so low when they say there are thousands of responses to the calls fielded by the call center.

In essence, in an attempt to follow the GAO recommendations SSA's oversight policies have punished the sins of a few at the expense of the majority trying to help beneficiaries succeed in an individualized way that treats them with respect and guides their efforts to achieve self-supporting employment. Further, the practices of a small number of ENs whose methods GAO questioned are still operating and still hold a large percentage of the tickets assigned. NENA makes no judgment about the business model of any EN. However, as of April 30, 2013 nineteen ENs held 34.5% of the tickets assigned to ENs. SSA's escalated oversight attempts have only served to drive away ENs that signed up in good faith and discourages others from applying.

Oversight is important. But focus should remain on the fact that this is an outcome-based program. Administrative burden in data collection and requesting payments must not continue in its current direction. It makes the program too expensive for ENs to operate. Care must be taken not to make Program oversight so stringent to avoid wrongdoing that it destroys the flexibility ENs need to do whatever the ticket user needs to succeed.

When reading the GAO report upon which SSA based all these oversight changes, it is clear that SSA is attempting to comply with the GAO recommendations. The problem is that the GAO recommendations are based on a service provision model that pays providers for services. This program is not designed to pay ENs based on services they provide or how many hours they spend providing those services. It only pays for outcomes – that is, getting beneficiaries to work and helping them stay there. NENA contends that the attempt to follow GAO's misdirected recommendations prohibits achieving the very goals intended and creates an environment that only allows very limited services to be provided due to the administrative burdens of proving we are providing services.

Thank you for the opportunity to comment.

Testimony Submitted By:

Paul Luttrell
NENA Chairman of the Board
Associate Vice President
Adelante Development Center
Albuquerque NM
505-449-4024
pluttrell@goadelante.org

Susan Webb, MBA, JD
NENA President
Director
ABIL Employment Services
Phoenix AZ
602-443-0711
susanw@abil.org

Pamela Villarreal

Statement of

Pamela Villarreal
Senior Fellow
National Center for Policy Analysis

Encouraging Work Through the Social Security Disability Insurance Program

Ways and Means Committee
Social Security Subcommittee
United States House of Representatives

June 19, 2013

Dallas Headquarters: 12770 Coit Road, Suite 800 • Dallas, Texas 75251 • 972-386-6272 • www.ncpa.org
Washington Office: 601 Pennsylvania Ave. NW, Ste 900, South Bldg • Washington, D.C. 20004 • 202-220-3082

Chairman Johnson and members of the Subcommittee, I am Pamela Villarreal, a senior fellow at the National Center for Policy Analysis. We are a nonprofit, nonpartisan public policy research organization dedicated to developing and promoting private alternatives to government regulation and control, solving problems by relying on the strength of the competitive, entrepreneurial private sector. I welcome the opportunity to share my views about the disincentives to work that exist in the current Social Security disability insurance program.

Over the past three years, more than one million Americans started receiving disability benefits. Currently 11 million workers and their dependents receive disability payments. According to the 2013 Trustees Report, $140 billion was spent on disability in 2012, and the current Disability Insurance trust fund will be exhausted in 2016. Social Security Disability expenditures are growing at a faster rate than Social Security retirees' expenditures.

By 2018, it is expected that nearly 1 in 14 working-age individuals will be receiving disability payments.[1] Just as there will be fewer working age adults to pay for the benefits of Social Security retirees, there will be fewer workers to pay for the benefits of disabled workers.

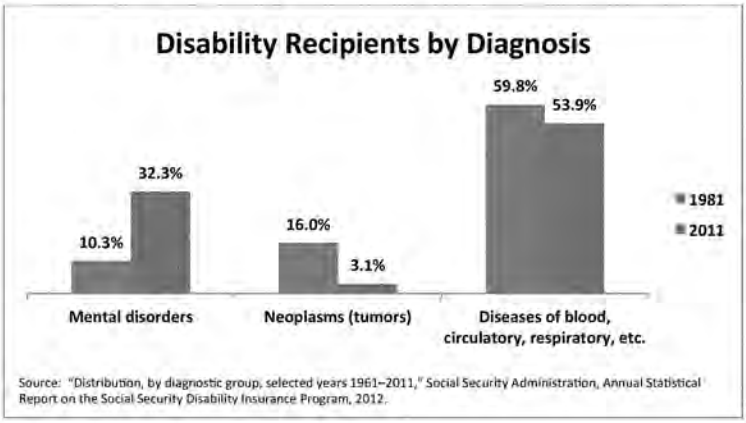
How Did We Get Here? Social Security Disability Insurance was originally designed for workers over the age of 50 who became physically incapable of performing their current job or any other work compatible with their skills but had not yet reached retirement age. Since the mid-1950s, the program has expanded and now covers workers under the age of 50, disabled spouses of deceased workers and disabled adult children who were never able to work. Disability now includes mental impairments as well as physical ones. But even with better treatments for certain disabling conditions and new laws that require employers to make reasonable accommodations for the disabled, few people ever leave the rolls, except through retirement.

Changing Eligibility Criteria for Disability. After disability rolls grew unexpectedly in the 1970s, criteria to qualify for disability benefits were tightened in the early 1980s. By the mid-1980s, however, the criteria were relaxed due to concern over the frequency of claim denials. Disability criteria were further broadened and claimints were given more opportunities to appeal. These broader standards have led to an increase in the disability rolls.[2]

Who Receives Disability Payments? Currently, about 1 in 18 working age, nonretired individuals receives disability payments.[3] The prevalence of some disabling conditions has changed relatively little over the decades. But changing eligibility requirements and more effective medical treatments have considerably altered the prevalence of other diagnoses [see the Figure]:[4]

---

[1] Antonella Ciancio, "Disability Rolls May be Holding Economy Back."
[2] David H. Autor and Mark C. Duggan, "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding," *Journal of Economic Perspectives*, Vol. 20. No. 3, pages 71-96.
[3] Antonella Ciancio, "Disability Rolls May be Holding Economy Back," MSNBC, May 6, 2012.
[4] "Distribution by diagnostic group, selected years 1960–2010," Social Security Administration, *Annual Statistical Report on the Social Security Disability Insurance Program*, 2010.



- Neoplasms (benign or malignant tumors), which were the second largest diagnostic category in 1981, fell dramatically from 16 percent to 3.1 percent in 2011.

- Mental disorders more than tripled from 10 percent of cases 30 years ago to become the second largest diagnostic category with 32.3 percent. Half of these were considered "mood disorders," such as depression and anxiety.

The change in diagnoses of neoplasms can be attributed to better cancer treatments and less invasive surgery. The increase in mental disorders is likely due to the wider latitude in the diagnosis of such disorders.

Some conditions, such as back pain, may be difficult to diagnose. Finding an effective treatment through a trial and error process may take many months or even years. As a result, some ailments that are easily treatable through medication may not be treated effectively, putting some claimants on the disability rolls for years with little likelihood of returning to work.

The age distribution of disabled workers has also changed:

- In 2000, the most recent year for which data by age group are available, 40 percent of beneficiaries were under the age of 50.

- By 2011, the share of recipients under age 50 fell to 30 percent; 70 percent were over the age of 50.

The increasingly older composition of the disability rolls can be explained in part by the aging of the population in general. A 2011 study using disability application rates from 1978 to 2008 found that a 1 percent increase in the population of 55 to 64 year olds relative to 25 to 54 year olds was associated with a 2 percent to 3 percent increase in the rate of disability claims.[5]

Furthermore, though it has been widely assumed that the disability rate is falling, this is only true for those ages 65 and over who are not counted in the working age population due to better treatments in heart, circulatory conditions and vision problems.[6] Among the working age population, the disability rate for 50 to 64 year olds has increased. A 2010 study examined data from the National Health Interview Survey on reported disability among 50 to 64 year olds. Disability was defined as the inability to perform at least one of nine activities of daily living (ADL), such as getting in and out of bed or a chair, bathing and dressing.[7] The Survey data show that between 1997 and 2007:[8]

- Back or neck problems increased 31 percent and were the top cause of self-reported disability for 50 to 64 year olds.
- Depression, anxiety and emotional problems increased 20 percent and, taken together, was the third leading cause of disability.
- While arthritis and rheumatism reportedly fell 18 percent since 1997, it was still the second leading cause of disability in 2007.

Researchers say the growth in underlying medical conditions — such as musculoskeletal conditions, diabetes, nervous systems conditions and depression — are the primary causes of increased self-reported disability.

It is important to note that the determination of disability by the Social Security Administration involves judgments by medical professionals in addition to self-reported claims. Thus, disability rates determined from national surveys differ from disability claims rates.

Do Disability Recipients Ever Return to Work? The Social Security Administration reports that less than one-half of 1 percent of disabled individuals return to work.[9] However, a longitudinal study from the Center for Studying Disability Policy found that up to 2.8 percent of beneficiaries

---

[5] Dana A. Kerr and Robert J. Smoluk, "Macroeconomic Influences on Social Security Disability Rates," *Journal of Insurance Issues*, 2011, Vol. 34, No. 2.
[6] Ibid.
[7] Ibid. Researchers found that while the portion of people having difficulty with one or more physical functions remained stable between 1997 and 2007, specific mobility-related difficulties increased.
[8] Linda G. Martin et al., "Trends In Disability And Related Chronic Conditions Among People Ages Fifty To Sixty-Four," *Health Affairs*, April 2010, Vol. 29, No. 4. The National Health Interview Survey is an annual survey from the Centers for Disease Control that is compiled by the U.S. Census Bureau.
[9] 1999 Ticket to Work (TTW) and Work Incentives Improvement Act, 42USC 1320b-19k, Section 2(a)(8).

return to work within 10 years of receiving benefits.[10] Either way, the likelihood of returning to work is small, even though the health status of many disability recipients improves over time.

The disability system is designed to provide incentives to work for those who are eventually able to do so. First, individuals are allowed a "trial work period," where they are given nine months to work without income limits and continue to receive disability payments. After the trial period, individuals can work an additional 36 months and still receive benefits, provided their monthly income does not exceed $1,010. After the 36-month period, if an individual continues working but receives more than $1,010 a month, disability payments will stop. If the individual is unable to continue working, he can reclaim disability within a five-year period without having to requalify.

There are considerable disincentives for individuals on disability to return to work. Consider:

- Lack of accountability in the system allows beneficiaries who could eventually return to work to continue receiving payments.[11]

- Recipients who are able to supplement their disability payments with part-time income are discouraged from doing so out of fear of losing their disability benefits.

- Finally, disability status under Social Security makes recipients eligible for various other benefits as well, such as Medicaid, food stamps, Section 8 housing and student loan forgiveness.

Does High Unemployment Increase Disability Claims? Much attention has been focused recently on the relationship between rising unemployment and an increase in disability applications or awards in countries with generous social insurance systems. For example:

- A 2010 study from the research organization IZA found that among Norwegian workers, job displacement (unemployment) accounts for about 28 percent of new disability claims among men and 13 percent among women.[12]

- An Organization for Economic Cooperation and Development study of U.S. data spanning 22 years found that a 1 percentage point increase in the unemployment rate increased the disability claims application rate more than 10 percent and the new awards rate 7 percent overall.[13]

---

[10] Su Liu and David Stapleton, "How Many SSDI Beneficiaries Leave the Rolls for Work? More Than You Might Think," Center for Studying Disability Policy, No. 10-01, April 2010.
[11] According to the Social Security Administration, a beneficiary's case is reviewed periodically based on the degree of disability.
[12] Bernt Bratsberg et al., "Disability in the Welfare State: An Unemployment Problem in Disguise?" IZA, Discussion Paper 4897, April 2010.
[13] Hugo Benitez-Silva et al., "Disability, Capacity for Work and the Business Cycle: An International Perspective," *Economic Policy*, Vol. 25, No. 63, July 2010.

- A 1995 U.S. study from the Social Security Administration found that from 1988 to 1992, found that the rate of actual disability awards increased 1.8 percent for men, but had no statistically significant effect for women.[14]

Long-term unemployment and the receipt of extended unemployment benefits increase the likelihood that an individual will never return to the workforce. It appears that, increasingly, older workers permanently exit the labor force for early retirement and disability pensions.

Designing a Better Disability System. Evidence across many countries suggests that those with generous disability systems have more applicants and higher costs. Chile, however, reversed this trend when it implemented a new retirement and disability benefits system in 1981. Workers prefund their retirement by putting a portion of their pay into individual accounts. The accounts are invested by private pension companies and earn market rates of return. Fully disabled workers are guaranteed 70 percent of their salary while partially disabled workers are guaranteed 50 percent. As a result of this process and other factors, the disability rate among Chilean workers fell significantly after 1981 and is now less than half that in the United States, after controlling for age:[15]

- Workers in the Chilean system are only 21 percent to 35 percent as likely to start a disability pension as they were in the old system, after controlling for age and gender.

- In 1999, among 45 to 54 year olds, 2.9 per thousand covered workers under the new system in Chile were accepted to newly disabled status, compared to 7.8 per thousand in the United States.

- For 55 to 59 year olds, 7.2 per thousand workers in Chile gained disability status, compared to 13.9 per thousand in the United States.

While Chile implemented this process in a funded defined contribution context, it could be adapted for use in other countries that have more traditional pay-as-you-go disability schemes, including the United States.

Conclusion. The current Social Security disability system is fraught with poor incentives, high costs and an unsustainable future. Prefunded personal disability accounts, as an integral part of overall entitlement reform, would reduce costs and promote a more efficient system that encourages individuals to work to the extent they are able.

I appreciate the opportunity to submit my views on this important question and I offer any assistance I might give to help solve this significant public policy problem.

---

[14] Kalman Rupp and David Stapleton, "Determinants of the Growth in the Social Security Administration's Disability Programs — An Overview," *Social Security Bulletin*, Vol. 58, No. 4, Winter 1995.
[15] Estelle James, "How to Reduce Disability: Lessons from Chile," National Center for Policy Analysis, Brief Analysis No. 719, August 24, 2010.

Paralyzed Veterans of America

Statement for the Record
Encouraging Work Through The Social Security Disability Insurance Program
House Committee on Ways and Means
Subcommittee on Social Security
June 19, 2013

Paralyzed Veterans of America (PVA) is pleased to submit this statement for the record for the hearing Encouraging Work Through The Social Security Disability Insurance Program. PVA is the only Congressionally-chartered veterans service organization solely dedicated to representing veterans with spinal cord injury and/or dysfunction. PVA has led the cause of putting disabled veterans back to work for decades. From championing the passage of the Americans with Disabilities Act of 1991 to removing mobility and structural barriers to access across all sectors of society, the organization has given voice to the plight of veterans with catastrophic disabilities who are hindered in finding employment. The following information highlights some of PVA's successes in helping veterans with disabilities return to work through its vocational rehabilitation program and involvement as a Ticket to Work Employment Network (EN).

Social Security and Veterans with Disabilities

It is often forgotten or overlooked that many veterans with disabilities are Social Security disability beneficiaries. Veterans with service-connected disabilities rated 60 percent or greater more than likely qualify for Social Security disability insurance (SSDI). This is due to the fact that they have a pre-military work record or coverage under Social Security from their military service. Veterans with significant disabilities acquired outside military service may qualify either for SSDI or, if their work history is slight, for Supplemental Security Income (SSI). In the case of the latter group, however, they will likely also qualify for veterans' pension, which more than offsets SSI.

According to Social Security data[1], in 2010, there were 771,000 veterans with disabilities receiving Social Security benefits. Of that number, over 15 percent were younger than age 50.

What separates veterans with disabilities who receive Social Security benefits from their non-veteran counterparts is their access to the VA health care system regardless of their income. Veterans with even modest service-connected disabilities gain access to Department of Veterans Affairs [VA] Medical Centers, outpatient clinics, home health care services, durable medical equipment and pharmaceutical benefits without cost. Veterans on SSDI or VA pension with non-service-connected "catastrophic" disabilities

[1] Social Security Bulletin, Vol. 71, No. 2, 2011

– in VA parlance – are also eligible for VA health care with no co-payments. Moreover, the Department of Veterans Affairs offers a number of housing and vehicle modification grants to certain veterans with disabilities. Housing and transportation are frequently cited as components, in addition to health care, necessary for individuals with disabilities to function in the community.

Despite the long term services and supports afforded by the VA, labor force participation among veterans with significant disabilities is disturbingly low. According to the Bureau of Labor Statistics, in August 2012, "about 3 million veterans, or 14 percent of the total [of all veterans], reported having a service-connected disability. Three in ten of those 3 million veterans had a service-related disability rated at 60 percent or greater. These veterans had a workforce participation rate of 26.1%.[2]

Generally, research studies and surveys indicate that the percentage of veterans with severe disabilities who are disconnected from the workforce ranges from 65 to as high as 85, depending on a number of factors such as demographic variables, injury-related factors, employment history, psychosocial issues, and disability benefit status.[3]

Veterans with disabilities face many of the same work disincentives as other individuals with disabilities receiving benefits from Social Security. All veterans with disabilities on SSDI face the SSDI cash-cliff if they want to go to work. Not only does the prospect of losing their own benefits prove daunting but the loss of vital family benefits is another barrier to surmount. In addition, countless instances arise in which federal programs serving people with disabilities coordinate poorly with someone's status as a veteran. For example, proposals to modify SSI resource limits to encourage work and savings usually leave out low income veterans with disabilities on the VA equivalent of SSI – veterans' pension. Many policy strategies have been discussed over the years to raise resource limits under SSI so that beneficiaries would be encouraged to work and save enough to purchase a home, for retirement, or to open a business. Because low income veterans with disabilities are likely to be on VA pension -- with its own asset/resource limitations -- rather than SSI, they would not benefit from such a proposal.

Exacerbating the problem is the number of veterans with disabilities who want to work but remain bound to social security disability benefits due to underfunded state career assistance programs. Within that group of veterans mentioned above, many are eligible Ticket holders (beneficiaries enrolled in Social Security's Ticket to Work program) who, instead of progressing toward vocational independence, idle on waiting lists for state Vocational Rehabilitation services strapped for funds.

There has been a growing number of government initiatives implemented to target the problem of veterans unemployment: laws such as the Veterans' Employment

---

[2] Employment Situation of Veterans, Bureau of Labor Statistics News Release, USDL-13-0477, March 20, 2013

[3] Ottomanelli L, Goetz L, McGeough C, Surts A, Sippel J, Sinnott P, Wagner TH, Cipher DJ. (2009). *Methods of a multisite randomized clinical trial of supported employment among veterans with spinal cord injury.* J Rehabil Res Dev.;46(7):919-30.

Opportunities Act and the Uniformed Services Employment and Reemployment Rights Act; state-run America's Job Centers; the Department of Defense's enhanced Transition Assistance Programs; the Department of Veterans Affairs Veterans' Workforce Investment Programs, to name a few. Despite this plethora of programs and services, rampant veteran unemployment persists for a number of reasons.

For one, many career assistance programs offer a "one size fits all" approach that does not address the unique needs of a significant number of veterans: for example, those who are catastrophically disabled, single parents, homeless, etc. Others do not offer adequate follow-up after initial job placement to ensure sustained success. Many do not engage employers who harbor stigmas about veterans and misconceptions about the cost of disability accommodations. Perhaps most critically, too many of these programs rely on veterans approaching them for services rather than proactively reaching out to veterans. In the case of veterans with disabilities, these programs also fail to foster higher career expectations early enough, if at all, during the rehabilitation process.

Paralyzed Veterans of America Vocational Rehabilitation Program

To respond to the employment challenges facing veterans with disabilities, PVA launched a vocational rehabilitation program in December 2006, with an acute focus on improving employment outcomes for veterans with spinal cord dysfunction and other severe injuries. In addition to providing career assistance services, the program's objectives were to build a nationwide employer network, educate businesses to promote the hiring of disabled veterans, and market the program's services to consumers and businesses. The successful expansion of the program to six regional offices was attributed to several distinct features: proactive engagement of injured veterans during rehabilitation [an early intervention model], use of customized vocational plans based on participants' needs and readiness for employment, the creation of an ever-growing employer network, and sustained case management after initial job placement.

PVA's vocational rehabilitation program was established through innovative public/private partnerships between PVA, corporate partners and the federal government such as the Department of Veterans Affairs and Social Security Administration. Our corporate partners include Agility, Activision Call of Duty Endowment, Altria, QTC, UPS and the Kim and Harold Louie Family Foundation.

PVA was an early supporter in the creation, passage and implementation of the Ticket to Work program. After regulatory improvements were made to the program, PVA became an Employment Network [EN] in 2007 as part of a two-part strategy to reduce disabled veteran unemployment while generating revenue for it vocational assistance program through Ticket to Work.

As a two-front war led to the prevalence of "invisible disabilities," like traumatic brain injury and post-traumatic stress disorder, the need for vocational programs that could assist chronically unemployed veterans grew. Given the highly regarded success of Paralyzed Veterans benefits program, the organization's investment in providing comprehensive benefits services to any veteran or dependent provided the strategic blueprint for addressing the veteran-unemployment problem on a broader scale with an effective program offering an intervention model that holistically addresses the needs of

all unemployed veterans. Where traditional vocational rehabilitation methodologies chiefly focused on mere job placement, PVA incorporated access to education resources, prosthetics equipment, continuous therapy, full VA monetary and ancillary benefits, participation in adaptive sports, and volunteer activities as critical components of effective vocational intervention with lasting results[4]. Additionally, as the wellbeing of spouses, caregivers, and children increasingly proved to be critical to the successful recovery of affected veterans, the need to provide career assistance services for veterans' family members became one of the program's objectives as well. The program was renamed "Operation PAVE" [Paving Access to Veterans Employment] in May 2011 to signify this expanded scope and integrated advocacy design, as well as to enhance the program's appeal to the veteran community.

To date, Operation PAVE has served over 1500 veterans and their family members. The program includes approximately 700 companies and organizations in PVA's employer network and has placed clients at 150 of these partners at an average starting salary of $40,748.

PVA's program currently delivers on-site and remote vocational intervention services from one of six Department of Veterans Affairs' Spinal Cord Injury Centers: Augusta, Boston, Long Beach, Minneapolis, Richmond, and San Antonio. The respective outer regions covered by each office are as follows:

LONG BEACH Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, Utah	**BOSTON** Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (East), Rhode Island, Vermont
SAN ANTONIO Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, Texas	**AUGUSTA** Alabama, Florida, Georgia, Mississippi, Puerto Rico, South Carolina
MINNEAPOLIS Alaska, Illinois, Indiana, Iowa, Michigan, Minnesota, Nebraska, North Dakota, South Dakota, Wisconsin, Wyoming	**RICHMOND** District of Columbia, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania (west), Tennessee, Virginia, West Virginia

[4] "A predictive model of employment identified 4 factors associated with employment: education, community mobility, functional independence, and decreased medical complications. Other variables significantly associated with employment included community integration, independent driving, independent living, higher income, and life satisfaction." Anderson CJ, Vogel LC. (2002). *Employment outcomes of adults who sustained spinal cord injuries as children or adolescents.* Arch Phys Med Rehabil. 83(6):791-801.

PVA's certified vocational rehabilitation counselors are located in VA spinal cord injury centers around the country. As soon as a veteran comes into an SCI center for treatment of a new injury, or an existing injury, PVA counselors arrange to meet with the veteran to discuss the merits of returning to the workforce. They don't wait until the veteran completes rehabilitation but begin the conversation about the veteran's future even as he or she is undergoing medical therapy. Our counselors do constant outreach to employers to determine the types of jobs they are looking to fill and screen job candidates according to those needs to streamline the hiring process. Once a veteran is placed in a job, our counselors continue to check in with the veteran and the employer to answer any questions that may occur about job accommodations.

Outlined below are some of the activities of our vocational rehabilitation offices and the dates these offices opened thanks to the private sector partnerships forged by PVA.

Augusta - Opened in 2010 under sponsorship of Agility Defense & Government Services.

- Top Employer Partners – Trinity Hospital, Enterprise Holdings, Savanna River Project, Proctor & Gamble
- Opened discussions with various wounded warrior support groups, such as TAPS, Georgia Department of Labor, and Department of Defense staff at Ft. Gordon to partner on strategies to recruit new veterans and develop job leads with the Department of Labor
- Established rapport with the Talent Acquisition Manager for Enterprise Holding in order to explore strategies on the best methodologies to get veterans hired nationwide in the rental car industry

Boston- Opened in 2011 under sponsorship of Activision's Call of Duty Endowment.

- Top Employer Partners - Raytheon, Citizens Bank, Boston University, Harvard School of Public Health, Amtrak, Harbor One Credit Union, Manpower Services, University of Massachusetts-Boston, Massachusetts General Hospital and American Standard
- Joined Greater Boston Employment Cooperative which is group of Job Developers who meet regularly and share job leads. They represent organizations serving persons with disabilities.
- Established liaison with University of Massachusetts Boston Veteran Services to provide vocational assistance for graduating veterans.

Long Beach - Opened in 2009 under sponsorship by QTC & Louie Foundation

- Top Employer Partners - Defense Commissary Agency (DECA West), The Army & Air Force Exchange Service (Western U.S.: CA, WA, AZ, Nevada), Professional Hospital Supply, L3 Communications, RMI International, NuVasive, Zephyr Partners, U.S. Fish & Wildlife (Portland, Sacramento), Raytheon (El Segundo), Spawar (San Diego)
- Established relationship with new U.S. Department of Fish and Wildlife Service office now based in Sacramento and strengthened relationship with regional office in

Portland, Oregon with continued plans to share federal job opportunities that can be filled non-competitively.
- Led monthly patient education program called "Getting Back to Work" at the VAMC Spinal Cord Injury Centers in Long Beach, and San Diego, CA which included patients, family members and staff.

Minneapolis - Opened in 2008 under sponsorship by Tri West Corporation

- Top Employer Partners - U.S. Fish and Wildlife, IBM, General Mills, Department of Homeland Security, U.S. Bank, Wells Fargo, SAIC, Northrup Grumman, Dept. of Veterans Affairs, Opportunity Partners
- Conducted targeted employer outreach with major companies such as IBM, Best Buy, General Mills, and General Motors
- Established job skills group with the Minneapolis SCI and CWT programs to discuss important job issues such as SSDI, available employers, and local state resources. Have set up direct follow up plans for three veterans to assist with employment support

Richmond - Opened in 2007 under sponsorship by Healthnet Services

- Top Employer Partners - Ride-Away, U.S. Fish and Wildlife, Dominion Power, Luckstone, Pearl Interactive, Bender Consulting, Arc, Tidewater Community College, USP, SAIC, NAVAIR, PVA
- Arranged, lined up and presented tours of SCI center to Lincoln Property, Altria, Luckstone, Farm Bureau Virginia and Military to Medicine
- Gave presentation on Operation PAVE and disability awareness to HR hiring managers for US Fish and Wildlife

San Antonio - Opened in 2009 under sponsorship by Agility Defense & Government Services

- Top Employer Partners - Department of Veterans Affairs, Wounded Warrior Project (congressional interns), Knowbility (non-profit), DeCA, ARC specialties (Houston robotics company), GSA, Accenture (staffing company), Lighthouse for the Blind, Goodwill Industries, USAA
- Met with a Regional HR director for Walmart to discuss strategy to help vets navigate through the hiring process in San Antonio and Austin
- Obtained an agreement with the Texas Foundation of Hope to provide free training and jobs for veterans & dependents

By 2015, PVA hopes to create a network of 5,000 public and private sector employers that fully embraces the potential of veterans in the labor force; place 1,800 severely disabled, moderately disabled, and able-bodied veterans into meaningful vocational pursuits and open new vocational rehabilitation offices in Seattle, Chicago, Tampa, New York, Cleveland, and Denver. Our long range objectives are to significantly reduce the number of unemployed severely disabled, moderately disabled, and able-bodied veterans in the U.S. by year 2020; become a leading national resource for public and private sector employers seeking to hire veterans; and open new vocational rehabilitation offices in all 24 VA Spinal Cord Injury Centers around the country.

As noted previously, many of the veterans and their family members served by Operation PAVE are Ticket holders. Unfortunately, many of these clients who come to PVA through the typical VA rehabilitation or Defense Department transition assistance programs report that they were unaware of the Ticket to Work program until informed of the program by a PVA counselor. They may have been fully briefed on the array of veterans' and military retirement benefits to which they have access. However, information about Social Security work incentives that may also be useful to them is not consistently provided by the VA or DoD. PVA will incorporate information about Ticket to Work into training of its national service officers so that, in the intake process with veteran clients, they will be prepared to address this low level of knowledge about Social Security work incentives.

PVA's role as an Employment Network has not been without challenges. Compliance standards set by SSA for ENs change frequently and paperwork requirements are a source of frustration for many counselors because these administrative demands take time away from serving clients. At the same time, other counselors are complimentary of the training and other informational tools made available by SSA through the YourTicketToWork website.

PVA has worked with over 400 clients with assignable Tickets, 195 of whom have entered employment status. Unfortunately, many of these clients assigned their Tickets elsewhere, declined to assign their Ticket or otherwise did not have their Ticket assigned to PVA. As a result, PVA lost out on that revenue stream once the beneficiaries went to work and off of benefits.

Still PVA is proud of the positive results produced through its participation in Ticket to Work. According to data reported to Operation PAVE by the Social Security Administration in 2011, the average number of days from start of services to first job placement was 19. The average hours worked per week was 37 and the average hourly wage for those working was $18.50. Moreover, the percentage of Ticket holders with successful job placements in PVA's Operation PAVE was 28% compared to the state average of 23%.

The average monthly SSDI payment for veterans with disabilities under age 62 in 2010 was $1191[5]. Using very rough calculations, and understanding that clients go off benefits at different times, PVA estimates that those 195 clients with assignable Tickets going off benefits for one year would result in an approximate savings of $2,786,940. If these clients successfully remain in the workforce for the full 60 month outcome payment period, the taxpayers will reap a savings of $167,216,400.

However, the true mark of success for PVA's vocational rehabilitation program exists in the real-life impact it has had on the lives of the veterans, spouses, dependents, and caregivers we serve. The following narratives illustrate how Operation PAVE – and its collaboration with the Ticket to Work Program - has brought our country closer to ending rampant unemployment for those who have served, one veteran at a time:

---

[5] Military Veterans and Social Security Update, SSA Office of Retirement and Disability Policy, Social Security Bulletin, Vol. 71, No. 2, 2011

- Mr. F. is a 61-year-old Army combat veteran who served during the Vietnam War as a radio operator. Following his honorable service, he worked steadily until he began having health problems, including a liver transplant, heart surgery and bilateral eye surgeries. In October 2006, he became the victim of a drunk driver and required a total hip replacement and below knee amputation. At the time he was a well-established owner of a small manufacturing company that he was subsequently forced to close due to his health issues. In July 2010, our PAVE counselor began assisting the veteran. After providing a vocational assessment and introducing him to job ideas, job search engines, and developing a federal resume, he finally accepted a permanent full-time position as the Assistant General Manager for MasterCraft Safety, Inc., making $65,000 a year plus receiving a food stipend, laptop, 3-bedroom apartment and car.

- Mr. F. is a 50-year-old Army veteran, and a Wounded Warrior of the OEF/OIF era. He served in Iraq in the infantry until his discharge in 2003. He was referred for services by his medical clinical team at the VAMC in Long Beach, who'd been treating him for PTSD, Traumatic Brain Injury and damage to his hand. His PAVE counselor spent 8-9 months involved with vocational exploration services. Having not worked since 2008, he was relatively unfocused but motivated to gain focus and work. In February 2011, he applied to the Los Angeles Air Force Base Commissary in El Segundo for a part-time store associate position. He was offered the position and began working in mid-May 2011.

- Mr. W. N. is a 45 year old Army veteran from Texas with an incomplete cervical spinal cord injury. He met his PAVE counselor in 2009, who continued to "court" him over the next two years. Mr. N. wasn't quite ready to work yet but was working on his second master's degree. His counselor persuaded him to take part in a networking event sponsored by Comsys, an IT recruiting company, in July of 2010. There, our counselor introduced Mr. N to a hiring manager with Accenture, who drove from Dallas to attend the event. Following that meeting and ongoing discussion between the PAVE counselor and employer, Mr. N. was hired by Accenture earlier this year as a Service Desk Supervisor of a call center and earns over $44,000.00 a year.

- Mr. E.Z. is a Navy veteran who became paralyzed as a result of a motorcycle accident in June of 1991. He has over 16 years of customer service and sales experience. He and his VR counselor explored several possibilities with the owner of Ride Away and set the veteran up with an interview for a possible sales position. When this opportunity fell through because of Mr. Z's condition, they shifted the job search and focused on potential employers such as Luckstone, Farm Bureau of Virginia, USP, ARC, and Wal-Mart Distribution Center. On June 6, 2011 the veteran was hired by HMC, a Wellpoint/Blue Cross Blue Shield affiliate. He is working as a Workforce Analyst making an annual salary of $46,000.

- Mrs. G. is a 51 year old spouse of a disabled veteran who has a spinal cord injury. She became a displaced worker in 2009 when the local Wells Fargo office closed and has been searching for work for the past two years. In the meantime, she has been a caregiver to her disabled husband and raising her family, as well as taking care of the family and the household. Mrs. G. expressed an interest in finding a job

in administrative or a clerical setting to her VR counselor. She started working at Sun Trust in the mortgage default department as a customer service representative on September 12th, working full-time at $15 an hour.

In summary, PVA believes that its holistic approach to vocational rehabilitation for people with significant disabilities offers a successful model for policymakers seeking ways to promote return to work among beneficiaries of Social Security disability programs. Starting a conversation about work early in the rehabilitation process engages the person with a disability in thinking positively about his or her future. Assurance of health care and other long term services and supports, irrespective of income, means that a person with a disability does not have to worry about earnings affecting the ability to live in the community. Trained counselors working with clients to develop vocational plans tailored to their needs and connect them to a well-established network of employers ensures that people are prepared to meet the demands of today's workforce marketplace. Follow-along supports that continue according to the individual's needs rather than terminating contact at a set point after a job is started means that the client always has a resource to which to turn.

R. Larkin Taylor Parker

R. Larkin Taylor-Parker
350 South Candler St.,
Decatur, GA 30030
(919)-801-7926
larkin92@comcast.net

U.S. House of Representatives

Committee on Ways and Means
Social Security Subcommittee
1101 Longworth HOB,
Washington, D.C. 20515

To Whom it May Concern:

I appreciate the Committee's interest in Disability Insurance and work. I have crossed paths with a number of disability advocacy organizations, working mainly with The Arc of Georgia, but write as a private citizen today. My disabilities do not prevent me from working, but some of my friends have utilized DI. I am also acquainted with people currently seeking such benefits. That always saddens me, not because I see any shame in needing help through no fault of one's own, but because I have described getting on the disability rolls as marrying poverty to break up with destitution.

DI's systemic flaw is a catch-22: benefits related to the disability program often give individuals supports that would allow them to join or rejoin the workforce, but a meaningful paycheck would render them ineligible for assistance without which they would be unemployable. The issue is not just the long-term sustainability of DI; it is the centrality of work to human dignity. Virtually everyone in the pan-disability community wants to be useful. Nothing can replace the pride of an honest day's work for an honest day's pay. Many people with innate and acquired disabilities could be far more productive in a society where supports and incentives were set up differently. Congress has the means to create that society.

Please continue to consider these issues. Consult experts, the disability community, and the public. These are not insoluble problems. The Federal Government needs to reduce its spending. People with disabilities need the dignity and wholesome effects of employment. All parties to the issue want change. With sufficient creativity and thought, we can find a better way to organize disability benefits,

Sincerely yours,

R. Larkin Taylor-Parker

○