

FOIA MARKER

**This is not a textual record. This is used as an
administrative marker by the William J. Clinton
Presidential Library Staff.**

Collection/Record Group: Clinton Presidential Records
Subgroup/Office of Origin: Domestic Policy Council
Series/Staff Member: Diana Fortuna
Subseries:

OA/ID Number: 12025
FolderID:

Folder Title:
Disabled Work Incentive Development [Folder 1]

Stack:	Row:	Section:	Shelf:	Position:
S	97	2	11	1

U.S. Department of Health and Human Services

Office of the Assistant Secretary for Planning and Evaluation
Office of Disability, Aging and Long-Term Care Policy
Room 424-E, Humphrey Building
200 Independence Ave., SW
Washington, D.C. 20201

FAX (202)401-7733

FACSIMILE TRANSMISSION

TO: Diana Fortuna Fax #: 456-7028
From: Kathy Bond
Date: 12/5/96 Total Pages (including cover): 4

REMARKS/COMMENTS.

Diana, there are two proposals for the PAS Tax Credit - one from the HSP, the other from the NASI report. They are essentially the same - the HSP gives more detail. KB

- The exclusion from taxable income of amounts paid for services or as cash payments under a qualified long-term care policy.

Requirements for a policy to qualify for tax purposes, including criteria that trigger eligibility for benefits, shall be developed by the Secretary of HHS in consultation with the Treasury Department.

- The maximum daily benefit excluded is \$110 in 1994 with annual adjustments based on increases in the wage price index or an alternative selected by the Treasury Department in consultation with the Department of Health and Human Services.

- The cost of qualified long-term care policies as defined in this section may be included as an itemized medical expense deduction.

- The definition of medical expenses is clarified to include qualified long-term care services.

- Employer-paid premiums for long-term care insurance are treated as deductions for employers and excluded from taxable income for employees.

Tax Incentives for Individuals with Disabilities Who Work

Employed individuals who require assistance with activities of daily living and who purchase personal care and personal assistance services may obtain a tax credit for 50 percent of their costs, up to a maximum of \$15,000 per year.

The Internal Revenue Service issues regulations defining personal care/personal assistance services eligible for the tax credit, including:

Long-Term Care

- Personal services, including, but not limited to, those appropriate to carrying out activities of daily living in or out of the home.

- Home services, including meal preparation and shopping.

- Assistance with life skills, including money management.

- Communication services.

- Security services, including monitoring alarms.

- Mobility services.

- Work-related support services.

- Service coordination.

- Assistive technology services, including evaluation and training of family members.

- Emergency services, including substitute services.

Demonstration Study of Acute and Long-Term Care Integration

The Secretary of the Department of Health and Human Services conducts a demonstration program for integrated models of acute and long-term care services for individuals with disabilities and chronic illnesses. The demonstration:

- Defines organizational arrangements to integrate models of acute and long-term care services.

- Assesses the operational and financial viability of the integrated models developed and tested.

- Evaluates the impact of integrated models.

- Determines the appropriateness of including these models as program options in the managed competition structure.

- Ease the transition off the DI and SSI benefit rolls for those who return to work. The wage subsidy would compensate for some of the loss of benefits that occurs when beneficiaries return to work.

The exact parameters for a DWTC will determine its cost and impact. The illustrative proposal the Panel developed would provide a refundable credit to low-income persons with disabilities who work, including those who do not receive DI or SSI benefits. Under the proposal, about 3.1 million low-income working people with disabilities are estimated to receive the credit, at a total cost of about \$3 billion in 1996. The average subsidy would be about \$1,000 per year, over any subsidy the individual might receive from the existing earned income tax credit. The credit targets low-income people who work despite their impairments. It is estimated that about 1 in 3 recipients of the DWTC would be persons with tax-unit incomes below the poverty threshold, and 3 in 4 would have incomes below twice the poverty threshold.³⁹

Access to Health Care for Persons with Disabilities Who Work

Concerns about loss of health care coverage are reported to be a major impediment to leaving the disability benefit rolls.

The Panel recommends an improved Medicare buy-in for DI beneficiaries who return to work. It also recommends that states design their Medicaid programs in ways that promote work and independence while maintaining coverage for vulnerable populations who rely on SSI benefits.

39. Estimates were prepared by Richard Burkhauser and David Wittenburg of Syracuse University. Data from the 1990 Current Population Survey were used to estimate the size of the eligible population with disabilities and the impact of different credit options upon incomes. The estimate is based on 1996 earned income tax credit (EITC) parameters established by the Omnibus Budget Reconciliation Act of 1993. At the time this report was being prepared, changes in the EITC were under consideration in Congress.

40. Health Care Financing Administration, Office of the Actuary.

Medicare Buy-In. Under current law, DI beneficiaries who leave the benefits rolls because they have returned to work despite the continuation of their impairments are eligible to purchase Medicare coverage. The eligibility criteria are complex, the coverage is expensive to purchase, beneficiaries appear not to know that this option would be available if they returned to work, and very few former beneficiaries purchase Medicare coverage. The Panel is proposing a simplified Medicare buy-in with premiums charged on a sliding scale related to the former beneficiary's earnings. If former beneficiaries paid a premium equal to 7 percent of earnings in excess of \$15,000, capped by the full amount of the premium under current law, the buy-in is estimated to cost \$230 million over FY 1996-2000.⁴⁰

Medicaid. In most states, continued Medicaid coverage is available to former SSI recipients under the Section 1619 provisions of the Social Security Act. Under these provisions, Medicaid is available to persons whose SSI benefits are totally offset because of their earnings, but who continue to have a disabling impairment. Medicaid coverage continues until the former SSI recipient's earnings are sufficient to compensate for federal SSI benefits, any state supplements, the value of Medicaid, and any publicly-financed personal assistance services.

The Panel endorses the efforts of states to create affordable buy-ins to their Medicaid programs for persons with disabilities. It recommends that states, in revising their Medicaid programs, allocate both acute care coverage and on-going support services in ways that promote work and independence while maintaining coverage for vulnerable populations who rely on SSI benefits.

Personal Assistance Tax Credit

The Panel recommends a personal assistance tax credit to compensate working people for part of the cost of personal assistance services they need in order to work.

Some persons with significant physical impairments require personal assistance services in order to live independently and, with those services, are able to

work in the competitive labor market. Personal assistance services, however, can be very costly. They are financed by public programs in some states, but generally only for low-income persons. As such, those who need personal assistance services face a dilemma when they go to work. If they work successfully, their income may disqualify them from receiving publicly-financed services, yet they may not earn enough to pay for the services on their own. The Panel is recommending a tax credit to compensate working people for part of the cost of personal assistance services they need and pay for in order to work.

The credit would be available to persons who have a medically determinable impairment that is expected to last at least 12 months and who need personal assistance in order to engage in substantial gainful activity. The credit would be equal to one-half of personal assistance services expenses up to \$15,000 (for a maximum credit of \$7,500) and would phase out for persons with annual income between \$50,000 and \$70,000. The 5-year cost is estimated to total \$537 million for FY 1996-2000.⁴¹

Administering DI and SSI Work Incentives

The Panel believes that the most important enhancement needed in existing work incentives in DI and SSI is to improve the way in which they are implemented. Such improvements would involve both service providers who assist beneficiaries and SSA.

After in-depth analysis of existing work incentive provisions and extensive field research on how they are being implemented, the Panel has concluded that:

- Work incentive provisions are inherently complex. Efforts to simplify them by redesigning them are not particularly promising. Therefore, beneficiaries are likely to need assistance with understanding and complying with the work

incentives when they work. This is particularly true for SSI recipients because their benefits are subject to a monthly means test, where changes in other income or assets affect their benefit amounts.

- Some kinds of assistance could be offered by service providers who assist beneficiaries in returning to work — such as those who accept the RTW tickets the Panel is recommending, or state VR counselors, state or local mental health or developmental disabilities agencies, independent living centers, job coaches, providers of supported employment services or those who work with recipients of private disability benefits. Such service providers would, themselves, need to understand the rules and reporting requirements of the work incentive provisions and consider it part of their job to assist their clients in complying with them.
- Some tasks necessary to make work incentives work can only be performed by SSA or an entity employed by SSA. These tasks include prompt processing of earnings and other reports from beneficiaries so that benefits can be adjusted promptly as their circumstances change. If return to work is to be a priority, SSA personnel and systems support for these functions are essential.

Additional Work Incentive Proposals

The Panel is proposing several changes in DI and SSI to make them more "work friendly."

Updating and indexing the level of earnings that is considered to be substantial gainful activity (SGA) would keep it current with economy-wide wages, as is done for other earnings-based parameters of the Social Security program. The concept of SGA is used in determining initial and continuing eligibility for disability benefits. The SGA threshold is set by regulation at earnings of more than \$500 per month. It has not been raised since 1990. The proposal would raise the SGA threshold to what it would have been if it had kept pace with growth in economy-wide wages since the beginning of the DI

⁴¹ U.S. Department of the Treasury, Office of Tax Analysis.

EXECUTIVE OFFICE OF THE PRESIDENT

26-Nov-1996 07:33am

TO: FORTUNA_D
FROM: Susan.M.Daniels
SUBJECT: Re: Next meeting on Wednesday

Diana, I have one concern. My rumor mill indicates that the leadership of the state vocational rehabilitation agencies may have more information about our proposals than we would like at this time. Until our last meeting I had never distributed any paper to anyone outside of SSA. Some people had some idea of what we were thinking; no one knew for sure.

This is a very delicate situation; I am not trying to accuse anyone of leaking our material. My experience is that whatever RSA (I worked there) has so does CSAVR. Premature discussion of proposals that are not yet policy can create all sorts of political mischief. I suggest that you remind all meeting participants that the meetings are confidential. If you don't mind, I'll call you Wed. afternoon to get your read on the meeting's progress.

Happy Thanksgiving and thanks for all your efforts.

Susan

Reply Separator

Subject: Next meeting on Wednesday
Author: FORTUNA_D@a1.eop.gov at ##INTERNET
Date: 11/25/96 1:54 PM

I have decided to hold our meeting on the disability employment initiative Wednesday at 11am as usual. Although Susan Daniels of SSA will not be able to attend on that day, moving the meeting to Tuesday would have lost even more people.

We will be in Room 476; we have the room for 2 hours. I will clear you all in (and won't forget all the folks from RSA this time!).

Received: from s3abac8 by ccsmtpgw.ssa.gov (SMTPLINK V2.11.01)
; Mon, 25 Nov 96 13:53:57 EST

Return-Path: <FORTUNA_D@a1.eop.gov>

Received: from s3abab9 by s3abac8 with SMTP
(1.39.111.2/16.2) id AA197088512; Mon, 25 Nov 1996 14:01:52 -0500

Received: from Mailhub by s3abab9
id AA13866; Mon, 25 Nov 1996 13:53:16 -0500

Received: from pmdf.eop.gov by gatekeeper.eop.gov; (5.65v3.2/1.1.8.2/17Oct95-042

CAP - Re-send memo to Raines

Thurs@11

DRAFT

Employment Initiative: Outline for Work Plan Development

1. "Ticket" Plan

2nd wk of Nov. *Each ind final pge - pricing separate; legio language*
OMB to identify steps to fully vet proposal - 50% - cap the years

2. Health Care Coverage

mid-Nov - both
MC ~~at~~ *some of*
possible

- HCFA to develop option
- OMB framework?

3. Tax Credit

- look at alternative on spending side
- look at other funding sources

4. Changes to Voc Rehab

- Dept. of Education process
- What changes would support return to work?
 - competition - Open up to competition
 - pay for outcomes
 - increase accountability
 - improve VR/SSA links

5. Early intervention/screening options

6. Existing work incentives options

7. Transition pillar/young pillar - mtg?

- if IDEA + VR cld pick up cost, wouldn't need to cut bene.
- why can't cor @ 18 do this?

(Demo)

- * Bunning - what's in it
- * CBO looking at it
- * Who was in AE w/ cap.
- * Ck NCD on VR
- * Make it weekly
- * VR next time - HM will give / overwtd

LF: How to address failure of other programs to serve PWD

Howard M: don't displace non-SSA clients too much!
- Admin-heavy
- may not be right svcs
Jthul - try not related to jobs
- no emphasis on job-seeking skills
- better bus. links
- not everyone needs assessment/counseling
gh: due process - wld priv sector alt?
- bcs college - wld alt?
JL/MS: better than nor dis?

MS: palembatic
What they spend - 40-50%
Too much covered

99m demo - OMB
proposal - 56
Consistent - SSA/HCF

what works
if OMB
nice, ask
SSA/HCF
to help

7250
Kenny - Sarah

2126
(14)

10/31 -> also ask John L what he does -

August 19, 1996

TO: Diana Fortuna

FR: Judy Chesser

RE: Technical Assistance Prepared for Ways & Means, Social
Security Subcommittee on Return-to-Work Group Proposal

I thought you would be interested in taking a look at the attached material we have prepared in response to a request for technical assistance from Valerie Nixon of the Social Security Subcommittee staff.

Attachment

**SOCIAL SECURITY ADMINISTRATION**

Office of the Deputy Commissioner for Legislation
and Congressional Affairs

Date :

From : Judy L. Chesser
: Deputy Commissioner
for Legislation and Congressional Affairs

Subject: Request for Technical Assistance (Your Memorandum
Dated 6/6/96)

To : Valerie Nixon
Subcommittee on Social Security
Committee on Ways and Means

As requested, we reviewed and analyzed the material you provided.
Attached are our responses:

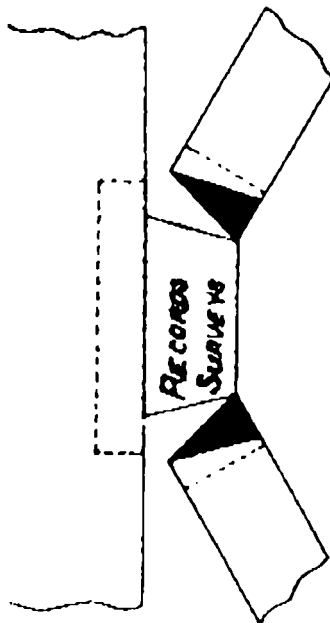
- TAB A - Comments On the Return-to-Work Group Proposal Entitled
"Developing Choices For People On the Disability Rolls
To Return to Work and Self-Sufficiency"
- TAB B - Updates to SSA's Initiative To Develop a World Class
Employment Strategy For People With Disabilities
- TAB C - Responses To Concerns Raised By Private Vocational
Rehabilitation Providers

HOW TO USE THESE SEPARATORS

Use one page for each separation

Select appropriate tab, add further identification if desired, and cover it with scotch tape

Cut off and discard all tabs except the one covered by tape.



TABBED SEPARATOR SHEET

Form SSA-697 (5-80)



Printed on recycled paper

SSA COMMENTS ON THE RETURN-TO-WORK (RTW) GROUP PROPOSAL:
"DEVELOPING CHOICES FOR PEOPLE ON THE DISABILITY ROLLS
TO RETURN TO WORK AND SELF-SUFFICIENCY"

Overall, there are many interesting features to the RTW Group's proposal. Many of these features are aspects of the Alternate Participant program which SSA is currently implementing, although our version of these features is somewhat different from the RTW Group approach. The following is a section-by-section comparison of the two approaches.

Administrative Model

The proposal describes an administrative structure for the management of the RTW system and for procuring RTW services for beneficiaries. The structure would be implemented through contracts with private entities.

SSA is currently implementing a system for enlisting the services of private providers. This is the first time that SSA will have referred beneficiaries directly to private entities for RTW services. Under the "Alternate Participant" system, established by regulations published in March, 1994, SSA first refers disability beneficiaries to the appropriate State vocational rehabilitation (VR) provider. Any referred beneficiary whom the State VR agency does not accept within 4 months of the initial referral can be rereferred to a certified service provider (an Alternate Participant) for evaluation and RTW services.

This system is being implemented initially under the direct administration of SSA's Office of Disability. We expect to begin referrals to Alternate Participants late this year. A request for proposal is also being prepared for a contract for a third-party administrator (called Project RSVP) to manage the enlistment of private providers and the rereferral process. When the management contract is awarded, responsibility for managing the day-to-day operations of the system will transfer to the third-party administrator. The responsibilities of the administrator will be generally the same as described for the Return-To-Work Administrators described in the RTW Group's proposal.

Start-Up Oversight

The RTW Group's proposal describes a process for "beta-

2

testing" the administrative structure and the procedures under which the RTW system will work. Similarly, during the first two years of the Project RSVP contract, a demonstration to test and evaluate implementation of the Alternate Participant program will be conducted to evaluate the process and determine if any adjustments are needed. The third-party administrator will be tasked to provide feedback to SSA on the adequacy and efficiency of the referral process and will make suggestions for improvements.

Service Array

The RTW Group's proposal specifies a list of services which would be available in each of the service networks. SSA's current reimbursement program and the Alternate Participant program follow Rehabilitation Services Administration regulations for State VR agencies in specifying the types of services for which SSA will reimburse. These services are listed in the regulations for the Alternate Participant program (20 CFR 404.2114) and cover essentially all services normally provided by a State VR agency. The guiding principle is that "the services could reasonably be expected to motivate or assist the individual in returning to, or continuing in, substantial gainful activity."

We would not advocate further restrictions to the services to be provided under the Alternate Participant program. The contingency basis for reimbursement should be sufficient incentive to private sector providers to be prudent. It is unclear that attempting to define a list of acceptable provider services would increase the efficiency of SSA's rehabilitation program. In fact, due to the individual nature of VR, a more specific list of services may screen out new and innovative advancements in the VR arena.

Provider Payment

The RTW Group's proposal specifies a two-part payment system. The first is a milestone payment system, based on a fee schedule of payments for the achievement of specific steps in the rehabilitation process, e.g., conducting an assessment for VR services, completing an Individual Employment Plan, or job placement. The second is a 5-year deferred (incentive)

3

payment, based on a percentage of disability benefits savings. These savings would result from suspension of disability benefits due to a beneficiary's earnings after receiving services from a provider in the RTW system. The fees in the milestone payment system are intended to be set at about 1/3 the full cost of services. We are unclear as to when the other 2/3 payment will be made.

We do not know whether this approach would achieve our objectives, i.e., to simultaneously cut costs and provide effective incentives for providers to participate. Please note that the deferred incentive payment portion of this system is similar to the Provider Incentive program discussed in the final report of the Disability Policy Panel of the National Academy of Social Insurance (NASI), released in January, 1996.

Although the full NASI panel did not propose a specific formula, Professor Monroe Berkowitz, a panel member, developed an example of how such an approach could work. According to the Berkowitz model, beneficiaries would be given a ticket which they could give to a provider of their choice. The ticket would permit the provider to claim incentive payments after the beneficiary had received services and returned to work.

Providers would be paid 50 percent of disability benefits actually saved, when beneficiaries left the disability rolls, for each of 5 consecutive years after initial suspension of benefits. This would be the only form of payment for services which the providers would receive; there would be no fees for achieving certain steps in the rehabilitation process. Payment is strictly based on achieving a specific outcome, i.e., suspension of benefits due to return to work.

Under the Alternate Participant program, SSA intends to pay the full cost of VR services to an authorized provider who places a beneficiary in a job, only when the beneficiary works for 9 continuous months at earnings levels at least equal to the Substantial Gainful Activity (SGA) level. There are no milestone payments in the current State VR reimbursement

4

program or the Alternate Participant program. In fact, the current reimbursement program was created by the Congress, in 1981, to replace a process-based system for SSA's disability beneficiaries with an outcome-based system, due to lack of sufficient levels of success under the fully-funded Beneficiary Rehabilitation Program.

Milestone payments under the RTW proposal would pay for the achievement of certain steps in the VR process at the time they occur, and would provide a certain level of funding regardless of whether the beneficiary ever went to work or left the benefit rolls. Deferred payments, of the type in SSA's VR program, or incentive payments, as in the RTW proposal, start late in the VR process, often after all services have ceased and only after the beneficiary has achieved significant earnings for a sustained period of time. In the RTW Group's proposal, unlike SSA's VR programs, there is no direct connection between the costs of services provided and the amount of reimbursement under the deferred payment part of the reimbursement scheme.

Another important feature of milestone payment systems is the need for increased monitoring. SSA would have to determine whether services were of appropriate quality; were actually rendered; were not previously provided by another vendor, etc. In general, milestone payments are more expensive to administer than incentive payments and they create incentives unrelated to the employment of the disabled beneficiary.

Employability Plan

The RTW Group's proposal calls for an employment evaluation at the outset for each referred beneficiary and the development of an employment plan after the evaluation for each beneficiary with employment potential. Presumably, providers would receive milestone payments for both the evaluation and the completion of an employment plan. This may create an incentive to be overly optimistic in the evaluation of employment potential, since employment plans will not be needed when potential is determined to be low.

Under SSA's current program, State VR agencies have the requirement to complete a Individualized Written Rehabilitation Plan (IWRP) for each VR client. Under the

Alternate Participant program, providers will be required to develop a plan similar to an IWRP for each beneficiary. Beyond that, providers will be free to choose whatever approach they wish to use in assessing employment potential, developing a plan, arranging for or providing services. Since there are no milestone payments and reimbursement is for 9 months of SGA only, there is no need to specify steps in the rehabilitation process for each provider and every beneficiary.

Quality Assurance Provisions

Both the RTW Group's proposal and the Alternate Participant program rely on the beneficiary/client to assess the quality of the provider's services. Beneficiaries, who can establish "good cause" for doing so, may change providers if they have a problem with the service they receive. Also, we are building a dispute resolution process into the Alternate Participant program under the direction of the third-party administrator. Moreover, beneficiaries will be able to use generally available community services to resolve problems with providers, such as the Protection and Advocacy system in each State.

Performance Reporting

The RTW Group proposes that a periodic report card on the performance of the providers be made available to beneficiaries before they choose a provider. No such procedure is planned for the Alternate Participant program. Since VR services are highly individualized, it is not clear that the outcome of such a procedure would be worth the administrative cost of the system.

Employer Incentives

The RTW Group's proposal calls for the use of existing provisions of the Internal Revenue Code to provide building access. The proposal also calls for an offset of the employer's portion of the Federal Insurance Contributions Act

tax for employing a beneficiary in a full-time job for 3 years. There are no employer incentives in the Alternate Participant program. Incentives of this type raise several questions: What level of employment (earnings) would be sufficient? If the employee's health precludes continued employment, can the employer still collect? What happens if the employee changes employers after, say, one year? Should the incentive be offered (paid?) in the fourth year or prospectively, starting as soon as employment begins? It is unclear what incentives would result from such a system, but it is very likely to be expensive to administer.

Training and Education

The RTW Group's proposal requires network coordinators to draw on all available sources of funding for training and education services. [This is similar to the requirement among State VR agencies to use "similar comparable benefits" before State VR funds wherever possible.] The Alternate Participant program places a similar requirement on providers to seek whatever alternate sources of funds are available. Providers are free to be as creative as they wish in determining how to find "up front" funding for services.

Medical Benefit Extension and Time-Limited Benefits

The RTW Group recommends that the Congress allow beneficiaries who are still disabled but are working and do not have employer-sponsored medical insurance to buy into Medicare, Medicaid, or the Federal Employees Health Benefits Program on a sliding premium scale based on income. [This proposal is very similar to one made by the NASI panel in January.]

The proposal also recommends that cash benefits be made time-limited. This feature of the proposal is similar to the three-year limitation on cash benefits which was formerly part of the drug addiction and alcoholism provisions in SSA's disability programs. It is impossible to predict what impact overlaying time-limited benefits on SSA's existing disability programs would have. Neither health insurance buy-in nor time-limited benefits is a part of the Alternate Participant program.

Program Phase-In

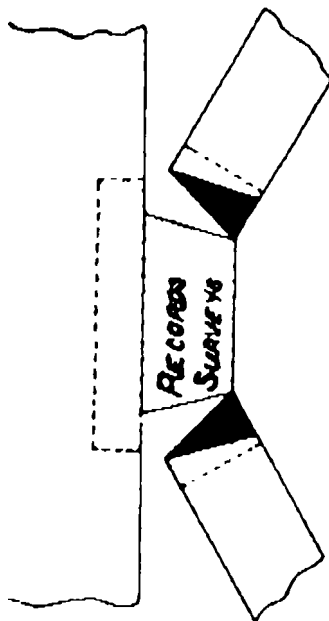
The proposal describes two scenarios for phasing-in a new system. The Alternate Participant system will be fully operational from the start. Referrals and accepted cases will accumulate gradually as they enter the pipeline, giving SSA and the third-party administrator an opportunity to gain experience and refine the process, as needed.

HOW TO USE THESE SEPARATORS

Use one page for each separation.

Select appropriate tab, add further identification if desired, and cover it with scotch tape.

Cut off and discard all tabs except the one covered by tape.



TABBED SEPARATOR SHEET

Form SSA-697 (5-80)



Printed on recycled paper

SSA'S DISABILITY MANAGEMENT AND EMPLOYMENT STRATEGY FOR PEOPLE WITH DISABILITIES

SSA has developed a comprehensive strategy that addresses the major barriers to full employment for SSA's beneficiaries with disabilities. This strategy divides activities into two major areas:

- I. Improvements to the current employment and rehabilitation program; and
- II. Identifying major barriers to work for people with disabilities.

I. IMPROVEMENTS TO THE CURRENT EMPLOYMENT AND REHABILITATION PROGRAM

We are working with our State partners, other public agencies, and private organizations that serve people with disabilities in an effort to improve these services and to create greater employment opportunities for our beneficiaries. Examples of the activities currently underway, that serve as building blocks for the Employment Strategy, are:

A. PERFORMANCE PARTNERSHIPS/ADVANCE FUNDING FOR STATE VR AGENCIES

Last year we set up a performance partnership to advance fiscal year (FY) 1996 reimbursement funds to six State VR agencies. This initiative was designed to seek ways to improve service delivery to SSA's beneficiaries with disabilities.

For the first year, the partnership was set up to provide only one advance payment equal to 60 percent of the participating State agency's average reimbursement over the past three FYs. The goal of the pilot was to determine how well State agencies could liquidate these funds and use the advance payments to improve their participation and performance in our VR payment program.

The plan was for SSA to advance \$7.7 million to six VR

2 -

agencies: Vermont, New York, Pennsylvania, Florida and West Virginia. The Social Security Disability Insurance portion of the advance funds (totaling \$3.9 million) and the Supplemental Security Income portion (totaling \$3.8 million) were advanced to these States. By June 30, 1996, all States had liquidated their advances except New York.

By August 1, 1996, we will have a more complete picture of how the VR agencies are using their advance funds. At that time, we will have completed an evaluation of the individual State outcomes and be able to provide our recommendations concerning continuation and/or expansion of advance funding to additional States for FY 1997.

B. EXPANDING THE PROVIDER BASE

A key element in making SSA's employment and rehabilitation program more effective is expanding the pool of providers of VR services who can help people with disabilities receive the services they need to go to work.

1. Alternate Participants/Providers

As a result of regulations published in March 1994, VR service providers in the public and private sectors are now eligible to serve SSA's beneficiaries with disabilities who are not served by the State VR agencies. These providers, called alternate participants, can be paid by SSA for the costs they incur in cases where their services help SSA's beneficiaries with disabilities obtain and retain jobs at certain wage levels.

To begin the process of signing up alternate participants, SSA mailed a presolicitation notice on February 12, 1996, to potential providers who had previously contacted the agency regarding participating in its VR program. SSA also published a synopsis of this notice in the Commerce Business Daily to ensure that other potential providers were informed of the opportunity to take

3

part in SSA's VR program. All interested VR providers were invited to respond to the notices.

On June 1, 1996, SSA released a Request for Proposal (RFP) to more than 3,800 VR service providers inviting them to submit proposals to contract with SSA to serve SSA's beneficiaries with disabilities. The RFP described the requirements of our VR program, including how to qualify to serve SSA beneficiaries, the requirements for reimbursement, and how to submit fully-documented claims.

Potential providers were requested to submit their proposals within 60 days from the date they received the RFP and were advised to submit any questions regarding the RFP in writing within 30 days from the date of issuance of the RFP.

Alternate participants who sign a contract with SSA specify the type of impairment(s) and geographic area(s) they will serve. Using these criteria, SSA will provide each alternate participant with an electronic monthly listing of beneficiary referrals who meet the provider's service criteria.

Using information from the listing, an alternate participant will select beneficiaries to whom they will offer a program of rehabilitation and employment services. The alternate participant will notify SSA once a program of services is agreed to by both the provider and the beneficiary. At this point, SSA will remove the beneficiary's name from consideration by other alternate participants.

SSA will enter into contracts with all providers who meet the qualifications prescribed by our regulations and spelled out in the RFP. We expect contracts to be awarded late this summer.

2. Project RSVP ("Referral System for Vocational Rehabilitation Providers")

Project RSVP is a two-year demonstration project to

test the cost-effectiveness of contracting with an outside agent to assist SSA in managing the Alternate Participant program.

A contractor will act on the Agency's behalf as a manager of the VR referral and payment program and as a liaison between SSA's beneficiaries with disabilities and the Alternate Participants. The contractor will be required to:

- a. Market the VR Payment Program to potential Alternate Participants who are able to provide services and assist them in entering into contractual arrangements with SSA;
- b. Conduct orientation/training for new Alternate Participants;
- c. Implement and manage a secure, automated system that will include a database developed by SSA to rerefer beneficiaries not accepted by the State VR agencies to appropriate Alternate Participants for consideration;
- d. Establish and staff a toll-free telephone number to disseminate information about SSA's VR payment program and SSA's work incentive provisions;
- e. Develop and implement procedures to monitor and review Alternate Participant claims for determination and payment by SSA;
- f. Develop and maintain a computerized data management information system to collect and provide program data to SSA along with fiscal and administrative reports for management information; and,
- g. Develop and conduct surveys to monitor Alternate Participant and beneficiary satisfaction and develop procedures to address issues involving dissatisfaction.

5

A pre-solicitation sources-sought synopsis was published in the March 8, 1996, Commerce Business Daily. As a result, SSA received expressions of interest from ten potential contractors.

On June 11, 1996, SSA published a synopsis in the Commerce Business Daily giving notice of our plans to issue a solicitation to acquire management and referral services.

This month, copies of an RFP will be mailed to those who responded to the June synopsis.

C. PROJECT ABLE (ABLE BENEFICIARIES' LINK TO EMPLOYERS)

SSA is testing an automated method to link beneficiaries with disabilities to job vacancies through partnerships with the Office of Personnel Management (OPM), State VR agencies, and employers. This initiative, called Project ABLE, has been selected as a reinvention lab by Vice President Al Gore's National Performance Review.

SSA established an interagency agreement with OPM to maintain a database housing employment information on job-ready disability beneficiaries and a related communications system to transmit this information to employers. SSA sends letters informing beneficiaries of this new initiative and refers those interested to the VR agencies. The VR agencies work to rehabilitate these beneficiaries, and when they are job ready, the VR counselors accrete them to a database housed at OPM in Macon, Georgia.

The automated database, which forwards candidates' names and addresses to Federal employers, was developed and tested in Maryland, Virginia, and Washington, D.C. through 1994. OPM works with SSA to train the VR counselors on the use of the system and to inform Federal agencies of the availability of the Project ABLE candidate pool to be used in filling vacancies.

After preliminary evaluation, in July 1995, SSA and OPM enhanced the Project ABLE data base to include resume

imaging and began testing the resume bank in an expanded area which includes: California, Illinois, Maryland, Pennsylvania, Texas, Virginia and Washington, D.C. In July 1996, we will expand the pilot to include Massachusetts. Federal agencies that have used the data base are responding favorably.

SSA has also worked with private sector employers, individually and in focus groups, to develop a conceptual model of Project ABLE that will fit their recruitment and hiring needs. We are currently working with OPM to develop and implement private sector access to the Project ABLE resume bank.

During FY 1997, SSA will continue to evaluate the different facets of the program to determine the best expansion strategy.

D. PLANS FOR ACHIEVING SELF-SUPPORT (PASS)

In mid-1994, we recognized there were problems in SSA policies and practices relating to PASS and we initiated a full review.¹ A workgroup was established that included staff from policy, field operations, and the Inspector General. Based on the workgroup's interim findings and recommendations, we issued improved instructions in December 1994. When the workgroup made its final recommendations in 1995, it recommended, and Commissioner Chater approved, major changes to strengthen the integrity of PASS, minimize abuse, improve cost-effectiveness and strengthen administrative control of the program.

SSA field offices were instructed to forward all pending PASS plans to headquarters for decision. An interim cadre of PASS specialists was assembled in Baltimore on April 2, 1996, to review and approve the plans. (The cadre consisted of 15 volunteers from the field offices and 2 volunteers from headquarters.) They received intensive training on PASS policy as well as vocational assessment and VR issues. This interim

¹The General Accounting Office also recommended changes to Pass.

group will review PASS plans until the permanent cadre is in place later this year. This process should result in more consistent, timely decisions.

E. EDUCATION AND DISSEMINATION OF INFORMATION REGARDING REHABILITATION AND EMPLOYMENT

1. Graduating to Independence (GTI)

The GTI package, which was developed in 1993, was designed to address the needs of young people with disabilities who are making a transition from school to the workplace. The package gives information and assistance in understanding the effect of earnings on entitlement to SSI and SSDI benefits.

GTI is a multi-media package which includes two computer software disks. The first disk, the GTI software program (version 2.0), provides a personalized understanding of how work and earnings affect Social Security benefits and health coverage. The second software package is the text of the popular Red Book on Work Incentives. GTI also includes the video "Promises to Keep" which depicts two young people with disabilities who have successfully entered the world of work with the help of Social Security work incentives.

GTI is a free publication and available upon request. Our customers include special education teachers and administrators, advocacy organizations and VR professionals. We distributed 12,000 copies of GTI in March 1995, and currently have 12,000 copies of the 1995 version available for distribution.

2. Red Book on Work Incentives

The Red Book--A Summary Guide to Social Security and Supplemental Security Income Work Incentives for People with Disabilities is a publication that was developed to assist professionals in the public and private sectors who work with people with disabilities and their families. Its goal is to

familiarize counselors, educators, representatives, advocates, etc. with SSA's work incentive provisions so that they can help people with disabilities make important decisions about employment. Many beneficiaries also make use of the information in the Red Book. Since the booklet provides a comprehensive listing and discussion of the various SSDI and SSI work incentives, as well as some general program and eligibility information, it is recognized as the resource on work incentives.

The Red Book is revised and updated as required by legislative and program changes. The latest version was published in August 1995 (SSA Publication No. 64-030).

3. VR Pamphlet: HOW SOCIAL SECURITY CAN HELP WITH VOCATIONAL REHABILITATION

SSA published this pamphlet in September 1994, to describe how the VR Reimbursement Program can help people with disabilities return to work or go to work for the first time. The pamphlet is provided to disability applicants by SSA interviewers and is also available for use by agencies and organizations that work with disabled clients.

The pamphlet describes the basic features of SSA's VR program. It includes information about referrals of beneficiaries to State VR agencies or alternate VR providers; requirements for paying VR providers for the costs of their services; the types of services for which payment is made; and the work incentives that help ease the transition from reliance on a monthly cash benefit to the financial independence gained by working. (SSA Publication No. 05-10050)

4. Other Publications

SSA also publishes other materials designed to assist people with disabilities to learn about the effects of work on Social Security benefits. These

materials include:

a. Social Security--Working While Disabled--How We Can Help

This pamphlet, updated in January 1996, is designed to explain how work affects disability benefits. It briefly describes existing work incentives (both SSDI and SSI), provides answers to commonly-asked questions about work and its effect on benefits, and discusses reporting work to SSA. (SSA Publication No. 05-10095)

b. Working While Disabled--A Guide to Plans for Achieving Self-Support While Receiving Supplemental Security Income (PASS Blue Book)

This pamphlet, last published in April 1995, explains what a PASS is, provides examples of PASS plans, and provides instructions for completing the PASS outline. (SSA Publication No. 05-11017)

c. A Desktop Guide To Social Security and SSI Work Incentives

This is a one-page guide which briefly describes various SSDI and SSI work incentives. (SSA Publication No. 05-11002)

d. Articles and information on work incentives, rehabilitation, and employment are often included in the following SSA publications: Disability Notes (SSA Publication No 64-040), Social Security Courier (SSA Publication No 05-10110), and the Monthly Information Package (which is distributed to SSA field offices).

F. RESEARCH POLICY EDUCATION AND INTERAGENCY COLLABORATION

The Employment Strategy identifies a number of national policy issues and numerous statutory, regulatory, administrative and economic barriers to employment for SSA beneficiaries with disabilities. In order to

10

conduct a thorough analysis of the issues and develop realistic recommendations and options to address the barriers, we continue to make a concerted effort to gather the latest and most relevant research information on the issues and to develop sources of information in specific issue areas.

The following research agenda reflects SSA's continuing effort to gather relevant information and knowledge in these issue areas and to apply what we learn to our return-to-work programs.

1. Project Network

Project Network tested ways to increase opportunities for SSA clients with disabilities to receive the services they needed to return to work or work for the first time. The project involved testing four service delivery models in eight different SSA FO settings from 1992 to 1995. The four different approaches to purchasing rehabilitation/employment services utilized were: (1) specially trained SSA employees working as case managers; (2) private sector case managers under contract to SSA; (3) State VR agency counselors under contract to SSA; and (4) SSA employees working in partnership with other agencies to build an effective referral network in order to arrange for services.

Each test ran for approximately two years. The last site closed in March 1995. Volunteers were randomly assigned to treatment and control groups.

Treatment cases were evaluated and offered rehabilitation/employment services, as well as continuation of full disability benefits as encouragement to actively participate in the program and to attempt to work. Control cases received the same waivers but were not eligible for services from the project's case managers.

Currently, an evaluation of all four models is being conducted by Abt Associates Inc., an

11

independent contractor. Data collected by case managers at the project sites and by the contractor through personal interviews will be combined with SSA's program data to compare the return-to-work and benefit experience of treatment versus control cases. The evaluation will run through March 1998.

The results of the evaluation will support several research needs. In the broadest sense, those interested in evaluation of rehabilitation programs will have the results of the only controlled experiment of employment and rehabilitation services for the general population of persons with severe disabilities. The overall success rates and the results of specific interventions for specific impairment groups will be especially enlightening. From the perspective of a business process, which could possibly become an SSA-controlled venture, Project NetWork will be evaluated in terms of relative program costs and savings.

Also, the process study will give interesting insights into the coordination of a case management program with SSA's field operations, as well as insights into day-to-day interaction with private providers and to the management of a broad-based employment and rehabilitation services program for disability beneficiaries.

2. Project WINS ("Work Incentives")

Project WINS is a grant awarded to Virginia Commonwealth University (VCU). The project has two design components: (1) working with local school districts in the Richmond, Virginia metropolitan area to assist special education students to use work incentives in their transition from school to work and to enable them to reduce or eliminate dependency on SSI payments; and (2) conducting research into the types of incentives that would encourage more beneficiaries with disabilities to leave the rolls and return to work.

12

This work has included the development of the Work World software and presentation package, a tool for dissemination of information about the effects of current law and proposed changes on a variety of components of SSDI and SSI benefits and work incentives.

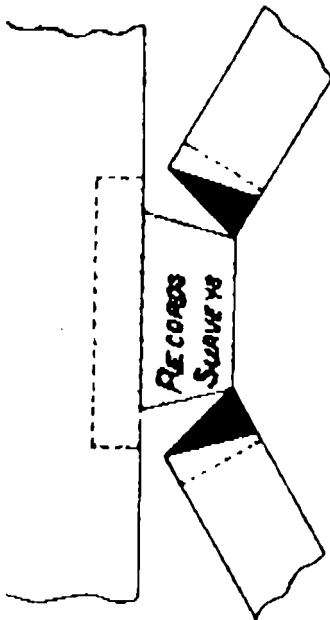
The project will run from August 1994 to December 1996.

HOW TO USE THESE SEPARATORS

Use one page for each
separation

Select appropriate tab,
add further identification
if desired, and cover it
with scotch tape.

Cut off and discard all
tabs except the one
covered by tape.



TABBED SEPARATOR SHEET

Form SSA-007 (5-80)



Printed on recycled paper

Initially, representatives of most of the smaller firms said they could not handle this restriction. However, from financial officers of larger firms, they learned of ways to get up-front funding which they could later pay back, through vehicles such as capitalizing their projected incentive payments as collateral for a bank loan or forming consortia to spread the risks.

Smaller providers may also choose to serve as subcontractors to larger providers or case management firms.

RESPONSES TO CONCERNS RAISED BY PRIVATE VOCATIONAL REHABILITATION (VR) PROVIDERS

Following are concerns expressed by private VR providers who are interested in becoming alternate participants in serving SSA beneficiaries and our responses.

CONCERN: Cost-reimbursement-based contract systems are complex, administratively burdensome, and impose regulatory controls on contractors' profits, salary levels, and other costs.

RESPONSE: Contracts awarded as a result of SSA's solicitation for alternate VR providers (SSA-RFP-96-2583) will be fixed-price contracts, which best utilize the basic profit motive of business enterprise and place minimum administrative burden upon the contractors.

CONCERN: The Single Audit Act of 1984 will impose hardships on private VR providers.

RESPONSE: A thorough search through the Federal Acquisition Regulation (FAR), which provides uniform policy and procedure guidance for acquisitions by all Federal agencies, failed to identify any act, statute, or regulation entitled "Single Audit Act of 1984," or any reference to it. The absence of a requirement in the FAR to adhere to the Single Audit Act of 1984 would indicate that compliance is not required for acquisitions by contract with appropriated funds.

CONCERN: Since only direct costs can be paid for by SSA, and only after an individual works for 9 months, only larger for-profit or non-profit providers will be able to participate.

RESPONSE: It is correct that providers must be able to fund their efforts with our beneficiaries with money from other sources, at least initially. To address this concern, in July 1995, the National Academy of Social Insurance invited a group of for-profit and non-profit providers to Washington, DC to obtain their input on Monroe Berkowitz's Provider Incentive Proposal, which also reserves payment until beneficiaries leave the rolls.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

04-Sep-1996 04:42pm

TO: (See Below)

FROM: Carol H. Rasco
 Domestic Policy Council

SUBJECT: Health care for people with disabilities

I was as I told you earlier pleased to see that POTUS indicated interest on the return health care reform memo in learning more about the insurance for people with disabilities who work/want to work. I would ask that the three of you continue to really look at this issue seriously so that we can interject this issue in a serious way in the upcoming budget discussions. Thanks.

Distribution:

TO: Christopher C. Jennings
TO: Diana M. Fortuna
TO: Jennifer L. Klein

CC: Elizabeth E. Drye
CC: Jeremy D. Benami
CC: Carol H. Rasco for files

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

04-Sep-1996 07:26pm

TO: (See Below)

FROM: Christopher C. Jennings
 Domestic Policy Council

SUBJECT: RE: Health care for people with disabilities

It will be done. We will need to set up some meeting with OMB to get behind some of their cost assumption models. We will talk to Nancy Ann as soon as she returns and will make certain that Diana is involved and informed throughout.

cj

Distribution:

TO: Carol H. Rasco

CC: Diana M. Fortuna
CC: Jennifer L. Klein
CC: Elizabeth E. Drye
CC: Jeremy D. Benami
CC: Carol H. Rasco for files

Draft
DISABILITY EMPLOYMENT INITIATIVE

Goal of meeting: Agree on plan to develop an employment initiative for people with disabilities for the 1998 budget/early 1997.

Definition of problem:

- o Growing disability rolls creates budget pressure; clients increasingly young
- o Existing system out of step with our goals in disability policy, particularly as changes in technology and society make it possible for more people with disabilities to work. We continue to equate disability with an inability to work.
- o Because health benefits are often not available or affordable for people with disabilities even when find work, many SSA clients choose not to take the risk of working. The result is lost productivity and taxes, unnecessary costs, greater dependence.
- o Difficult to devise solutions without risk of increased costs.

Criteria for successful initiative:

- o increase employment of disabled (target only to SSA clients?)
- o earn support of disability community
- o not seen as endangering trust funds
- o budget neutral

Progress to Date:

Disability policy review work group chaired by Susan Daniels developed recommendations. Should we focus only on these recommendations, or look at additional options as well?

The 4 "pillars" of this plan are:

- o allowing SSA clients to purchase Medicaid or Medicare on a sliding scale as income rises;
- o a disability tax credit for workers;
- o allowing rehab providers who successfully remove people from the rolls to collect a percentage of the benefits; and
- o creating a new SSI/SSDI transition benefit for youth 18-25.

Pro's:

- o Bold proposals would probably increase incentive for work
- o Relies on private sector for services, rather than assuming SSA can become case manager
- o Many recommendations have support in disability community (National Academy of Social Insurance, Return to Work Group, National Council on Disability)

Con's:

- o Risk of woodwork effect/higher costs for health care coverage and tax credit (although SSA argues that people would not be willing to endure the required lengthy waiting period with no income to get benefits)
- o Private rehab proposal raises potential criticisms about use of trust fund money
- o Transition proposal not broadly supported.

Alternatives to Work Group Recommendations -- Options:

1. Proceed with only a portion of work group's plan
 - FYI, SSA has begun paying private providers when VR can't serve them
2. Do work group plan as a demonstration
3. Strengthen existing work incentive programs (see attached description)
4. Improve Vocational Rehab program (up for reauthorization in 1997)
 - more focus on SSA clients? (now 20-25% of caseload)
 - introduce competition (already beginning)
 - pay for outcomes
 - increase accountability
 - improve VR/SSA links: standardize definitions (48,000 vs. 6,200)
 - enforce requirement that people referred to VR participate in rehab? (many don't respond, drop out)
 - must coordinate with overall employment/training strategy
5. Create return-to-work initiative outside of SSA

SUMMARY AND ANALYSIS OF:
SOCIAL SECURITY ADMINISTRATION
EMPLOYMENT STRATEGY
FOR PEOPLE WITH DISABILITIES

(1) PROVIDER INCENTIVES

PROPOSAL: Replace the current SSA vocational rehabilitation (VR) reimbursement program with one in which beneficiary receives a ticket to be given to the provider of his or her choice in exchange for rehabilitation and employment services. If the beneficiary returns to work and stops receiving disability benefits due to earnings, the provider receives a set percentage (50% in SSA proposal) of the disability benefits which would have otherwise been paid to the beneficiary. The period of payment would have a set time limit (5 years in proposal). Payments will stop if the beneficiary returns to the rolls.

STATUS: This is the pillar of the proposal which SSA would be able to administer internally. As a result, this piece could be developed more quickly than the other pillars of the proposal. SSA needs to produce better, comprehensive cost estimates for this pillar. Also, SSA has not yet created any statutory language for this pillar (or the entire proposal).

DRAFT COST ESTIMATE: This incentive would be open to both DI and SSI beneficiaries. The costs or savings generated by this change are completely dependent on how many beneficiaries decide to take part in this program. On the DI side, the range runs from a cost of \$250 million over 6 years to a savings of \$400 million over 6 years. The \$250 million cost assumes a minimum level participation. Currently, 4,000 DI beneficiaries return to work using services, while 7,000 return to work on their own. The low end participation assumes one-half of those who return to work without VR will utilize these services, which leads to a total of 7,500 per year. This estimate also assumes no "woodwork effect", or new participants.

On the SSI side, the incentive will result in savings ranging from \$60 million to \$450 million over 6 years. There will always be savings generated by the SSI piece of this pillar. Even on the low end, this looks to be cost-effective for SSA. One reason for this difference is that the SSI benefit, which the provider payment is based upon, is much smaller than the average DI payment will be. Also, very few (200 per year) SSI beneficiaries leave the rolls to return to work without using VR services. So there are few recipients where SSA would potentially experience costs without offsetting savings. This low end estimate also assumes no "woodwork effect".

EVALUATION: The Provider Incentives pillar is the most immediately feasible portion of SSA's proposal. There are questions about the reception this proposal will receive in the VR community. Large, private providers will likely be the big winners in this

situation. These providers will be best situated to compete by having the capacity to take on a higher client level and by having the financial resources to cover the start-up costs. This last point is especially important since payment for services is delayed substantially. State VR services could be opposed to this proposal. This could leave them forced to rehabilitate the most severely disabled client base, a group which they are legally required to service. "Creaming" by established private providers will ensure that State VR agencies will be left to service the toughest cases. However, this "creaming" may have a more positive consequence. If private providers aggressively attack the disabled community looking for "easy" cases to rehab. SSA could see high savings levels.

One of the benefits of implementation is the infusion of competition into a VR system which is in need of repair. Since beneficiaries will be free to pick and choose where to utilize their ticket, providers will be driven to tailor services to the demands of the client. This proposal would also create an incentive for providers to permanently rehabilitate beneficiaries due to the timing of reimbursement payments. Since the payments will be contingent on the success of their rehabilitation, it will be in the best interest of the providers to properly rehabilitate their clients. This means that long term success will need to be stressed, which could result in an increase of permanent departures from the rolls.

(2) HEALTH SECURITY

PROPOSAL: Continues to provide health care coverage (Medicaid or Medicare) to beneficiaries after they go to work and earn income at a level that terminates their benefit payments. DI beneficiaries would receive premium-free Part A Medicare coverage and the standard premium for Part B coverage as long as they remain disabled. SSI beneficiaries who are eligible for Medicaid under Section 1619(b) will remain eligible. Those whose income exceeds the state determined thresholds will have the option of buying-in to Medicaid by paying a premium. This premium will be determined by a sliding scale dependent on the income of the beneficiary. The Medicaid proposal would require premium negotiations with each of the states.

STATUS: SSA and HCFA have begun discussions about costs and participation level, yet are far from any resolution. The costs of this provision are driven by the extent to which the more attractive health benefits induce more DI and SSI applications. Until this "woodwork" effect is better understood, the extent of the costs cannot be estimated.

(3) DISABILITY TAX CREDIT

PROPOSAL: Create a Disability Tax Credit (DTC) identical to the currently available Earned Income Tax Credit for low-income workers with two children. For DI beneficiaries, the DTC would be an additional work incentive. However, SSA has asserted that very few DI beneficiaries would be eligible for the DTC due to spousal earnings. The cost of the offset would be offset by the elimination of earned income deductions.

STATUS: SSA has met with Treasury, who had many concerns about the DTC. Treasury staff suggested SSA could administer the benefit through an in-house system. Treasury also addressed issues of horizontal equity -- Why should the DTC not be offered to disabled workers who are not already in the disability system? If the only mechanism to receive this permanent benefit is to temporarily receive SSI or DI benefits, how many of the disabled now in the workforce will apply for benefits?

DRAFT COST ESTIMATES: Eliminating the earned income exclusions would save \$1.1 billion over 6 years. The cost of the DTC for current SSI workers only would be \$300 million over 6 years; assuming no spousal income and that affected SSI workers are now generally eligible for the childless worker EITC. SSA believes DI beneficiaries are much more likely to have spousal income or children so they are ineligible for the DTC or already eligible for the EITC. SSA has not quantified these facts so a DI estimate is not available. Also, any "woodwork effect" that results from the DTC would increase both program and DTC costs and are not quantified.

EVALUATION: For SSI recipients, the DTC would eliminate the \$65 monthly earned income deduction and would change the \$20 general deduction to an unearned income deduction only. The removal of these deductions leads to an income loss for the vast majority of SSI workers. On average, SSI workers would lose approximately \$40 a month in benefits due to the elimination of the income exclusion. However, the income support of the DTC is available for the select few whose earnings are too high to receive benefits.

Due to the fact that only those who are not receiving benefits will be eligible for the DTC, an "earnings cliff" is created. The result is that while those earning less than \$940 per month are losing on average \$418 per year, the 3% of SSI workers who have income of over \$940 dollars monthly will see their total income rise by approximately \$2,600 per year. While SSA did want a "cliff" to provide a clear earnings target for beneficiaries, the DTC is being paid for by chopping the benefits of those earning very little.

(4) **YOUTH TRANSITION PROGRAM**

PROPOSAL: Create a Youth Transition Program for DI and SSI disability beneficiaries between the ages of 18 and 25. Participants would no longer receive cash benefits. Instead, they would have: a thorough assessment of work capability and training; opportunity to take advantage of the other three elements of the employment strategy; a training stipend (which replaces the benefit) that expires at age 25. The stipend which would be determined in part by a parental deeming formula similar to that used to determine cash benefits for under the age of 18. Savings from using the deeming formula would be used to pay for the cost of the work assessment.

STATUS: This proposal represents a major change in the program for people in the target group. This is not an optional program; this will be required of all beneficiaries who are between the ages of 18 and 25. This pillar will be able to be analyzed to a greater extent when the health security issue is resolved.

CURRENT RETURN-TO-WORK INCENTIVES

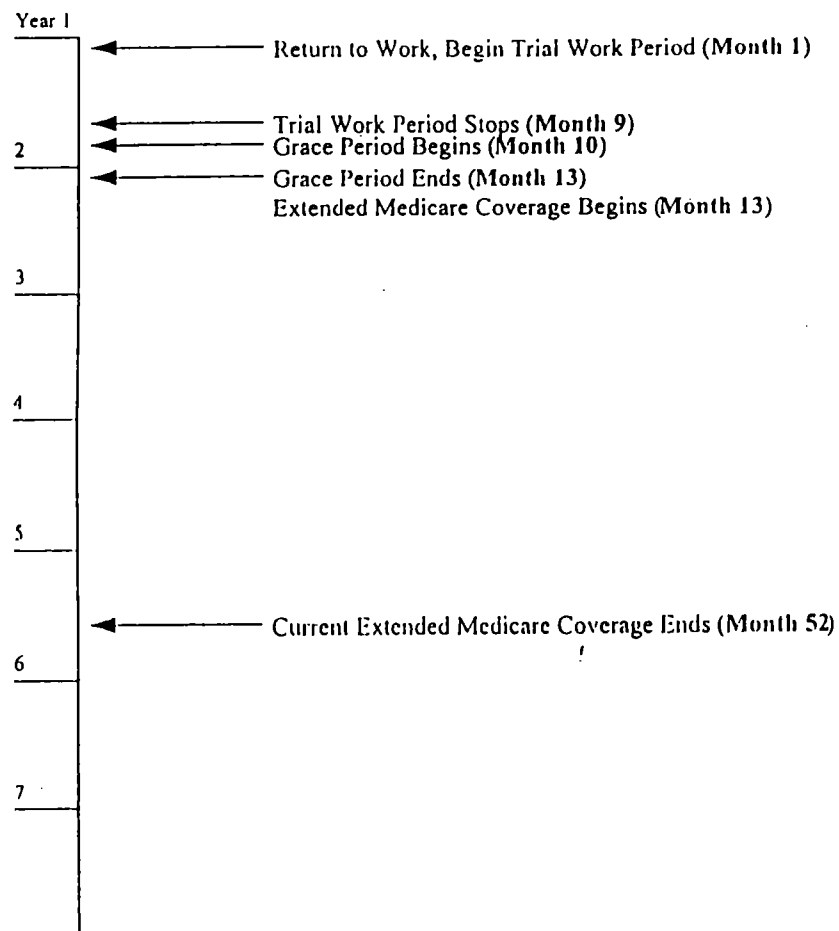
<u>INCENTIVE</u>	<u>DI</u>	<u>SSI</u>
HEALTH CARE COVERAGE	* Continuation of Medicare Coverage (39 Months; 48 Months Total with Trial Work, Grace Periods)	*Section 1619(b)-- Continuing Medicaid Eligibility
CASH INCENTIVES		
EXTENSIONS		
<i>Limited Extensions</i>	* Trial Work Period (Get Benefits; 9 Months) * Extended Period of Eligibility (Eligible for Benefits for 36 Months) * Grace Period (3 Months of Benefits) * Continued Payment While Under Voc. Rehab.	* Continued Payment While Under Voc. Rehab.
<i>Indefinite Extensions</i>	* Subsidies	* Section 1619(a)-- SSI Payments For Workers * Subsidies
EXCLUSIONS		
<i>Income Exclusions</i>	* All Unearned Income is Excluded * Impairment Related Work Expenses	* \$20 General Income Exclusion * \$65 Earned Income Exclusion * 1/2 Remaining Earned Income Exclusion * Student Earned Income Exclusion * Blind Work Expenses * Impairment Related Work Expenses
<i>Resource Exclusions</i>	* Resources are Not Counted in Benefit Level	* Property Essential For Self Support
<i>Income & Resource Exclusions</i>		* Plan For Achieveing Self Support
PROVIDER INCENTIVES	* One-time Voc. Rehab. Provider Payment	* One-time Voc. Rehab. Provider Payment

PROPOSED RETURN-TO-WORK INCENTIVES

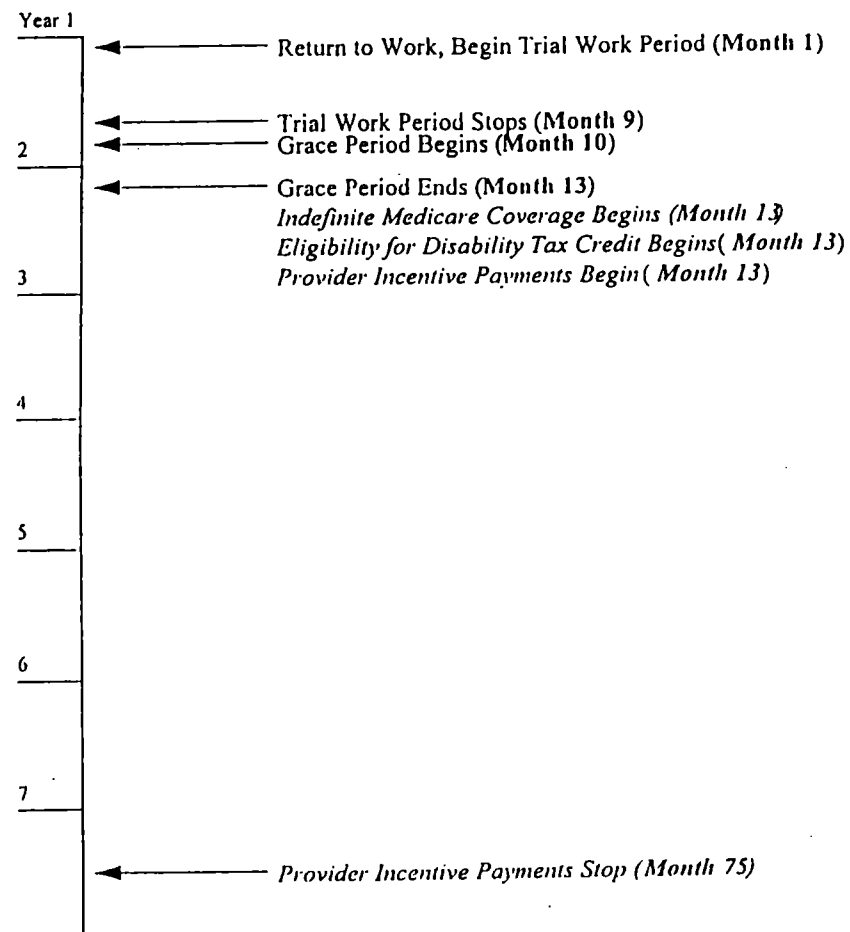
Program Changes in Italics

<u>INCENTIVE</u>	<u>DI</u>	<u>SSI</u>
HEALTH CARE COVERAGE	** <i>Continuation of Medicare Coverage (Indefinite)</i>	* Section 1619(b)-- Continuing Medicaid Eligibility ** <i>Medicaid Buy-In for those Over 1619(b) Thresholds</i>
CASH INCENTIVES		
EXTENSIONS		
<i>Limited Extensions</i>	* Trial Work Period (Get Benefits; 9 Months) * Extended Period of Eligibility (Eligible for Benefits for 36 Months) * Grace Period (3 Months of Benefits) * Continued Payment While Under Voc. Rehab.	* Continued Payment While Under Voc. Rehab.
<i>Indefinite Extensions</i>	* Subsidies ** <i>Disability Tax Credit</i>	* Extended SSI Benefit Payments For Workers * Subsidies ** <i>Disability Tax Credit</i>
EXCLUSIONS		
<i>Income Exclusions</i>	* All Unearned Income is Excluded * Impairment Related Work Expenses	** <i>\$20 General Unearned Income Exclusion</i> * 1/2 Earned Income Exclusion * Student Earned Income Exclusion * Blind Work Expenses * Impairment Related Work Expenses
<i>Resource Exclusions</i>	* Resources are Not Counted in Benefit Level	* Property Essential For Self Support
<i>Income & Resource Exclusions</i>		
PROVIDER INCENTIVES	** <i>Voc. Rehab. Provider Incentive Payments</i>	** <i>Voc. Rehab. Provider Incentive Payments</i>

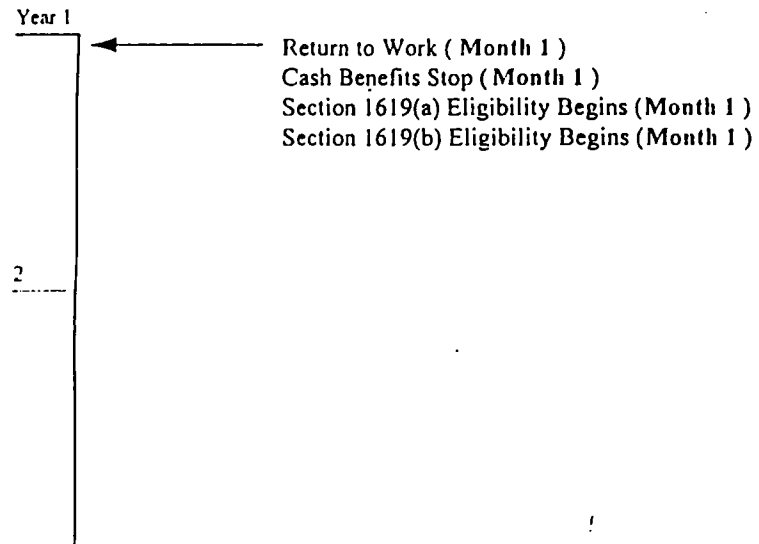
SSDI-- Current Return to Work Timeline



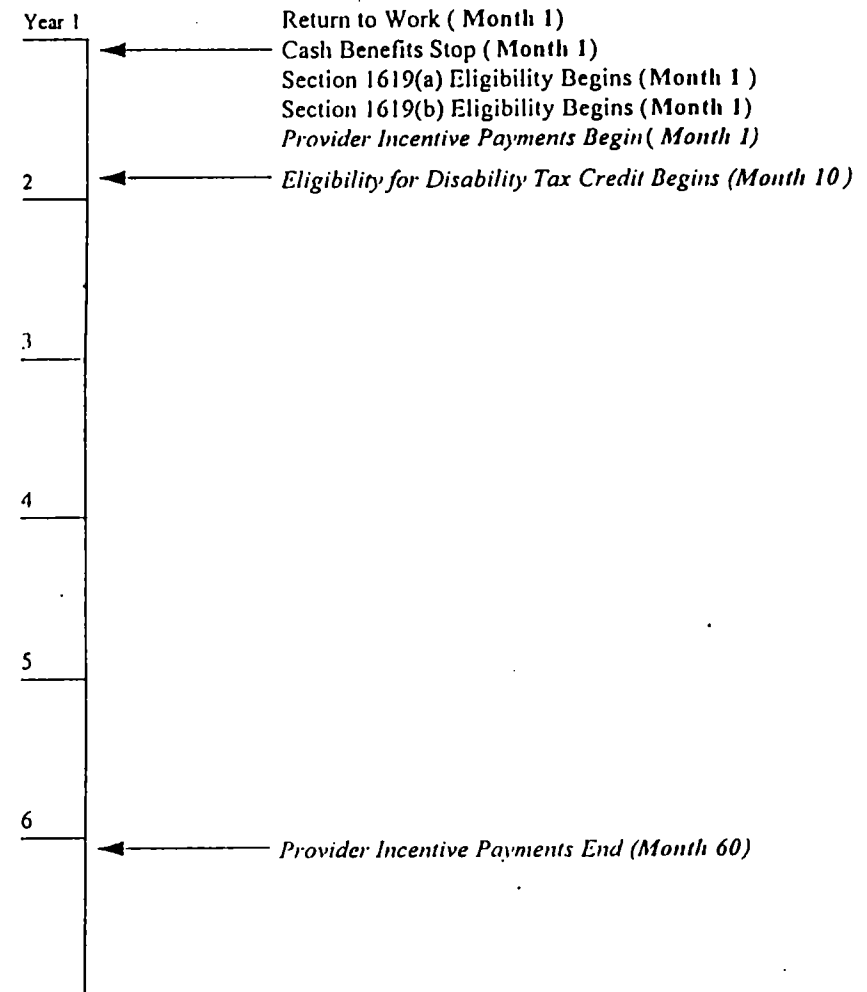
SSDI-- Proposed Return to Work Timeline *Program Changes in Italics*



SSI-- Current Return to Work Timeline



SSI-- Proposed Return to Work Timeline *Program Chances in Italics*



COMPARISON OF CURRENT AND PROPOSED WORK INCENTIVES

<u>INCENTIVE</u>	<u>CURRENT</u>	<u>PROPOSED</u>
HEALTH CARE COVERAGE		
DI-- Continuation of Medicare Coverage	DI Beneficiaries who return to work can have their Medicare benefits continue for 39 months following their Trial Work Period.	DI beneficiaries who return to work can have their Medicare benefits continue indefinitely following their Trial Work Period.
SSI-- Section 1619(b); Continuing Medicaid Eligibility	SSI beneficiaries whose earned income is too high to receive benefits are eligible to receive health care coverage.	Any SSI worker whose earned income is in excess of the 1619(b) thresholds will be able to purchase Medicaid at a sliding rate determined by their income.
CASH INCENTIVES		
<u>LIMITED EXTENSIONS</u>		
DI-- Trial Work Period	Allows a beneficiary to work for nine months without losing any of their benefits.	Remains the same.
DI-- Extended Period of Eligibility	The 36 months following the TWP where an employed beneficiary is eligible for benefits if their income drops below SGA.	Remains the same.
DI/SSI-- Continued Payment While Under Voc. Rehab.	A no longer disabled beneficiary may receive benefits if enrolled in a Voc. Rehab. program.	Remains the same.

INDEFINITE EXTENSIONS

**SSI-- Section 1619(a); SSI
Payments for Workers**

Allows SSI beneficiaries to receive benefits when earned income exceeds SGA.

Remains the same.

SSI-- Subsidies

Support a person receives from an employer which could result in a higher income than the actual value of the work performed.

Remains the same.

DI/SSI-- Disability Tax Credit

None.

A tax credit to supplement income for those who no longer qualify for benefits due to excess earned income. Similar to EITC for two children. Eliminates \$65 earned income exclusion when determining benefits.

INCOME EXCLUSIONS

**SSI-- \$20 General Income
Exclusion**

First \$20 of monthly income (earned or unearned) is disregarded when calculating benefit levels.

First \$20 of unearned monthly income is disregarded when calculating benefit levels.

**SSI-- \$65 Earned Income
Exclusion**

The first \$65 of earned monthly income is excluded when calculating benefit levels.

Eliminated by the Implementation of the Disability Tax Credit.

**SSI-- 1/2 Earned Income
Exclusion**

One-half of the earned income which remains after other income exclusions are factored is disregarded when calculating benefit levels.

Remains the same.

**SSI-- Student Earned Income
Exclusion**

Any SSI beneficiary under the age of 22 who is in school may exclude up to \$400 per month of earned income; the annual cap on this exclusion is \$1,620.

Remains the same.

SSI-- Blind Work Expenses

Any earned income which a blind beneficiary uses to meet expenses needed to earn income is not counted when determining SSI eligibility and the payment of benefits.

Remains the same.

SSI-- Impairment Related Work Expenses

Costs of certain impairment-related items and services which are needed to work are deducted from earned income when determining SGA.

Remains the same.

RESOURCE EXCLUSIONS**SSI-- Property Essential to Self Support**

An SSI beneficiary may exclude certain resources which are essential to the person as a means of self support.

Remains the same.

INCOME & RESOURCE EXCLUSIONS**SSI-- Plan for Achieving Self Support (PASS)**

Allows a person with a disability to set aside income and/or resources for a specified period of time for the purpose of attaining a work goal.

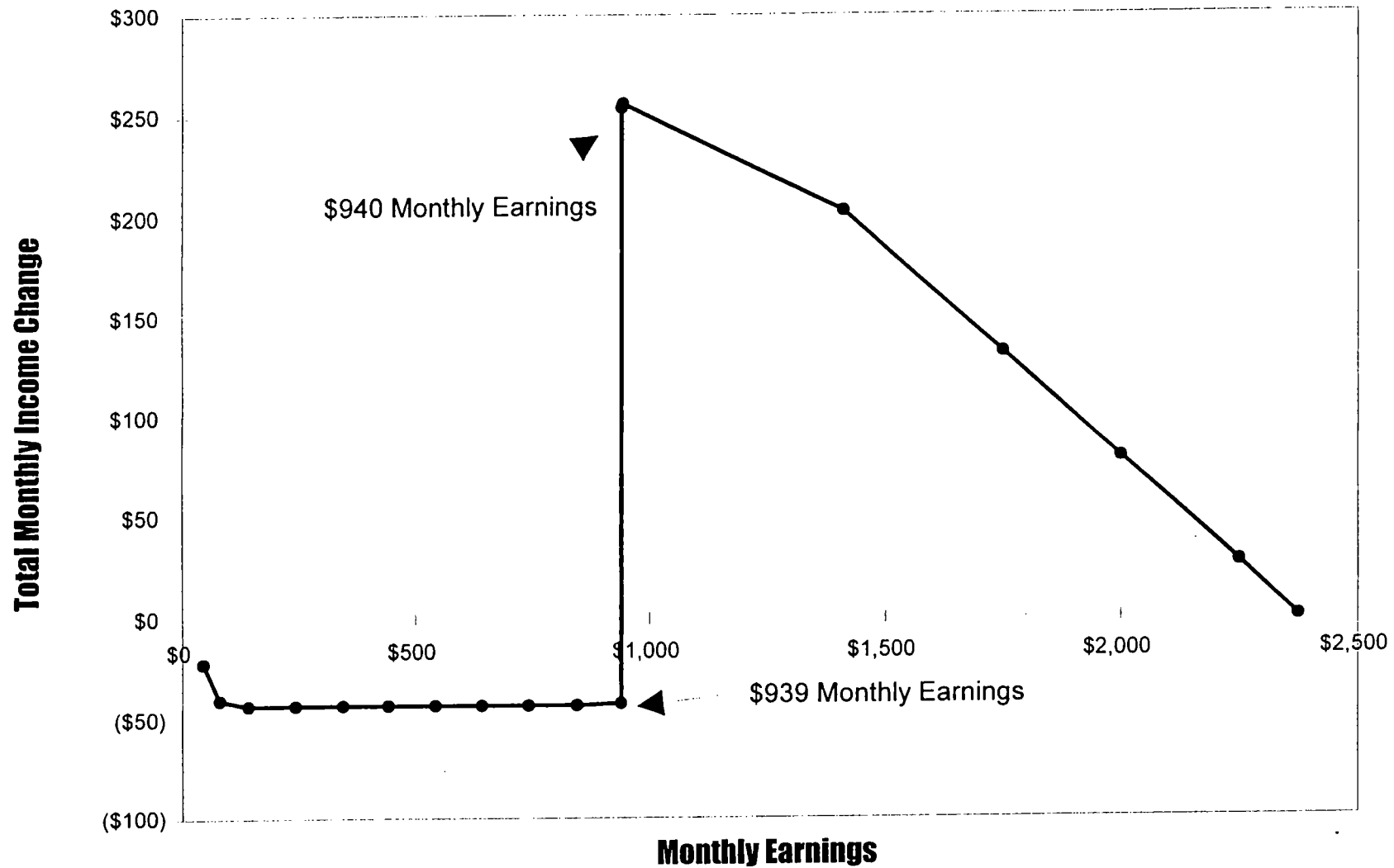
Eliminated.

PROVIDER INCENTIVES**DI/SSI-- Voc. Rehab. Provider Incentive Payments**

SSA pays a one-time fee to the Voc. Rehab. provider regardless of the success of the rehabilitation.

Voc. Rehab. providers will receive a percentage (50% in proposal) of what the rehabilitated beneficiary's benefit would have been for a set time span (five years in proposal). Payments will be made as long as the beneficiary is working and off the rolls.

Monthly Income Impact of DTC





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MEMORANDUM TO: Jack Lew

FROM: Ken Apfel 

DATE: August 14, 1996

SUBJECT: Social Security Disability Return to Work Incentives

BACKGROUND: Less than one-half of one percent (approximately 14,000) of Disability Insurance (DI) and Supplemental Security Income (SSI) beneficiaries with disabilities come off the rolls annually because they return to work on an annual basis. By contrast, benefits for nearly 170,000 disabled workers on DI alone are terminated annually as a result of death.

SSA currently has a collection of return-to-work incentives in place to assist DI and SSI recipients in their efforts to move into the workforce. The current incentives focus on: (1) health care coverage, (2) cash benefits for when the individual first begins to earn above specified levels, and (3) payments to providers of rehabilitational services (currently almost exclusively State Vocational Rehabilitation services) who assist beneficiaries in securing jobs.

Over the past year, the Social Security Administration (SSA) has been developing a proposal to change its system of return-to-work incentives for DI and SSI beneficiaries. It is possible that this proposal will be considered in the context of the President's FY 1998 Budget.

PROPOSAL: The following is a brief description of SSA's four-part proposal including a brief comparison of each element with the current incentives. The first three elements would be available to all adult beneficiaries. The last is targeted at the 18-25 year-old age group. SSA has not yet developed statutory language for these proposals and cost analysis is incomplete.

INCENTIVES FOR ALL ADULT BENEFICIARIES

(1) HEALTH SECURITY- SSA proposes to have health care coverage (Medicare or Medicaid) provided to beneficiaries after they return to work and earn income at a level that terminates their current health benefits.

Currently, DI beneficiaries who return to work may keep their Medicare for 39 months after they leave the rolls because of employment. After the 39 months have expired, they have the option of buying Medicare at the standard premium. Under the proposal, DI beneficiaries would receive premium-free Part A Medicare coverage and pay the standard premium for Part B coverage. SSI beneficiaries who return to work are now eligible for extended Medicaid coverage as long as their income does not exceed a state determined threshold. SSA proposes to allow those who pass the threshold levels to purchase Medicaid with premiums pegged to earning levels.

STATUS: SSA and HCFA have begun discussions about estimated costs and participation levels. Additional costs of this provision are driven by the extent to which attractive health benefits induce more DI and SSI applications. SSA and HCFA need to arrive jointly at a better understanding of this “woodwork” effect in order to develop meaningful estimates of the potential costs of the proposal. They also need to develop regulatory language from which actuarial estimates can be made.

(2) DISABILITY TAX CREDIT- SSA proposes the creation of a Disability Tax Credit (DTC) for disabled workers who have left the DI or SSI rolls that would be identical to the currently available EITC for low-income workers with two children.

While DI beneficiaries will be eligible for the DTC, SSA expects that very few DI beneficiaries will qualify for the DTC due to excess income. SSA believes that the vast majority of those eligible for the DTC would be former SSI recipients. To fund the DTC, SSA proposes to eliminate the current \$65 monthly earned income exclusion used to calculate benefits for current SSI recipients and change the current \$20 monthly general income exclusion into an unearned income exclusion only. This would have the effect of lowering recipients benefits.

STATUS: SSA has begun discussions with Treasury. The Internal Revenue Service would clearly have some responsibility for administering the DTC. Treasury staff has suggested that SSA develop an option for providing comparable benefits within the SSI and DI benefit systems. Pros and cons of such an option could then be compared with the pros and cons of the DTC.

EVALUATION: The elimination of the income exclusions for working SSI beneficiaries means that all working SSI beneficiaries will experience a decrease in benefit amount. Compared to the approximately 400,000 working SSI beneficiaries, we estimate only about 15,000 individuals no longer receiving SSI benefits would be eligible for the DTC in the first year. The result under SSA’s proposal is that the DTC will benefit a small number of individuals no longer receiving SSI benefits as they are earning at least \$11,280 per year by cutting the SSI benefits for a large number who are earning very little income.

(3) PROVIDER INCENTIVES- SSA proposes to replace the current vocational rehabilitation (VR) reimbursement program with one in which the beneficiary receives a “ticket” to be given to a provider of his or her choice in exchange for rehabilitation services leading to employment . The “ticket” leads to payment to the provider if the beneficiary returns to work and leaves the rolls.

If the beneficiary returns to work and stops receiving disability benefits due to earnings, the provider receives a set percentage (50% in SSA’s proposal) of the disability benefits which would have otherwise been paid to the beneficiary. The period of payment would have a set time limit (5 years in the proposal). This would be a departure from the current reimbursement, which is a one-time lump sum payment with no connection to outcomes. Payments to the provider will

stop if and when the individual returns to the rolls.

STATUS: This is the item within SSA's proposal which could be administered internally. As a result, this element could be implemented more quickly than other parts of the proposal. SSA does need to produce comprehensive cost estimates and identify any necessary statutory changes.

EVALUATION: The competitive private market that SSA hopes to encourage with these tickets may not fully materialize because of the high up-front capital costs given the incentive design. State VR agencies could be expected to be opposed to this change leading to competition for federal dollars. The proposal is intended to encourage providers to continue to provide support to individuals given the spacing of incentive payments over a five-year period after returning to work. The hope is that providers may act as "case managers" for beneficiaries who return to work, increasing the frequency that disabled workers permanently return to the workforce.

YOUTH TRANSITION PROGRAM

SSA proposes to create a Youth Transition Program (YTP) for DI and SSI disability beneficiaries who are between the ages of 18 and 25.

Participants in this age group would no longer receive cash benefits. Instead, they would have a new collection of services available to them. YTP participants would get a thorough assessment of work capability and training. Also available to YTP participants would be a training stipend that would take the place of the benefit that the participant would have received. Finally, YTP participants would have the opportunity to take advantage of the other three elements of the proposal.

The training stipend would be determined in part by a parental deeming formula similar to that used to determine cash benefits for those under the age of 18. The result of this is that many middle and upper income beneficiaries would no longer be eligible for assistance. This will not be an optional program; all 18 to 25 year old beneficiaries will be required to become involved.

STATUS: The YTP is the element of the proposal which is original. The other three elements are similar to published proposals from other sources (e.g., National Academy of Social Insurance, National Council on Disability). This proposal represents a major change in the DI and SSI programs for the target population. In order to better evaluate this proposal, statutory language is still needed. SSA also needs to complete more work on the other three elements, since SSA asserts that having some form of the other three elements in place is critical to the success of this fourth element.

CONCLUSION: While more work within SSA and with HCFA and Treasury is needed, this proposal is far enough along that serious consideration may be appropriate later this year. We will continue to work with SSA.

CC: Nancy-Ann Min
Diana Fortuna

INSIDE**Social Security Administration**

Return-to-Work Plan Proposed for Disabled

By Spencer Rich

Washington Post Staff Writer

Despite the fact that as many as three of 10 severely disabled persons may be good candidates to return to work, few do, a new report by the General Accounting Office shows. And with federal support for the disabled ballooning, the Social Security Administration needs to take action to control costs by getting more disabled back on the job, the GAO said.

Based on studies of how disabled benefits are handled in the private sector and in Sweden and Germany, the GAO recommended a major restructuring of how the government distributes \$53 billion in support payments. Over 6 million people receive benefits from the Social Security disability program or the Supplemental Security Income (SSI) program. SSI is an income-tested program also administered by the Social Security Administration.

The report said less than half of 1 percent of Social Security disability beneficiaries "ever leave the disability rolls by returning to work," and the SSA "focuses little attention on returning beneficiaries to the workplace."

"If an additional 1 percent of the 6.3 million beneficiaries were to leave SSA's disability rolls by returning to work, lifetime cash benefits would be reduced by an estimated \$2.9 billion," it found.

The GAO proposed the SSA develop a comprehensive return-to-work strategy and "intervene as soon as possible" after the onset of disability to promote and facilitate return to work.

Such intervention is crucial because "long absences from the workplace are believed to lead to a disability mindset—a condition of discouragement in which the disabled workers, believing they will not be able to return to work,

lose the motivation to try," the report said.

One study cited by the GAO emphasized it is best to identify within "days or even hours after a disabling event occurs" those who eventually may be able to return to work. This helps the worker develop an expectation he or she can and will do so. Sweden and Germany take that approach, the GAO said.

The GAO also said the priority today in the two big U.S. programs "is to determine the eligibility of applicants to receive cash benefits, not to assess their return-to-work potential." Some of

*If an additional
1 percent of the
6.3 million
beneficiaries
returned to work,
cash benefits
would be reduced
\$2.9 billion.*

—GAO report

officials say part of the reason Germany and Sweden take a different approach is that U.S. law allows people to get benefits only if they have the most serious, permanent-type disabilities. So, according to the SSA, there is less reason for immediate rehabilitation than in Europe where numerous people with lesser disabilities receive benefits and are routinely assisted with return-to-work help.

Even so, the GAO's position is that U.S. programs could do better on rehabilitation, quickly identifying potential return-to-work beneficiaries and starting rehabilitation and work-readiness steps,

while enlisting support of employers.

According to the GAO, only about 8 percent of disability applicants eventually are referred to vocational rehabilitation services by state agencies that work with the Social Security Administration. "And only 10 percent of those referred" are accepted as clients. "State vocational rehabilitation agencies may be cautious about accepting" Social Security disability beneficiaries "because the Social Security Administration does not contribute to the cost of services these agencies provide unless a beneficiary successfully returns to work." By contrast, in Germany, "all disability pension applicants are considered for rehabilitation and for return to work."

The GAO also recommended the United States structure disability benefits to encourage return to work and deal with people's fear of "losing the security of a guaranteed monthly income and medical coverage." Although the rules allow such people trial work periods without loss of medical benefits or total loss of cash benefits for a period after resuming work, because of "weaknesses in the way these guarantees are designed and implemented," the GAO said, "they have not encouraged many beneficiaries to attempt to return to work."

SSA, in a comment on the GAO's findings, said it already is taking steps to encourage rehabilitation but the steps proposed by the GAO would require major changes in the law and reorientation of the whole disability program. Commissioner Shirley S. Chater said "SSA cannot act alone."

To develop and operate a whole new system stressing rehabilitation and jobs from the outset of a person's disability would require participation of "all appropriate federal and state government agencies, private rehabilitation vendors, insurance companies, employers," and the disabled and their advocacy groups, Chater said.

Unlike the European programs, she said, "SSA's disability programs are designed to be cash benefit programs for individuals with long-term disabilities, not return-to-work programs." In Sweden and Germany, Chater said, involvement of private employers in rehabilitation that is integrated with government programs is legislatively mandated.

PHOTOCOPY
PRESERVATION

WEDNESDAY, SEPTEMBER 4, 1996 A15

September 4, 1996

Adam Meyerson

Which Programs Work?

One reason for the crisis in the welfare state is the absence of reliable information about how government programs perform. When you buy a car or CD player, you can compare values in Consumer Reports and other publications. But if you want drug treatment or wish to enroll your child in preschool, where can you turn to learn which programs are best?

The National Results Council (NRC), a new nonprofit organization based in St. Paul, Minn., offers a model for filling this vacuum. The NRC plans to give users of human services the same kind of comparative performance measures available to buyers of laptops and toasters.

It will begin by measuring the effectiveness of vocational rehabilitation programs that try to find jobs for people with disabilities. With some 15,000 programs nationwide serving 500,000 people, this is a \$3 billion to \$4 billion industry, funded mostly by federal and state taxpayers. Despite all this money, roughly two-thirds of the disabled remain unemployed. Yet, astonishingly, there are no industry-wide measures for judging how well individual programs are doing.

"When you're choosing between different mutual funds, you can compare their performance in Morningstar," says NRC Chief Executive Officer Terry Etling. "But if you have a disability and want a job, you don't know which rehab programs have the best track record. And if you're a legislator trying to get the most bang from the taxpayers' buck, you don't know which programs to expand or scale down."

Etling ought to know. He used to hand out money to service providers as an official at the Ohio Rehabilitation Services Commission.

To fill this void, the NRC will compare every vocational rehabilitation program in the country according to two measures of performance:

- Four months after graduation, what percentage of participants has been employed for at least 30 days earning at least \$180 per week? (For some kinds of programs, the earnings threshold will be lower.)
- How much does the program cost per beneficiary?

The NRC will then rank programs according to benefits delivered and cost per beneficiary. Rank order will be adjusted according to labor market conditions and severity of disability, so programs that help people who have the greatest difficulty finding jobs will earn the highest scores.

The NRC will test its methodology in a pilot study of 90 rehab programs at the Bethesda-based Goodwill Industries International. Kenneth Shaw, Goodwill's research director, says his organization conducts internal studies of its programs, "but we think an independent third-party evaluation will have more credibility."

Shaw thinks the NRC study will help Goodwill do its job better. "We want to know if some of our programs aren't achieving industry standards and then figure out why," he says. "We also want to identify which of our programs work best, so that we can learn from our own success and transfer those lessons to our other operations."

That's exactly what Etling hopes will happen throughout the rehab industry.

Robert Walker, NRC's president, is a program-evaluation specialist who used to run a Minneapolis rehab center. He estimates that the industry could improve its cost-effectiveness by 20 percent to 25 percent, simply by bringing low performers up to the standards of the best in the business. "For the same amount of money, we could help 25 percent more people get jobs."

The big question is how consumer information will transform the industry. "Simply pointing to models of excellence isn't enough," says Chris Olander, an NRC board member. "We have to change incentives." Olander is the executive director of New York City's JM Foundation, which conducted a seven-year search in the 1980s to identify the nation's most effective vocational rehab programs. "Guess what? The winners were exemplary, but nobody cared. Government and private funders didn't reward the best performers or punish the worst ones. That's because we don't pay for outcomes in this industry, we pay for quantity of services. We have to start paying for results."

After vocational rehab, the NRC's next target for evaluation will be the larger world of job training—a \$20 billion a year industry. It also is considering programs for alcohol and drug treatment, mental health and teen-pregnancy prevention. One issue the NRC may be able to resolve is whether faith-based alcohol and drug addiction programs have much higher success rates—as their boosters claim—than medical therapies or secular counseling programs.

The NRC hopes it can reach five audiences with its information: consumers who can make more informed decisions, service providers who can compare their results with similar programs, government officials who can better direct tax dollars for maximum benefit, researchers and trainers who can help improve programs and private funders who can invest their charitable contributions for greater impact.

"Our mission," says Walker, "is to help human services achieve higher success rates while reducing costs and serving more people."

The writer is a vice president of the Heritage Foundation and editor of Policy Review: The Journal of American Citizenship, from which this article is adapted.

The Was in Lon Lost



FAX COVER

Education Branch
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

TO: Diana Fortuna

FAX NUMBER: 6-7028

FROM: Janet Looney

DATE: 7/23/96

TIME: 4:15 pm

NUMBER OF PAGES: Cover + 7

Notes: Attached please find some demographic information on VR clients.

Annual Report

To the President and to the Congress

Fiscal Year 1993

**On Federal Activities Related to the
Rehabilitation Act of 1973, as Amended**

CHARACTERISTICS OF REHABILITATED CLIENTS-FISCAL YEAR 1992 (Appendix D, Table 1)

Introduction

Section 13 of the Rehabilitation Act of 1973, as amended, requires the Commissioner of the Rehabilitation Services Administration (RSA) to submit a report to the President and the Congress covering the rehabilitation services provided to individuals, along with their characteristics, who were closed from the vocational rehabilitation (VR) services program during the previous fiscal year. In partial fulfillment of this requirement, the characteristics of individuals closed as rehabilitated in FY 1992 are briefly discussed here (Refer to later section for discussion of the reason for closure of the not accepted and non-rehabilitated individuals, and refer to earlier section for discussion of the comparison of economic gains of individuals with severe disability and those with non-severe disability). The tabulated data are presented in Appendix D, with similar data for FY 1991 and FY 1990. The data presented are those from the RSA's Case Service Report System (RSA-911).

Selected Characteristics

There were a total of 191,821 rehabilitated cases in FY 1992. However, the numbers reporting different items of data are typically less than this number and also vary by item.

Age at application for Vocational Rehabilitation Services

Although there is no established legal upper or lower age limit for applications, approximately half (50.3 percent) of the rehabilitated individuals were between 25 and 44 years of age and over 83 percent were between the ages 18 and 54. These are typically the working ages for most people, and the fact that an overwhelming majority of the individuals with disabilities came from this broad age group is thus expected. The average age at application of the rehabilitated individuals was 34.2 years and the median age was about 32 years.

Gender

Males outnumber females (56 percent versus 44 percent) among the rehabilitated cases in FY 1992.

Race

Whites constitute 80 percent of persons rehabilitated in FY 1992, blacks 18 percent, American Indian/Alaskan Natives 0.7 percent, and Asian and Pacific Islanders 1.3 percent.

Hispanic

Approximately 8 percent of the rehabilitated individuals identified themselves as Hispanic, regardless of their racial characteristics.

Highest grade completed

The highest grade of school completed was reported in terms of number of years. Over three-quarters (76.3 percent) of individuals who were rehabilitated reported that they had completed 9 or more grades. Only 2.6 percent reported no completed grades. About 14 percent reported no specific grade or grade equivalent. The mean number of grades completed for rehabilitated individuals who reported a specific grade was 11.3 years.

Marital status

Nearly half (48.5 percent) of the individuals rehabilitated in FY 1992 were never married, while a little over a quarter (27.5 percent) were currently married. The remaining (24.0 percent) were widowed, divorced, or separated.

Type of institution at application

Nine out of ten individuals (90.5 percent) were not in any type of institution for special care at the time of application. The remaining were in a number of different types of institutions.

Source of referral

A little less than a quarter (23.5 percent) of the rehabilitated individuals came to the VR program on their own (self-referred), while about a 20.4 percent were referred by other individuals, including physicians. Nearly 16 percent were referred by educational institutions, 13.1 percent by health organizations, 13.4 percent by other public sources, and the remaining 13.7 percent by other sources including hospitals and sanatoriums (5.8 percent).

Major disabling condition

The major disabling condition is reported as the physical or mental condition, impairment, or disease most responsible for an individual's work limitation. A number of specific disabling conditions were reported by each State agency with respect to the individuals it rehabilitated in FY 1992. For the purpose of this report, they have been grouped into separate major categories. orthopedic impairments (21.0 percent), mental illness (16.3 percent), mental retardation (13.4 percent), and substance abuse -

42%

(11.5 percent) were the four major categories of disabling conditions reported, followed by visual impairments (9.6 percent), hearing impairments (8.4 percent) and learning disabilities (6.7 percent).

Secondary disabling condition

This is a disability that is next in importance to the major disability discussed above for the work limitation. The percentage of rehabilitated individuals having a secondary disability has gradually increased each year.

Severely disabled

Seven out of ten (70.6 percent) individuals rehabilitated in FY 1992 were classified as severely disabled. Given the statutory requirement that individuals with severe disabilities must be given priority for VR services, the phenomenon that such a large majority of individuals who were rehabilitated were individuals with severe disabilities is to be expected.

State defined

Public support

At the time of application, a little over a fifth (22.1 percent) were receiving public assistance. One in ten (10.1 percent) were receiving SSDI during VR, while about one in eight (12.9 percent) were receiving SSI.

Time in the VR Program

The majority (87.5 percent) of rehabilitated individuals were in the VR Program for more than six months. The average time in the VR program for these rehabilitated individuals was 23.1 months.

Cost of purchased services

VR agencies were required to report the total cost of services they purchased from outside sources for each rehabilitated individual. This cost does not include an agency's own administrative or counselor costs, nor does it include the cost of rehabilitation services, if any, that the agency provided directly to the individual. Some of the VR agencies operate their own facilities for providing rehabilitation services. For this latter group, the cost reported may be comparatively lower. The cost of purchased services for individuals rehabilitated in FY 1993 varied widely. The cost of purchased services for a third (33.4 percent) of these individuals was between \$100 and \$999, for a little over a quarter (27.2 percent); the cost was between \$1,000 and \$2,999, and for over another quarter (28.0 percent) the cost was \$3,000 and

above. For approximately a seventh (15.1 percent), of these individuals the cost of purchased services was \$5,000 or more. The mean cost of purchased services was \$2,740, which represented an 8.8 percent increase from the mean cost for FY 1991.

Types of services provided

Nearly everyone (94.4 percent) received diagnosis and evaluation services and four in ten (40.1 percent) received restoration (physical or mental) services. Well over half (56.4 percent) received one or more kinds of training: personal and vocational adjustment (23.0 percent), miscellaneous (16.8 percent), business and vocational (13.8 percent), and college and university (12.9 percent). Well over a third (37.0 percent) received a job placement service, more than four out of ten (42.5 percent) received a job referral service, and over a third (35.3 percent) received transportation services.

Type of facilities or agency providing services

Private individuals are the single most common provider of services, having provided services for nearly half (48.5 percent) of all individuals rehabilitated in FY 1993. The next most common provider is a community rehabilitation program (33.3 percent), and is followed by private organizations and agencies (26.1 percent), academic institutions (20.0 percent), health organizations (17.4 percent), hospitals (15.9 percent), and business and vocational schools (14.3 percent).

Work status and earnings

At application, a little less than a fifth of the individuals who were rehabilitated in 1993 (18.1 percent) were in the competitive labor market. Nearly three-fourths (74.9 percent) were non-workers. Homemakers constituted a small fraction (4.0 percent), while sheltered workshop workers constituted an even smaller fraction (2.0 percent). The remaining individuals (1.0 percent) were either self-employed or unpaid family workers.

At closure, more than eight out of ten rehabilitated individuals (81.3 percent) were in the competitive labor market. Nearly one in ten (9.5 percent) were homemakers, while about one in twenty (5.4 percent) were sheltered workshop workers. Individuals who were self-employed or working in State agency-managed business enterprises constituted only a small fraction (3.3 percent), while the remaining individuals (0.4 percent) were unpaid family workers.

As for weekly earnings, well over three-fourths (79.2 percent) had no earnings at application, while nearly a seventh (13.5 percent) had earnings ranging from \$1 to \$199. The remaining (7.3 percent) had earnings of \$200 or more. The mean earnings at application was \$37.35.

At closure, only less than a tenth (9.5 percent) had no weekly earnings, a little less than half (44.3 percent) had \$1 to \$199, and the remaining (46.4 percent) had \$200 or more in earnings. The mean earnings at closure was \$198.27. $\Rightarrow \$10K/yr$

Thus, as should be expected, the economic status of the rehabilitated individuals, as measured by work status and weekly earnings, improved considerably from application to closure. Most, if not all, of this improvement can be attributed to the VR program. $VS\ bars?$

Primary source of support

Another indicator of the improvement in economic status of the rehabilitated individuals is the change in their primary source of support from application to closure. At application less than a fifth (17.8 percent) had current earnings (their own earnings) as their primary source of support, while at closure nearly three-fourths (74.9 percent) had current earnings as their primary source of support. Close to half (44.6 percent) had family and friends as their primary source of support at application, while only less than a tenth (9.9 percent) had that situation at closure.

Occupation at closure

The type of occupation of individuals at closure was classified according to the system in the Dictionary of Occupational Titles. This classification system gives additional specification of the nature of work at closure of these individuals. About half were in the services (24.2 percent) or industrial (25.6 percent) fields. Another quarter were either holding professional, technical, or managerial occupations (14.4 percent) or clerical positions (13.6 percent). The remaining quarter were reported as homemakers or in sales, agricultural, and other occupations.

REASONS FOR CLOSURE (Appendix D, Table 2)

As part of the RSA-911 system, the State VR agencies were required to provide the reason for closure of each individual whose case was closed as not accepted or not rehabilitated. There were a total of 266,205 not accepted cases, and 139,044 not rehabilitated cases in FY 1992. The reason for closure of these cases are presented below.

Not accepted cases

192,000 rehab'd
139,000 not rehab'd
266,000 not accepted

Nearly three out of ten applicants (29.6 percent) were not accepted because they refused services, and about a fifth (19.6 percent) were not accepted because they failed to cooperate. A little over a sixth (17.4 percent) were not accepted because they could not be located (after application). The remaining applicants

were not accepted for a variety of other reasons, including no disabling condition (4.3 percent), disability too severe (6.2 percent), and no impediment to employment (6.0 percent).

Not rehabilitated cases

A little over a quarter of eligible individuals (26.6 percent) were closed as not rehabilitated because they could not be located, and about the same proportion (26.2 percent) were closed for the reason that they refused services. A fifth (20.2 percent) were closed because they failed to cooperate. The remaining eligible individuals (27.0 percent) were closed for a variety of other reasons, including 7.2 percent whose disability was later determined to be too severe.

Contact Person: Neal Nair, (202) 205-5514

ndpr work group on vr:

consolidate w/gen'l trg progs AND more focus on SSA clients

and PPG it; DETAILS on consolidations; perf indic

Testimony:

RSA blames disincentives of health/cash bns, and SSA refusal to enforce its reqs to engage in rehab/people don't want to participate

They think private sector won't have patience w/this pop and SSA

BRIEFING BOOK MEMO

June 12, 1996
2:00-2:40 (approximately)
Carol's office

FROM: Diana Fortuna

SUBJECT: Disability Policy Review

PARTICIPANTS: OMB: Alice Rivlin, Ken Apfel; staff may include Richard Green, Lisa Fairhall, Jack Smalligan, Janet Looney; DPC intern Gus Chiarello

PURPOSE: To review status of Disability Policy Review and where we are going with it.

AGENDA: We should go over with Alice and Ken what each of the 4 work groups has done, where they have left off, and options for continuing. Attached are summaries of each work group.

In particular, I think we need to get their commitments to work cooperatively in 3 areas:

- o On employment, to continue to pursue Susan's strategy, and to also consider whether there is something we can do in this critical area short of the full-blown plan.
- o On transition, to assist us in improving this work group's product. (What we probably really need here is a meeting with Judy Heumann (the chair), J.D. Hoyer, and whoever else could be constructive.)
- o On accommodations, to move ahead in 4 areas:

- To investigate the possibility of setting up a CAP-like program for the civilian agencies.
- To investigate why the percentage of Federal employees with disabilities declined from FY1993 to FY1994 (chart attached).
- To examine whether we could have a better system for counting readers/interpreters/personal assistants in the Federal government's FTE count.

To assist with the work group's new efforts to ensure that the Federal government purchases accessible computers.

*KA - email re CAP next steps

KA - "lifetime to coverage"

Chart - OPM: Demographics

Longer-term 98 budget
S-R, too.

[Daniels - make sure understands in advance
Heumann
Hoyer?
Coelho, NCO ??

RE: NIA /
SSA

*5m? CAP
CAP/OPM / Mtg
mule DOD

roll in

OPM?

RELEVANT FACTS:

NCD Report: The National Council on Disability held a 3-day policy summit in April with 50-100 people, including key Administration appointees with disabilities and many outside advocates. NCD staff is now turning the summit's work product into a report to the President. Marca Bristo, chair of NCD, wants to present this report to the President at whatever ADA anniversary celebration we have this year (July 26 is the anniversary). This need not be a big deal, since last year she handed him a report on NCD's hearings around the country on the ADA. But I am trying to learn what the policy recommendations will include. I am told it may include "Return to Work" recommendations similar to Susan Daniels.

Various Groups Working on "Return to Work": The employment area is the one where our record of accomplishments is least strong. At the same time, several groups are working on or have made recommendations on how the Federal government could create more of an incentive for people with disabilities to work. Most of these groups are on the same wave-length as Susan Daniels, and feature remarkably similar recommendations. They include the National Academy of Social Insurance, which did a report last January, a coalition of advocates known as the "Return to Work Group", and a recent report by GAO that criticized SSA's record in this area. And now NCD may join the fray. These groups have tried to interest Republicans (and Democrats) on the Hill in these proposals.

Note: Ken's staff is actively evaluating the SSA proposal. Ken feels that it is more likely a 1997 proposal. My only concern here is that it is possible the Republicans will embrace it before then (although decreasingly likely).

Also - private providers of VR &

SUMMARY OF DISABILITY POLICY REVIEW WORK GROUPS

Group 1: Adult Employment

Chair: Susan Daniels

This group completed a fairly detailed and sophisticated report that fairly closely mirrors Susan Daniels 4-part plan. The 4 "pillars" are:

- o allowing people on the SSI/SSDI rolls the opportunity to purchase Medicaid or Medicare coverage on a sliding scale as their income rises;
- o creating a disability tax credit;
- o allowing rehab providers who successfully remove people from the rolls to collect a percentage of the benefits; and
- o creating a new SSI/SSDI transition benefit for youth 18-25.

The work group did not emphasize the transition issue very much because one of the other 4 work groups was supposed to handle the transition issue. But SSA is pushing its approach in other forums.

Group 2: Transition

Chair: Judy Heumann

This group completed a draft report which left a lot to be desired. (Attached is a summary of it prepared by my intern, Gus Chiarello.) Given the importance of this area, I think we need to infuse some new blood in this work group, perhaps through J.D. Hoyer and/or others who can bring a more sophisticated approach to this difficult problem. More direct involvement by Judy Heumann would also help.

Group 3: Children

Chair: Robyn Stone

This group did a fairly decent report focusing on the need for coordination among health, education, and income support programs, and looked at model programs around the country. (Their outline is attached.) However, Robyn Stone and Ruth Katz lost interest in the project several months ago. I met with them earlier this month to push the idea of developing some model coordination programs that we could set up as pilots or demonstrations. Bob Williams is interested in this approach, and could probably help fund it. However, Robyn and Ruth tend to focus more on how more research is needed.

One promising idea that I am debating with Robyn and Ruth: the concept of trying to interest some of the major foundations that work on children's issues in the issue of children with disabilities. This could be done through a meeting/conference/roundtable with the major foundations and the relevant Federal agencies. Work is needed in the areas of child care and child welfare (and perhaps welfare reform), among many others. Bob Williams, Carol Williams, and Joan Lombardi of HHS are all enthusiastic about this idea.

Group 4: Accommodations

Chair: Liz Savage

This group has mostly been dormant, but Liz is reviving it by beginning to pursue whether the Federal government's computer purchasing practices comply with the Rehab Act by ensuring accessibility.

Other projects in this area I am trying to pursue include:

- o Developing a CAP-like program for the civilian agencies. Tony Coelho is very interested in this, and talked about it at the President's Committee meeting. It is a great idea. The difficult part is determining how to fund it (although the dollars are small): with a direct appropriation, siphoning off funds from all agencies, or tapping into the Defense Department's funds. But certainly OMB could resolve this if it wanted to.
- o To ensure that Federal hiring practices reach out to potential employees with disabilities (given the decline in the percentage of the Federal workforce with disabilities from FY1993 to FY1994). This would require a meeting with OPM.
- o The issue of how to count readers/interpreters/personal assistants in the Federal government's FTE count. My understanding is that early in this Administration Federal policy was changed so that a person who requires an assistant counted as two people. (The previous policy was that the assistant did not count against agency targets.) Again, perhaps an approach that sets up a central account for assistants for all agencies, so that an individual agency does not have such a strong disincentive to hire a person who requires an assistant.

A BRIEF SUMMARY OF EXISTING RETURN-TO-WORK PROPOSALS**I. THE SOCIAL SECURITY ADMINISTRATION'S DISABILITY MANAGEMENT AND EMPLOYMENT STRATEGY**

The Social Security Administration has developed a cost-effective, proactive strategy designed to increase the employment of beneficiaries with disabilities in order to promote increased self-sufficiency and reduce dependency on the benefit rolls. The strategy enhances the security and smooths the transition of those who choose to work despite their impairments and provides greater incentives for public and private sector providers to serve the Social Security Administration's beneficiaries. Specifically, this Employment Strategy consists of four pillars:

A. Extended Health Insurance for People with Disabilities Who Are Working

Continue to provide health insurance coverage (Medicare or Medicaid) to Social Security Administration beneficiaries after they go to work and earn income at a level that terminates their benefit payments. Social Security Disability Insurance beneficiaries who are working would receive premium-free Part A Medicare coverage. Supplemental Security Income disability beneficiaries who work at levels above the Section 1619 threshold would be allowed to purchase Medicaid coverage by cost-sharing premiums, deductibles and co-payments on a sliding income scale.

B. Disability Tax Credit

Create a new incentive to work for Social Security Disability Insurance and Supplemental Security Income beneficiaries with disabilities by making them eligible (whether they have children or not) for a new tax credit similar to the currently available Earned Income Tax Credit for low income workers with two children. This pillar is designed to replace many of the existing work incentives for people with disabilities.

C. Provider Incentives

1. Replace the current Social Security Administration Vocational Rehabilitation Reimbursement Program with one in which a beneficiary, who is not predicted to medically recover, is issued a ticket, upon determination of eligibility for benefits, to be given to the public or private provider of choice in exchange for rehabilitation and

existing progr.

(what would be dropped)

employment services. If the beneficiary returns to work and stops receiving disability benefits due to earnings, the provider holding the ticket at the time the beneficiary returns to work will receive (for a period of 5 years) one-half of the disability payments that would have otherwise been paid to the beneficiary.

2. To protect the rights of beneficiaries, we are proposing to fund an expansion of the State Protection and Advocacy system with funds specifically designated for serving the Social Security Administration's beneficiaries. We propose to contribute \$7.5 million in the first year of the Provider Incentive system and \$10 million per year thereafter.

Advocacy activities of Protection and Advocacy systems include:

- a. Investigating, negotiating, or mediating solutions to problems expressed by persons with disabilities;
 - b. Providing information and technical assistance to individuals, representatives of individuals, government agencies, service providers and other disability organizations;
 - c. Providing legal and other advocacy services to eligible persons and groups who satisfy the established priorities for the provision of services; and
 - d. Providing ongoing education and training for the advocate staff, governing boards, disability advisory councils, volunteers, service delivery professionals, constituency groups and the community at large.
3. To replace the loss of the Plans for Achieving Self-Support and other one-time work expenses under ~~the Employment Strategy~~, two Accommodations Funds would be established. The Accommodations Funds would be 50 percent matching funds used to offset the cost of expensive equipment that the individual with a disability would need to work (e.g., adapted computers or adaptations for vehicles).

One fund would be available for private and public providers of return-to-work services. A separate Accommodations Fund would be available to

beneficiaries who are attempting to go to work without the assistance of a provider of service (i.e., the beneficiary has not given his ticket to any provider). This fund would also be a 50 percent matching fund.

Both Funds would be capped so that annual expenditures from either fund could not exceed \$2 million per year. Payments from the Funds would be considered grants that did not require repayment.

D. Youth Transition Program

Direct 18-25 year old Social Security Disability Insurance and Supplemental Security Income disability beneficiaries on a path toward work and self-support rather than dependence on income maintenance benefits. Each young beneficiary would be entitled to:

1. Through a voucher, a thorough assessment of potential capability to work and of the type of training and other vocational services necessary to have a job;
2. The opportunity to participate in the other three pillars of the Employment Strategy: Extended Health Insurance, Disability Tax Credit, and Provider Incentive Tickets; plus access to accommodations funds to pay for extraordinary one-time costs of equipment and Protection and Advocacy; and
3. If the applicant meets the eligibility tests for Supplemental Security Income, a time-limited benefit (called a training stipend) of between \$200 and \$470 per month that expires after age 25. (At age 26, a beneficiary who is not performing substantial gainful activity may apply for regular Supplemental Security Income benefits.)

II. THE DISABILITY POLICY PANEL OF THE NATIONAL ACADEMY OF SOCIAL INSURANCE PROPOSAL

A. Return-To-Work Vouchers

Replace the current Social Security Administration Vocational Rehabilitation Reimbursement Program with one in which a beneficiary receives a return-to-work ticket, akin to a voucher, that they would use to shop among providers of rehabilitation or return-to-work

services in either the public or private sector. Once a beneficiary deposits the ticket with a provider, the Social Security Administration would pay the provider after the beneficiary returns to work and leaves the benefit rolls. Providers whose clients successfully return to work would, each year, receive in payment a fraction of the benefit savings that accrue to the Social Security trust funds.

B. Disabled Worker Tax Credit

Provide a refundable Federal income tax credit to low-income persons with disabilities who work that rises as their work effort rises. It would gradually phase out at income levels above the poverty threshold. Those eligible for the Disabled Worker Tax Credit would include: Social Security Disability Insurance and Supplemental Security Income disability beneficiaries, certain applicants denied Social Security Disability Insurance or Supplemental Security Income benefits; and persons certified by vocational rehabilitation agencies to have impairments that are significant impediments to employment.

C. Medicare/Medicaid Buy-in

Provide a simplified Medicare buy-in for Social Security Disability Insurance beneficiaries who return to work despite the continuation of their impairments. The Medicare premiums would be charged on a sliding scale related to the former beneficiary's earnings.

States should create affordable buy-ins to their Medicaid programs for people with disabilities. In revising their Medicaid programs, States should allocate both acute care coverage and ongoing support services in ways that promote work and independence while maintaining coverage for vulnerable populations who rely on Supplemental Security Income benefits.

D. Personal Assistance Tax Credit

Provide a non-refundable tax credit under the Federal income tax to compensate working people for part of the cost of personal assistance services they need and pay for in order to work. The credit would be available to persons who have a medically-determinable impairment that is expected to last at least 12 months and who need personal assistance in order to engage in substantial gainful activity. The credit would be equal to one-half of personal assistance services expenses up to \$15,000 (for a maximum credit of \$7,500)

State Cost

and would phase out for persons with annual income between \$50,000 and \$70,000.

E. Work Incentives Proposals

1. The Social Security Administration and service providers who assist beneficiaries should work to more effectively implement existing work incentives.
2. Update and index the level of earnings that is considered to be substantial gainful activity for the purpose of determining initial and continuing eligibility for benefits (to about \$720 per month in 1996).
3. Unlimited extended period of eligibility for Social Security Disability Insurance beneficiaries who have not medically recovered to provide a safety net for former beneficiaries to return to the rolls if their work attempt fails. This provision implies continuous Medicare coverage after 2 years on the disability rolls as long as the extended period of eligibility continues.
4. Revise the deduction of impairment-related work expenses to strengthen work incentives and the financial gain from working for Supplemental Security Income recipients who incur significant impairment-related expenses.
5. Treat scholarships as earned income for Supplemental Security Income recipients to enable college students to remain eligible for Medicaid and publicly-financed personal assistance services in States that use Supplemental Security Income Section 1619 eligibility criteria for those services.
6. A provision similar to the Supplemental Security Income Section 1619(b) which would enable Social Security Disability Insurance beneficiaries to maintain eligibility for medical coverage despite work.

III. THE RETURN-TO-WORK GROUP PROPOSAL

A. Level Playing Field for Competitive Return-to-Work Services and Return-to-Work Help for Likely Awards

A voucher process where "likely" applicants and beneficiaries can select among return-to-work service providers, including State vocational rehabilitation agencies and private vendors.

In cases where it is likely that an applicant will be awarded disability benefits, eligibility for return-to-work assistance will be "deemed" prior to the completion of formal disability adjudication processes (similar to process of deeming allowance in extreme impairment cases). Return-to-work assistance can begin immediately after application.

B. Outcome-Based Service Fees

Return-to-work service providers will be reimbursed by voucher payments as services are rendered in a milestone approach. Service components to be paid for include Evaluation, Plan Development, and Plan Implementation/Placement. After successful job placement has occurred and substantial gainful activity maintained for 9 months, a performance commission will be paid based on the estimated savings to the Trust Fund and/or General Fund.

C. Continuance of Medicare After Successful Employment

Add a provision that the extended period of eligibility can be expanded further if an employee is still working at substantial gainful activity and the employer's medical insurance does not provide equal coverage.

D. Employer Incentives

1. Waive the employer portion of the payroll tax for newly-hired employees with disabilities.
2. Incentive to employers to offset the cost of job training for employees with disabilities.

E. Sub-Contracted Quality Assurance

The Social Security Administration would be authorized to contract with Independent Living Programs and private auditing firms for quality assurance and cost containment.

IV. CONSORTIUM OF CITIZENS WITH DISABILITIES PROPOSAL

A. Direct Contracting with Consumer-Selected Rehabilitation Providers

Allow the Social Security Administration to contract directly with any public or private provider of rehabilitation services selected by the consumer.

B. Establishment of an Outcome-Based System for Reimbursing Rehabilitation Service Providers

The Social Security Administration should be directed to develop and implement a two-part payment system for service providers: a milestone reimbursement system and a risk/reward system.

A Milestone Reimbursement System pays providers only upon achievement of milestones or goals in a written rehabilitation plan that is agreed to by the provider and the consumer. Providers would receive a partial payment at the successful completion of each milestone.

A Risk/Reward System would pay the provider an incentive payment consisting of a percentage of savings to the trust fund upon completion of substantial gainful activity and removal from the benefit rolls.

C. Tax Incentives for Small Employers

1. A Targeted Jobs Tax Credit should be established that would offer employers a credit against their tax liability if they hire people with disabilities. The credit could be equal to 40 percent of the first year wages up to \$6,000 per employee for a maximum credit of \$2,444 per employee for the first year of employment.
2. Waive the employer portion of the payroll tax for newly-hired employees with disabilities for one or two years.

D. Extend Health Coverage to Working Individuals with Disabilities

Individuals with disabilities should be allowed to buy into Medicare, Medicaid, or the Federal Employee Health Benefit Plan on an income-based sliding scale. The scale should adjust for the extraordinary expenses related to disability for the individual with a disability or for the household in which the individual

with a disability resides. Deductibles and co-payments may be used to reduce costs and control utilization.

E. Extend the Earned Income Tax Credit

The Earned Income Tax Credit should be extended so that it helps bridge the gap between the substantial gainful activity level and a minimum income level for low-income workers with disabilities.

F. Tax Credit for Personal Assistance Services and Assistive Technology

A tax credit of one-half of all personal assistance services up to \$15,000 for any individual with a disability who is working is proposed. Expenses for personal assistance services beyond \$15,000 per year should be deductible as a medical expense.

G. Maintain a Disability "Safety Net"

Cash assistance and medical benefits should be continued for individuals with disabilities, who, due to the nature of their disabilities, can work only intermittently.

Summary of Transition Work Group Report

TO: Diana Fortuna
FR: Gustav Chiarello
RE: School to Work- Group Report and Recommendations - Summary
DA: June 11, 1996

INTRODUCTION

The School to Work Transition Report set forth to assess current federal policies and programs, and to make recommendations for change. The group defines transition as moving toward such "positive adult outcomes" as employment, independent/ supportive living, and community integration.

ENVIRONMENTAL SCAN

The environmental scan did not offer complete descriptive statistics on the population and condition of people with disabilities in transition. However, it provided a data analysis that revealed some causes and effects, and other relationships:

- 1) Opportunities for vocational skill training, participation in school and community groups, and promoting self-determination have positive impacts on youth with disabilities
- 2) SSI and Medicaid currently have negative effects on employment.
- 3) People with severe emotional disturbances often do not have favorable outcomes
- 4) Regarding Public Dependency:
 - 68% of people with disabilities are unemployed
 - of those unemployed, 57% feel they will lose benefits if they go to work
 - Less than .5% leave the SSI rolls each year
 - Adults with disabilities age 18-25 are 5 times as likely to be covered by public insurance as those without disabilities
- 5) Regarding School Drop-Out:
 - More than a third of students with disabilities drop out of school
 - Low wages, unemployment, and incarceration are closely related to drop out
 - Only a third of those needing training receive it
 - Only a fourth of those needing life skill training get it
 - Youth with disabilities are more likely to be male, African American, and poor
 - Contact with agencies beyond school is less frequent for students with severe emotional disturbances
- 6) Regarding Instructive Signs
 - Students who have paid work experience are more likely to find jobs
 - Students in community and school groups have lower absenteeism - Voc. ed. reduces school drop out rates
 - Students with LD, emotional disturbances, or MR spend more than half of their time in school in academic courses, though most prefer vocational training

- 7) National Goals for Youth with Disabilities
 - Goals 2000 - Equal Education Opportunity Act
 - IDEA marks transition as a required component
 - ADA with clause for equal access to employment (and voc. ed.)
 - Carl D. Perkins Vocational and Applied Technology Act of 1990 -- ensures equal access to voc. ed. programs.
 - School to work opportunities act (DOL and DOE)
 - A common theme in all legislation is that youth must have the opportunities and support for accessing transition services which promotes positive outcomes.

THE FEDERAL ROLE IN TRANSITION

The group offers components for successful transition, and the role the Federal Government can play:

- 1) IEPs provide assessment and long and short term goals for the student
- 2) Information databases detail the nature, needs, interests, and preferences of students
- 3) Active family involvement in entire process
- 4) Self-reliance training for motivation, self-determination, and decision making
- 5) Work related skills training for youth
- 6) Interagency agreements focusing on cooperation, funding streams, and efforts to coordinate efforts
- 7) Service/ career coordination to link individuals with services
- 8) Promulgation of information on laws (ADA, etc)
- 9) Career exploration and work experience
- 10) On going follow along and follow-up of youth
- 11) Increase availability of specialized equipment and services
- 12) Administrative personnel preparation programs to assure basic skills
- 13) Provision of assistive technology, learning aids, etc.

The report uses current working (and successful) models to illustrate how transition can work.

FINDINGS

The group found that:

- 1) Few federal programs specify that they should serve youth with disabilities
- 2) Federal agencies lack coordination of efforts
- 3) Federal programs have inadequate implementation and monitoring of inclusion standards
- 4) Adequate information is not reaching consumers, parents, teachers, administrators, and other people in the field
- 5) Some disability populations are underserved - especially those with severe emotional disturbances.

RECOMMENDATIONS

The group offers the following recommendation:

- 1) Establish a clear national disability policy - realign, refocus, and coordinate federal efforts, with leadership from DPC
- 2) Adjust current transition programs, making them more broad in scope, more innovative, with more support and personnel preparation. The recommendation also encourages the assignment of agency advisors for technical assistance on for employment and transition issues.
- 3) Several suggestions for federal interagency collaborations include:
 - DoL, HHS, DoE -- Joining together on macro programs and sharing information on School to Work issues
 - DoJ, DoE, DoL -- Identify systems for adjudicating youth with disabilities, alternative ed. models and joint collaboration on law enforcement
 - SSA, HHS, DoE, DoL -- Identify youth with disabilities on SSI rolls earlier, and address troubling issues earlier
 - HUD, DoL, HHS -- track homeless with disabilities and address complexities of poverty, developing affordable alternatives

WHITE HOUSE DISABILITY POLICY REVIEW

CHILDREN'S WORK GROUP

Proposed Outline for Report on Integrated Services

Background

The Children's Work Group met weekly from approximately January through March. In April, we started meeting on alternate weeks; on the weeks in between, a "Steering Committee" met to explore ways to guide the group to some purposeful consensus.

Early on, the larger group divided into three subgroups -- Income Supports (mostly SSI, also AFDC), Education (mostly Parts B and H of IDEA), and Health (Medicaid and PHS programs).

In the larger group, we've met with advocates and shared information with each other on our areas of expertise. The information sharing has been accomplished through briefings by group members, or by other experts from the agencies represented. For example, Rachel Block of the HCFA Medicaid Bureau briefed the group on Medicaid waivers, Judy Wertzel of OSERS discussed the IDEA reauthorization, and Judy Chesser presented on SSI reform.

Through periodic subgroup meetings and the ongoing discussions of the larger group and the steering committee, we have arrived at a crossroads. We've made some tentative decisions.

1. *"We do the same thing! How can we simplify this so families don't have to go through it twice, states don't have to set up two systems, and the federal government doesn't have to pay for the same service provided by two different systems?"*

The natural focus of most of our discussions is on how to coordinate programs, eliminate duplication, make services and programs as family-friendly as possible -- especially involving families in decision making and service delivery, and streamline systems and eliminate bureaucratic red tape. We seem to have arrived at a decision to recommend some short and long-term activities aimed at coordinating services.

2. *It's time for the Children's Group to synthesize all the input, discussions, presentations and analytical thinking and make some long and short range recommendations.*

While we would support the continuation of the group as an information sharing, networking entity, group members are moving toward a need for some synthesis and recommendations. Furthermore, representatives of the advocacy and consumer groups are beginning to ask for some analysis and ideas. **Our proposed solution is to develop a synthesis report for the White House Disability Policy Review on**

coordinated services. The report will include recommendations -- all within the context of coordinating services and making them more family friendly. The recommendations will range from "tinkering" with individual programs to establishing a major demonstration program. Ideally, this report will represent our combined federal thinking on statutory and regulatory and agency guidance reforms to make government policy related to disabilities smarter and more smoothly coordinated. We envision this report serving as a blueprint, or a template, against which to hold future proposed reforms in programs that affect children with disabilities.

The steering committee developed the following outline for the paper. It will be discussed by the full group on Monday, May 15.

DRAFT

Outline for Coordinated Services Report**I. Background on Federal Programs Serving Children with Disabilities****A. Introduction**

1. Multiple targeted programs supported by federal government.
2. Also multiple "generic" programs that serve all kids, including those with disabilities.
3. Historical perspective: how and why programs developed.
 - a. fragmentation today because existing programs were "tweaked" to accommodate social change; no specific principles or policies regarding children with disabilities to guide and coordinate program evolution.
 - b. lack of coordination across programs; in some cases, contradictory policies and rules.
 - c. program changes were and are made in discrete "spheres."
 - d. we are now living in a more mature environment with different constraints and demands.
 - e. family policy and disability policy is not static.
 - f. we need to make best use of limited and shrinking resources.
 - g. need to make best use of families, without exhausting them.

B. Education Programs**1. IDEA**

- a. Part B
 - i. describe program
 - ii. historical development

iii. spending and utilization

b. Part H

2. Chapter 1 (same outline for all background sections)

3. Others?

C. Health Programs

1. Medicaid

a. State Plan Services

b. EPSDT

c. Waivers (1915(b) and (c))

d. 1115 waivers

2. Public Health Service

a. MCH

3. Others

D. Income Supports

1. SSI

2. AFDC

3. Others?

II. Coordination of Programs

A. What we mean by coordination.

B. Goals of coordination

C. Is it possible?

III. Case Studies of Coordination (try to include examples of state, local, urban, rural, school based, Medicaid centered, private insurance?, income and family support)

- A. Coordination is not a "blue sky" unworkable idea -- it is done in some places.
- B. Many of the pieces are available under existing federal authorities. This section offers some examples of how the pieces can be creatively put together to create a coordinated system.
- C. School system that uses Medicaid (Baltimore County or Oklahoma)
- D. Medicaid Waiver program that pulls it together
 - 1. Wisconsin COP
 - 2. DC proposed 1115 **?*
- E. San Diego schools
- F. Model family support programs
- G. A Part H example?

*CR: Families period
not just w/d
KY Fam Res Gts*

IV. Characteristics of Successful Collaborative Systems

- A.
- B.
- C.

V. Barriers: Why it doesn't happen more often

- A. Program specific barriers
 - 1. Education
 - 2. Health
 - 3. Income Support
- B. Program Interaction Issues

1. Payor of last resort
2. Philosophical differences between systems
3. Flexibility vs. federal prescription
4. increased poverty and disability leading to shrinking resources
5. lack of support services ("glue money")

VI. Federal Policies to Encourage Collaboration (Long and Short Range Recommendations)

Note: this is the least fleshed out section so far, since the group felt some need to: (1) get a go ahead from agency heads and the White House; and (2) begin writing the previous sections.

- A. Principles for all long and short range recommendations
- B. We are not proposing block grants; we are proposing recommendations that simplify and encourage imagination and creativity.
- C. Individual program reforms
- D. Ideas for encouraging coordination
 1. 1115 demonstrations on multiple systems
 2. other large and small demonstrations
 3. tinkering with cross cutting pieces
 - a. uniform assessment for multiple programs
 - b. coordinating case management
 - c. ?

5-1 (-2 yrs take a long time)
reg

Define -

Don't mandate
1 assessment

* Look from the top - 50
No more excuses
TH - make each for make &

5/28/96

3 PMS - on child care - EZ/EC

Foundation leaders

HSRI - Val Bradley
John Ashbaugh

Demos + eval
bigger, but MEC.
→ Edna 2 RS intrd

* Who does \$ go to?

What are we learning

How do these disp progs fit tog?

Where Do we Go From Here

VAP - HeadStart, EBOT, Part H - coord funding

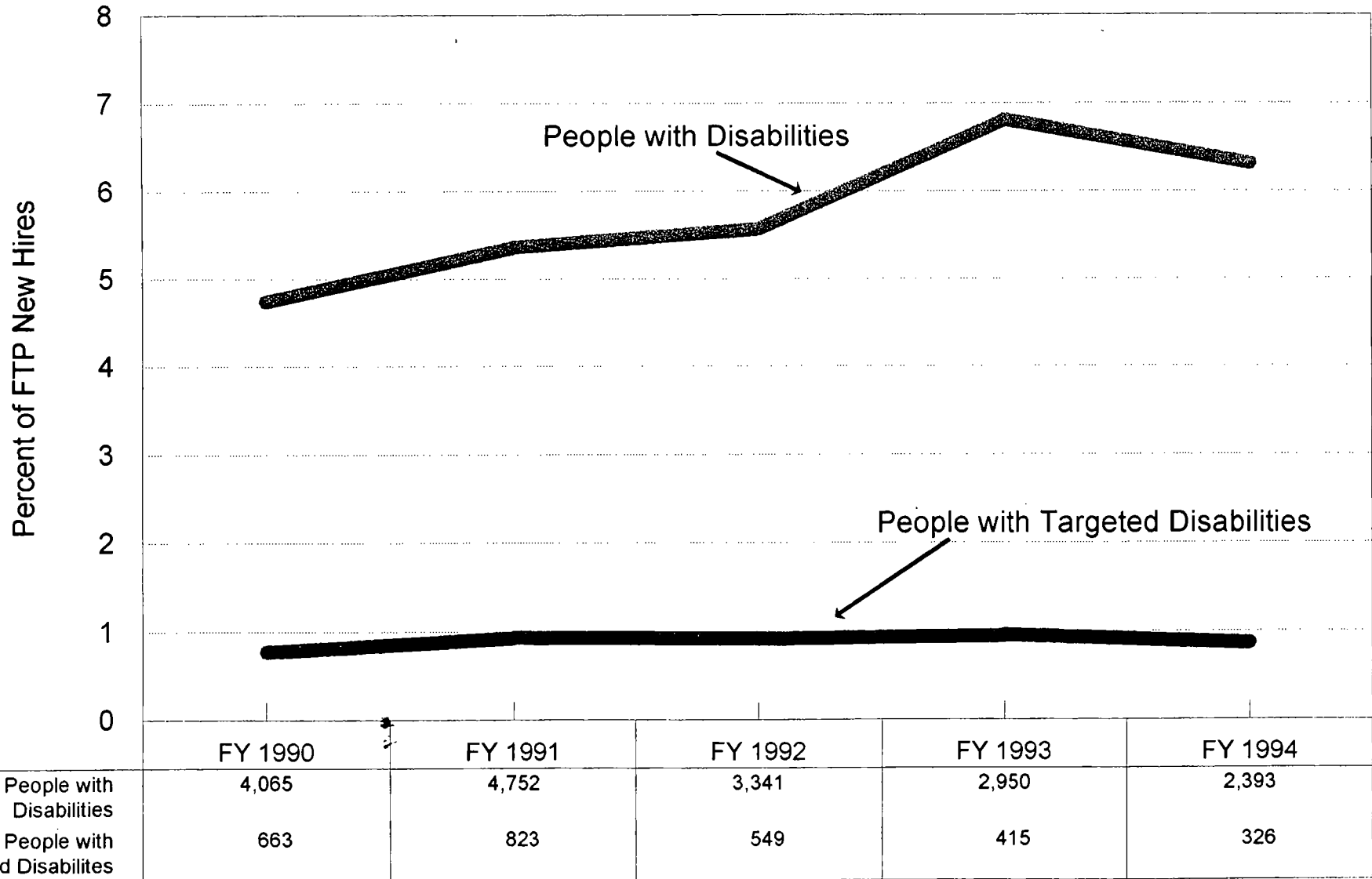
Coord + collaboration

Joint funding - GC

RS
1 - research agenda bldg mty
2 - How proactive
fostering demos

OPM Report Showing Decline
in % of Federal Workforce w/ Disabilities

Hiring of People with Disabilities Increased as a Percent of All Full-Time Permanent Hiring Since FY 1990



Draft Disability Accomplishments Document - FY1.
Note - employment section is not strong.
AMERICANS WITH DISABILITIES

"Opportunity is critical to what we have to do as a nation to meet the great challenges we face and to move forward into the next century...We will not allow Americans with disabilities to be kept from realizing their dreams by closed doors or narrow minds."

President Clinton
5th Anniversary of the ADA
July 26, 1995

President Clinton came to Washington with a plan to put people first by making the government more accountable and accessible to all Americans, including people with disabilities. From the White House to every federal agency, this Administration has demonstrated an unprecedented willingness to listen to and address the concerns of Americans with disabilities. The President is committed to supporting the 49 million Americans with disabilities in their efforts to exercise their full rights and responsibilities, to live as independently as possible and to be productive throughout their lives.

A RECORD OF ACCOMPLISHMENTS:

- **Fighting Discrimination:** Under President Clinton, Federal agencies have vigorously enforced the Americans with Disabilities Act and other critical civil rights laws that prohibit discrimination against Americans with disabilities in schools, workplaces, and public areas across America. President Clinton strongly opposes attempts to weaken these laws.
- **Protecting Health Care:** The Clinton Administration refuses to go backwards on health care coverage for Americans with disabilities and has resisted proposals to end the Medicaid guarantee to meaningful health benefits for people with disabilities. President Clinton has preserved Medicaid coverage for 6 million persons with disabilities -- including 1 million children. Without Medicaid, many families would have to impoverish themselves to pay for a child's medical care, give up their jobs to stay home to care for a child, or seek a placement in an institution. Medicaid is often the only form of health care available to people with disabilities and allows many children and adults to get services at home or in the community, rather than in institutions.
- **Improving Education for Children with Disabilities:** The Clinton Administration opposes weakening the Individuals with Disabilities Education Act's guarantee of a right to education for children with disabilities. We are increasing IDEA's focus on outcomes for children and cutting unnecessary paperwork.
- **Increasing Home and Community-Based Programs:** The Clinton Administration's flexibility in granting state waivers has spurred an increase in home and community-based services. From 1992 to 1994, the number of people with mental retardation/developmental disabilities served in home and community waiver programs doubled from 62,000 to 122,000.

- **Support for Families:** President Clinton fought for and enacted the Family and Medical Leave Act and made workplaces more accommodating for the many families that include a child or adult with a disability. In 1995, the President vetoed a budget bill that would have significantly cut cash assistance to most families with disabled children on Social Security -- families who are struggling to care for a child at home and face extra costs for home modifications, equipment, and income lost because a parent is unable to work full-time.
- **Increasing Access:** By enacting the National Voter Registration Act and the Telecommunications Reform Act, President Clinton has made voting easier and communications technology more accessible for Americans with disabilities.
- **Transportation:** The Clinton Administration is helping to connect people with disabilities to employment, educational opportunities, and a full range of public activities by ensuring that ADA requirements for accessible bus and rail transit systems and paratransit services are fully implemented.
- **Employment of People with Disabilities:** The Clinton Administration is offering individuals with disabilities the opportunity to maximize independence through rehabilitation services and work incentive programs.
- **Appointees with Disabilities:** The President has appointed an impressive group of people with disabilities to high-level policy-making positions, including many people prominent in the disability community. Many appointments are to key positions that are not directly related to disability issues.

THE CHALLENGES AHEAD:

- Under President Clinton, Federal agencies will continue to vigorously enforce the Americans with Disabilities Act with a balanced approach that emphasizes voluntary compliance wherever possible.
- The President has proposed a balanced budget that maintains meaningful health benefits for people with disabilities and supports insurance reforms to prohibit insurance companies from denying coverage because of preexisting conditions.
- We must expand options for people with disabilities to be able to return to work, and challenge all Americans to understand that having a disability does not mean being dependent and unproductive.
- The Clinton Administration will work to maintain a strong IDEA for children with disabilities, and to improve outcomes for students with disabilities.

Contact: Diana Fortuna, 224 OEOB, 456-5570
Last Update: May 13, 1996

Hippol-

Tony C. - use a few as ref pts
- CAP is his thing

BLS: prod mty of Census - incr sev dis people
last 3 yrs.

→ more imp't now than ever, given
Census increase

FCC: [

Telecom.

Vision: inclus → excl etc.

Civ rts not en; Education: IDEA, Trans

Employment - Min wage

(FBI - big Δ in pol.) - Apples

Trying to cr bus opports -

Fed recruitmt - JANIS Bush

H.C. - otherwise nada

- h+cb (use ds smet)

Old e-mails to jog your memory
(which probably isn't necessary, but...)

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

05-Jun-1996 10:04am

TO: Diana M. Fortuna

FROM: Carol H. Rasco
 Domestic Policy Council

CC: Elizabeth E. Drye
CC: Molly Brostrom

SUBJECT: PASS program

Over the last two weeks I have had a number of people talk to me about the hypocritical nature of the admin. saying we are for making work pay and then not allowing PASS programs anymore for disabled. I have told all of them that as I understand it the PASS program was designed to be temporary but that I do agree with them that if we can't use PASS we need to be very clear as to what we are doing to make work pay once again for the disabled. What does SSA propose to make us whole again on "making work pay"....is the only thing being considered something as large as the Susan Daniels proposal?

Also, I would say that since the Rivlin vote may not come soon we should proceed with Ken Apfel, Alice is she wishes and anyone else they suggest from OMB meeting with you and me to discuss the policy review, etc. as we earlier talked about doing. This would be a meeting to review just where we are, where we ought to be going, etc.

Sometime in next two weeks would be good for me if it can be set up with them.

Please work with Jill on this meeting unless for some reason you advise against such a meeting.

THanks.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

05-Jun-1996 10:57am

TO: Carol H. Rasco

FROM: Diana M. Fortuna
Domestic Policy Council

CC: Elizabeth E. Drye
CC: Molly Brostrom
CC: Jill Pizzuto

SUBJECT: RE: PASS program

I will set up time with Ken, and Alice if possible. (Jill, you and I had discussed setting up this meeting this month.)

Overall on return to work, SSA's idea is the big one: buy-in to Medicaid coverage, tax credit for low-income people with disabilities, and allow rehab providers who successfully remove people from the rolls to collect a percentage of the benefits.

Ken's staff has been reviewing this plan, trying to get a better handle on how to cost it out.

Susan Daniels is so much into this plan that she seems impatient with tinkering with PASS, or improving other, smaller work incentives. Her argument, which has some merit, is that SSA will never be good at the kind of case management required to run PASS well, and that her plan relies much more on the market and incentives to work. On the other hand, she shouldn't put all her eggs in that one basket, since it's so risky.

On PASS, they have not cancelled the program, but now require that a few specialized teams review and approve them, rather than every field office. They briefly froze the program, which was experienced in the field as a moratorium. SSA still wants to propose a legislative package of limits on PASS, including time limits, a lifetime cap on the number of PASSes, and not allowing people to get on SSI via a PASS. It is on hold.

I am checking into what effect the administrative changes they have made to PASS to date have had on the volume of PASSes approved.

Also, I am setting up a meeting with Chris Jennings and Susan to discuss the Medicaid part of her proposal.

(On the July RSA conference, I will check into it. I am also

surprised they would not have alerted us. And I like the idea of having the subgroup go.)

-C mail CR+KA

what mtg is

add tag - and for further disc

for VR + Careers - how fit.

+ IDEA

cc Mike, JBA