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United States General Accounting Office

GAO

Report to the Chairman, Special Committee on Aging, U.S. Senate

April 1996

SSA DISABILITY

Program Redesign Necessary to Encourage Return to Work

G A O

75 years 1921 - 1996

GAO/HEHS-96-62

	DI	SSI
HEALTH CARE COVERAGE	continuation of Medi~~caid~~care coverage	Section 1619(b) -- continuing Medicaid eligibility
CASH INCENTIVES		
EXTENSIONS		
Limited Extensions	Trial Work Period (get benefits)	
	Extended Period of Eligibility (eligible for benefits)	
	continued payment while under a voc. rehab. program	
Indefinite Extensions		Section 1619(a) -- Special SSI payments for people who work
		Subsidies
EXCLUSIONS		
Income Exclusions		Earned Income Exclusions - DIC wld el. m.
		Student Earned Income Exclusions
		Blind Work Expenses
	Impairment Related Work Expenses	
Resource Exclusions		Property Essential to Self-Support
Income and Resource		Plan for Achieving Self-Support (PASS)

+ people

+ Provider Incentives - Susan

SSA wants to keep indefinitely

Medicare Buy-In. After the 39 months of premium-free Medicare, Medicare can be purchased at the same monthly cost paid by uninsured retired beneficiaries.

Rate affordable?

$290/mo = $3,600

Work Incentives for SSI Beneficiaries

Section 1619(A) Benefit Offset. SSI beneficiaries working at or above the substantial gainful activity level receive an offset of $1 for every $2 earned.

effective tax rate?

Section 1619 (B) Continuation of Medicaid. Beneficiaries continue to receive Medicaid coverage when cash benefits are totally offset by earnings. — to what $ level?

SSI Work Expenses for Blind Persons who Work. The portion of earnings spent by a blind person in order to work for transportation, taxes, special equipment, etc., is not counted in figuring SSI payments.

Plans for Achieving Self-Support. Beneficiaries can set aside income or resources for a period of time to meet expenses for reaching an occupational goal. The income or resources are not counted when determining the SSI payment amount.

Earned Income Exclusion. The first $65 of earnings in a month plus one half of the remainder is not counted when figuring SSI payments.

Student Earned Income Exclusion. A person under 22 who regularly attends school can exclude up to $400 in earnings per month (maximum of $1620 per year).

Work Incentives That Apply to Both SSI and SSDI

Impairment-Related Work Expenses. Beneficiaries can deduct the cost of certain impairment-related items or services needed to work (such as transportation or medical devices) from earnings.

Subsidy. The value of support a person receives on the job is deducted from earnings to determine if a person is engaged in substantial gainful activity.

Continued Payment Under a Vocational Rehabilitation Program. Beneficiaries who improve medically and are no longer considered disabled may continue to receive benefits if they are participating in any approved vocational rehabilitation program that will likely enable them to work permanently.

working because of an illness or disability begin drawing payments from their employers and eventually shift onto SSDI, either as a supplement or when private payments end.

Too frequently these systems provide incentives for people with disabilities to stop working when they are capable of continued work with additional supports or modifications. Because there is no well-established or well-funded system to provide supports to maximize employment and there is a well-established system for providing cash compensation, people with disabilities may have no choice except to leave the workforce and accept the cash.

Key Legislation in the Past Decade

Limiting Eligibility for Benefits

The Contract with America Advancement Act of 1996 (P.L. 104-121) prohibits the award of SSI, SSDI, Medicaid, and Medicare benefits to people who are disabled if drug addiction or alcoholism is a contributing factor material to the determination of disability.

Work Incentives

Since the early 1970s advocates and policy makers have worked to develop incentives for people on SSI and SSDI to work. Today a patchwork of over a dozen separate provisions operate with the goal of promoting employment. While many of these have been in place for longer than a decade, most have been amended and fine-tuned within the last decade in an ongoing effort to render them more effective.

Work Incentives for SSDI Beneficiaries

Trial Work Period. A beneficiary can work for nine months without losing benefits.

Extended Period of Eligibility. For 36 months following the trial work period, cash benefits are reinstated for any month in which earnings are below the substantial gainful activity level.

Substantial Gainful Activity. After the trial work period, a person can earn $500 ($880 for people who are blind) without losing any cash benefits.

Medicare Coverage. A beneficiary receives 39 months of hospital and medical insurance after the trial work period.

SGA Income

500/m
× 12
6,000/y

Benefit $300

Earn 700
− 500 SGA
200 ⇒ 100 offset

Net Benefit 200

Benefit $300

Earn 1,100
− 500 SGA
600 ⇒ 300 offset

Net Benefit Ø

1100
× 12
2200
1100
13200 income

- SSI state supp
- per cap MA

The following is a brief overview of the current Return to Work incentive programs which SSA has in place. They are broken down by the nature of the incentive. The first group deals with the extension of health care after beneficiaries return to work. The second group, cash incentives, is split into three branches. One branch is the extension of cash benefits, the second is the exclusion of cash (or resources) when determining benefit eligibility, and the third is a combination of both income and resource exclusions.

HEALTH CARE COVERAGE

DI-- Continuation of Medicare Coverage- DI beneficiaries are eligible for an additional 39 months of Medicare coverage upon the completion of their Trial Work Period (see Cash Extensions-- Limited). Cash benefits may cease due to Substantial Gainful Activity (SGA; $500 monthly earnings), yet the beneficiary still has the security of health benefits. After these 39 months have passed, the beneficiary is able to purchase Medicare coverage through SSA. This option is available for any DI beneficiary who has completed a Trial Work Period and an Extended Period of Eligibility (see Cash Extensions-- Limited), remains disabled, and has used up their 39 months of extended Medicare.

SSI-- Section 1619(b); Continuing Medicaid Eligibility- This allows for continued Medicaid coverage for working SSI beneficiaries whose income is too high to qualify for SSI cash benefits. To receive section 1619(b) coverage, beneficiary income must fall below a threshold which varies from state to state. This threshold is determined by two factors- the amount of income which would lead to an elimination of benefits in that state and the annual per capita Medicaid expenditures for that state. If an individual surpasses the state threshold due to other Return to Work incentive programs (PASS, IRWE, BWE), a specialized, personal threshold may be tailored for the beneficiary.

CASH

EXTENSIONS-- LIMITED

DI-- Trial Work Period (TWP)- A TWP allows a DI beneficiary to work or run a business for at least nine months without effecting their benefits. Each month in which earnings top $200 is considered one of the nine available TWP months; these months need not necessarily be consecutive. After the nine available months are used up, the TWP is over. Upon the conclusion of the TWP, SSA will review the earnings status of the beneficiary. If the beneficiary is working below SGA, benefits will continue as long as the beneficiary remains disabled and remains below SGA. If the beneficiary is working above SGA, benefits will continue for three more months before being eliminated. This three month extension is referred to by SSA as the "grace period".The grace period is then followed by the **EPE**.

DI-- Extended Period of Eligibility (EPE)- The consecutive 36 months during which cash benefits may be reinstated for any beneficiary who falls below SGA. The EPE begins the month following the end of the TWP. Benefit checks can be re-started without filing a new application.

The EPE reassures the beneficiary that they will have a secure source of income in case they are unable to perform SGA at any point during the 36 months of their EPE.

DI and/or SSI-- Continued Payment While Under a Vocational Rehabilitation Program- DI/SSI beneficiaries who are no longer considered disabled but are involved in vocational rehabilitation are eligible for continued benefits while in vocational rehabilitation.

EXTENSIONS-- INDEFINITE

SSI-- Section 1619(a); Special SSI Payments for People Who Work- Section 1619(a) allows SSI beneficiaries to get SSI cash benefits when their income exceeds SGA. Section 1619(a) SSI payments, which may be received indefinitely as long as the beneficiary meets the requirements, are calculated in the same manner as SSI cash benefits are for those not working at SGA. To receive section 1619(a) payments, one must remain disabled and fulfill all other SSI eligibility requirements. This does not apply for the blind as the blind are not constricted by SGA levels.

SSI-- Subsidies- "Subsidies" are the support a person receives from their employer while on the job which could result in a higher income than the actual value of the services performed. A subsidy may help a disabled worker who is above SGA remain eligible for benefits. It is the responsibility of the employer to determine the level of the subsidy. The value of the subsidy is deducted when SGA is determined. Only earnings that represent the real value of the work performed are used to determine if the beneficiary is working at SGA level. Examples of subsidies are when an employer gives a worker more supervision than other employees doing the same job, or when a disabled worker is given fewer or simpler tasks to complete than other workers at the same pay.

CASH

EXCLUSIONS-- INCOME

SSI-- Earned Income Exclusions- These exclusions allow most of a beneficiary's earned income (including sheltered workshop/work activities center income) to be excluded when calculating SSI benefits. For SSI beneficiaries, the first $65 dollars of earned income are excluded, as is one half of the remaining income. These exemptions are in addition to the $20 general income exclusions. The result of these exclusions is that beneficiaries are able to return to work while retaining a higher benefit level.

SSI-- Student Earned Income Exclusion- This allows any SSI beneficiary under the age of 22 who is currently in school (college, high school, or vocational training) to exclude up to $400 per month of earned income when calculating SSI benefits. The annual maximum of this benefit is $1,620. The exclusion is applied before the general or earned income exclusions.

SSI-- Blind Work Expenses (BWE)- Any earned income which a blind person uses to meet expenses needed to earn income is not counted in determining SSI eligibility and the payment of that amount. Examples of where BWE could be used are guide dog expenses, transportation to and from work, income taxes, and union dues.

DI and/or SSI-- Impairment Related Work Expenses (IRWE)- Costs of certain impairment-related items and services which are needed to work are deducted from earned income when determining SGA. Deductions can be made if the expense allows a person to work, if the cost is not reimbursed by someone else, and if the expense is paid for in a month where the beneficiary was working. Examples of acceptable IRWE expenses are attendant care services, transportation costs, and medical devices needed to allow an individual to work.

EXCLUSIONS-- RESOURCE

SSI-- Property Essential to Self-Support- Allows a person to exclude certain resources which are essential to the person as a means of self support. Property which is used in a trade or a business or for work as an employee is totally excluded. Up to $6,000 of equity value of non-business property which is used to produce goods or services essential to daily activity is excluded (an example would be land used to grow vegetables for family consumption). Also, up to $6,000 of equity value of non-business income-producing property may be excluded as long as the annual rate of return yielded on that property is at least 6%.

EXCLUSIONS-- INCOME AND RESOURCE

SSI-- Plan for Achieving Self-Support (PASS)- A PASS plan 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. For example, a person could set aside resources to return to school, receive vocational training, or start a business. PASS plans must be specific, designed for the individual. They must show how the resources are to be used and they will be reviewed on a periodic basis. Any SSI beneficiary is eligible for a PASS; a PASS may also be used to establish eligibility for SSI benefits. If a disabled person who is not on SSI or is on DI (but not SSI) is able to set aside large portions of income and resources due to the nature of their PASS, they may qualify for SSI benefits. This usually allows PASS recipients to qualify for other means-tested benefit programs, such as food stamps and Medicaid.