Total Pages: 10

LRM ID: MDH110

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

URGENT

Monday, July 21, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melinda D. Haskins
PHONE: (202)395-3923 FAX: (202)395-6148

SUBJECT: EDUCATION Testimony on Social Security Administration "Return to Work (Ticket to Independence)" Draft Bill

DEADLINE: 1:30 p.m. Tuesday, July 22, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The House Subcommittee on Social Security will hold a hearing on July 23rd regarding the Administration's "Return to Work (Ticket to Independence)" proposal. Please provide comments on the attached Department of Education testimony for this hearing.

THIS IS A FIRM DEADLINE. IF WE DO NOT HEAR FROM YOU BY THE DEADLINE, WE WILL ASSUME THAT YOU HAVE NO OBJECTION.

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LRM ID: MDH110 **SUBJECT:** EDUCATION Testimony on Social Security Administration "Return to Work (Ticket to Independence)" Draft Bill

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _________

_____ Other: ______________________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

U.S DEPARTMENT OF EDUCATION

Statement by

Judith E. Heumann

DRAFT

Assistant Secretary
Office of Special Education and
Rehabilitative Services

on Barriers Preventing Social Security Disability Recipients
From Returning To Work

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

July 23, 1997

Chairman Bunning and members of the Subcommittee, thank you very much for inviting me to speak with you on the issue of barriers which prevent disabled Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) beneficiaries from engaging in or returning to work.

As the Department of Education's Assistant Secretary for the Office of Special Education and Rehabilitative Services (OSERS), I am responsible for providing leadership to the Rehabilitation Services Administration (RSA), the Federal agency which assists State vocational rehabilitation (VR) agencies and other providers to assist individuals with disabilities to achieve employment and to live independently. My leadership also extends to the National Institute on Disability and Rehabilitation Research which -- through research, demonstration, and dissemination and utilization programs -- identifies those best practices in technology, rehabilitation, and independent living that result in greater independence and productivity of individuals with disabilities.

My appointment as Assistant Secretary and my ability to live independently would not have been possible without the broad array of rehabilitation and independent living services from which I have benefited along with my personal determination and family's support.

My mom and dad believed that in America I could accomplish anything I wanted.

When I was one and a half years old, I developed polio. When I was five, the public school officials would not allow me to enroll! They told my mother that because of my wheelchair, I was a fire hazard. Instead, the school system sent a tutor to my house. When I was nine, I finally got to go to school, but I was placed with other disabled kids in a room hidden in the school basement.

I was the first student in my class to go on to high school -- but not until my mom and dad fought for this right.

After graduating from high school, I went to college. I wanted to become a teacher, but the agency financing my education believed that people who use wheelchairs could not teach, so they refused to let me major in education.

But I did manage to minor in it. When I graduated, I applied for a teaching license in the New York City school system. I passed the written test and the spoken test. But I failed the medical test because I used a wheelchair. The school officials would not give me a license to teach. But I knew I could be a good teacher.

With the support of my parents, I challenged the school system, obtained my license, and finally got a job teaching.

During this time, I became aware that other disabled people from all over the nation -- in fact, from around the world -- were also advocating for equal rights. These people, and many other disabled people and their families became part of the growing movement for the rights of the disabled.

This broader movement enabled me to go on to graduate school, and to be a leader in the then new independent living movement. I helped found the first Center for Independent Living in Berkeley, California.

Since my childhood, we, as a country, have made significant strides in improving educational opportunities for individuals with disabilities, particularly with the enactment of the Individuals with Disabilities Education Act in 1975. This Act has recently been reauthorized and further strengthened and improved with tremendous bipartisan support and cooperation. We have also made significant progress in furthering opportunities for employment and independent living for individuals with disabilities through a broad range of programs that support both rehabilitation and independent living services, research and demonstrations, and that protect the rights of individuals of disabilities from discrimination in employment housing, and transportation It is estimated that approximately 800,000 individuals with disabilities are now working because of the anti-discrimination protections provided by the Americans with Disabilities Act. But significant barriers remain to achieving the goals of independence, inclusion, and empowerment for all individuals with disabilities.

These barriers include environmental barriers such as the lack of transportation and lack of affordable and accessible housing. Individuals like myself need access to personal assistance services in order to work. Many individuals need accommodations on the job such as assistive technology to perform effectively in the workplace. Despite the promise of the ADA, negative employer and individual attitudes regarding the employability of individuals with disabilities still persist. Notably, federal policy aimed at assisting individuals with disabilities is also creating disincentives to work for many individuals with disabilities. For example, the potential loss of health care coverage represents a significant barrier to employment for SSDI and SSI recipients. Medicare for disabled SSDI beneficiaries and Medicaid for SSI recipients provide the majority of health care coverage for these groups. While there are provisions which extend these benefits once an individual returns to work, these are time limited and may ultimately result in total loss of health care coverage. In addition to primary health care services, the Medicaid program also offers a variety of optional services essential to the needs of severely disabled individuals that are both costly and difficult to obtain even if traditional employer-based health care coverage can be secured.

Medicaid often triggers an individual's eligibility for an array of other social services, i.e., housing subsidies and food stamps. Loss of these benefits offers another disincentive to individuals considering return to work.

Federal income policy regarding disability payments may also create disincentives to employment. Benefits under both SSDI and SSI can continue for up to nine months after an individual attempts to return to work. At that point, SSA must determine if the individual has achieved substantial gainful activity (SGA) which is a trigger for termination of cash benefits. Our data suggest that many beneficiaries are well aware of the SGA threshold, and, as they approach it tend to limit their hours of work or earnings.

Ultimately, it is these barriers that must be addressed if we are to achieve successful employment outcomes for many more individuals with disabilities.

At this point, I would like to briefly provide you with an overview of the VR program. There are presently 82 State-operated VR service programs, which, in fiscal year 1997 will provide $2.2 billion in formula grant assistance to help individuals prepare for and engage in gainful employment. VR services may include, but are not limited to, job development, job training and placement, counseling and guidance, assistive technology, personal assistance services, physical and mental restoration services, reader services, interpreter services, supported employment services, and school-to-work transition services. The essence of the VR program is to provide services that meet the aspirations, needs, abilities and priorities of each individual, consistent with the individual's informed choice. A VR counselor works as a partner with an individual with a disability to design a rehabilitation program that matches the individual's strengths and interests to a vocational outcome, and they jointly develop an employment plan.

Since its creation seventy-seven years ago by the Smith-Fess Act, VR programs (now authorized by the Rehabilitation Act of 1973, as amended) have assisted some nine million individuals with disabilities to achieve gainful employment. Presently, there are over 1.25 million eligible individuals receiving VR services, 77.5 percent of whom have significant disabilities. In FY 1996, 213,500 individuals who exited the VR system after receiving services achieved an employment outcome and showed notable gains in their economic status.

The State VR agencies and the Social Security Administration have a long history of working together to assist SSDI and SSI beneficiaries to return to work, dating back to 1954. The Social Security Amendments of 1965 authorized the use of Social Security trust funds to pay for VR services for beneficiaries. The goal of the Beneficiary Rehabilitation Program is to return the maximum number of disabled beneficiaries to work so that savings in reduced benefit payments and the Social Security contributions of the rehabilitated beneficiaries would equal or exceed the amount paid for rehabilitation services.

Since 1983, VR agencies have been reimbursed by SSA only for beneficiaries who are terminated from benefits following a determination that the beneficiary has achieved substantial gainful activity. Payment is made to the VR agency only when savings to the trust fund are anticipated.

Some State VR agency data regarding the rehabilitation of SSI and SSDI beneficiaries may be of interest to you. In 1995, a total of 53,900 recipients were closed as rehabilitated by VR. This represents 25.9 percent of the 209,500 individuals successfully rehabilitated. Of these individuals, 71.9 percent were competitively employed. However, many beneficiaries who achieve employment through the VR program will not reach a level of earnings that will result in termination of benefits, either because they are working in low-paying, entry-level jobs or working part-time. For example, of the persons employed in competitive employment. 25 percent are persons working in supported employment which through a combination of wage level or part-time hours of work may also result in an overall earnings level of less than substantial gainful activity. FY 1996 RSA data also shows that beneficiaries achieving employment outcomes work approximately 12 hours a week less than persons who achieved employment outcomes but were not SSA beneficiaries. These results may be in many cases directly related to the severity of the disability of the beneficiary.

A longitudinal study now being conducted for RSA by the Research Triangle Institute shows that 28 percent of all active VR clients are SSDI and SSI beneficiaries. This study shows further that these individuals have been receiving benefits for an average of 55 months. While referral to the VR program at the time of the initial SSA disability determination may result in only a small number of individuals receiving VR services, as time goes by, the number will increase significantly. This is supported by RSA's own 1995 data which shows that in that year 90.1 percent of all Social Security applicants who applied for VR services (130,400 individuals) were accepted. Of the total number of applicants, 97,400 (74.7 percent) went on to have a rehabilitation plan developed, resulting in the 53,900 individuals who achieved employment referenced above.

There are some significant differences between the beneficiary population and the general population served by the VR program. Beneficiaries tend to have higher percentages of some severe disabilities. These include higher percentages of visual disabilities, severe mental illness, mental retardation, and prelingual deafness. The mental illness and mental retardation disability groups explain the high incidence of use of supported employment.

One result of the more severe disability mix is higher cost of services. For example, in 1995, the average cost of purchased services for beneficiaries was $4,724, compared to $3,168 for non-beneficiaries. Beneficiaries, therefore, had a 49.1 percent higher cost for purchased services.

In addition, individuals with disabilities, including SSDI and SSI beneficiaries, face many other challenges in entering and retaining employment. Today, despite the opportunities afforded by the Americans with Disabilities Act (ADA), the Individuals with Disabilities Education Act (IDEA), and the Rehabilitation Act, nearly half of working-age persons with disabilities are unemployed.

The 1992 amendments to the Rehabilitation Act made a number of important changes to the VR State grants program. For example, the amendments modified the criteria for determining eligibility for services to streamline the process and set forth the policy that individuals with disabilities are to be active participants in their own rehabilitation programs.

In preparing for the pending reauthorization of the Rehabilitation Act, we have invited input from a broad range of groups and individuals to get their ideas for further improving the Act and we are prepared to make a number of specific recommendations for changes that are aimed at improving results for individuals with disabilities in the areas of employment and independent living. These include further streamlining the eligibility determination process to establish presumptive eligiblity for VR services for recipients of disability benefits under Titles II and XVI of the Social Security Act.

We recognize that vocational rehabilitation is only part of the solution to the unemployment of individuals with disabilities, and we are pursuing other options to maximize return-to-work opportunities. For example, the Social Security Administration has recently transmitted its Ticket to Independence proposal, which would authorize a new public-private partnership to assist individuals who receive Social Security benefits on the basis of disability to return to work. We look forward to working with the Social Security Administration to implement this proposal, if enacted.

We must continue to explore ways to address the broad range of factors contributing to the high unemployment of individuals with disabilities. I am convinced that by working together, the Administration, Congress, individuals with disabilities and their advocates, service providers, and employers can turn the wasted talents of disabled people into an important resource for securing our nation's future.

I want to assure the Subcommittee of my sincere desire to work with you and our partners at SSA to achieve our common goal of assisting individuals with disabilities to achieve gainful employment and to become contributing members of our society.

Total Pages: 5

LRM ID: MDH109

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Monday, July 21, 1997

URGENT

LEGISLATIVE REFERRAL MEMORANDUM

TO:	Legislative Liaison Officer - See Distribution below
FROM:	Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT:	Melinda D. Haskins PHONE: (202)395-3923 FAX: (202)395-6148
SUBJECT:	REVISED Social Security Administration Testimony on "Return to Work (Ticket to Independence)" Draft Bill
DEADLINE:	2 pm Tuesday, July 22, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The attached SSA testimony on the Administration's "Return to Work (Ticket to Independence)" proposal replaces that which you received for review on July 18th. SSA will deliver this testimony before the House Subcommittee on Social Security on July 23rd. Note the discussion of budget reconciliation on page 3.

THIS DEADLINE IS FIRM. IF WE DO NOT RECEIVE COMMENTS FROM YOU BY THE DEADLINE, WE WILL ASSUME THAT YOU HAVE NO OBJECTION.

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OMB-LA

LRM ID: MDH109 **SUBJECT:** REVISED Social Security Administration Testimony on "Return to Work (Ticket to Independence)" Draft Bill

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**RESPONSE TO
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TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ____________________ (Date)

____________________ (Name)

____________________ (Agency)

____________________ (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _________

_____ Other: ____________________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

Mr. Chairman and Members of the Subcommittee:

A large and growing number of people with disabilities can work, and want to work. With the Americans With Disabilities Act, changes in societal attitudes, and advances in technology, it is clearer than ever that being disabled does not mean that you can't contribute to our nation's economy. However, people with disabilities face a variety of complex barriers to work. Now is the right time to launch new initiatives to help break these barriers.

Today, too few of our approximately 8 million Social Security and Supplemental Security Income (SSI) disability recipients leave the disability rolls each year because they acquired work. In fiscal year 1996, SSA paid State vocational rehabilitation (VR) agencies about $65.5 million for their services provided to approximately 6,000 beneficiaries with disabilities who worked at least 9 months earning more than $500 per month. However, many more of our customers with disabilities tell us they want to work and will do so if the incentives are right and the services they need are available. We look forward to working with Congress to turn their dreams of economic independence into reality. I am enthusiastic about the possibilities for the future, particularly the President's "Ticket to Independence" proposal.

This plan creates new ways to help people find work and achieve their goals. The Administration looks forward to working with the Hill to enact these proposals. Since there are members of Congress from both sides of the aisle who are also working to solve this problem, we are hopeful our proposal will contribute to a constructive dialogue that will lead to the enactment of legislation. believe our proposal

The "Ticket to Independence" is a public-private partnership designed to expand opportunities for individuals who are disabled or blind. This partnership would give people receiving disability payments what they want and need--the control and flexibility to secure services tailored to their individual requirements from their choice of providers. The Ticket is fiscally responsible, since providers would be paid only for results, i.e., placing individuals in a job and eliminating Federal cash assistance.

Some have been critical of the current system for not improving the work capacity of our beneficiaries. We know that many highly skilled, outcome-focused agencies and professionals could be successful in assisting our diverse beneficiaries to return to work and that individualized planning and support is essential to successful work re-entry; the President's proposal builds on this knowledge.

We believe that the "Ticket to Independence" proposal will result in more opportunities for our beneficiaries to receive the services they need in order to work. However, we must keep in mind that our beneficiaries, ~~by virtue of the fact that they are receiving benefits, have been determined to be unable to engage in substantial gainful activity. Since this is the case, most~~ of our beneficiaries have disabilities so severe and permanent that they will be unable to work even with the best VR services.

many

The "Ticket to Independence" Proposal

Included in the President's fiscal year 1998 budget is a historic proposal to help more beneficiaries achieve their goals of obtaining a job and leaving the benefit rolls. This is the first time that a President has submitted a proposal to significantly expand return to work efforts. The "Ticket to Independence" is grounded in a four part vision.

- <u>Customer Choice</u>: SSA's customers desire and need maximum flexibility and choice in pursuing services which will help them to become gainfully employed. Beneficiaries with disabilities will receive a "Ticket to Independence" to use with a participating public or private employment or rehabilitation provider of their choice. Our experience indicates that customer choice is a key element in their decision to seek services.

- <u>Encouraging Innovation</u>: The President's proposal seeks to encourage widespread innovations in the private and public sectors by creating opportunities for State agencies, local non-profit and for-profit providers, employers, and beneficiaries to work together.

- <u>Paying for Results</u>: Beneficiaries and providers alike should focus on the goal of stable employment. A focus on outcomes is best achieved by linking it to financial rewards. The provider will be paid only when the beneficiary's earnings from work results in benefit savings. The "Ticket to Independence" rewards success and frugally uses public funds in an accountable and targeted way. And, since stable employment is the only goal that reaps a financial return, fewer resources are needed to monitor methods, expenditures, case files, etc.

- <u>Health Care Incentives</u>: Health care security is viewed by beneficiaries as an essential factor in deciding whether or not to try to work. Opportunities to obtain employment should be as health-care neutral as possible for individuals with disabilities. As you know, the President's Budget proposal included two new approaches to removing disincentives to returning to work.

We are pleased that the Senate Reconciliation bill includes a proposal similar to that proposed by the President that would permit states to allow workers with disabilities to buy into Medicaid. The Administration has urged the Conferees to adopt the President's version which would not limit eligibility for this program to people whose earnings are below 250 percent of poverty.

Unfortunately, the ~~President's~~ Admin's proposal for a 4-year demonstration to extend premium-free Part A Medicare eligibility for beneficiaries who leave the cash benefit rolls and continue working beyond the current period of Medicare eligibility (39 months) was not included in Reconciliation. The Administration continues to believe such a demonstration, coupled with the "Ticket to Independence," is good policy and plans to pursue this demonstration authority in the future.

How the Ticket Will Work

After SSA determines that individuals are eligible for benefits, we will issue them tickets. The beneficiary may give it to the participating provider of his/her choice in exchange for rehabilitation and employment services. If the beneficiary returns to work and benefits cease due to earnings, the provider holding the ticket will receive a portion of the savings for a fixed period of time.

Phased Roll-Out

SSA will select 5-10 States to begin. Tickets will be issued and providers will be solicited for participation. State VR agencies and alternate participants will have the option to participate in either the "Ticket to Independence" or the current SSA VR Reimbursement Program.

For State VR agencies or alternate providers which choose to participate in the pilot, claims filed under the current program prior to the start of the pilot will continue to be processed under that program. Also, the State VR agencies in pilot States will not have first priority access to referrals for beneficiaries who have tickets.

Eligibility

All disability beneficiaries in roll-out States, except those whose medical conditions are expected to improve, will be eligible to receive a ticket. Beneficiaries who are expected to improve will be eligible for a ticket if their benefits are continued as a result of a continuing disability review.

Providers

Providers must satisfy certain criteria to be enrolled and eligible to receive payments from SSA. Providers must be eligible to conduct business in the State where they enroll by whatever criteria are used in that State. SSA will not certify, license or regulate organizations or businesses.

Using the Ticket

A beneficiary may activate a ticket at any time by giving it to an enrolled provider, who then registers it for 1 or 2 years, at the beneficiary's discretion. The ticket can be transferred to another provider only if the original ticket holder agrees (except in situations where disputes between a beneficiary and a provider are resolved by withdrawing the ticket). The terms of transfer of the ticket from one approved provider to another, with the beneficiary's consent, are entirely up to the respective parties. Providers receiving tickets from other providers must notify SSA of the change to be eligible for payment. At the end of the period of registration, if no provider is being paid under the expired ticket, the beneficiary may request a renewed ticket and that ticket may be registered for 1 or 2 years with the same or a different provider. Only one ticket will be issued to a beneficiary at a time and only one provider may hold a beneficiary's ticket at a time.

Paying the Provider

When SSDI benefits or an SSI beneficiary's Federally-administered benefits stop due to earnings, the provider is paid a portion of each monthly benefit not paid to the beneficiary during a specified continuous period.

The provider payments begin with the first month that SSDI benefits or Federally administered SSI payments are reduced to zero, due to earnings, after the ticket is registered.

Administering the Ticket

SSA will award a contract to an administrator to manage the enrollment of providers, the system of referrals, ticket registration, and to assist in paying providers. The administrator will also develop a data collection system incorporating information required for management reports, a beneficiary tracking system, and the evaluation of the impact of the "Ticket to Independence."

Evaluation and Expansion

The Commissioner of Social Security will report to the Congress annually on the operations of the "Ticket to Independence" Program. At the end of the 3rd, 5th, 7th, and 10th year of the pilot, the Commissioner will evaluate and report on the impact of the program and work activity of beneficiaries with disabilities. Based on the results of the evaluation, the Commissioner will determine whether to continue and expand to other States (if the ticket system has been sufficiently successful), to modify aspects of the models to gain better results (such as the payment formula or the length of the payment period), or to discontinue the project.

Protection and Advocacy

SSA will supplement the funding of the existing State Protection and Advocacy (P&A) system with funds specifically designated for assisting SSA beneficiaries when disputes with providers occur. The State P&A System is a long established Federally-mandated system operating in each State and territory that investigates, negotiates and mediates solutions to problems that certain persons with disabilities cannot resolve on their own.

Conclusion

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The "Ticket to Independence" ~~is~~ a frugally designed, results oriented innovation that can:

- Create a public-private partnership between Social Security and public and private providers with the goal of ~~getting~~ beneficiaries to work.

  supports   who want to return to

- Offer potentially significant savings to the SSA trust funds by helping persons with disabilities to work.

- Give beneficiaries the control and flexibility they need in securing services they want.

- Minimize bureaucratic involvement.

Mr. Chairman, let me reiterate. We want to work with you to design new programs that can result in jobs for persons with disabilities who would otherwise remain dependent upon disability benefits. We believe the President's "Ticket to Independence" begins a deliberate process to roll out a federal initiative to achieve that end. I thank you for your attention and would be happy to answer any questions.

Total Pages: 11

LRM ID: MDH107

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Friday, July 18, 1997

URGENT

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melinda D. Haskins
PHONE: (202)395-3923 FAX: (202)395-6148

SUBJECT: Social Security Administration Testimony on "Return to Work (Ticket to Independence)" Draft Bill

DEADLINE: 10 AM Monday, July 21, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: The House Subcommittee on Social Security will hold a hearing on July 23rd regarding the Administration's "Return to Work (Ticket to Independence)" proposal. Please provide comments on the attached SSA testimony. This deadline is firm.

NOTE DISCUSSION OF SENATE RECONCILIATION BILL ON PAGE 4 OF THE TESTIMONY.

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RESPONSE TO
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Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _________

_____ Other: _______________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

FOR RELEASE ON DELIVERY

STATEMENT ON

RETURN TO WORK INITIATIVES FOR PEOPLE WITH DISABILITIES

By

JOHN J. CALLAHAN
ACTING COMMISSIONER
SOCIAL SECURITY ADMINISTRATION

BEFORE THE
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY
HOUSE OF REPRESENTATIVES

July 23, 1997

Mr. Chairman and Members of the Subcommittee:

I am very proud to have the privilege of presenting the President's initiative, the "Ticket to Independence," which responds to the changing expectations of SSA's beneficiaries with disabilities and reflects the President's goal of moving all Americans with disabilities from dependence to independence. SSA stands ready to do everything we can to make jobs a reality for our beneficiaries. We are eager to expand the services they need to be active participants in the workforce.

Today, too few of our approximately 8 million Social Security and Supplemental Security Income (SSI) disability recipients leave the disability rolls each year because they acquired work. In fiscal year 1996, SSA paid State vocational rehabilitation (VR) agencies about $65.5 million for their services provided to approximately 6,000 beneficiaries with disabilities who worked at least 9 months earning more than $500 per month. However, many more of our customers with disabilities tell us they want to work and will do so if the incentives are right and the services they need are available. We look forward to working with Congress to turn their dreams of economic independence into reality. I am enthusiastic about the possibilities for the future, particularly the President's "Ticket to Independence" proposal.

why emph VR?

I know that you are keenly interested in implementing changes designed to ensure that there are work opportunities for beneficiaries who are disabled. The President's initiative, as set forth in the legislation we sent to Congress on June 30, 1997, will help us accomplish this goal.

The "Ticket to Independence" is a public-private partnership designed to expand opportunities for individuals who are disabled or blind. This partnership would give people receiving disability payments what they want and need--the control and flexibility to secure services tailored to their individual requirements from their choice of providers. The Ticket is fiscally responsible, since providers would be paid only for results, i.e., placing individuals in a job and eliminating Federal cash assistance.

praise Bunning? others?

History of Social Security's Coordination with Vocational Rehabilitation (VR)

Rehabilitation and return to work has been an important part of Social Security disability policy. Provisions on rehabilitation were included in the law since the inception of the disability programs in 1954. Congress required then that individuals with disabilities applying for benefits should be promptly referred to the State VR Agency for necessary VR services, so that the maximum number of individuals with disabilities may resume productive work activity. (Section 222 of the Social Security

Act originally enacted in 1954). Congress recognized great potential for return to work in populations affected by disability and stressed the importance of continuing cash benefits <u>during</u> rehabilitation.

Why stress? yet...

Certainly there is as great a need to protect the resources, the self-reliance, the dignity and the self-respect of disabled workers as of any other group. The protection of the material and spiritual resources of the disabled worker is an important part of preserving his(her) will to work and plays a positive role in his(her) rehabilitation (House Report 1189, July 14, 1955).

Further, Congress recognized that rehabilitation results in the judicious use of public funds and a more fulfilling life for the individual. Rehabilitation, where it is possible, is the most economical method of providing for disabled persons and is the most satisfactory for the individual. Congress saw no inconsistency with the protection from income loss due to disability and the importance of return to work services. ?

history

Biz: stress

There must be a present inability to engage in substantially gainful work by reason of such impairment (recognizing, of course, that efforts toward rehabilitation will not be considered to interrupt the period of disability until the restoration of the individual to gainful activity is an accomplished fact) (House Report 1698, May 28, 1954).

In the beginning, Congress did not specifically authorize trust fund dollars to purchase VR services. Ten years later, following recommendations of the 1964 Social Security Advisory Council, Congress established the Beneficiary Rehabilitation Program authorizing the disbursement of trust fund monies to State VR Agencies on a formula basis. In 1972, Congress expanded this authorization, through general revenue, to SSI recipients.

Legislation enacted in 1981 established the current system of reimbursing State VR agencies for services that resulted in a beneficiary engaging in substantial gainful activity for a continuous period of 9 months. In 1994, SSA published regulations allowing referral of certain individuals, whom the State VR agencies are unable to serve, to other public and private providers. We have received over 500 proposals from non-State VR providers to date and 65 contracts have been awarded. We are continuing to review the remaining proposals. We intend to re-open a period for new proposals from potential alternate participants later this year. This is not a competitive process but is rather an effort to have as many alternate providers as possible.

SSA is currently one portal through which people with disabilities may be encouraged to enter the Federal/State VR system. <u>Some have been critical of SSA for not</u>

Why say? say it's system

improving the work capacity of our beneficiaries. The record obviously indicates a need for improvement. We believe that the "Ticket to Independence" proposal will result in more opportunities for our beneficiaries to receive the services they need in order to work. However, we must keep in mind that our beneficiaries, by virtue of the fact that they are receiving benefits, have been determined to be unable to engage in substantial gainful activity. Since this is the case, most of our beneficiaries have disabilities so severe and permanent that they will be unable to work even with the best VR services.

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What We Know from Past Experience

The *Social Security Disability Amendments of 1980* (P.L. 96-265) authorized the Commissioner of Social Security to test, through demonstration projects, alternative methods of promoting work opportunities.

SSA's early efforts culminated with the Research Demonstration Program, a wide-range approach to develop new ways of providing VR and employment assistance. From it, we are learning two important lessons: many highly skilled, outcome focused agencies and professionals could be successful in assisting our diverse beneficiaries to return to work and; individualized planning and support is essential to successful work re-entry. Our current proposal builds on these lessons.

The "Ticket to Independence" Proposal

Included in the President's fiscal year 1998 budget is a historic proposal to help more beneficiaries achieve their goals of obtaining a job and leaving the benefit rolls. This is the first time that a President has submitted a proposal to significantly expand return to work efforts. The "Ticket to Independence" is grounded in a four part vision.

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better rationale

- Customer Choice: SSA's customers desire and need maximum flexibility and choice in pursuing services which will help them to become gainfully employed. Beneficiaries with disabilities will receive a "Ticket to Independence" to use with a participating public or private employment or rehabilitation provider of their choice. Our experience indicates that customer choice is a key element in their decision to seek services. ?

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- Encouraging Innovation: The President's proposal seeks to encourage widespread innovations in the private and public sectors by creating opportunities for State agencies, local non-profit and for-profit providers, employers, and beneficiaries to work together.

o Paying for Results: Beneficiaries and providers alike should focus on the goal of stable employment. A focus on outcomes is best achieved by linking it to financial rewards. The provider will be paid only when the beneficiary's earnings from work results in benefit savings. The "Ticket to Independence" rewards success and frugally uses public funds in an accountable and targeted way. And, since stable employment is the only goal that reaps a financial return, fewer resources are needed to monitor methods, expenditures, case files, etc. ?

o Health Care Incentives: Health care security is viewed by beneficiaries as an essential factor in deciding whether or not to try to work. Opportunities to obtain employment should be as health-care neutral as possible for individuals ? with disabilities. As you know, the President's Budget proposal included two critical health care policy changes to remove disincentives to returning to work. — What

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We are pleased that the Senate Reconciliation bill includes a proposal similar to that proposed by the President that would permit states to allow workers with disabilities to buy into Medicaid. The Administration has urged the Conferees to adopt the President's version which would not limit eligibility for this program to people whose earnings are below 250 percent of poverty.

Unfortunately, the President's proposal for a 4-year demonstration to extend premium-free Part A Medicare eligibility for beneficiaries who leave the cash benefit rolls and continue working beyond the current period of Medicare eligibility (39 months) was not included in Reconciliation. The Administration continues to believe such a demonstration, coupled with the "Ticket to Independence", is good policy and plans to pursue this demonstration authority in the future.

How the Ticket Will Work

After SSA determines that individuals are eligible for benefits, we will issue them tickets. The beneficiary may give it to the participating provider of his/her choice in exchange for rehabilitation and employment services. If the beneficiary returns to work and benefits cease due to earnings, the provider holding the ticket will receive a portion of the savings for a fixed period of time.

Phased Roll-Out

SSA will select 5-10 States to begin. Tickets will be issued and providers will be solicited for participation. State VR agencies and alternate participants will have the option to participate in either the "Ticket to Independence" or the current SSA VR Reimbursement Program.

For State VR agencies or alternate providers which choose to participate in the pilot, claims filed under the current program prior to the start of the pilot will continue to be processed under that program. Also, the State VR agencies in pilot States will not have first priority access to referrals for beneficiaries who have tickets.

Eligibility

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All disability beneficiaries in roll-out States, except those whose medical conditions are expected to improve, will be eligible to receive a ticket. Beneficiaries who are expected to improve will be eligible for a ticket if their benefits are continued as a result of a continuing disability review.

Providers

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Providers must satisfy certain, though minimal, criteria to be enrolled and eligible to receive payments from SSA. Providers must be eligible to conduct business in the State where they enroll by whatever criteria are used in that State. SSA will not certify, license or regulate organizations or businesses.

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Using the Ticket

A beneficiary may activate a ticket at any time by giving it to an enrolled provider, who then registers it for 1 or 2 years, at the beneficiary's discretion. The ticket can be transferred to another provider only if the original ticket holder agrees (except in situations where disputes between a beneficiary and a provider are resolved by withdrawing the ticket). The terms of transfer of the ticket from one approved provider to another, with the beneficiary's consent, are entirely up to the respective parties. Providers receiving tickets from other providers must notify SSA of the ? change to be eligible for payment. At the end of the period of registration, if no provider is being paid under the expired ticket, the beneficiary may request a renewed ticket and that ticket may be registered for 1 or 2 years with the same or a different provider. Only one ticket will be issued to a beneficiary at a time and only one provider may hold a beneficiary's ticket at a time.

Paying the Provider

When SSDI benefits or an SSI beneficiary's Federally-administered benefits stop due to earnings, the provider is paid a portion of each monthly benefit not paid to the beneficiary during a specified continuous period.

The provider payments begin with the first month that SSDI benefits or Federally administered SSI payments are reduced to zero, due to earnings, after the ticket is registered.

Administering the Ticket

SSA will award a contract to an administrator to manage the enrollment of providers, the system of referrals, ticket registration, and to assist in paying providers. The administrator will also develop a data collection system incorporating information required for management reports, a beneficiary tracking system, and the evaluation of the impact of the "Ticket to Independence."

Evaluation and Expansion

The Commissioner of Social Security will report to the Congress annually on the operations of the "Ticket to Independence" Program. At the end of the 3rd, 5th, 7th, and 10th year of the pilot, the Commissioner will evaluate and report on the impact of the program and work activity of beneficiaries with disabilities. Based on the results of the evaluation, the Commissioner will determine whether to continue and expand to other States (if the ticket system has been sufficiently successful), to modify aspects of the models to gain better results (such as the payment formula or the length of the payment period), or to discontinue the project.

Protection and Advocacy

SSA will supplement the funding of the existing State Protection and Advocacy (P&A) system with funds specifically designated for assisting SSA beneficiaries when disputes with providers occur. The State P&A System is a long established Federally-mandated system operating in each State and territory that investigates, negotiates and mediates solutions to problems that certain persons with disabilities cannot resolve on their own.

Conclusion

The "Ticket to Independence" is a frugally designed, results oriented innovation that can:

- Create a public-private partnership between Social Security and public and private providers with the goal of getting beneficiaries to work.
- Offer potentially significant savings to the SSA trust funds by helping persons with disabilities to work.
- Give beneficiaries the control and flexibility they need in securing services they want.
- Minimize bureaucratic involvement.

Mr. Chairman, let me reiterate. We want to work with you to design new programs that can result in jobs for persons with disabilities who would otherwise remain dependent upon disability benefits. We believe the President's "Ticket to Independence" begins a deliberate process to roll out a federal initiative to achieve that end. I thank you for your attention and would be happy to answer any questions.

Bunning