

PROMOTING OPPORTUNITY FOR DISABILITY INSURANCE BENEFICIARIES

HEARING BEFORE THE COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES

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PROMOTING OPPORTUNITY FOR DISABILITY INSURANCE BENEFICIARIES

THURSDAY, JULY 9, 2015

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

The Committee met, pursuant to notice, at 10:00 a.m. in Room 1100 Longworth House Office Building, the Honorable Paul Ryan [Chairman of the Committee] presiding.

[The advisory announcing the hearing follows:]



Chairman Ryan Announces Hearing on Promoting Opportunity for Disability Insurance Beneficiaries

House Committee on Ways and Means Chairman Paul Ryan (R-WI) announced today that the committee will hold a hearing on promoting work opportunities for Social Security Disability Insurance beneficiaries. **The hearing will take place on Thursday, July 9, 2015 in 1100 of the Longworth House Office Building, beginning at 10:00 a.m.**

Oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, July 23, 2015**. For questions, or if you encounter technical problems, please call (202) 225-3625 or (202) 225-2610.

FORMATTING REQUIREMENTS:

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

1. All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

3. Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

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

Note: All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>.

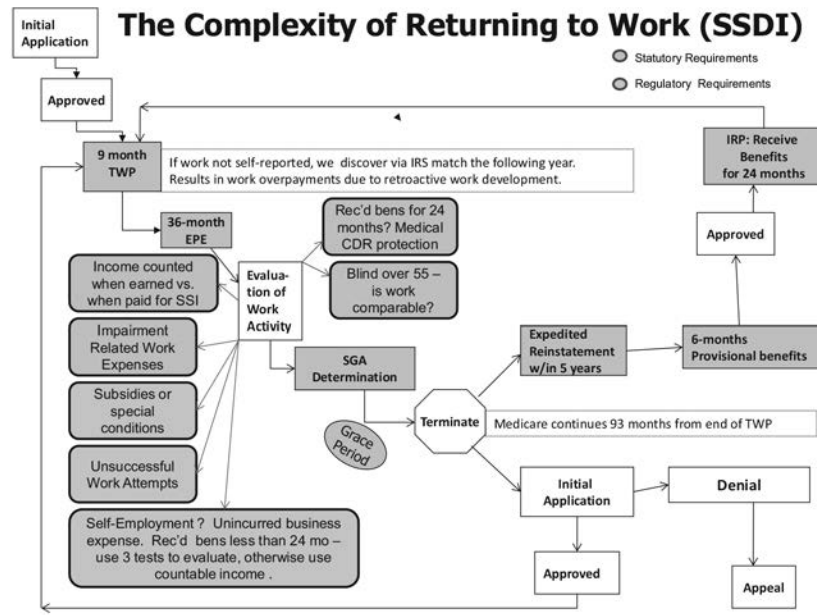
Chairman RYAN. The Committee will come to order. I think we have most of our members present.

This is our first, full-committee hearing on Social Security since 2008. Our goal here is to get ahead of the curve. As we all know, the Disability Insurance Trust Fund runs out of money next year. And that means, if we do nothing, under current law everybody on the program will see a 20 percent benefit cut.

Now, Subcommittee Chair Sam Johnson, along with the ranking member, Mr. Becerra, have been working on solutions all year long. And a few months back, Mr. Johnson laid out four principles for reforming DI, all of which I fully endorse.

First, no 20 percent cut. Stop that from happening. Not going to happen. Second, make sure all the benefits are paid on time. Third, make the program work better. Fourth, help people who can and want to work get back to work. This is the last point, the last point here I want to dwell on, because Chairman Johnson and his team have been looking at how to strengthen the DI program. And what they have found is the rules actually make it harder for people to work more.

Here is the crux of it. If you make just one dollar more than you are allowed, you get kicked off the program. In other words, it is a lot safer to stay on the sidelines. It is no surprise, then, that only one half of one percent earn enough to get off the program. The program is way too complex. If you want to work—and 40 percent of recipients do—there are all sorts of rules and regulations you have to follow.



Chairman RYAN. To give you an idea, here is a chart on work incentives from the Social Security Administration. If looking at this makes your head hurt, then you are not the only one.

We need to reboot our thinking here. Later this month we will celebrate the 25th anniversary of passing the Americans with Disabilities Act. And I agree that a disability should in no way diminish a person's right to fully participate in all aspects of our society. And that should be the spirit of DI. It will be there for you if you can't work. But if you want to work, we don't want to get in the way.

We should recognize everybody has something to offer. Everybody can contribute. And we should encourage that. So I want to make clear to members on both sides of the dais that we are not here to cut DI. We are here to strengthen Disability Insurance. That is our mission.

I also want to thank our witnesses for joining us here today. Every one of you here brings a unique perspective on Disability Insurance. And we are very interested in hearing your perspective. So I want to thank you again for taking the time to share your expertise.

And I just want to say to our friends on the other side of the aisle we want your ideas, as well. We want to work together. We want to come up with a bipartisan solution. So let's get to it.

And, with that, I want to recognize the ranking member for any opening statement that he would like to make.

Mr. LEVIN. Thank you very much. Today's hearing is on work incentives for Americans who qualify for Social Security because of a severe disability, illness, or injury. Nine million Americans and

two million of their spouses and children currently receive Social Security Disability Insurance.

All Americans pay into SSDI—I want to emphasize that—so that one accident or one diagnosis doesn’t mean a lifetime of poverty. In order to qualify for SSDI, disabled workers have to prove that their condition is so severe that it prevents them from working at a self-supporting level, and will last for more than a year. They must also provide evidence to the Social Security Administration that they have worked long enough to qualify for their benefits.

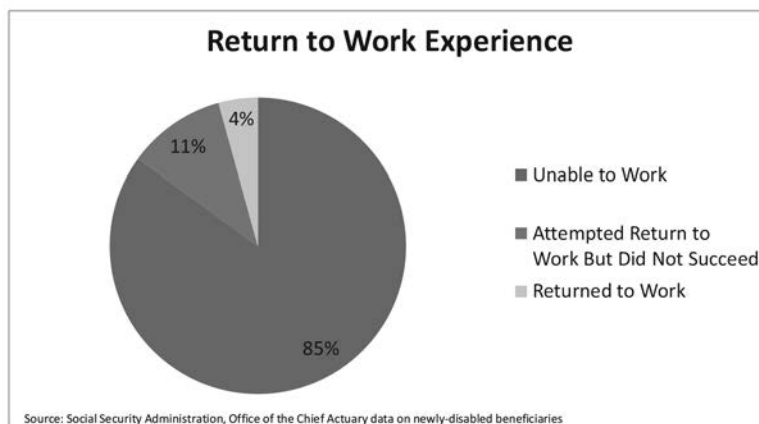
On average, SSDI recipients worked hard, and paid into the program for 22 years—for 22 years—before receiving benefits. Despite the severity of their impairments, some of these Americans with disabilities continue to make efforts to work, and we should continue to support their efforts, while not harming those who cannot.

Congress has created special benefit rules in Social Security called work incentives. These rules are designed to encourage work by giving individuals time to test whether they can work at a self-supporting level before their benefits end. Before Congress enacted these work incentive rules, many disabled Americans were afraid to even try to return to work, fearing they could lose their Social Security just for trying.

In addition to these work incentives, Congress has also created a wide range of other programs designed to assist disabled Americans to work. The Ticket To Work program, enacted on a bipartisan basis in 1999, provides services to help Social Security beneficiaries understand the impact of work on their benefits, and get the employment support they need to be successful.

The federal-state vocational rehabilitation program, which is not in our Committee’s jurisdiction, helps people retrain for new work if they cannot do their old job. I hope there will now be displayed a chart. Let’s see if modern technology works.

Many Attempt to Resume Work Despite Severe Impairments; Success Rate Low



Mr. LEVIN. It does. As you can see, this is a chart on the return-to-work experience. Even with the support of services, vocational retraining, and special benefit rules, only about 15 percent of beneficiaries have any earnings within 5 years of qualifying for Social Security. Many attempt to work, but are not able to sustain a job because of their impairment. Of those who do, most are only able to work part-time, or for very low pay, earning less than \$750 a month. Under current law, those individuals are able to keep all of their earnings to help support themselves. As seen in this chart, a very small fraction—about four percent—mostly younger workers, are able to earn enough to work their way off of Social Security.

So—and I emphasize this—as our Committee reviews the Social Security Disability Insurance program, and considers improvements, it is important that we know the full facts, and not rely on anecdotes. I would like to repeat that. It is important that we know the full facts, and not rely on anecdotes. We should do so with an understanding that all of us support combating fraud.

Indeed, Mr. Becerra and Mr. Johnson have similar proposals, although a key difference is whether we provide the resources needed to make the proposals work. And we should do so, understanding the power of work. People want to work, both because of the earnings and the dignity that comes with having a job.

So I just want to emphasize, as we proceed, we need to understand the facts, and understand who are the people, the vast majority of people, who are now on Social Security disability, and who have gone back to work. And, because of their disability, for how long they can work.

Social Security Disability Insurance plays a vital role in the lives of millions. I hope we can work together to make sure that it continues to be there for all Americans. I yield back.

Chairman RYAN. Thank you. I would like to invite the witnesses to paraphrase your remarks to conform with the five minutes. Your full written statement will be included as a part of the record.

And, Mr. Zelle, why don't we start with you?

STATEMENT OF MIKE ZELLEY, PRESIDENT, THE DISABILITY NETWORK, FLINT, MICHIGAN

Mr. ZELLEY. Good morning, Chairman Ryan, and Ranking Member Levin from Michigan, as I am, and members of the Ways and Means Committee. I am honored to speak to you today regarding barriers to work actually caused by our Social Security Disability Insurance system, which I will call DI.

I am the president of the Disability Network, a company that provides services and supports to thousands of people in Flint and Genesee County. I am also a paraplegic, use a wheelchair, who has benefitted from and been frustrated with disability insurance policies. My experience with DI began 36 years ago, following an auto accident that took me out of the work force for several months, as I went through surgery and rehab at Craig Hospital in Denver. I was the senior vice president of a bank holding company at the time. And while at Craig I was encouraged to apply for DI benefits because I had a significant disability that could affect my ability

to work. And, after all, like you, I paid for disability insurance coverage.

So, even though I wanted to return to work, my company—and my company wanted me back, nothing was certain. So I was awarded DI, and received the benefit of about \$800 a month, which is not a meaningful wage, with a family. I had seven children at the time.

So, after months of rehab, I gradually returned to full-time work. And when I informed Social Security that I was going back to work, they told me that I was beginning a trial work period, and, if successful, my DI benefits would stop. That didn't make much sense to me. The remarkable paradox was that Social Security strongly encouraged me to return to work right after I told them that I was injured seriously enough to affect my ability to return to work. It just didn't make sense.

So, eventually, the DI check stopped coming, including an overpayment, which I paid back, and that is a whole other story. My career continued until I founded the Disability Network organization, where we believe the best way to lift people out of poverty and not be poor is gainful employment. People with disabilities need supports from organizations and companies like us, and DI policies that encourage employment and have an expectation of work.

Why would we require people to pay for federal disability insurance to help them in the event of a disabling condition that affects their ability to work, and then penalize them if they do work and make a meaningful wage? When people with disabilities access the very benefit we require them to pay, we immediately take it away when they earn more than a so-called substantial gainful activity, SGA, about \$1,000 a month, which is not substantial. Most people would call this a cliff, a poverty wage activity, rather than a substantial gainful activity, because it does not allow for a meaningful income.

This is especially true when the cash benefit is commonly used for products and services related to our disability, like aids to daily living, or transportation, or personal assistant care. So I strongly encourage you to consider a proposal to ramp off the current wage cliff associated with SGA that prevents people from the American Dream of independence and freedom. Our policies discourage work, force people into spectator stands, watching the world go by, and we know life is not a spectator sport.

We need people in the game, in the economy, working. All of our people. And, unfortunately, because of these DI policies, they are not even on our talent bench. A recent study—ACS from Cornell—showed that there are half-a-million working-age people with disabilities in Michigan who are not working. And yet 43 percent of them have a college education or degree. What is wrong with this picture?

Leaders from across the nation you will hear today—like Randy Lewis from Walgreens; Rick Keyes from Meijer in Michigan; Jeanne Stone from Trijicon—are publicly stating that they want to hire not only people with disabilities, 20 percent. They have a quota of doing that. They see the talent, dependability, motivation, and proved workforce that occurs when people with disabilities are back in the workforce.

It is hard to imagine a cost-neutral, simple way to change DI policies, and yet, at the same time, it is common sense that working people with DI will pay back a portion on that two-to-one sliding scale, pay back the actual benefit they are receiving. So you have the opportunity to make a difference, to replace a fear-driven poverty-entrapping system with a simple ramp-off change. Don't let our intended safety net system continue to actually trap people in a poverty net, like a spider web, rather than help them bounce back to work, like a trampoline.

So, thank you for this opportunity to appear before you today, and I look forward to any questions you may have.

Chairman RYAN. Thank you. Thank you very much. Very well said. I appreciate your comments.

[The prepared statement of Mr. Zelley follows:]

**Testimony of Mike Zelley
President
The Disability Network**

Good Morning Mr. Chairman and committee members. I am honored to speak to you today regarding barriers to work, that are caused by our nation's Social Security Disability Insurance (SSDI) policies.

My name is Mike Zelley. I am the President of The Disability Network, a company that provides services and supports to thousands of people with disabilities in Genesee County and Flint, Michigan.

I thought I would tell you a little about myself, explain my personal history with SSDI and offer my strong support for policy changes to remove the barriers to work, that you are considering.

By way of background, I am a T-3 level Spinal Cord Injured paraplegic who uses a wheelchair for mobility. Please excuse the distraction of weight-shifts that I will periodically do to prevent pressure sores. We all unconsciously move our bodies when we feel pressure. I need to do that in a specific way because I'm unable to feel that pressure. Nothing wrong, I am just adjusting in my position.

I was injured in an automobile accident 36 years ago. I was traveling from a meeting to my office in the dead of winter on January 18, 1979. When entering an expressway ramp, my car slid against a guardrail that was ramped with ice, causing my car to flip over the guardrail and land on an expressway 40 feet below, on its top, literally breaking my neck. I'm sure you remember that very caution from your mother to stop that, or you will break your neck. I did, and now have a spinal cord injury from the accident, paralyzed from the chest down.

I am thankful to this day for the emergency and medical workers who pried me from the car, swept me away to a nearby hospital where doctors performed an immediate surgery to save my life. That infamous day was also my 15th wedding anniversary to my bride, Lana.

To this day, I recall laying in the intensive care unit, strapped to a stryker frame after surgery, with bolts in my head that were holding a halo frame in place and thinking to myself, that my life was over.

I had a wonderful job and career as a Senior Vice President of Marketing for a large bank holding company, 6 beautiful children, with our 7th on the way. I wondered how I would ever again support my family, let alone have any kind of life that would include being a loving father, husband and provider for my family.

When tragedy occurs in our lives, and it always does in some fashion, we all depend upon our family, faith and friends to get us through. At that time, I was so doubtful, that I just couldn't see or comprehend what my life would look like as a 35 year old paraplegic, who would need to use a wheelchair for the rest of my life.

Then something remarkable happened. My brother-in-law, Gene Hamilton, brought a friend of his to visit me in the intensive care unit, who had the same level of spinal cord injury that I had. Like me, he was paralyzed from the chest down. After talking about life in a wheelchair, he explained to me that as a stockbroker, he was wealthy and made a lot of money. The feeling I had right then was like an epiphany for me. I felt a rush of emotion that said to me, if he can do it, if he can work, if he can make a living.....so can I.

This was peer support in its purest form. His words and example mattered more to me at that time than the encouraging words from my family and friends...that they would love me forever...that I was still a valued and good person.....that as in the past, I could do anything I set my mind to.

This was proof positive that it was possible. Yes, I could be the father, husband, provider and successful businessman I had been in the past. I knew that I needed supports and to learn new skills, but it really was up to me.

I am very fortunate that I wasn't a plumber or an electrician or had some other job that would require learning a whole new set of skills. I worked for a company that valued my work performance, skills, leadership and business relationships. They knew that the only difference in ME was that I used a wheelchair to get

around. They believed in me, valued me and wanted me back to work as soon as it was reasonably possible. God was watching out for me.

I started my rehabilitation to learn new skills, how to take care of myself and operate a wheelchair at Craig rehabilitation hospital in Denver, Colorado. They were very aggressive in their rehab regimen, requiring me to begin my day at 6 am and not stopping rehab work until time for dinner at 5 in the afternoon. Rehabilitation was my new job, until I could learn these new skills and return to my job and career.

Craig Hospital staff suggested that I apply for SSDI because I had a significant disability that could affect my ability to work, and that I had paid for this disability insurance coverage. Even though I wanted to return to work at the same position and performance level, nothing was certain after the serious spinal cord injury and 2 months in intensive care after surgery.

I applied for and was awarded SSDI and began receiving a cash benefit of about \$800 per month. I was also offered Medicare coverage, but I did not need it because my company had short term disability policies that continued my work related health care coverage.

The rehabilitation was remarkable. I learned to operate a wheelchair up and down escalators, drive a car with hand controls, roll down a 45 degree ramp while angled back into a wheelie, engage a wheelie to roll over curbs at a fast pace and even the skills to properly fall out of a wheelchair.....they actually made me purposely fall out of a perfectly working wheelchair in order to learn how to fall and avoid serious injury.

After 3 months of rehab, oversight of changes to my home to make it accessible and small changes at work to accommodate my wheelchair (raising my desk an inch for clearance), I slowly returned to work from part time for 3 months and then full time to continue my career.

When I informed Social Security (SS) that I was returning to work and earning wages, they told me that I was now beginning a 9 month trial work period and if successful, all of my benefits related to SSDI would stop. It didn't make much

sense to me because like any insurance (fire, car, house, etc.), that I had paid premiums for many years, why wouldn't I just receive the benefit associated with the disability until I was no longer disabled?

It didn't make much sense to me that the SS disability benefit only applied if I DIDN'T work. And the remarkable paradox was that SS strongly encouraged me to return to work, right after I had to declare to them that I was injured serious enough that I could not (or may not) be able to return to work. I was even offered very confusing options by SS to help me return to work like a PASS plan and IRWE deductions. The options were very complex, confusing and didn't seem to apply to me or really matter much, because I had real people in my life (employer, family, friends, rehab specialists, co-workers and more) who were assisting me in any way they could to get back to work and living life using a wheelchair. Besides, there was no way that I could provide for my family on \$800/month.

After 9 months of working, the SS disability checks kept coming. I called SS to remind them I was working and that they had placed me on a so-called "trial work period" after which, my benefits would stop. They didn't, so I accepted the checks as I figured there may be a different interpretation by SS of the SSDI benefit. I didn't mind. After about a year, I was informed that I had been overpaid by SS and owed the funds back to them. Although frustrated with the system, they explained the rules and we worked out a monthly re-payment system and the overpayment was returned.

After continuing my career and enjoying further success, I formed my own company in 1990 when the bank holding corporation sold off the company I worked for to position itself for acquisition. This is just part of how corporate America works. After a negotiated and generous separation agreement, the sad news was that I lost my job, the great news was that I could do anything I wanted to....and I also had the ability to fall back on SSDI for Medicare and a small cash stipend. Of course, this led to another overpayment of checks that I then handled through another SS re-payment plan.

The company I co-founded is called The Disability Network. We believe that the best way to help people not be poor is to have a job. People with disabilities need

supports and public policies that encourage employment. We need your help. We need SSDI policies that have an expectation of work.

The policies of our current SSDI system just do not make any sense. They are incredibly complex for the average person to comprehend and navigate. Why would we require people to pay federal disability insurance coverage from their paycheck in order to help them in the event of a disabling condition that may affect their ability to work and then penalize them if they do make a livable wage? When people awarded SSDI return to work as I did, they are improving our economy, paying federal & state taxes, living independently and paying into the very SSDI insurance they are receiving. Penalizing people on SSDI who want to work is bad public policy because it discourages work.

To further explain the paradox, when people with a significant disability access the very benefit we require them to pay for, we immediately take it away, if they earn more than a so called “Substantial Gainful Activity”, about \$1,000/mo on average. Most people would call this “cliff” amount a “Poverty Wage Activity” rather than “Substantial Gainful Activity”, because it does not provide for a meaningful wage. This is especially true when the SSDI cash benefit is most likely used for products or services related to the disability, like aids to daily living, personal assistant services or prescriptions.

I strongly encourage you to consider proposals to ramp off the current wage cliff associated with the Substantial Gainful Activity. The rules surrounding SGA are “in the way” of people returning to meaningful and productive work that helps them achieve the American Dream of independence and freedom.

I support any policy change that “moves the needle” towards employment by assisting and encouraging people to return to work after acquiring a significant disability. The sooner people hear the “you can” message from peers and policies, the better the life awaits them after recovery from a devastating disability.

Public policies that discourage work, force people into the spectator stands and watch the world go by. We need people in the game, on the field. They are not even on our talent bench. The ACS-Cornell 2013 study shows that 500,000

working age Michigan citizens with disabilities are not working, even when 43% of them have a college education or degree. What is wrong with this picture when so many companies are looking for talent?

Business leaders across the nation need talent now. Many business people, like Randy Lewis from Walgreens, Rick Keyes, SVP of Supply Chain Manufacturing from Michigan's Meijer Corporation and Jeannie Stone, VP of Human Resources from Michigan's Trijicon are publicly stating that they are seeking to hire qualified and talented people with disabilities to represent 20% of their workforce. They see the talent, dependability motivation and improved workplace culture that occurs when people with disabilities are hired.

Employers will tell you that it is frustrating when talented workers with disabilities purposely turn down extra hours, promotions and increased performance pay, for fear of losing SSDI benefits. They want policy change too.

It's not only businesses that want to tap the hidden talent of people with disabilities. Like many other state Governors, Michigan's Governor Snyder implemented a new executive directive to specifically hire state employees with disabilities. With thousands of state employees, Governors also see the talent and value in hiring qualified workers with disabilities.

Business and government leaders have changed their perceptions of people with disabilities. We can too. Many times our perceptions and feelings get in the way of the truth and reality. Please picture the international symbol for disability. You have all seen it on the handicap parking signs at government and commercial parking lots, because it's part of the Americans with Disabilities Act. When you look at that symbol, what do you see?

A parking spot, someone who needs help, a person who is dependent, sick, limited, a drain on society, special ...and think, there but for the grace of God, go I.

Or, do you see a person who is talented, educated, skilled, has work experience, has courage and motivated, wants to work, has a family, loves their country and community.....and think, there WITH the grace of God, go I.

Change is perceptions and policy is possible. You can do this, because you've done it before. It's simple and it makes sense. Congress provides a SS early retirement option with an annual earnings test for SS beneficiaries. When their earnings limit is reached, a 2 for 1 recollection ratio (or ramp off feature) is implemented. When people reach full retirement, their benefits are not reduced or taken away when they work. They are required to pay taxes on a portion of their SS benefits. I am one of those SS retirement beneficiaries who does not mind paying taxes on my SS retirement benefits because, just like when I acquired my disability, I chose to keep working. I accepted the SS retirement benefit I paid into, for all of my working career. You are being asked now to do the same for SSDI beneficiaries. Don't take away all of the SSDI benefits when a beneficiary exceeds a specific earnings limit (which is SGA in the case of SSDI).

A ramp off cash benefits will encourage and help people with disabilities return to work with a new policy that supports your goal of employment for all Americans.

When you think about the work you wake up every day, committed to do, it's incredibly disheartening to see policies which are intended to be a "safety net", actually trap people in a "poverty net", like a spider web, rather than help them bounce back to work, like a trampoline.

Our current SSDI system is complex, inefficient and discourages work. It makes sense that few beneficiaries are considering work because of policies that generate fear and jeopardy of losing benefits.

It's hard to imagine a cost neutral, simple way to change policies and at the same time it seems like common sense that working people on SSDI will pay back at least a portion of the 2 to 1 sliding scale ramp off policy.

In spite of noble efforts to offer work incentives, the options created by SSDI are unfortunately complex, inflexible, regulation bound and structurally create inefficiencies, distrust and barriers to work for people with disabilities. People are afraid to even open a letter from SSDI for fear of changes to their eligibility status. We seem unwilling to change policies that are stuck in unceasing bureaucracy.

Please act now while you have the opportunity to make a difference and replace a fear driven, barrier loaded, poverty entrapping system with a simple work incentive system. Do it for working people and our youth who need to have high expectations for work.

Thank you for this opportunity to speak on behalf of people with disabilities on SSDI who simply want to achieve the dignity of work without the fear of losing their SSDI benefits. I am hopeful that with your leadership, both perceptions of people with disabilities and policies to help them return to work, will change.

Mike Zelly, President

The Disability Network

Chairman RYAN. Mr. Smith.

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

Mr. SMITH. Chairman Ryan, Ranking Member Levin, and Members of the Committee, thank you for this opportunity to talk to you about a major work disincentive built into the Social Security Disability Insurance, or SSDI, program. My name is James Smith, and I work for the Vermont Division of Vocational Rehabilitation.

Over the years, my staff and I have talked with thousands of SSDI beneficiaries about returning to work. Based on our experience, the SSDI program rules do not make work pay. In fact, they do the opposite. They discourage work and encourage dependence. In particular, I am referring to the so-called SSDI cash cliff. The cash cliff works as follows. After a nine-month trial work period and a three-month grace period, if a beneficiary earns a single dollar over the so-called substantial gainful activity, or SGA level, \$1,090 per month, that single dollar results in a complete loss of the SSDI cash benefit. It also could result in loss of eligibility for the program all together.

In my written testimony I share Susan's story. Despite her severe mental illness and repeated hospitalizations, Susan worked with VR to try to go to work. At first she was careful to keep her earnings below the cash cliff level, because she received a benefit for herself and her dependent child. In 2014 she was offered a supervisory role that would have put her earnings over the SGA cash cliff. She was thrilled to be recognized for her good work. However, she understood that taking the promotion would result in a net loss in her total income that she simply could not afford. She did not take the promotion, and is currently keeping her earnings below the cash cliff. She is only in her forties, and I suspect she will never leave the SSDI roles.

The obvious alternative to the SSDI cash cliff is a gradual one-dollar-for-two-dollar earnings offset, just like the SSI program. A one-for-two offset would gradually reduce the SSDI benefit, as the beneficiary increases earnings. So the beneficiary is always better off, the more they work.

There is research to support this approach. Data from a four-state pilot study, including Connecticut, Wisconsin, Utah, and my state, Vermont, provides clear evidence that an earnings offset for SSDI would result in increased earnings above SGA. Overall, the studies showed an offset led to a 25 percent increase in the number of beneficiaries working above the SGA, or cash cliff, amount.

In my written testimony I share Donna's story to show what the offset meant to one beneficiary. Donna was diagnosed with stage three melanoma. Because of the severity of her illness, she was not expected to survive. Donna made multiple attempts to return to work through four separate reoccurrences of her illness. In 2013 she was able to access a one-for-two offset through the benefit offset national demonstration. The offset allowed Donna to work at a level that her health allowed, and keep a portion of her benefits. It also gave her extra income to help her children through college.

Donna was recently offered a job with the Veterans Administration at a level that will help—that will zero out her SSDI benefit.

So, how do we improve the SSDI work incentives for people like Donna and Susan, and be cost effective to the trust fund?

First, implement a graduated one-dollar-for-two-dollar earnings offset to always make work pay.

Second, start the offset at a threshold of less than the substantial gainful activity, or cash cliff level, to generate savings to the program. Right now, Social Security pays 100 percent of a beneficiary's benefit, unless the beneficiary earns above the SGA threshold. Therefore, most work activity does not result in any savings for the program. Starting an offset at less than SGA would be more likely to generate savings to the program, just like the SSI program.

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

Finally, allow beneficiaries' continued attachment to the SSDI program, regardless of how much they work, as long as they continue to be medically eligible. Disability can be unstable and unpredictable. Beneficiaries like Donna and Susan may have periods of time when they can work full time, and other periods of time when they may not be able to work at all. Continued attachment will give beneficiaries the security they need to try work without the fear of being completely cut off.

So, in summary, the current SSDI work rules provide a powerful disincentive to work. In contrast, our proposed changes would support return to work by always making work pay, potentially save money by eliminating the trial work periods, and starting the offset in SGA, and provide security to beneficiaries who want to try to increase their work activity. Such an approach would provide people like Donna and Susan a change for a better life, despite the challenges of living with a severe disability.

Thank you for giving me the opportunity to speak to you today. Chairman RYAN. Thank you.

[The prepared statement of Mr. Smith follows:]

Testimony of James Smith
Vermont Division of Vocational Rehabilitation
Before the
House Ways and Means Committee

July 9, 2015

**A Proposed Policy Change
How to Make Work “Worth It” for Social Security Disability Insurance (SSDI)
Beneficiaries**

Chairman Ryan, Ranking member Levin, and members of the Committee:

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

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

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

What is the SSDI “Cash Cliff” from the beneficiary’s perspective

Before getting into the details, it is important to look at how the SSDI work rules look to the beneficiary. The following is an example of how the current SSDI program work rules apply and how the “cash cliff” acts as a major disincentive to work.¹

Joe’s Job	Joe’s Earnings	Joe’s SSDI Benefit	Joe’s Total Income
Joe takes a part time job earning \$14 per hour. He works 15 hours per week.	Joe’s total monthly earnings are \$903.	Because Joe is earning below \$1,090 per month he receives his whole SSDI check of \$1,000.	Earnings of \$903 plus SSDI income of \$1,000 equals a total of \$1,903 per month.
Joe’s boss wants him to work 20 hours per week at \$14 per hour.	Joe’s total monthly earnings are \$1,204.	Because Joe is earning above \$1,090 per month he loses his whole SSDI check, so his benefit is \$0.	Earnings of \$1,204 plus SSDI income of zero equals a total of \$1,204.

- If Joe increases his hours from 15 to 20 per week, his total monthly income is actually reduced by \$699.
- Joe would have to work 32 hours per week just to maintain the income he would have working only 15 hours per week.
- If he continues to work above the \$1,090 Substantial Gainful Activity (SGA) he risks losing eligibility for the program.
- Because Joe has a disability that is unpredictable (schizophrenia) he feels it is an unreasonable risk.

As a result Joe does not attempt to increase his earnings and continues to receive his full SSDI benefit. Joe is financially penalized and there are no savings to the trust fund.

The experience of the SSDI “cash cliff” is made more difficult by the complexity of the program rules associated with work. The SSDI program includes three phases during which earned income is treated differently. The following is a brief summary of some of main the work rules:

- A beneficiary has a nine month Trial Work Period where earnings at any level will not result in a reduction in benefits. The Trial Work Period does

¹ This example is based on the 2015 figures for Substantial Gainful Activity, the threshold at which an SSDI payment may be ceased.

not have to be worked over consecutive months and is triggered for earnings at \$780 per month (a different dollar amount than SGA).

- On completion of the Trial Work Period, a beneficiary who earns above the SGA amount has a three month grace period.
- When the Trial Work Period ends the beneficiary enters the Extended Period of Eligibility, which lasts for 36 consecutive months. During this period, any earnings above SGA result in a suspension of the SSDI benefit for that month. If the beneficiary reduces their earnings below SGA, their benefit resumes.
- After the extended period of eligibility is complete, any earning above SGA will result in the beneficiary losing eligibility for SSDI.
- If a beneficiary has lost eligibility for SSDI because of work activity they can apply for expedited reinstatement without having to submit a whole new application for benefits. Expedited reinstatement provides the beneficiary a provisional benefit, while SSA determines if the person is still eligible. The request for expedited reinstatement must occur within five years from the month the benefit ended.

The highly complex design of the work rules are confusing to beneficiaries and can easily lead to overpayments. Overpayments create fear and hardship for beneficiaries faced with paying back large sums of money. According to the GAO the complexity of these rules and SSA's challenges implementing them have contributed to the SSDI program making significant overpayments (\$11 Billion between 2005 and 2014).²

Case Examples: How the Cash Cliff Affected Susan and John

Joe's example is not the exception. The following are some real life examples of individuals who have had to limit their work because of the cash cliff.³

Susan Jones

Susan Jones has been receiving SSDI since 2006 due to a mental illness. She is eligible for her own benefit and has a minor child eligible for a dependent benefit. The two benefits total about \$1,900. She receives ongoing treatment at her community mental health agency and had been hospitalized several times since 2006 for treatment. She started working with Vermont Vocational Rehabilitation in 2008. Initially Susan felt she needed to limit her work due to

² Testimony Before the Subcommittee on Social Security, Committee on Ways and Means: Disability Insurance, Preliminary Observations on Overpayments and Beneficiary Work Reporting. June 16, 2015.

³ To protect the beneficiary's confidentiality, the names of individuals have been changed.

the severity of her symptoms. So she kept her income below the Trial Work Period limit. She wanted to preserve her Trial Work Period months for when she felt able to sustain more earnings.

Vocational Rehabilitation provided regular support to Susan to manage her high level of anxiety as she tried to increase her work hours. Early in 2014 Susan felt she could increase her hours, and the supermarket where she worked offered her more hours. She began using her Trial Work Period months and by September 2014 she had used all nine months. At this time she was offered a supervisory position, however she would only be earning \$1,200 - \$1,300/month gross wages. Susan was thrilled to be recognized for her abilities by her employer, and felt that she has progressed through her work. She also understood that working over the SGA level at that time would result in the suspension of both her SSDI benefit and her child's dependent benefit. She could not afford to lose the SSDI, so she declined the supervisory job and reduced her hours of work to earn below the SGA level.

John Lemay

John Lemay is a young man who was injured in a motorcycle accident and as a result has paraplegia, requiring a manual wheelchair for mobility. He receives SSDI of about \$1,050 a month. Prior to his injury he was working in a factory environment, operating a machine. Following medical rehabilitation John was able to return to his previous employment. However, it was necessary for his work station to be modified because he needs to utilize leg braces and a harness, and was unable to work at his previous level of employment.

Unfortunately, he did not fully understand the effect of his work on his SSDI and his earnings for some months exceeded the SGA level. He accumulated a major overpayment of over \$10,000 – an amount he felt he could never pay back. He contacted Vocational Rehabilitation who helped him with identifying some of his Income Related Work Expenses (IRWE) to reduce his countable income and reduce the size of the overpayment. However, he will still have to pay back most of the money.

John relies on his SSDI benefit and in particular the associated Medicare benefits, which are essential for his specific medical needs. So he made the decision to further reduce his hours to earn below the SGA level on an ongoing basis. Unless an offset becomes available, John is unlikely to ever work above the SGA “cash cliff” threshold.

As these case studies illustrate, clearly the current design of the program presents a powerful disincentive for SSDI beneficiaries to increase their earnings. To many SSDI beneficiaries, the rules of the program seem to reward a person for limiting their work or not working, while punishing those who try to work more and reduce their dependence on the system. *It is therefore not*

*surprising that less than half of one percent of SSDI beneficiaries leave the benefit rolls annually as a result of work activity.*⁴

The Obvious Alternative

The obvious alternative to the SSDI “Cash Cliff” is graduated earnings offset, where benefits are gradually decreased as earnings increase. To its great credit, Congress has already implemented an earnings offset in the Supplemental Security Income (SSI) program. The SSI earnings offset has been in place for over three decades and provides SSI beneficiaries with a clear incentive to work. So this is by no means a new or untested approach.

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

The Four State Offset Pilot Studies

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

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

⁴ Annual Statistical Report on the Social Security Disability Insurance Program, 2011.

⁵ The SSI program currently has an earned income threshold of \$65. So, any monthly earnings above that amount are subject to the \$1 for \$2 earnings offset.

⁶ A full description of the four state pilots and research outcomes and published papers can be found at: <http://www.socialsecurity.gov/disabilityresearch/offsetpilot.htm>.

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

- Three of the four states (Connecticut, Utah and Vermont) found that beneficiaries with the offset were statistically more likely to work above the SGA “Cash Cliff” level than the control group over a two year evaluation period.
- Wisconsin did not find statistically significant differences during the two year evaluation period. However, Wisconsin continued to track participants beyond the two years post enrollment and found participants with the offset were more likely to work and earn above SGA.⁷
- Overall, for the offset group across the four states, the policy led to a 25 percent increase in the percentage of beneficiaries with earnings above the annualized SGA or “Cash Cliff” amount.⁸

Case Examples: What the Offset Meant for Donna and James

While the research findings are important it is essential to understand the personal stories behind the offset.

Donna Laurin

In 2006 Donna Laurin received a diagnosis of Stage 3A Melanoma.⁹ Because of the severity of her illness she was not expected to survive. At the time, her only request to her doctors was that “they give her enough time to get her kids through college”. Between 2006 and 2011 Donna made multiple attempts to return to work, but had to stop during four separate reoccurrences of her illness. With each work attempt after her Trial Work Period, her benefit was suspended because she worked above SGA. In 2013, she was able to participate in a benefit offset through the Benefit Offset National Demonstration (BOND). Having access to the offset allowed Donna to work to the level her health allowed and keep a portion of her benefits. It also provided her with the extra income to support her children through college. She is currently working thirty hours a week as social worker. She recently was offered a full time job at the Veterans Administration and as a result she will be earning enough to zero out her benefits. Her cancer is currently in remission.

⁷ Given Time It Worked: Positive Outcomes From a SSDI Benefit Offset Pilot After the Initial Evaluation Period: Barry Delin, Ellie Hartman and Christopher Wells; Journal of Disability Policy Studies 2015, Vol 26 (1) 54-64.

⁸ The impact of changing financial work incentives on the earnings of Social Security Disability Insurance (SSDI) beneficiaries; Robert R. Weathers II¹, Jeffrey Hemmeter; Journal of Policy Analysis and Management Volume 30, Issue 4, pages 708-728, Autumn (Fall) 2011.

⁹ Donna gave her consent for her name to be used in this testimony.

James Duncan

James Duncan has been receiving SSDI since March 2002.¹⁰ He is an amputee who utilizes a prosthetic leg, and has heart and kidney conditions. He currently receives a benefit about \$1,600. In October 2005, Jason volunteered for and was randomly assigned to participate in the four-state Benefit Offset Pilot Demonstration (BOPD). With this benefit he was able to go to work and earn about the SGA level with a \$1 for \$2 reduction of his SSDI for earnings over the SGA level. During his participation in BOPD, James achieved earnings from \$1,800 to over \$2,000 per month for the first 5 years of his eligibility. James was working in a factory setting and his work was physical. For his last year of Pilot eligibility he had to reduce his hours for health reasons but was still earning about \$1250 per month (above the SGA level).

James is continuing to work, but when his Pilot eligibility ended he reduced his earnings below SGA – he needed both his SSDI and earnings to meet his financial obligations. He also needs to maintain his Medicare and Medicaid coverage to maintain his health. Jason is in regular contact with his Vocational Rehabilitation benefits counselor for assistance with reporting to SSA and understanding SSA communication. He will probably never risk working above SGA again unless an offset becomes available.

The Policy Implications of the Four State Pilots

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

Just as importantly, as Donna’s and James’s stories illustrate, an offset offers a way for people receiving SSDI to go back to work without putting themselves at financial risk. This is especially true for people like Donna who have an illness that is not predictable, and who do not know from month to month how much they will be able to work.

Suggested Policy Adjustments

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

¹⁰ The beneficiary’s name has been changed to protect his confidentiality.

- ❖ ***Implement a graduated \$1 for \$2 offset of earnings to SSDI benefits to always make work pay:*** Gradually decreasing benefits as earnings increase makes employment attractive and ensures that beneficiaries are always better off the more they work. This would also make the SSDI program more consistent with the SSI program and more predictable to the beneficiary.
- ❖ ***Start the offset at a threshold that is less than SGA to generate savings or be cost neutral to the program:*** The four State Pilots tested an offset starting at SGA. However, Congress may want to consider alternative thresholds for an offset. Right now SSA pays 100% of a beneficiary's benefit unless the beneficiary earns above SGA, so most work activity does not result in any savings to the program. Starting an offset at a point below SGA would be more likely to generate savings or be cost neutral to the Trust Fund, while also providing a clear incentive for increased employment. In considering the starting point for an Offset, Congress might want to take into account the following:
 - Setting the threshold for the offset at a very low level might create a hardship for SSDI beneficiaries with very low earnings.
 - Calculating earnings on an annual basis, rather than a monthly basis, would help beneficiaries with unpredictable health conditions that might allow them to work some months and not be able to work other months.
- ❖ ***Eliminate the Trial Work Period (TWP) to generate additional savings from work activity and reduce the administrative burden to SSA:*** There appears to be broad agreement among policy makers and stakeholders, that the Trial Work Period adds unnecessary complexity to the SSDI work rules. SSA has proposed eliminating this provision as part of their Work Incentive Simplification Project (WISP).¹¹ The GAO identified the complexity of the SSDI work rules as one of the factors contributing to \$11 billion in work related overpayments from 2005 and 2014.¹² Elimination of the TWP and adding a benefit offset would:
 - Make the SSDI work incentives far more simple and predictable for beneficiaries.
 - Result in savings to the Trust Fund due to the fact that under the current rules SSA pays 100% of the benefit during the TWP regardless of how much the beneficiary is earning at the time.

¹¹ <http://www.ssa.gov/disabilityresearch/projects.htm>.

¹² Testimony Before the Subcommittee on Social Security, Committee on Ways and Means: Disability Insurance, Preliminary Observations on Overpayments and Beneficiary Work Reporting, June 16, 2015.

- Reduce overpayments – a major hardship for beneficiaries and a loss of taxpayer dollars when they are not repaid.
 - Eliminate the administrative burden of tracking the TWP for SSA.
- ❖ ***Replace the Extended Period of Eligibility (EPE) with continued attachment to the SSDI program, regardless of work activity, as long as the beneficiary continues to be medically disabled:*** For many SSDI beneficiaries a major concern about returning to work is that their disability is unstable and unpredictable. Beneficiaries with schizophrenia or multiple sclerosis, for example, may have periods of time where they can work forty hours a week and other periods of time where they may not be able to work at all. The “cash cliff” after the EPE ends, presents a particular barrier for these individuals because they risk everything if their disabling condition unexpectedly deteriorates. Continued attachment would allow beneficiaries to retain eligibility for SSDI, even if they zero out their SSDI cash benefit as a result of earnings. This proposal is unlikely to add significant costs to the program because so few beneficiaries (0.5% annually) leave the rolls under the current SSDI rules, because of work. In addition, SSA has already proposed this reform as part of the Work Incentive Simplification Project (WISP).

The continued attachment proposal assumes that SSA would and should continue to implement medical reviews of beneficiaries to determine their continued medical eligibility for the program. This would make sure people who had medically recovered would no longer be eligible for the benefit.

Summary

I have tried to outline for you today how the current work incentives of the SSDI program are ineffective and actually penalize beneficiaries who try to work to their maximum potential. In addition, the complexity of the current work rules often result in overpayments that are a severe hardship for beneficiaries and are sometimes never repaid.

I believe the policy changes that I and many others have proposed would:

- Support return to work by always making work worth it;
- Simplify the work incentive provisions for both beneficiaries and SSA;
- Reduce overpayments;
- Potentially result in cost savings or be cost neutral by eliminating the Trial Work Period and starting a \$1 for \$2 offset at a point less than SGA; and,

- Provide security to beneficiaries that their work activity will never result in a loss in eligibility for the program, as long as they continue to be medically eligible.

Perhaps most importantly it will provide people like Donna, James, John and Susan a chance for a better life, despite the challenges of living with a severe disability.

Thank you so much for the opportunity to testify today.

James Smith
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Chairman RYAN. Ms. Houghton. Did I pronounce it correctly?

Ms. HOUGHTON. You did.

Chairman RYAN. Thank you.

**STATEMENT OF JILL HOUGHTON, EXECUTIVE DIRECTOR, U.S.
BUSINESS LEADERSHIP NETWORK**

Ms. HOUGHTON. Chairman Ryan, Ranking Member Levin, and Members of this Committee, thank you for the opportunity to provide testimony today. My name is Jill Houghton. I lead an organization called the U.S. Business Leadership Network. We are a national, non-partisan, business-to-business network focused on the premise that business responds to their peers, and can teach each other how to include people with disabilities across the business.

We have more than 50 BLN affiliates across the nation. We represent more than 5,000 businesses. And I am here to tell you that countless companies across this nation are recognizing that there is a value to include people with disabilities, to—in jobs, earn the same pay, work side by side, and be held to the same standards.

My testimony is grounded in my professional experience working with these businesses who represent the demand side of the employment equation, as well as my personal experience. I am married to a gentleman with a spinal cord injury who is one of the people who worked his way off of the Social Security Disability Insurance program.

In preparation for our—for my testimony, we reached out to our members. And here is what they had to say. One of the greatest challenges that they face is finding the qualified candidates with disabilities that can do the job with or without a combination. That is a really complicated matter.

But if we dig through it, there are a couple things that come to mind. One, it is very hard for business to navigate government and all of the sea of non-profit organizations out there. But, secondly, it is also hard for them to understand that the Social Security Disability Insurance program eligibility requirements do not appear to be supportive of the individuals that want to remain employed or increase their hours worked.

Now, while the SSDI program provides a very vital, important safety net to those with disabilities that meet the eligibility requirements, the complexity of the rules appear to cause some individuals who want to remain employed to reduce or limit their hours worked, to limit their earnings, and to, in some instances, quit their jobs. In fact, we hear regularly from mid-level managers that are really perplexed. They don't know how to help their employees.

Now, while our members are not experts on the SSDI program, they would be the first to admit that there are significant obstacles that these beneficiaries face related to losing program eligibility, loss of health care benefits, and fear of overpayments. These type of challenges inhibit businesses' ability to recruit and hire people with disabilities. And this is a really large, growing problem, because many of these companies are federal contractors, and they are subject to the new Section 503 regulations that were issued by the U.S. Department of Labor, Office of Federal Contract Compliance Programs.

Now, this new regulation basically encourages federal contractors to set a utilization goal, to set a goal that seven percent of their workforce across job groups be people with disabilities. And they have to hold themselves accountable. And if they don't meet this goal, then they have to show that they are going to fix this goal. And while this isn't a bad thing—it is not a bad thing—and countless companies are trying to do better, we need Congress to make the SSDI program work better for the beneficiaries, and to promote opportunity for those who want to work. This, in turn, is going to help our members to hire people with disabilities.

From an opportunity perspective, I would just like to call your attention to the fact that we created a Disability Equality Index, in partnership with the American Association of People with Disabilities. This is a benchmarking tool. It is an aspirational recognition tool that we are using to help corporate America advance their disability inclusion.

We launched the first annual DEI, and 80 Fortune 1000 companies participated. Nineteen of those companies that participated received 100. Now, 100 doesn't connote perfection, but what it does demonstrate is that these companies are committed, and they want to do better. When a company puts their commitment out there, that speaks loud and clear to people with disabilities, that these are companies that want to recruit, want to hire, want to retain, want to advance employees with disabilities.

We are getting ready to celebrate the 25th anniversary of the Americans With Disabilities Act. And my organization has launched a disability rights mobile museum that is traveling the nation. In fact, we were at the Pittsburgh Pirates field yesterday. We are going to be at the U.S. Chamber of Commerce on Friday, July 31st. We did this because business wants to work together. We want to raise awareness, and leverage the untapped potential of Americans with disabilities.

We applaud your leadership, and we will look forward to working together.

Chairman RYAN. Thank you very much.

[The prepared statement of Ms. Houghton follows:]



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Testimony of

**Jill Houghton
Executive Director
US Business Leadership Network®
Washington, D.C.**

On

**Promoting Work Opportunities for
Social Security Disability Insurance Program Beneficiaries**

To

**United States House of Representatives
Ways and Means Committee**

Thursday, July 9, 2015

Testimony of Jill Houghton of US Business Leadership Network®, to U.S. House of
Representatives, Ways and Means Committee
July 9, 2015

Chairman Ryan, Ranking Member Levin, and Members of the Ways and Means Committee thank you for the opportunity to provide testimony regarding "Promoting Work Opportunities for Social Security Disability Insurance Program Beneficiaries". My name is Jill Houghton and I am the Executive Director of the US Business Leadership Network (USBLN®), the nation's leading, non-partisan business to business network that helps business drive performance by leveraging disability inclusion in the workplace, supply chain, and marketplace. We provide business with opportunities to network and gain information and resources on disability inclusion practices to enable them to:

- Recruit, hire and advance the best talent regardless of disability;
- Broaden their supplier bases to include diverse supplier groups, such as Disability-Owned Business Enterprises (DOBE®s), including service-disabled veteran-owned businesses; and,
- Increase their companies' share of the emerging disability market.

The USBLN® serves as the collective voice of over 50 Business Leadership Network affiliates across the United States, representing over 5,000 businesses.

As the USBLN® Executive Director, I'm here today because our corporate members from across the nation are deeply committed to recruiting, hiring, retaining and advancing employees with disabilities.

As the former Executive Director for the Ticket to Work and Work Incentives Advisory Panel, between 2005 and 2008 I had the pleasure of working with bipartisan members and staff on this Committee. I applaud your principles to:

- Ensure benefits continue to be paid to individuals with disabilities and their family members who rely on them;
- Prevent a 20 percent across-the-board benefit cut;
- Make the Disability Insurance program work better; and
- Promote opportunity for those trying to return to work.

My testimony is grounded in my professional experience working with business who represent the demand side of the employment equation.

Promoting Work Opportunities by Moving to a Social Model

While our members are not experts on the Social Security programs they strongly believe that the foundation of any changes in our current system needs to be rooted in moving our nation's view of people with disabilities from a **medical** model to a **social** model.

The medical model of disability can be observed daily by the manner in which Americans with disabilities are depicted through language choices, media portrayals, program eligibility requirements, etc.

Testimony of Jill Houghton of US Business Leadership Network®, to U.S. House of Representatives, Ways and Means Committee
July 9, 2015

A social model defines disability as different from the average, and located in the interaction between individuals and society. The social model of disability focuses on changes required in society. Some workplace examples include:

- Providing information in accessible formats;
- Making workstations accessible; and,
- Offering flexible work hours.

There are signs that the social model is emerging in our nation's workplace practices and policies. However, as long as our largest public programs maintain current eligibility requirements it will be very difficult to effect sustainable change and to ensure that individuals with disabilities that are trying to return to work are fully included in employment.

The USBLN® is based on the premise that businesses respond to their peers. We bring companies and leaders together to learn how to include people with disabilities in all aspects of their corporate enterprises. The USBLN® and our BLN affiliates have become an important organization to help businesses realize the wide range of opportunities available and the potential for replicating success.

The benefits of building a workforce of diverse people who are empowered to positively contribute to a company's success are numerous – from better financial performance and more innovative problem-solving to easier employee retention and greater appeal to customers.

In preparation for my testimony today we asked USBLN® members about recent challenges and successes related to recruiting, hiring and retaining employees with disabilities and my testimony summarizes these responses.

CHALLENGES

Sourcing Talent with Disabilities

The most frequent challenge identified was “where can we find candidates with disabilities that can perform the essential functions of the job with or without accommodation?”

While the issue may appear clear it's plagued with a wide range of complexities varying from:

- Navigating government and non-profit organizations to identify qualified candidates;
- Forging connections between disability student services and university career centers to build a pipeline of talent; and,

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- SSDI program eligibility requirements that aren't supportive of those who want to remain employed and increase their hours worked;

The bottom line is that there are a myriad of government and private organizations in every community across America attempting to help connect youth and adults with disabilities to jobs. Unfortunately, many of these entities don't view business as a customer and yet they have the jobs. Rather their primary focus is on, "placing their client." This becomes a huge challenge for companies who want to recruit and hire qualified candidates with disabilities.

While Social Security Disability Insurance provides a safety net to those with disabilities who meet the eligibility requirements. The complexity of the rules appears to cause some individuals who want to remain employed to have to reduce and/or limit hours worked, limit their earnings and in some instances to quit their jobs. This becomes an additional challenge that businesses face. In fact, we frequently hear from mid-level managers who are perplexed by how to assist their employees.

SSDI Program Obstacles

Finally, while our members would be the first to admit that they aren't the experts on the Social Security Disability Insurance program they've shared that there seems to be significant obstacles for beneficiaries related to:

- Losing program eligibility;
- Loss of healthcare benefits; and,
- Fear of overpayments

These types of challenges significantly hamper businesses ability to retain and/or hire qualified employees with disabilities.

Self-Identification of One's Disability

The U.S. Department of Labor's, Office of Federal Contract Compliance Programs (OFCCP) issued new regulations to update Section 503 of the Rehabilitation Act of 1973, effective March 24, 2014. Section 503 prohibits discrimination against people with disabilities and puts in place additional affirmative action (AA) requirements with regard to recruitment, hiring, promotion, and retention of individuals with disabilities.

To assist employers with federal contracts in measuring and achieving results, the most significant change is the establishment of a nationwide 7 percent utilization goal. Those that meet the threshold must measure each of their job groups, or their entire workforce if they have 100 or fewer employees, against the 7 percent goal. In the first year, employees are invited to self-identify as having a disability. Employers must issue that invitation at least every five years, with at least one reminder in the intervening years. Additionally, the new regulations require that contractors invite applicants to self-identify

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as individuals with disabilities at both the pre-offer and post-offer phases of the application process, using language prescribed by OFCCP.

Government contractors that fall short of the target are asked to assess whether there are any impediments to equal employment opportunity for people with disabilities and take steps to correct them. This required outreach for the Section 503 milestone has encouraged even the most disability inclusive companies to challenge themselves to do better.

However, companies that have sent out an email asking for self-identification have found there is little response. Those companies that have launched self-identification campaigns have had more success but there is still much work to be done.

While the American's with Disabilities Act (ADA) was enacted 25 years ago this month, many negative stereotypes about individuals with disabilities remain. Stereotypes and biases serve to unfairly and sometimes unintentionally keep qualified, capable people out of jobs. The first step to changing a problem is admitting you have one. The beauty of a business to business network is that it provides a "safe" place for business to share their challenges and effectively learn from each other. Through this environment business can overcome attitudinal barriers and drive business success through disability inclusion.

Opportunities

Moving Disability Inclusion from Compliance to Competitive Advantage

Countless companies of all sizes are building inclusive workplaces where people with disabilities work side by side with people without disabilities, earning the same pay, doing the same jobs, held to the same standards of productivity and other workplace standards.

Driven by our members needs to advance disability inclusion the USBLN® formed a joint initiative of the American Association of People with Disabilities (AAPD) to create the Disability Equality Index (DEI).

The DEI is a national, transparent benchmarking tool that offers businesses an opportunity to receive an objective score, on a scale of zero (0) to 100, on their disability inclusion policies and practices. It was developed by an Advisory Committee of business leaders, policy experts, and disability advocates.

The DEI is an aspirational, educational, recognition tool that goes far beyond legal compliance, helping companies identify opportunities for continued improvement, while building their reputations as an employer of choice.

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The DEI was successfully piloted with 48 Fortune 1000 scope companies in March 2014. The 1st Annual DEI was launched to Fortune 1000 companies in October 2014 and was successfully completed in early 2015 with 80 companies.

Nineteen of these companies received 100 out of 100 on the survey, which recognizes a broad range of workplace, supply chain and marketplace activities. Points are awarded in four major categories: Culture & Leadership, Enterprise-wide Access, Employment Practices, and Community Engagement & Support Services. Companies receive points in any given category by demonstrating that they embrace a significant portion of the numerous best practices outlined in each section.

The nineteen top-scoring companies for the 2014 DEI were, in alphabetical order:

1. Ameren Corporation
2. AT&T
3. Booz Allen Hamilton Inc.
4. Capital One Financial Corporation
5. Comcast NBCUniversal
6. Ernst & Young LLP
7. Florida Blue
8. Freddie Mac
9. Highmark Health
10. JPMorgan Chase & Co.
11. Lockheed Martin Corporation
12. Northrop Grumman Corporation
13. Pacific Gas and Electric Company
14. PricewaterhouseCoopers LLP (PwC)
15. Procter & Gamble
16. Qualcomm Incorporated
17. Sprint Corporation
18. Starbucks Coffee Company
19. TD Bank N.A.

By scoring 100 points, these companies demonstrated significant business leadership, going far beyond compliance activities, driving their business success through leading disability inclusion policies and practices. However, 100 points on the DEI does not mean 100 percent, or "perfection." We recognize there is no one "right" way to practice inclusion, and that some practices may be more practical for some companies or industries than others. A 100-point score on the DEI simply means that a company adheres to many of the numerous leading disability inclusion practices featured in the DEI.

Corporate commitment can impact the expectations of people with disabilities by demonstrating that America's strongest companies are dedicated to hiring, retaining and promoting them. This commitment can change corporate culture by sending a top-down

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message that employees with disabilities are a vital part of the workforce and should not be overlooked.

Based on participation rates, survey responses and interest in the *next* DEI, we know that this simple tool, created by like-minded business leaders, advocates and disability experts, is already moving the needle in terms of disability inclusion across the country.

Promoting the Use of Disability-Owned Businesses

The USBLN® Disability Supplier Diversity Program (DSDP) is the nation's first and only third party certification program for disability owned businesses and includes service-disabled veterans. The certification is a rigorous process that includes a site visit. It offers the Disability Owned Business Enterprise the opportunity to market its certification and to connect with USBLN member companies.

The program advances economic opportunities for all entrepreneurs with disabilities, by working with America's top corporations to broaden corporate supplier diversity programs to include disability-owned businesses. The ultimate goal of the Disability Supplier Diversity Program is to develop and grow an infrastructure that will foster a mutually beneficial relationship between corporate purchasers and disability-owned businesses.

Take for example, a company like EY, starting with their founder, Arthur Young, they've always embraced differing abilities. Trained as a lawyer, Arthur was deaf with low vision and he wasn't able to comfortably practice. He turned to finance and the new field of accounting to build his career. His "disability" drove him to innovation and entrepreneurship, which played a pivotal role in the development of their firm.

CONCLUSION

In today's marketplace, great businesses distinguish themselves by the quality of service that they provide their diverse customers and the commitment that they have to their team members, suppliers and communities.

The truth is, that 25-years after the passage of the American's with Disabilities Act (ADA), we still haven't effectively leveraged the untapped potential of Americans with disabilities as employees, suppliers or customers. We're hopeful that the DEI's focus on encouragement and recognition, while still setting a high bar, will help move the disability Inclusion conversation from compliance to competitive advantage

At a time when policymakers predict a shortfall of workers as the baby boom generation retires, our nation cannot afford to squander the potential of Americans with disabilities who want to work. Nor can we continue to undervalue the future work potential of the

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millions of children and youth with disabilities who are making their way through our education system now, and in the future.

Our members represent the demand side of the equation and need the talents, dedication and creativity that people with disabilities bring to the workplace, supply chain and marketplace. Equally important are policies and programs that support the paradigm shift from a medical model to a social model and focus on talent that meets a business' need.

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Chairman RYAN. And Mr. Kregel.

**STATEMENT OF JOHN KREGEL, ED.D., PROFESSOR, SPECIAL
EDUCATION AND DISABILITY POLICY, VIRGINIA COMMON-
WEALTH UNIVERSITY, RICHMOND, VIRGINIA**

Mr. KREGEL. Chairman Ryan, Ranking Member Levin, and Members of the Committee, my name is John Kregel, and I am principal investigator of the Work Incentive Planning and Assistance National Training Center at Virginia Commonwealth University. Thank you for this opportunity to discuss ways in which the Social Security disability benefits program can work better to assist DI beneficiaries to obtain and maintain employment, improve their financial independence, and decrease their reliance on federal benefits.

My testimony will address four major points. First, SSDI beneficiaries make employment decisions based on their personal financial situation, health, and other personal factors. Seventy percent of the beneficiaries are over the age of 50. Many report their health to be poor or very poor. An estimated 28 percent live in poverty. Most have not worked for a long time. Yet many SSDI beneficiaries have long-term employment goals, and have recently taken the steps to reach those goals.

Based on analyses of the National Beneficiaries Survey that identified work-oriented individuals, it is estimated that 1.5 million DI beneficiaries have work goals or aspirations, and an additional 1.4 million beneficiaries have the same ambitions, and have taken steps toward achieving their goals in the past 12 months. We should focus our efforts on helping these beneficiaries overcome the obstacles that currently make it difficult for them to pursue their employment goals.

Second, we must keep in mind that virtually all DI beneficiaries are dealing with a major disruption in their lives, such as severe injury, debilitating illness, or progressive condition. They face many challenges when attempting to return to work, and need time to adjust to a new career. Extensive research over the past two decades has documented that beneficiaries repeatedly identify very specific barriers to employment that restrict their ability to pursue their vocational goals.

Foremost among these barriers are fear of losing benefits, fear of overpayments, and lack of confidence in SSA's ability to accurately administer their DI payments. As a result, DI beneficiaries who are capable and desire employment are, far too often, choosing not to work, restricting their earnings so as not to jeopardize their entire DI payment, or leaving employment in the face of disruptive overpayments or benefit termination, all related to the all-or-nothing rules of the DI program.

Third, working DI beneficiaries must comply with rules that are complex, difficult to understand, time-consuming, and, too often, result in unnecessary overpayments and unexpected benefit suspension. In my written testimony I included the chart referred to by Congressman Ryan in his opening remarks. The chart provides a very complete, accurate description of the DI return-to-work path. It is important to note that each of the steps requires significant

processing by SSA, and may result in sometimes lengthy delays, and require time-consuming actions on the part of the beneficiary.

For example, beneficiaries are required to continuously report earnings, including actually mailing paper copies of pay stubs, and submitting other records manually to SSA. Also, SSA processing of substantial gainful activity determination or work incentives, may sometimes take several months leaving beneficiaries uncertain as to their future income or potential overpayment. The current DI return-to-work process is not sufficiently automated, and often results in confusion and uncertainty on the part of the beneficiary.

Fourth, future improvements to the DI program rules should eliminate the all-or-nothing aspect of a beneficiary's decision to return to work. Under current program rules, each beneficiary must decide if the personal or financial benefits of working will outweigh the potential risk of abrupt benefit suspension. Extensive research has been done to understand how individuals make financial decisions by examining the risks and rewards of their potential actions.

We know that individuals who are not in good health, who are not employed, or who have fewer resources may be more risk-averse than other individuals when making employment decisions. Research also shows that a person is more likely to choose what is certain or established over what is possible, even if the possible event would be a much better circumstance. Unfortunately, the perceived high-risk nature of their employment decision too often leaves beneficiaries unnecessarily restricting their earnings below the SGA level, referred to as "parking under the cash cliff."

SSDI beneficiaries would benefit from a change in the DI program rules that would provide a gradual reduction in benefit payments as the individual advances in their career and avoids the abrupt total loss of payments after completion of the trial work period. This change would allow beneficiaries to pursue their employment goals, while moderating the high-risk choices that are inherent in the current program rules. Thank you, Mr. Chairman.

Chairman RYAN. Thank you.

[The prepared statement of Mr. Kregel follows:]



**Removing Obstacles to Employment and Increased
Financial Independence through Improved Choices:**

Making SSDI Work Better for Beneficiaries

Presented To:

**Ways and Means Committee
U.S. House of Representatives
Washington, DC**

July 9, 2015

Presented By:

**John Kregel
Professor of Special Education and Disability Policy
Work Incentives Planning and Assistance National Training Center
Virginia Commonwealth University
Richmond, VA**

Congressman Ryan, Congressman Levin, Congressman Johnson and Committee Members

My name is John Kregel and I am a professor at Virginia Commonwealth University (VCU) and Principal Investigator of the Work Incentive Planning and Assistance National Training Center at VCU. The Center provides training and technical assistance to over 500 community-based work incentive coordinators who support Social Security Disability beneficiaries every day in all 50 states to pursue their employment goals and reduce or eliminate their dependence on Social Security benefits.

Thank you for this opportunity to discuss ways in which the Social Security Disability Benefits (SSDI) program can work better to assist SSDI beneficiaries to obtain and maintain employment, improve their financial independence, and decrease their reliance on federal benefits. My testimony will address four major areas:

1. SSDI beneficiaries make employment decisions based on their financial situation, health, and other personal factors;
2. SSDI beneficiaries frequently identify the current SSDI program rules as a major disincentive to pursuing stable, long-term employment;
3. SSDI beneficiaries must comply with rules that are complex, difficult, time consuming, and too often result in unnecessary overpayments and unexpected benefit suspension; and
4. Future improvements to the SSDI program rules should eliminate the “all or nothing” aspect of an SSDI beneficiaries’ decision to return to work and promote long-term beneficiary engagement with the program.

Throughout my testimony I will be referring to beneficiaries who only receive Social Security Disability Insurance (SSDI) benefits and will not address issues related to concurrent beneficiaries or other Title II disability beneficiaries.

Demographic and Employment Characteristics of SSDI Beneficiaries

The number of workers with disabilities receiving SSDI has risen steadily over the past 15 years, from 4.9 million beneficiaries in 1999 to 8.9 million beneficiaries in 2014. A number of factors account for the rapid rise, including the increase in the retirement age in 2003, the aging of the “boomer” population, and changes in the overall economy. In 2014, federal expenditures for the SSDI program exceeded \$140 billion. The major demographic and employment characteristics of the SSDI population are summarized below.

The SSDI program primarily supports an older population of individuals who have (1) experienced a major trauma in their lives, such as an accident, disease, or condition, and (2) are not able to meet the “substantial gainful activity” earning threshold of \$1,090 per month, which serves as the basis of SSDI eligibility. The average age of SSDI beneficiaries is 53 years old. As described in the table below, over 70 percent of all SSDI beneficiaries are over the 50 years of age, with only 10 percent of beneficiaries under 40 years old. Most SSDI beneficiaries have extensive work records that they have acquired over decades of employment.

Age of SSDI Population December 2013	
Age Category	Percentage of DI Population
Under 30 years	2.3%
30 – 39 years	8.0%
41 – 49 years	17.4%
50 – 59 years	40.8%
60 years and over	31.5%

SSDI Payment Amount - SSDI payments serve as a partial wage replacement program for beneficiaries with a prior work history that are unable to work at a level above the substantial gainful activity threshold due to a medically determined impairment that results from an injury or serious medical condition. For the majority of beneficiaries, SSDI are able to replace 40 to 50 percent of their benefit earnings levels.

SSA determines the monthly payment for SSDI beneficiaries through a complex formula that involves an individual's age and prior earnings record. In January 2015, the average monthly SSDI payment was \$1,165 per month, or \$13,980 per year. The \$13,980 annual total represents about 118% of the 2015 federal poverty level of \$11,770 for a single individual. In 2015, most beneficiaries receive an SSDI payment between \$700 to \$1,700 per month. The maximum payment for SSDI beneficiaries in 2015 is \$2,633 per month.

The table below illustrates how a beneficiary's age dramatically affects his or her monthly SSDI payment. For example, monthly payments to beneficiaries under the age of 25 were \$588 in 2013, whereas individuals 55 – 59 years of age received over \$1,202 per month. The table below illustrates the very low payments made to younger beneficiaries and the comparatively higher payments made to beneficiaries close to the retirement age.

SSDI Mean Monthly Payment Amount by Age December 2013	
Age Category	Mean Monthly Payment
Under 25 years	\$558
25 – 29 years	\$727
30 – 34 years	\$840
35 – 39 years	\$921
40 – 44 years	\$989
45 – 49 years	\$1,044
50 – 54 years	\$1,113
55 – 59 years	\$1,202
60 – 64 years	\$1,289

Type of Disability - The Social Security Disability programs classify beneficiaries' medically determined impairment into multiple diagnostic categories. Four categories account for 80 percent of all beneficiaries, including:

1. Mental Disorders – Psychiatric disorders and intellectual disabilities;
2. Musculoskeletal Disorders – Spinal injuries and disorders, arthritis, amputations, and others;
3. Neurological and Sensory Disorders – Epilepsy, multiple sclerosis, ALS, vision, hearing and others; and
4. Cardiovascular and Circulatory System Disorders – Various types of heart disease, arterial disease and others.

The table below describes the percentage of beneficiaries in the four major diagnostic categories for individuals in two age groups: (1) under age 50 and (2) 50 – 64 years. Beneficiaries under the age of 50 are far more likely to have a mental disorder than those in the older group. Similarly, beneficiaries in the 50 – 64 age groups were much more likely to have a musculoskeletal or circulatory system disorder than individuals in the younger group.

Percentage of Beneficiaries in Major Diagnostic Categories by Age December 2013			
Disability Category	Age		
	All Ages	Under Age 50	50 – 64 Years
Mental Disorders	31.4%	48.1%	25.0%
Musculoskeletal Disorders	30.5%	17.9%	35.4%
Neurological and Sensory Disorders	9.3%	11.0%	8.6%
Circulatory System Disorders	8.3%	3.9%	10.0%

Poverty – Many SSDI beneficiaries currently live below the poverty level. Bardos (2014) estimated that 28 percent of SSDI beneficiaries live in households with income below the Federal Poverty Level. In comparison to other beneficiaries, SSDI beneficiaries living in poverty differed from those living above the poverty level in a number of ways, including:

1. Beneficiaries living in poverty received smaller SSDI payments and were less likely to receive other federal benefits;
2. Beneficiaries living in poverty were less likely to have completed high school and more likely to be individuals with mental health and intellectual disabilities;
3. Nearly half (47 percent) of beneficiaries living in poverty reported that their current health was poor or very poor; and
4. Beneficiaries living in poverty were more likely to report that they had looked for work in the past month and that they currently faced multiple obstacles to employment.

Those SSDI beneficiaries with annual earned and unearned income totaling less than the \$11,770 federal poverty level for households of one are likely to receive smaller benefits, be less educated, in poor health, but more likely to have sought employment in the recent past.

Employment – The employment rate for SSDI beneficiaries varies based on whether we measure a beneficiary's work at a specific time, during the course of a year, or across a period of a number of years (Livermore, 2011; Mann, Mamun, & Hemmeter, 2015; Mamun, Wittenburg, O'Leary, & Gregory, 2011). Generally, researchers have found that at any one time approximately 10 percent of SSDI beneficiaries are currently employed. Research has also shown that there are major differences in SSDI beneficiary employment participation rates across states, with some states as low as seven percent and others as high as 23 percent.

If the employment rates are viewed from a longitudinal perspective, a very different pattern emerges. Tracking the employment experiences of a cohort of newly enrolled SSDI beneficiaries over a 10 year period of time, researchers found that 28 percent of the individuals worked during the ten year period (Liu & Stapleton, 2011). In addition, nearly 7 percent had their benefits either suspended or terminated for at least 1 month because of work and 3.7 percent had their benefit checks terminated due to earnings over the allotted amount. These findings illustrate that for many SSDI beneficiaries, their return to work requires several years of rehabilitation and adaption in which they may return to their former career in a part-time or full-time basis, or start a new career very different than their former occupation.

Summary – The SSDI program provides wage replacement payments for 8.9 million beneficiaries. The program primarily supports individuals over the age of 50 (72 percent) with only 10 percent of beneficiaries under 40 years of age. The average benefit is \$1,165 per month, which varies considerably across individual beneficiaries based on the earnings record. Individuals with Mental and Musculoskeletal disorders account for over 60 percent of all beneficiaries. Over one-fourth of beneficiaries live in poverty, many of whom are in poor health and face multiple obstacles to employment. Only 10 percent of beneficiaries are employed in any given year only 1.0-3.0 percent earn sufficient wages to eliminate their need for benefits.

The fact that very few SSDI beneficiaries subsequently return to employment at a level that entirely eliminates their need for benefits creates a major challenge for our country. Long-term dependence on benefits limits the financial independence of beneficiaries and their families and places additional pressures on the Disability Trust Fund. It is particularly unfortunate that some SSDI beneficiaries who desire to go to work face a serious risk of losing their entire SSDI benefit if their cancer moves out of remission, their diabetes progresses, or they need additional surgery. Our SSDI program rules force beneficiaries to choose between the safety of keeping their current benefits and the reward of working and earning a sufficient amount to meet the needs of themselves and their families.

Employment Aspirations and Work Activity of SSDI Beneficiaries

Americans with disabilities who are SSDI beneficiaries are frequently viewed as unemployable, or has having no desire to work, when in reality millions of SSDI beneficiaries have clear goals to

enter the workforce and reduce their reliance on disability benefits. In terms of the likelihood for engaging in employment or reentering the workforce, the 8 million beneficiaries can be divided into two main groups: individuals with no immediate plans for employment and individuals employed or seeking employment.

Individuals with No Immediate Plans for Employment (Approximately 5 Million Beneficiaries)

- Many SSDI beneficiaries are gravely ill and are currently battling life-threatening diseases or medical conditions, or are living with serious, long-term health impairments that preclude their ability to work at this time. One out five males and one out of four female die within five years of initial SSDI enrollment. For these individuals, SSDI benefits provide a crucial safety net that provides assistance with their basic needs. They do not see themselves as working in the immediate future, although their goals could change should their health condition improve and employment opportunities expand.

Individuals Employed or Seeking Employment (Approximately 3 Million Beneficiaries) -

Many SSDI beneficiaries desire to work despite their current health conditions and the significant obstacles when attempting to secure employment. Yet this group, which comprises 40 per cent of all SSDI beneficiaries, are "work oriented" beneficiaries who (1) have a clear goal to enter or reenter the workforce, or (2) have engaged in employment related activities in the 12 months.

Translated into actual numbers, it is estimated that 1.5 million beneficiaries have work goals or aspirations, and an additional 1.5 million beneficiaries have the same ambitions and have also been employed or looked for work in the prior 12 months. There are two implications that result from this research. First, we should focus SSA's employment and work incentive initiatives on the 3 million beneficiaries who express a desire to maintain employment and have taken actions to obtain employment in the recent past. Second, we should work to expand the number of SSA beneficiaries who currently face many obstacles to employment and do not view employment as a viable goal for themselves at the present time.

Obstacles to Employment for SSDI Beneficiaries

SSDI beneficiaries seeking employment are attempting to work after acquiring a medically determined impairment, such as a severe injury, debilitating illness, or progressive condition. Extensive research over the past two decades has repeatedly documented the specific barriers to employment and financial independence that limit work opportunities for beneficiaries. These individuals face complex, multiple challenges that can be grouped into two main categories: (1) Disincentives to employment in SSA's current benefit programs; and (2) Lack of beneficiary access to education, vocational training, and employment services.

Disincentives to Employment - SSDI beneficiaries who are capable and desire employment are far too often choosing not to work, restricting their earnings so as not to jeopardize their entire SSDI payment, or leaving employment in the face of disruptive overpayments or benefit termination. SSA's work incentive programs can and must assist beneficiaries to overcome the

demoralizing disincentives to employment that exist in our current policies and regulations. Major disincentives include fear of losing benefits, fear of overpayments, and lack of confidence in SSA's ability to accurately administer beneficiary payments.

Fear of Losing Benefits – Over one fourth of SSDI beneficiaries currently live below the federal poverty level. Most of these individuals depend on their SSA benefits to meet their basic needs and would benefit tremendously from working. Currently, these individuals will lose their entire benefit if their earnings exceed a specific threshold over a nine month period of time. For beneficiaries with significant health problems struggling to meet their basic needs, many are seriously concerned that they will be left without any resources if their health deteriorates and/or they are unable to maintain employment. Fear of losing benefits leads them to unnecessarily choose not to work or to needlessly restrict their work hours and earnings.

Fear of Overpayments– SSDI beneficiaries are required to report their earnings to SSA on a regular basis. If the earnings are not quickly and accurately processed by local SSA Field Offices, an overpayment may result. The complexity of the rules in the SSDI may result in an overpayment to a beneficiary who had complied with all program rules. These unexpected and disruptive overpayments may cause tremendous financial burden for the individual and often lead beneficiaries to abandon their hopes for long-term employment by resigning their job or reducing their work hours.

Lack of Confidence in SSA's Administration of the Program – Many SSDI beneficiaries have experienced difficulties with SSA processing of Impairment Related Work Expenses and other applicable work incentives. Others have expressed frustration with SSA's recognition of their past work activities that affect their Trial Work Period and subsequent Extended Period of Eligibility. The SSDI program is extremely complex and future changes to the program must recognize the necessity of accurate and timely program administration.

Need for Employment Services and Supports - In addition to barriers to employment created by the disincentives in the SSDI program regulations, beneficiaries also face other challenges as they attempt to enter or reenter the workforce. Many SSDI beneficiaries present unique challenges to employment service providers because they have been separated from the workforce for an extended period of time. Many possess chronic health conditions that require specialized employment supports. Lack of training and support services are frequently cited by beneficiaries as major obstacles to employment.

Lack of Education and Training - Efforts to promote access for SSDI beneficiaries who need additional training or education to launch a new career or who need specialized employment services have achieved mixed results. Employment services for these individuals must be based on proven, research-based practices.

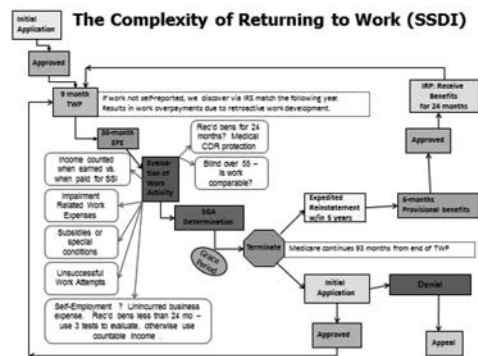
Lack of Job Opportunities and Employer Support – SSDI beneficiaries often express the concern that there are no jobs in their community that they can perform, employers are reluctant or concerned that they unable to supervise the beneficiary, or there is no agency in their community to help them locate and adjust to the job. Many become quickly discouraged when they attempt to locate jobs on their own. Sufficient service capacity and employer supports must be available to maximize beneficiaries’ opportunity for long-term, stable employment.

SSA has designed a set of work incentives and program provisions to incentivize beneficiaries who desire to return to work and increase their financial independence. The effectiveness of these work incentives has been established, but some work incentives are not widely used. The current situation clearly indicates that more basic program reforms should be considered.

The Complexity of Returning to Work for SSDI Beneficiaries

SSDI beneficiaries face many challenges as they attempt to return to work and maintain long-term employment. Many have gone through a long period of poor health and are not sure they can meet the demands of full-time employment. Others may be unable to return to their prior jobs and face the prospect of moving into a new area of employment. Their uncertain employment status and the potential loss of benefits after a period of time may lead them to question whether employment is a responsible choice for themselves and their family.

SSA program rules allow beneficiaries to work for a period of time (nine months) without any loss of benefits and potentially continue to receive benefits for an additional 36 months. The complete process for returning to work for SSDI beneficiaries is represented in the figure below. The process begins with the Trial Work Period (TWP).



Trial Work Period - The first time after entitlement that a SSDI beneficiary goes to work, they may access a work incentive called the Trial Work Period (TWP). The TWP effectively suspends the “able to perform Substantial Gainful Activity” part of the disability definition so that the beneficiary may attempt to work without immediately losing their cash benefits.

The TWP provides beneficiaries an opportunity to test their work skills while maintaining full benefit checks, no matter how much they may earn. Each year, Social Security sets a monthly amount to use as a guideline for determining use of TWP months. Currently, the TWP level is \$780. If a beneficiary (1) has pre-tax wages of more than the \$780 guideline; or, (2) works over 80 hours in self-employment during a month, that month counts as a Trial Work Service Month.

The TWP ends only when a beneficiary performs nine months of work over the Trial Work Period guideline within a rolling period of 60 consecutive months. The TWP service months do not have to be consecutive to be counted. If individuals work above the threshold for a period of six months, and then have a 36 month lapse in employment, and then work for another 3 months, they will have completed the trial work period. Once the TWP is used, it is gone. Beneficiaries are only afforded one TWP during a period of entitlement.

During the TWP, no other work incentives apply. A beneficiary does not need to utilize any deductions during the TWP since they can have unlimited earnings without penalty to their benefit amount. Work incentives cannot be applied to reduce earnings below the TWP guideline amount. The TWP is a stand-alone work incentive that does not permit deductions from gross earnings and does not interface with any other work incentive.

Substantial Gainful Activity – After a beneficiary has completed the TWP, SSA will conduct a Substantial Gainful Activity (SGA) review. For each month in which the beneficiary has gross earnings over the \$1,090 SGA threshold amount, the beneficiary does not receive a benefit payment. Determining SGA is a multi-step process that relies on accurate earnings reporting by beneficiaries and timely and accurate processing by SSA. An entirely separate process is used to determine whether a self-employed beneficiary is working at SGA. If the beneficiary does not provide necessary information or SSA fails to accurately process the information, it is highly likely that the beneficiary may receive an overpayment.

Cessation Month and Grace Period - As long as the beneficiary continues to have a disability, the first time that SGA level work could affect payment of benefits is after the Trial Work Period ends. When a beneficiary performs sustained SGA level work for the first time after the TWP, this first month where this pattern begins is called the “cessation month.” Social Security allows a payment to be made in this month and the two succeeding months, called the “Grace Period,” for a total of three months before benefits are terminated.

Other Work Incentives – Beneficiaries are allowed to use several work incentive provisions to reduce their gross income and affect the SGA determination process. The most frequently used

work incentives include Impairment Related Work Expenses (e.g. personal assistant services, assistive technology, or transportation), Subsidies, and Unsuccessful Work Attempts).

Extended Period of Eligibility (EPE) – The SSDI program rules provide a reinstatement period for beneficiaries who complete the nine month TWP and continue to have a medically determined impairment. The Extended Period of Eligibility (EPE), allows a beneficiary to be re-entitled to benefits any time during a 36-month period, if their work activity falls below the SGA level. The EPE reinstatement period begins with the month immediately following completion of the trial work period and ends 36 months later.

If the beneficiary earns less than the SGA threshold of \$1,090 during an EPE month, the individual is entitled to receive their SSDI payment level for that month. If a beneficiary's payments are "ceased" after the Trial Work Period, and the person needs to receive benefits again during the 36-month reinstatement period of the Extended Period of Eligibility, they do not have to file an application. Instead, they must simply establish with Social Security that their work activity is below SGA and provide a work activity report and necessary documentation.

Expedited Reinstatement (EXR) - EXR is a way to return more quickly to Social Security disability benefits when work is significantly reduced or stopped because of an individual's original disabling condition. The individual's prior entitlement must have been terminated due to work activity, not medical recovery or any other reason. For SSDI beneficiaries, this means the individual was determined to have engaged in SGA.

The individual must be unable to perform SGA due to the same disability (or a related disability) that entitled the beneficiary to payments previously. If this is not the case, the individual must reapply for benefits and begin the process over again. The EXR provision allows an individual to receive up to six months of provisional (temporary) cash benefits while Social Security conducts a medical review to determine whether the individual can be reinstated to benefits.

Making the SSDI Program Work Better for Beneficiaries

Under current program rules, SSDI beneficiaries who return to work will have their benefit payment eliminated in each month they earn over SGA after completing their 9 month TWP and 3 month grace period. SSDI beneficiaries who return to work are under the threat of job loss for purely market-driven reasons, just as all workers are, and are under the additional threat of job loss due to a change or worsening of their health or disabling condition. The risk of losing all income based on a decision to return to work is a very high-stake risk. SSDI beneficiaries may be understandably afraid of losing both their SSDI benefit and their employment wages after a short return-to-work attempt. The fear of losing all income as a result of a decision to return to work likely prevents some potentially work-capable individuals from attempting work.

Extensive research has been done to understand how individuals make financial decisions by examining the risks and rewards of their potential actions. Some individuals are more risk

averse than others. We know that individuals who are not in good health, who are not employed, or who have fewer resources may be more risk averse than individuals who are in good health, who are employed, or who have more resources. Individuals who rely on SSDI income are, by definition, not in good health, not employed, and have relatively few resources. Individuals who rely on SSDI may avoid work based on the very real risk that a failed work attempt will leave them with little or no income and no way to meet their basic financial needs.

Research also shows that a person is more likely to choose what is certain or established over what is possible, even if the possible event would be a much better circumstance. A SSDI beneficiary attempting to pursue their employment goals may choose to avoid the risk of losing all income with a short failed work attempt and instead to retain the certainty of SSDI benefits. The high stakes nature of returning to work for SSDI beneficiaries reduces the likelihood that a potentially work-capable individual will attempt work. Unfortunately, the perceived high risk nature of their employment decision too often leads to beneficiaries unnecessarily restricting their earnings below the SGA level, referred to as “parking under the cash cliff”.

SSDI beneficiaries would benefit from a change in the SSDI program rules that would provide a gradual reduction in benefit payments as the individual advances in their career and avoids the abrupt, total loss of payments after the completion of the TWP. This change would allow beneficiaries to pursue their employment goals while moderating the high risk choices that are inherent in the current program rules.

The opportunities for SSDI beneficiaries under a more gradual benefit offset are illustrated below through three case studies provided by Ms. Jolene Wanek and her at Employment Resources, Inc. (ERI) in Madison, Wisconsin. ERI provides work incentive counseling to SSDI beneficiaries in southeastern Wisconsin.

Case Study 1 - “Steve” is 52 years old and was a successful business owner before he ended up hospitalized with mental health issues. He ended up applying for and getting approved for SSDI benefits. When his mental health stabilized, he decided to start working again. He completed his Trial Work Period and was able to earn over SGA during most of his nine months. After his ninth month, he decreased his hours/earnings in order to remain eligible for his payment and the auxiliary payments that he gets for his daughters. He would not be able to replace the SSDI monies through his business and is financially better off working part-time and continuing to receive the SSDI. He would be very likely to work more, if he would have access to an offset of his payment instead of losing it completing by earning over SGA. He is also uncertain of his mental health status and worries that he could have a setback at any time. Due to this, he is fearful of letting go of the SSDI completely.

Case Study 2 - “Reed” is 42 years old and has an \$1800 SSDI payment and \$900 in auxiliary payments for his two young children – a \$2600 total family benefit. He really wants to work, and had an offer for a well-paid position that would give him between 20 and 40 hours per week. However, the company was unable to guarantee his hours. His earnings at 40 hours would have immediately terminated his SSDI (had previous cessation, and EPE long over), and that was fine with him because he would not have then had less total income. However, 20-30

hours per week would also terminate his SSDI but leave him worse off financially. So, he felt that he needed to decline the job – too risky for his family financially. It seemed clear to the Employment Resources Inc. (ERI) staff that one of two things would have caused him to take the job: the assurance by the company of enough earnings after taxes to fully replace his SSDI, or an SSDI rule change that would have allowed him to keep a reduced SSDI payment in months that his earnings were above SGA but below the level that would leave him no worse off for working.

Case Study 3 - “Kathy” is 47 years old and has an \$880 per month SSDI payment, and a job where she earns about \$1000 per month. She really wants to be off of Social Security and not seen as “disabled”, and has been working hard on her recovery plan (she has a serious and persistent mental illness). Currently, and for the past two years, she has been in a position to earn a bit more by increasing her hours somewhat – enough to end her SSDI (even using her 10% subsidy), but not enough to replace the benefit. In order to become more independent, it is important for Kathy to gradually increase her work, as she has repeatedly done for the past 8 years. However, the next “gradual” increase will cause her to immediately be terminated from SSDI. The Work Incentive Coordinator at ERI has known Kathy for 15 years, and has no doubt that if she were allowed to gradually earn more and gradually decrease her SSDI payment, she would jump at the opportunity. She would be able to continue increasing her earnings until her SSDI payment finally ended.

Mr. Chairman, thank you again for the opportunity to share information on potential changes to the SSDI program that would enable beneficiaries to pursue employment opportunities, better meet their basic financial needs, and reduce their dependence on federal benefits.

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Chairman RYAN. Mr. Van de Water.

STATEMENT OF PAUL N. VAN DE WATER, PH.D., SENIOR FELLOW AND DIRECTOR OF POLICY FUTURES, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. VAN DE WATER. Thank you, Mr. Chairman, Congressman Levin, and Members of the Committee. I appreciate the invitation to appear before you this morning.

Promoting opportunity for Social Security Disability Insurance beneficiaries, especially those trying to return to work, is an appropriately lofty goal. Policy-makers should continually seek new and better ways of helping people with serious impairments return to the workforce. But expectations should be realistic, and grounded in experience.

Disability Insurance already provides many inducements for beneficiaries to work. Most important, beneficiaries can earn up to \$1,090 a month, called substantial gainful activity, or SGA, indefinitely, and still collect benefits. For an average beneficiary, this would nearly double his or her income. Beneficiaries are also eligible for employment services and supports to help them return to work.

DI's eligibility criteria are very stringent, however, and research consistently finds that most beneficiaries have limited work capacity. Only a minority ever work again, and just four percent are able to earn enough to work their way off the DI rolls.

Social Security has undertaken many demonstration projects over the years to test new ways to encourage beneficiaries to return to work. But they have consistently shown limited results, or proved not to be cost-effective. Further efforts to promote work are, therefore, likely to have only a small payoff. In fact, some options could increase DI costs, harm vulnerable beneficiaries, increase payment errors, or even discourage work, rather than encourage it.

One approach would eliminate DI's cash cliff, which several of the other witnesses have discussed this morning. Instead, this proposal would reduce benefits gradually by \$1 for each \$2, once earnings exceed a certain level. Applying this benefit offset, starting at the \$1,090 SGA level, would indeed create an incentive for beneficiaries to earn more than that amount, but would also raise program costs.

Starting the offset at a lower earnings level would reduce costs, but it would also create a work disincentive for beneficiaries with monthly earnings between the proposed threshold and \$1,090. These beneficiaries would face an extra 50 percent tax rate on their earnings in that range, thereby reducing their income and making work less attractive.

For example, consider a typical DI beneficiary with a benefit of \$1,200 a month. If he earns \$800, his total monthly income would be \$2,000, under the current rules. But if Congress passed a benefit offset that started at \$300 in earnings, his benefit would drop by \$250, 50 percent of his earnings above the threshold amount, and he would lose one-eighth of his income.

As a result, it is uncertain whether proposals such as a benefit offset would increase or decrease work overall. In addition, a benefit offset with a threshold below the current SGA level would shift

income from poorer, sicker beneficiaries to those with higher earnings. In view of these concerns, any benefit offset proposal should be thoroughly tested and evaluated before it is implemented.

It is worth testing some promising changes to DI through carefully structured demonstration projects, but those demonstrations won't yield quick answers. Congress should also consider other ways of rewarding work for people with impairments. Extending provisions of the Earned Income Tax Credit and Child Tax Credit that are now slated to expire after 2017, and improving the EITC for childless workers, a proposal that is backed by both Chairman Ryan and President Obama, would boost the rewards for work for many low-wage workers with disabilities.

First and foremost, however, Congress should take steps to assure sufficient financing for Disability Insurance, and thereby avert a 20 percent cut in benefits. The Congress should not expect to find a magic bullet that will simultaneously trim costs, make beneficiaries better off, and avert the need to replenish the DI trust fund in 2016 and beyond. Thank you.

[The prepared statement of Mr. Van de Water follows:]

July 9, 2015

**Testimony of Paul N. Van de Water
Senior Fellow, Center on Budget and Policy Priorities
Before the House Committee on Ways and Means**

**Promoting Opportunity for
Social Security Disability Insurance Beneficiaries**

Mr. Chairman, Congressman Levin, and members of the committee, I appreciate the invitation to appear before you today.

Promoting opportunity for Social Security Disability Insurance (DI) beneficiaries — especially those trying to return to work — is an appropriately lofty goal. Policymakers should continually seek new and better ways of helping people with serious impairments remain in or rejoin the workforce. But expectations should be realistic and grounded in experience.

Disability Insurance already provides many inducements for beneficiaries to work, and Congress has periodically added more work incentives. DI's eligibility criteria are very stringent, however, and research consistently finds that most beneficiaries have limited work capacity. Further efforts to promote work are therefore likely to have only a small payoff. In fact, some options could increase DI costs, harm vulnerable beneficiaries, make the program harder to administer, or even discourage work rather than encourage it.

It's worth testing some promising changes to DI through carefully designed demonstration projects, but those demonstrations won't yield quick answers. Congress should also consider other ways of rewarding work for people with impairments, such as expanding refundable tax credits for low-wage workers. But Congress should not expect a magic bullet that will simultaneously trim costs, make beneficiaries better off, and avert the need to replenish the DI trust fund in 2016 and beyond. Beneficiaries will face a 20 percent benefit cut if Congress does not act soon to replenish the trust fund.

Eligibility Criteria Are Stringent

Social Security Disability Insurance assists people who, because of a severe medical impairment, can no longer support themselves by working — a catastrophe that can befall anyone.¹ DI's eligibility criteria are stringent:

- *Insured status.* Applicants for DI benefits must have worked for at least one-fourth of their adult lives and in at least five of the last ten years.
- *Severe impairment.* Applicants must suffer from a severe, medically determinable physical or mental impairment that's expected to last 12 months or result in death. Evidence must come from acceptable medical sources and must consist of clinical facts and findings, not just opinion.
- *Inability to do substantial work.* The impairment must prevent the applicant from performing "substantial gainful activity," currently defined as earning \$1,090 per month. That's equivalent to working less than full-time at the minimum wage, or about 40 percent of median earnings for full-time workers with a high school diploma but no college. The applicant's physical or mental impairment must render him not just unable to do his past work, but unable — considering his age, education, and experience — to do any other kind of work in the national economy.
- *Waiting period.* The impairment must already have lasted for at least five months before the applicant can qualify for DI. Along with the requirement that the impairment must be expected to last another 12 months or result in death, this emphasizes that DI is not for the temporarily disabled.

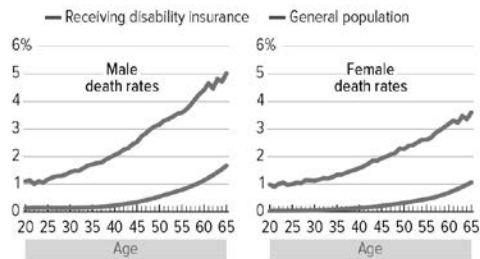
Ultimately, fewer than 4 in 10 applicants in 2009-2011 were awarded benefits — and there's evidence that the allowance rate has fallen since then. Even if allowed, beneficiaries face a two-year wait for Medicare, and regular follow-up to verify that they're still eligible.

Not surprisingly, the people who qualify for DI are severely impaired, disproportionately older (70 percent are over age 50, and 30 percent are over age 60), and have modest educations. Their death rates far exceed those of the general population. (See Figure 1.) Those characteristics make it unlikely that many will return to significant work.

¹ Unless otherwise indicated, more information about any of the statements and graphs included here may be found at <http://www.cbpp.org/topics/disability>.

FIGURE 1

Death Rates Higher for Disability Insurance Recipients Than for General Population



Source: CBPP based on data from the Social Security Administration

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DI Offers Many Work Incentives

There's a widespread misperception that DI discourages or punishes work. In fact, DI offers many work incentives for those who are able.

The average DI benefit is only \$1,165 a month — barely above the poverty line — and replaces less than half of the worker's former earnings. Beneficiaries can earn up to \$1,090 a month (called substantial gainful activity, or SGA) indefinitely and still collect benefits; for an average beneficiary, that would nearly double his income. Recipients may earn unlimited amounts for a year (the nine-month trial work period plus a three-month grace period) without jeopardizing their benefits while they test their ability to work. For the next three years, they may automatically return to the DI rolls if their monthly earnings sink below \$1,090. If their benefits are formally terminated at the end of that period, they are generally eligible for expedited reinstatement — without serving another five-month waiting period and with streamlined eligibility criteria — for another five years if their earnings fall below SGA and their original disability persists. Beneficiaries may continue to receive Medicare coverage for up to 7½ years after their cash benefits stop.²

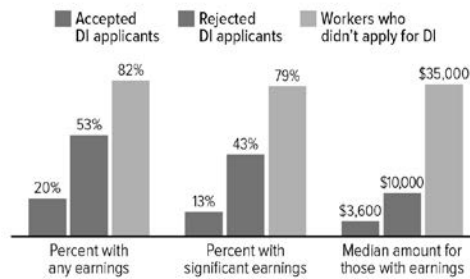
² For detailed information about DI and SSI work incentives, see Social Security Administration, *2015 Red Book*, <http://www.socialsecurity.gov/redbook/>.

Most Beneficiaries Can't Do Significant Work

Despite these and other work incentives, most Disability Insurance beneficiaries' impairments prevent them from having significant earnings. Only a minority ever work again after qualifying for DI. Of beneficiaries who were tracked for ten years, 28 percent worked at some point after their DI application was approved, but generally episodically and at low earnings. Only 7 percent had their benefits suspended for even a single month because their earnings exceeded the SGA threshold. Just 4 percent had their benefits terminated because of earnings; and of those, more than one-quarter subsequently returned to the DI rolls. Not surprisingly, those who were younger than 40 when they began to receive DI — a distinct minority of beneficiaries — resumed working at higher rates than did older disabled workers.³

FIGURE 2

Disability Insurance Beneficiaries—and Even Rejected Applicants—Have Limited Work Capacity



Source: CBPP based on von Wachter, Song, and Manchester in *American Economic Review*, December 2011. Data are for men age 45 through 64. For applicants, work and earnings are for second year after application. Nonapplicants were selected to mimic applicants in terms of age and previous earnings. For simplicity, figures for accepted applicants are a weighted average of those allowed at the initial and appeal levels. "Significant" earnings were defined as the equivalent of three months of full-time work at minimum wage, or about \$2,700 in 2000. Median earnings are expressed in 2000 dollars.

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It's useful, too, to compare DI beneficiaries with rejected applicants and with people who've never applied for benefits. One careful study found that only one-fifth of beneficiaries aged 45 to

³ Azif Mamun, Paul O'Leary, David C. Wittenburg, and Jesse Gregory, "Employment Among Social Security Disability Program Beneficiaries, 1996-2007"; Su Liu and David C. Stapleton, "Longitudinal Statistics on Work Activity and Use of Employment Supports for New Social Security Disability Insurance Beneficiaries," *Social Security Bulletin*, Vol. 71, No. 3, 2011.

64 — who dominate the DI rolls — have any earnings two years after application, and even fewer have significant earnings. (See Figure 2.) Even those who apply for benefits and are rejected — because they don't meet DI's strict eligibility criteria — fare very poorly in the labor market; barely half have any earnings two years after application, and the average amount earned is very low. In contrast, healthy workers of the same age (who don't seek DI benefits) are likely to work and have substantial earnings.

Economic analyses consistently find that, while receipt of DI somewhat reduces employment, its effect on earnings is small. One widely cited study estimates that “marginal” beneficiaries — those who might plausibly have been denied (and who are thus healthier than the average beneficiary) — would earn only \$3,800 to \$4,600 more annually if they were not receiving DI benefits.⁴

Some analysts and policymakers express understandable concern about DI's “cash cliff” — the risk of complete loss of benefits when earnings consistently exceed SGA — but in real life, it seems to make little practical difference. Studies of “parking” (whereby beneficiaries deliberately hold their earnings just below the maximum allowed) and of converted beneficiaries (who, once they start collecting retirement benefits, can earn unlimited amounts) show very limited behavior of this type.⁵

In short, few DI beneficiaries work — and the most reasonable explanation is their severe impairments, not the lack of work incentives.

Options to Alter DI Work Incentives Have Pluses and Minuses

Although there's little evidence that current rules discourage work, analysts continue to seek ways of improving the program. One widely discussed approach would replace the DI “cliff” with a “ramp,” in which benefits would be reduced gradually by \$1 for each \$2 of earnings once earnings pass a certain threshold.

Applying the \$1-for-\$2 offset starting at the SGA level would create an incentive for beneficiaries to earn more than that amount but would indisputably raise program costs. It would also encourage more people to apply to the program, viewing the combination of cash benefits plus earnings as more appealing than their current job.⁶

⁴ Nicole Maestas, Kathleen J. Mullen, and Alexander Strand, “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt,” *American Economic Review*, 2013, 103(5), <http://eml.berkeley.edu/~saez/course/maestas-mullen-strandAER13.pdf>.

⁵ Jody Schimmel, David C. Stapleton, and Jae Song, “How Common is ‘Parking’ Among Social Security Disability Insurance Beneficiaries? Evidence from the 1999 Change in the Earnings Level of Substantial Gainful Activity,” *Social Security Bulletin*, Vol. 71, No. 4, 2011; Nicole Maestas and Na Yin, “The Labor Supply Effects of Disability Insurance Work Disincentives: Evidence from the Automatic Conversion to Retirement Benefits at Full Retirement Age,” Michigan Retirement Research Center, Working Paper 2008-194, September 2008.

⁶ Hilary Williamson Hoynes and Robert Moffitt, “Tax Rates and Work Incentives in the Social Security Disability Insurance Program: Current Law and Alternative Reforms,” National Bureau of Economic Research Working Paper No. 6058, June 1997. The Benefit Offset Nationwide Demonstration (BOND) is currently testing an offset of \$1 for every \$2 of earnings above annualized SGA in selected sites nationwide. Evaluations of BOND generally conclude that it has a modest effect on earnings and slightly boosts program costs. See <http://www.mathematica-mpr.com/our-publications-and-findings/projects/benefit-offset-national-demonstration-bond-implementation-and-evaluation>. It is

To limit costs or even reduce spending, some proposals would start the benefit offset at a lower threshold of earnings.⁷ It's important to recognize that such a change would create a notable work *disincentive* for beneficiaries with earnings between the proposed threshold and SGA. They'd face an extra 50 percent tax rate on their earnings in that range, thereby reducing their income and making work less attractive. That's no small matter. A recent study found that about 11 percent of DI beneficiaries had earnings in 2011 — of those, 70 percent had earnings under \$10,000 a year, and 40 percent had earnings below \$5,000.⁸ As a result, it's uncertain whether such proposals would increase or decrease work overall. Only a demonstration project could determine whether the net effect on work would be positive or negative.

In addition, a benefit offset with a threshold below the SGA level would clearly shift income from poorer, sicker people to those with higher earnings. Those who would lose income would likely have more serious impairments and be more vulnerable than those who would gain. In view of these concerns, any proposal that could disadvantage beneficiaries should be thoroughly tested and evaluated before it is implemented.

Benefit offsets would also pose significant administrative challenges to the Social Security Administration (SSA). The agency has a strong record of payment accuracy — over the 2011-2013 period, the accuracy rate for DI was nearly 99 percent.⁹ A common reason for overpayments is delays in processing reports of earnings by DI beneficiaries. The challenge is even more acute in Supplemental Security Income (SSI), a needs-tested program that generally reduces benefits by \$1 for every \$2 of earnings above \$85 a month; there, payment accuracy averaged about 91 percent, and unavoidable delays in processing earnings reports were a significant reason. Adding a benefit offset to DI would inevitably reduce its payment accuracy rate.

Keeping up with earnings reports is a matter not only of program integrity but also of beneficiaries' protection. In a worst case, a beneficiary reports his earnings accurately and promptly

important to realize that, by design, BOND cannot yield answers about one major concern about benefit offset proposals, namely the effect on applications from the partially disabled.

⁷ A proposal from the Consortium for Citizens with Disabilities (CCD) would set the \$1-for-\$2 threshold at the same level that triggers a trial work period in DI (currently \$780), and make numerous other changes in the program's work incentives and their administration, including eliminating the trial work period, eliminating the extended period of eligibility (EPE) in return for a *permanent right* to return to the program when earnings fall, and raising and indexing the income disregards in SSI. See http://www.c-c-d.org/fichiers/CCD_Final_Benefit_Offset_Proposal.pdf.

⁸ David R. Mann, Arif Mannu, and Jeffrey Hemmeter, "Employment, Earnings, and Primary Impairments Among Beneficiaries of Social Security Disability Programs," *Social Security Bulletin*, Vol. 75, No. 2, 2015, <http://www.ssa.gov/policy/docs/ssb/v75n2/v75n2p19.html>, Table 2. Data are for DI-only recipients (that is, those who do not concurrently receive SSI benefits), because SSI (rather than DI) work incentives are generally more relevant for the latter group.

⁹ Average of 2011-2013 data, from SSA's FY 2014 *Agency Financial Report*, pp. 161-205, <http://www.socialsecurity.gov/finance/2014/Improper%20Payments.pdf>. (Fiscal year 2015 edition is not yet available.) Specifically, the rate of overpayments averaged 0.94 percent of DI outlays; underpayments averaged 0.29 percent; so their sum — so-called improper payments — was 1.23 percent. It's important to recognize that the agency has an excellent record of recovering overpayments using various tools — reducing or withholding checks, garnishing tax refunds, reporting to credit bureaus, and so forth — but it's obviously best to avoid overpayments in the first place.

to SSA, but lags in processing mean that his benefit is reduced or withheld months later — when his job may have ended and he desperately needs his benefit to cover living expenses. If Congress added a benefit offset to DI, it would become even more critical to provide SSA the resources to process earnings reports promptly and efficiently.

Demonstration Projects Won't Yield Quick Answers

The Social Security Administration has undertaken many demonstration projects over the years to test new ways to encourage DI beneficiaries to return to work, but they have consistently shown limited results or proved not cost-effective. (See Appendix Table.) “This large body of research has demonstrated the enormous difficulty of helping and encouraging people with chronic health conditions and disabilities to work and earn enough to become self-sufficient,” concludes a recent assessment. None of the demonstrations has been found to have “the potential to lead to substantial caseload reductions.”¹⁰

Promising new ways to promote opportunity for DI beneficiaries deserve to be carefully tested. For example, SSA could test options such as the Work Incentive Simplification Pilot, which would replace DI's current rules related to return to work with a simplified process that would be easier for beneficiaries to understand and for SSA to administer.¹¹ SSA is also developing a demonstration that would provide early intervention services to workers with mental illness under the age of 50 who are on a path toward receiving DI or SSI benefits.¹²

Designing and conducting demonstration projects is challenging work that can't be done quickly. Demonstrations involve site selection, training of staff, careful division between an experimental and control group, and attention to criteria like sample size. Demonstrations that made some participants worse off than under current law — by giving up benefits or protections that they now qualify for — would raise additional legal and ethical issues. Demonstrations have to be run for long enough to establish validity; people respond differently to temporary and permanent incentives. And participants need to be tracked for a long time to verify whether the results are durable; for example, an early intervention that delays but doesn't prevent people from qualifying for DI may not actually save money, once the cost of intervention is considered. In short, there's no reason to think that demonstration projects will yield useful information soon, and they certainly can't make a significant dent in DI's need for additional revenue by late 2016.

Exploring Other Options

Other programs besides Social Security Disability Insurance can also promote opportunity for workers with disabilities. Access to affordable health coverage may already be dampening applications to disability programs. And extending provisions of the Earned Income Tax Credit

¹⁰ Gina Livermore, David Wittenburg, and David Neumark, “Finding alternatives to disability benefit receipt,” *IZA Journal of Labor Policy*, 2014, 3:14, <http://www.izajolp.com/content/pdf/2193-9004-3-14.pdf>.

¹¹ David Wittenburg, David R. Mann, and David C. Stapleton, *Work Incentive Simplification Project (WISP): Recommendations of the Technical Advisory Panel Regarding the Evaluation Design*, Mathematica Policy Research, April 25, 2012, <http://www.ssa.gov/disabilityresearch/documents/WISP-final%20report-5-1-12COMPLETE.pdf>.

¹² Social Security Administration, *FY2016 Congressional Budget Justification*, pp. 83-8, <http://www.ssa.gov/budget/FY16Files/2016FCJ.pdf>.

(EITC) and Child Tax Credit that are now slated to expire after 2017 — and improving the EITC for childless workers, a proposal that is backed by both Chairman Ryan and President Obama — could boost the rewards from work for hundreds of thousands of workers with disabilities. First and foremost, however, Congress should take steps to assure sufficient financing for Disability Insurance and thereby avert a 20 percent cut in benefits.

APPENDIX TABLE

Work-Incentive Demonstrations Have Shown Limited Results

Demonstration	Years	Description	Effects
Benefit Offset National Demonstration (BOND)	2011-2017	Testing a \$1-for-\$2 benefit offset for earnings above SGA level, with additional work supports for "Phase 2" beneficiaries	<ul style="list-style-type: none"> • Small effects on earnings (Phase 2 only) • Increased benefit payments • Ongoing experiment
Accelerated Benefits Demonstration	2007-2010	Provided health care to SSDI beneficiaries during 24-month waiting period for Medicare, with additional medical and work supports for "AB Plus" beneficiaries	<ul style="list-style-type: none"> • Improved health outcomes • No effect on employment • For AB Plus, greater use of return-to-work services
Mental Health Treatment Study	2006-2010	Provided medical and employment supports to beneficiaries with schizophrenia and other affective disorders	<ul style="list-style-type: none"> • Improved employment and earnings • Improved mental health status • No impact on earnings above SGA • No impact on benefits
Benefit Offset Pilot	2005-2014	Replaced "cash cliff" with a \$1-for-\$2 offset for earnings above SGA level, with additional work supports	<ul style="list-style-type: none"> • Small increase in earnings above SGA • No effect on mean earnings • No effect on employment
Youth Transition Demonstration	2003-2012	Waived SSI income and asset rules, provided a variety of state-designed employment and education supports for young SSDI and SSI beneficiaries	<ul style="list-style-type: none"> • Little to no effect on employment and earnings • Evaluation ongoing
Ticket to Work	1999-present	Provides vocational rehabilitation and work support from employment networks (Note: A change in law,	<ul style="list-style-type: none"> • Increased use of return-to-work services

APPENDIX TABLE

Work-Incentive Demonstrations Have Shown Limited Results

Demonstration	Years	Description	Effects
		not a demonstration)	<ul style="list-style-type: none"> • Little effect on employment • Little effect on benefits
State Partnership Initiative	1999-2004	Tested variety of state-designed interventions, including Medicaid waivers and employment services for SSDI and SSI beneficiaries	<ul style="list-style-type: none"> • Small and mixed effects on employment • No effect — or negative effect — on earnings
Project NetWork	1992-1994	Offered intensive outreach, work-incentive waivers, and case management services to SSDI/SSI applicants and recipients	<ul style="list-style-type: none"> • Small short-term effect on earnings • No effect on benefits

Notes: SSDI=Social Security Disability Insurance, SSI=Supplemental Security Income, SGA=Substantial Gainful Activity (varies by year, currently defined as earnings that exceed \$1,090 a month in 2015).

Sources: CBPP analysis based on Scott D. Szymendera and William R. Morton, "Social Security Disability Insurance (SSDI) Demonstration Projects," CRS Reports RL33585, April 10, 2014 and RL33585, July 20, 2011; Gina Livermore, et al., "Finding Alternatives to Disability Benefit Receipt," *IZA Journal of Labor Policy*, 3:14 (2014); Livermore, et al., "Executive Summary of the Seventh Ticket to Work Evaluation Report," Final Report, July 2013; Government Accountability Office, "Modernizing SSA Disability Programs: Progress Made, but Key Efforts Warrant More Management Focus," GAO-12-420, July 2012; Robert Kornfeld and Kalman Rupp, "The Net Effects of the Project NetWork Return-to-Work Case Management Experiment on Participant Earnings, Benefit Receipt, and Other Outcomes," *Social Security Bulletin*, 63:1 (2000).

Chairman RYAN. Thank you. I would like to ask each of you a lot of questions, but I want to be mindful of everybody's time here.

First, like the retirement trust fund, once the disability trust fund is exhausted, then the across-the-board cut comes. That comes, in this case, next year. And so, we have to prevent that from happening, and that is our goal, to prevent that from happening. That is point number one.

Point number two, there is a lot of experience right here that we want to gain some insight from.

So, Mr. Zelle, let me ask you. You went into this in your testimony, but go a little deeper, if you could, about the cliff. How, in your view, from just seeing it in people's lives, does the cliff affect a person's ability and willingness to work? What fear is associated with this? Do people plan and organize their lives around this cliff? Give me a sense of what this is like, what people are experiencing right now.

Mr. ZELLE. Well, I agree that the testimony—we heard about people want certainty in their lives. And the system we have is so complex, it gets in the way.

The fear comes in two ways. Fear comes from people with disabilities, having gone through a traumatic experience, and also fear on business's side, in terms of "I am going to say the wrong thing," or, "My health care costs are going to go up," "I will never be able to fire them because of this ADA thing," all of which are not true. You will hear businesses testify just the opposite of that.

The fear comes as I am certain that I am going to get \$1,000 a month, and if I get one dollar more, I will lose everything. I faced that, but the reason it wasn't a problem for me at the time is that I had a company who wanted to hire me back. I was fortunate that I wasn't a plumber, electrician. I had a skill that was valued, and I could return to that job, and the company wanted me back. So I was able to return, hit the floor running. And then the \$800 a month went away. It would have been nice, because that helped with my disability-related expenses.

But again, Mr. Chairman, you are asking about the fear, and the fear is the cliff, more than anything. It is not a fear of going back to work. We all want the dignity of work. We all want the value of how—what is the second question people—

Chairman RYAN. Well, we see the statistics. We see the economics. We see the tax rates, and things like this. But we want to get a sense of what a person is experiencing as they try to get themselves back to where they were in life, or where they want to get to. And that is—the cliff fear is what I am trying to get a sense of, and I think that is pretty helpful.

Let me—since you talked about the complexity of it, let me just go to one person over. Mr. Smith, you ran the demonstration project in Vermont.

Mr. SMITH. Yes.

Chairman RYAN. And the results, from what your testimony says, a 25 percent increase in the number of beneficiaries who worked above the SGA amount, correct?

Mr. SMITH. Yes, that was for all four states.

Chairman RYAN. That is right, for all four states, including Wisconsin.

Walk me through your belief, your impression, on whether we can scale this up, nationwide. Do you think Social Security can administer a benefit offset approach? That is question number one, meaning can we scale this up. Because the purpose of a demonstration project is to see if an idea works. And then, if it does, scale it up for the rest of the country. That is the whole purpose of it. So, can we do that?

Number two, your recommendation. And some others have been recommending this. Why do you recommend starting a benefit offset at an amount lower than was tested at the four-state pilot? Other groups also recommend starting the benefit offset below the SGA level. Tell us why you proposed doing it that way.

So, can we scale it up? And give us the rationale for your recommendation.

Mr. SMITH. Sure. Yes. I believe that the Social Security Administration can certainly implement benefit offset. They already do so for the—

Chairman RYAN. SSI, right.

Mr. SMITH [continuing]. Program. And if you get rid of some of the—if you get rid of the complexity of the trial work period, the extended period of eligibility that is built into the SSDI program, and have a simple offset, it would be simpler to administer for Social Security. And Social Security has made that proposal under what they call the Work Incentives Simplification Project. So, yes, I believe Social Security could administer an offset.

The second question. The reason why I and others have proposed an offset starting at less than SGA is that we recognize that if the offset started at SGA, that it would indeed increase cost to the program. And so, it's, in a sense, a real balance, from my perspective, in that we see from our experience, we see the cash cliff, and the fear of going off the program completely, and going into an overpayment as a far more powerful disincentive to work than a more graduated approach, a more predictable approach that folks can rely on.

That is why—in addition to that, that is why I think continued attachment to the program, based—allowing folks to—continued attachment to the program, no matter how much they work, would be a key balance to that.

Chairman RYAN. Meaning if you have a good month and a bad month, you can go back—

Mr. SMITH. Right. And so, my staff, who work with thousands of beneficiaries, could say to someone, “Look, no matter what happens, the more you work, the better off you are going to be,” and that would be wonderful.

Chairman RYAN. Yes, that makes perfect sense, because, I mean, we have two issues here. We have got a fiscal problem, we have got bankruptcy coming, you know, insolvency, and we have got a messed up work disincentive. And so we have got to try and find a way of harmonizing those two objectives and fixing both those problems.

I could go on and on. I don't want to, because I want to recognize we have a lot of Members who want to ask questions. So I would like to recognize Mr. Levin.

Mr. LEVIN. Thank you. As you said, Mr. Chairman, there is agreement. We have to avoid the 20 percent cut. Also, we want to reduce complexity.

But I want to get, if I might, to the nub of this. All of us want very much that those who are disabled and who are able to work, and want to, should be able to do so. There is much talk about the cliff. But the challenge is this. If you adopt a position of revenue neutrality, the danger is you are going to end the cliff by deepening the hole for those who are making much less as they work.

So, Mr. Van de Water, your testimony talks to us about this. So, talk to us about how much most of the people who are disabled who are now working, how much they earn, and what the consequences might be if you set a level in terms of this new proposal. What happens to many people, disabled, who have returned to work?

Mr. VAN DE WATER. Mr. Levin, the data that we have indicate quite clearly that, of the beneficiaries who work, most of them are earning amounts that are substantially below the so-called substantial gainful activity level that I and the other witnesses have been talking about. That is, there are very few beneficiaries who are earning near this \$1,090-a-month cutoff.

Now, the implication of that is that, the lower the threshold at which you start the benefit offset, the more people would be potentially disadvantaged. I have seen estimates that suggest, for example, if we wanted to have a benefit offset that was truly cost neutral, it would have to start at around \$300 a month. So that would mean that for someone who was earning \$500 a month, which would be more typical than someone earning, say, \$1,000, that person would face losing part of his benefit. So, in that case, instituting a benefit offset would actually be a work disincentive for that person, rather than an incentive.

So, in order to figure out whether the program, as a whole, and the proposal as a whole, was a work incentive, you would be balancing the benefits for some and the disadvantages for others.

Mr. LEVIN. Let me ask. Who disagrees with that? Indeed, I think it is very clear, Mr. Smith, that CBO estimates that changing it the way it was done in the states that you discuss would increase the overall cost for SSDI.

I mean we face a real challenge here, and a real dilemma. You go to an offset, and you are focusing on those who are making more than \$1,090, and you are going to essentially, if you have revenue neutrality, reduce the amount that is being received by those who are disabled, which—they are earning \$300, \$400. They are not rich. And you end the cliff for those who are making more than \$1,090 if you have a 1–2 proposal.

So, everybody who is proposing that has to face up to this issue, and that is why the Chairman and I and Mr. Becerra and our good friend from Texas have said we need to look at the facts. Those who are disabled who are able to return to work should have an incentive to do that, not a disincentive, and to also make sure that the system gives them a decent standard of living.

So, anybody who says, “Let’s have an offset, it has to be absolutely revenue neutral,” is essentially, I think, having to deal with consequences for the individual lives of, I think numerically—we

don't know exactly how many. The vast majority of people who are returning to work are earning much less than \$1,090.

I mean, Mr. Smith, that is true, isn't it?

Mr. SMITH. Yes, that is true. Based on our experience in my state, we serve currently about 10 percent of the SSDI beneficiaries in the state. And my staff, we looked at it yesterday, over the last decade, have spoken to about 10,000 beneficiaries, about half of whom were SSDI beneficiaries.

And what we see clearly is that people are—if you look at this like an economist, and you are assuming that people are doing the math, and they understand the—exactly, you know, where the cliff is, the reality is—what we see is that folks are fearful. And so they actually suppress their earnings well below the SGA level, because they have heard a story from a friend or a neighbor who was suddenly cut off the program, and suddenly got a letter saying they had a \$10,000 overpayment because of the all-or-nothing nature of the DI program.

And that is the other issue, I think, that is critical to understand is that the all-or-nothing nature of the SSDI program creates large overpayments, because if you get it wrong—and it is very easy to get it wrong—it takes months for my staff to learn the SSDI—

Mr. LEVIN. So I think we need a system so that overpayments are corrected more quickly. And many of us have been asking for more funding to carry out the program. And often, for years, that has been resisted. And there is under-funding, I think, of the personnel of the department. We have to adjust that. But we need to look at this not only as economists, but as the people who are disabled.

Mr. SMITH. Yes.

Mr. LEVIN. In most cases severely disabled. And where there is a desire to return to work, make sure that, as we worry about those who would be affected by the cliff, look at those who are not earning anywhere near where they would reach the cliff.

And so, you have to make sure, when you are talking about offsetting, that you are not essentially setting off some consequences for a lot of people who have returned to work who can't make anything close to \$1,000, and who, under a proposal, would have their monthly benefit reduced.

I yield back.

Chairman RYAN. I think this is a great conversation, and we want to continue. I want to turn to Mr. Johnson.

But I think that what we are trying to get at here is the existence of the cliff, what does it do to the psychology of the person? And it is not something that we can look antiseptically as a statistical problem, like an economist. But what does it do to the nature of a person and their decision-making? And that is what we are trying to get a hand on here.

Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. I appreciate you holding a hearing on promoting opportunity for those with disabilities. Mr. Chairman, I would say that we have a moral responsibility to help those with disabilities who can get back to work. And according to a recent survey, 40 percent of the beneficiaries said

they were interested in working. Yet in 2013 only one-half of one percent left the rolls. Bottom line, we can and must do better.

Ms. Houghton, welcome. Good to see you again. As you may know, a few years ago I had the pleasure of touring the Walgreens Distribution Center in Waxahachie, near my district. And there, with the help of the Texas Department of Assistive and Rehabilitation Services, those with disabilities, including former disability beneficiaries, worked side by side with other workers, doing the same job for the same pay with the same performance. What I saw there was impressive, and spoke to the fact that a business can know the value of individuals with disabilities, and wants to make these folks be part of the team.

Ms. Houghton, let me ask you, does your organization help companies who want to employ individuals with disabilities?

Ms. HOUGHTON. Nice to see you, Congressman. And, absolutely, the answer is yes. We are at a tipping point. Business is—countless companies, large, medium, small, in all different sectors, are joining our organization. And the way that we help business is twofold. Most importantly, we connect them with each other. There is a lot that they can learn from Walgreens, from Procter and Gamble, from Microsoft, from IBM. They can teach each other best practices. And we become a bridge to the myriad of resources that are out there through strategic alliances that we have with different non-profits.

Mr. JOHNSON. Well, I appreciate you seeking help from the business community overall. Is Walgreens a rare exception, or is someone else in the area doing the same thing?

Ms. HOUGHTON. They used to be a rare exception, but not any more. There are numerous—I repeat, numerous—companies that see value, that see that disability is helping them drive their financial performance, and innovate and develop new products and services.

Mr. JOHNSON. Thank you. Dr. Kregel, while we talk a lot today about how to help disability beneficiaries return to work, I am also concerned about those individuals that apply for benefits, are denied, and then try to return to work. At a local hearing office, it takes 435 days, on the average, for someone to receive a decision by a judge. That is well over a year, waiting on a decision, and valuable time spent out of the workforce.

As you may know, I have got a bill to require Social Security to provide denied applicants with information on organizations that do provide employment support. What are your thoughts on that?

Mr. KREGEL. We think that that would be a very helpful benefit to people who apply but do not get awarded benefits. Remember, well over half of the individuals who apply for Social Security do not get accepted at the disability determination level. The longer that they are out of engagement with the workforce, the longer they go unemployed, the more challenging it will be for them to return to work.

So, as soon as they can receive help, that will give them the assistance that they really need in order to do this. So we would be very supportive of sending information to employment service providers and other organizations who could help those folks.

Mr. JOHNSON. Yes, it—unfortunately, it seems to me that it is just too complicated for folks right now to do something about it. Some are able to work with benefit counselors, but what about those who aren't working with a benefit counselor? Would a website, as outlined in my Promoting Opportunity Through Informed Choice bill help at all?

Mr. KREGEL. Yes, I think that all additional information, accurate, complete information that can be provided to beneficiaries, help them make the choices that they need to make. A lot of them, when they first are awarded benefits, they get a brochure about what will happen if you return to work, but they may go a lengthy period of time, they may be still dealing with their illness or their condition. When they think about working, it is hard to locate that brochure and move forward.

There are resources available in the community that can help them do that. But, just as significantly, if they can search the web, if they can identify resources, all those tools are very, very valuable. They need to be specific to individual states, because the health care programs in states may vary considerably. But all tools will be useful to the beneficiaries.

Chairman RYAN. Thank you.

Mr. JOHNSON. Thank you.

Thank you, Mr. Chairman.

Chairman RYAN. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman. And let me really thank this panel. It has been a political process that the Majority picks most all of the members of the panel, and then the Minority selects one member. But the credibility and experience that all of you have, it is hard for me to see any sense of partisanship or politics in your roles, or the testimony which you have given.

And I certainly hope that it would be possible to take advantage of this opportunity for you to see the issues that we are wrestling with, and know that we recognize that you deal with these issues far more than we do, every day, and sometimes lifetime career, and try to get together and help us with recommendations as to what we should be doing.

And I hear Chairman Johnson talk about our moral responsibility, and I am certain that other people on his side of the aisle will be talking about the Federal Government's obligation to do something for people who work hard every day and, through no fault of their own, need a little help.

I want to take advantage of this moment, because there are just some people in this Congress that, if the President of the United States says he wants it, they are going to be against it. There are other people who believe that the United States Government has no responsibility to our citizens in education or in health, but that should be a local issue.

I think this hearing gives us an opportunity to see what we can agree on, and how we can use this to bring us together so the American people might have reason to believe that when there is a crisis, it is going to affect millions of people that Congress, and especially this historic Committee, can come together and deal with it.

So, I hope you would consider outside of this hearing room getting together and giving to all of us the recommendations you have, especially to the politically challenging questions that we will be facing.

In addition to that, I have been annoyed with my profession of lawyers, as I see their appeal on television. "Do you believe you are entitled to the disability benefits? If you are working and still think you are entitled, come see us. We have doctors, we can examine you, there is no charge, there is no payment. You don't owe us anything if we get you on Social Security. So get on with your life and let us get you Social Security benefits."

I know all of you have heard about these. Do you have anything positive or negative to say about these advertisers that encourage people to get on disability?

Mr. ZELLEY. I am not a lawyer, and I don't want to disparage lawyers—

Mr. RANGEL. If you don't want to wrestle with the question, please don't take time of the five minutes. To me, it is clear cut. They do it for accidents, they do it for everything. They do it for one-third of the commission of any awards. And I know it is immoral, and I know it is probably legal. Now, if you don't want to say anything one way or the other, I can go to the bar and get attitudes. But you are professional, and they either help or hurt.

How about you, Mr. Van de Water?

Mr. VAN DE WATER. Well, I do, Congressman, believe that we are—this is something you are paying for, right? You are paying. And when you are working for this benefit, so—

Mr. RANGEL. I am trying to really zero my question in on just one issue. And I am not going to repeat it, because I don't have the time. So why don't we pass? I apologize for being short.

Mr. Smith, you have any views on this?

Mr. SMITH. This is not an area that I—

Mr. RANGEL. Okay. Ms. Houghton?

Mr. SMITH [continuing]. Am expert in, but I—but we—

Mr. RANGEL. Has anyone any views on the encouragement of people to get on Social Security disability, and they come into the law firm, and they will provide you with the necessary documents and they get paid for doing it if they are successful? If you don't, then just say that. If anyone has any views, I would appreciate it this time—

Mr. KREGEL. Congressman Rangel.

Mr. RANGEL. Yes, sir.

Mr. KREGEL. I think that the Social Security Disability Determination Office does a very good, very accurate job.

Mr. RANGEL. Of doing what?

Mr. KREGEL. Of determining who is eligible for benefits and who isn't.

Mr. RANGEL. But I was talking about—

Mr. KREGEL. Goes to the level—

Mr. RANGEL [continuing]. Paid advertisement on TV.

Mr. KREGEL. Yes. It goes to the level, then, of an administrative law judge, and that is where the lawyers get involved. And that is where a decision—do you meet eligibility criteria—

Mr. RANGEL. This is the problem that some of us had in Congress, and not rocking the boat, and I am surprised that this panel is affected the same way by powerful people that decide policy on health care, as well as disability. Thank you, Mr. Johnson.

Mr. JOHNSON [presiding.] Thank you. The time of the gentleman has expired.

Mr. Brady, you are recognized.

Mr. BRADY. Thank you, Mr. Chairman. There is a lot of common ground in this hearing today. Both parties, I believe, want to help those who are truly disabled. We want to eliminate fraud in the system. There is too much robs from those who are truly disabled. And then we want to encourage those who want to go back to work to go back to work.

The good news is our economy has changed. Fewer people are digging ditches. You know, other skills are needed in the workforce. The workforce has never been more accommodative, both from the new technologies that are remarkable, plus the changes businesses have made to encourage workers who are disabled to get back to work. So what a perfect time to look with 21st century fresh eyes on the disability program.

Mr. Smith, you know, while Disability Insurance and the Supplemental Security Income program share many things, they are often very different in how they treat earnings. You gave a hypothetical example. I just want to sort of highlight that again.

Let's say Dan Disability gets \$1,100 a month. That is about average. Sally Supplemental—and, believe me, I already regret using those names, but we are going to stick with them—Sally Supplemental gets about \$700 a month. Again, right with averages. So, they both get jobs of \$1,200 a month, roughly minimum wage—but above substantial gainful activity. In this example, Dan Disability loses his entire disability benefit. So his income goes from \$1,100 to \$1,200 a month. Sally Supplemental, though, because there is a glidepath, gets an extra \$650 a month. So she has nearly a \$1,000 gain for going back to that first economic rung on the ladder back to work.

So, \$100 loss to get off disability and go back to work, nearly \$1,000 gain to do the exact same thing, two people who sincerely want to get back into the workforce. In your experience, have you worked with individuals and disabilities who have faced that exact choice when they want to return to work?

Mr. SMITH. Yes, all the time. And it is made sometimes more complicated because there is—I don't think—I forget the exact number. There is about 20 percent, 25 percent of beneficiaries receive both benefits at the same time, and so they have one work incentive for the SSI program, an offset, and then the cash cliff built into the DI program.

But until I heard your question, I never really thought about the disparity in the example that you give. But, yes, indeed, the person on SSI would be financially better off taking the same job than the person on SSDI who would lose their entire check. So the person with SSI's net income would be greater in that example, which is not—which is—doesn't seem equitable to me.

Mr. BRADY. And I use that example because I think those who are on disability who want to go back, the biggest decision they

make is for that first job back, because they have to weigh what are the pros and cons of doing it. Once they get back on that first economic ladder, you know, they start building from there. And the way I see it, there is a huge incentive—or disincentive for those on disability to make that first leap back into the workforce, even at roughly a minimum wage job, because we just—that cash cliff is just—you just cut it off behind them, you know?

And it seems to me the proposals we have heard today about eliminating the cash cliff, giving people incentives to go back to work, sort of have that safety net under them, so they are actually, A, encouraged to go back to work and to earn more money, stay in the workforce, continue to grow. It seems to me to be sort of the 21st century thinking that we need to bring back to disability.

And so, Ms. Houghton, from your standpoint, does that make sense, that illuminating that cash cliff would encourage that first step back? And I am almost out of time.

Ms. HOUGHTON. Yes. I am—we are certainly not experts, but it absolutely makes sense.

Mr. BRADY. All right. Thank you, Chairman.

Mr. JOHNSON. Thank you.

Mr. McDermott, do you care to question?

Mr. MCDERMOTT. Yes. Thank you, Mr. Chairman. I would take this hearing more seriously if, on the 7th of January 2015, the House had not passed a set of rules that set in place a 20 percent cut on these SSDI folks. The Washington Post reported—and their title is “Social Security Disability Payments Will Be Cut By a Fifth if the Congress Does Not Act.” So they have set in place the cut already. They have said you can’t shift money from old age assistance to the SSDI program. So we are stuck. We have to act in this Committee.

Now, we can’t pass a transportation bill, we can’t hardly pass an ESEA bill yesterday. We can’t pass anything around here. And to think this is going to get through by 2016 is really believing in the Tooth Fairy, because you are talking about passing through two Houses of Congress, conference committee and everything, and we have to cut people off the program to have enough money to keep the benefit plan up.

Now, Mr.—Dr. Van de Water, you have a Ph.D. in economics and all of that. Tell me. How many people will have to be cut off of disability benefits in order to have enough money that we can have the same benefit level for the ones who stay on?

Mr. VAN DE WATER. Well, the short answer is that it is not possible in any reasonable way to assure sufficient financing for the disability insurance trust fund simply by cutting people off the rolls. Instead of—

Mr. MCDERMOTT. What are the—

Mr. VAN DE WATER. Instead of cutting the average benefit by 20 percent, you could, theoretically, somehow remove 20 percent of the people from the benefit rolls. But, as I say, there is no practical way to do that between now and the end of next year, nor, I am sure, would anyone on this Committee, Republican or Democrat, have any interest in doing that.

Mr. MCDERMOTT. So there is going to be a cut in benefits. Because, practically, it is not possible to do what—it is Q in the rules,

in case anybody wants to look—it is the Social Security solvency rule that we passed that says you can't shift money. So we are stuck with this problem, right?

Mr. VAN DE WATER. Well, the rule doesn't say that you have to achieve a balance solely by cutting benefits, but it does say you have to include some overall savings as part of a package.

Mr. MCDERMOTT. Somebody who is on Social Security—I agree there are problems in this program. I could give anecdotes of people who wanted to go back to work. None of the testimony I have heard up here is unusual, because—the AIDS epidemic is a perfect example where people had a death sentence. They got an SSDI. Then came ARTs, and they are treated, and they could go back to work, but they would lose their health care. And if they had a relapse in their disease, they then would have a big problem getting back on to Medicare SSDI. So they didn't want to leave. So there is—I know there are problems.

But the question is how many people do you think really can be taken off the rolls in order to get the savings necessary? I mean we are doing four percent now come off. That is about 360,000 people out of 9 million. How many more people have to be somehow bumped off by these new rules that we are going to put together here in the Committee in the next 18 months?

Mr. VAN DE WATER. Well, I think the likelihood of encouraging large numbers of people to leave the benefit rolls is fairly small. Mr. Smith discussed the experience with this benefit offset pilot demonstration. He talked about a 25 percent increase in people earning more than substantial gainful activity. That is great, but that is 25 percent of a fairly small number. And that demonstration project as a whole—again, as Mr. Smith indicated—showed that adding a benefit offset starting at the \$1,090 SGA threshold would add to program costs.

Mr. MCDERMOTT. If somebody is on Social Security disability, they have \$1,090 that they have earned, plus their benefit. What is their average benefit from SSDI?

Mr. VAN DE WATER. The average benefit is a bit under \$1,200 a month.

Mr. MCDERMOTT. A bit under?

Mr. VAN DE WATER. Twelve hundred. It is \$1,165 per month—

Mr. MCDERMOTT. So that is \$2,200 a month to live on. What is the poverty level for a person?

Mr. VAN DE WATER. Oh, it is roughly at the poverty level. I don't know what the exact—

Mr. MCDERMOTT. So we are talking about people at the poverty level.

Mr. VAN DE WATER. Well, if that were their only source of income. Now, for single individuals, it is often the only source of income. For married beneficiaries, they may also have espousal earnings.

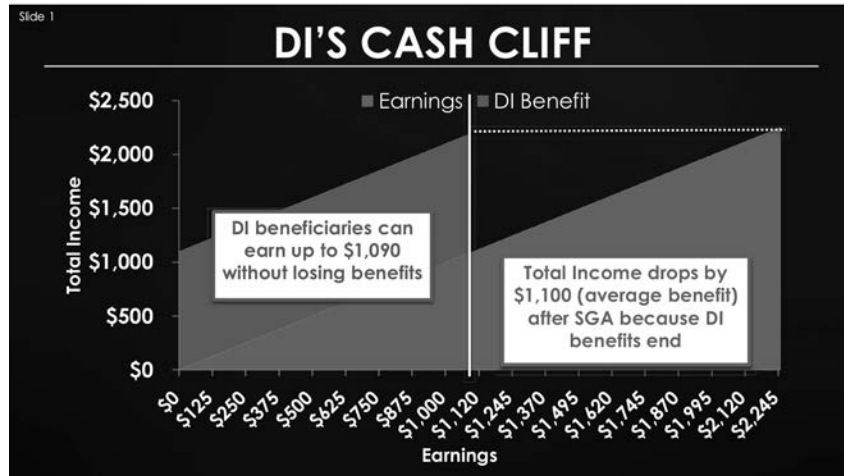
Mr. MCDERMOTT. And that is not counted against their income.

Mr. VAN DE WATER. No, DI is not income-tested.

Mr. JOHNSON. The time of the gentleman has expired, thank you.

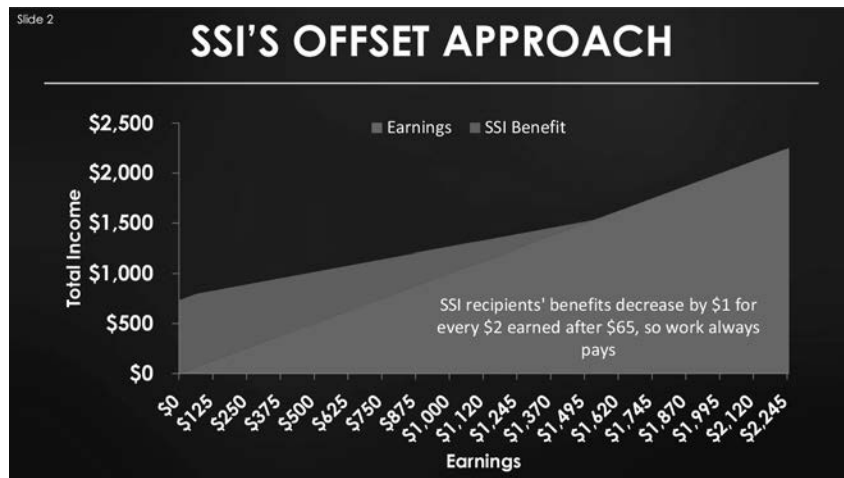
Mr. Tiberi.

Mr. TIBERI. Great testimony from all of the witnesses. Thank you so much. First slide, please.



Mr. TIBERI. Kind of to pick up on Mr. Brady's point, Dan DI here, the cliff that has been talked about that some of you actually have in your testimony, pretty darn clear at 1,090. Sally SSI, the offset approach.

Next slide, please.



Mr. TIBERI. Oh, there you go, the offset approach with Sally SSI.

Just a one-word answer, yes or no. Starting to my left, do you support us going to some sort of offset system for DI?

Mr. ZELLEY. I am going to say yes, if that is what I am limited to. Lots of ways to skin a cat.

Mr. TIBERI. Yes, agreed, agreed.

Mr. ZELLEY. You could raise—

Mr. TIBERI. I understand that. Just an offset system. I am not saying what type of offset system. Next?

Mr. SMITH. Yes, I would support an offset.

Mr. TIBERI. Thank you.

Ms. HOUGHTON. Yes, it appears that people would be better off.

Mr. KREGEL. Yes, Congressman.

Mr. VAN DE WATER. It would depend upon the details of the proposal.

Mr. TIBERI. So we all know, and you all know, that Social Security runs these systems. And the two programs share many things, but the work rules are obviously different, even aside from this approach to what happens to the beneficiary when they work. Aside from the offset in the SSI program, how earnings are counted, as you know, is very different, as well.

Dr. Kregel, in the DI program earnings are counted when they are earned. In the SSI program they are counted when they are received. Can you tell us, from your experience, do beneficiaries know the difference? And what is the difference?

Mr. KREGEL. Yes. This adds tremendous complexity, unnecessary complexity, to the calculations that individuals make and the administrative work that Social Security has to do.

So, in the SSI program, as you mentioned, it is when you are paid. So it is easy to do documentation if you have to do things related to earnings or impairment-related work expenses, or that type of thing. SSDI counts in terms of when you did the work. And so there may be people who are paid throughout the year, but only work 10 months out of that year.

Mr. TIBERI. So that change, if we change the DI work rules and earnings requirements to the SSI ones, that would be a simplification that would be helpful?

Mr. KREGEL. That would greatly reduce the administrative burden, and it would definitely help concurrent beneficiaries, people both on SSI and SSDI, not to have to follow two sets of rules when they communicate with Social Security.

Mr. TIBERI. Ms. Houghton, can you comment on that from your experience?

Ms. HOUGHTON. That seems to make sense.

Mr. TIBERI. Oh, very good. Mr. Smith?

Mr. SMITH. Yes, I agree with Dr. Kregel.

Mr. TIBERI. Mr. Zelley.

Mr. ZELLEY. Yes.

Mr. TIBERI. Sir?

Mr. VAN DE WATER. I think that simplifying the work rules would, in general, be a good thing, yes.

Mr. TIBERI. Wow, we are finding agreement. Except for the Tooth Fairy. I hope my daughters aren't watching; they would be very disappointed.

So, in just another way that the DI program is complicated, Mr. Smith, you talked in your testimony about the disincentive for the beneficiary. Can you expand upon that, in terms of the comparison between the two programs?

Mr. SMITH. Sure. So, from our experience, from the beneficiary's perspective, the SSI program is far more simple to explain, in

terms of you have—if you earn above this level, your benefit will be adjusted \$1 for \$2. The SSDI program has a trial work period that can be non-consecutive, it has a grace period, it has an extended period of eligibility—

Mr. TIBERI. So all those things—the point that I think you made—

Mr. SMITH. Right.

Mr. TIBERI [continuing]. Is all those things actually put fear into the beneficiary—

Mr. SMITH. Right.

Mr. TIBERI [continuing]. To fall well short of what they could actually earn. And so, going to some kind of benefit offset, as well as simplifying those rules, will give beneficiaries less stress. Is that what you are trying to tell us?

Mr. SMITH. Yes, yes, that we—that my staff would be able to tell beneficiaries and—that would be able to—it would be simple enough that most beneficiaries would be able to understand, and would be much easier for the folks that support those beneficiaries to understand.

Currently, the DI rules are terribly complex. I have to send my staff to training with Dr. Kregel's staff to understand the rules.

Mr. TIBERI. Thank you.

Mr. JOHNSON. The time of the gentleman has expired.

Mr. Lewis, you are recognized.

Mr. LEWIS. Thank you very much, Mr. Chairman. Let me thank each of the witnesses for being here today.

Dr. Paul Van de Water, thank you so much for being here. Thank you for all of your learning. You know a great deal about this issue. Some of the witnesses have suggested that disabled workers receiving Social Security choose not to return to work. They have suggested that these workers may intentionally lower their earning so they won't lose Social Security benefits. I want you to tell Members of the Committee. Does the data support that theory?

Mr. VAN DE WATER. Mr. Lewis, that is an excellent question. There have been a lot of studies over the years about precisely this issue. And I think the general conclusion is that, while there are certainly some beneficiaries for whom that is true, as I said in answer to a previous question, the fraction seems to be pretty small.

In particular, some writers talk about something which, in the jargon, is known as "parking." That is whether beneficiaries earn just below the \$1,090-a-month level to avoid triggering loss of benefits. And the various studies have suggested the number of beneficiaries who engage in that sort of behavior is on the order of a few tenths of a percent. So it is a phenomenon, but it is not a very large one.

Mr. LEWIS. Let me ask you. Why is it so difficult for individuals receiving disability Social Security benefit to return to work?

Mr. VAN DE WATER. The reason is, as I and the other witnesses have indicated, that beneficiaries have very severe impairments, they tend to be older. Dr. Kregel mentioned that 70 percent are age 50 or above. They tend to have very limited education. In many cases, not having completed high school. And all of these factors create great impediments to their ability to return to work.

Mr. LEWIS. Is there some correlation between people who go out and do the hard, back-breaking work, and others who sort of desk work, people that work on the farms and the mills?

Mr. VAN DE WATER. Oh, absolutely. The likelihood of a person, with a college education receiving disability insurance is much, much less than for someone who has only a high school education. And, in turn, that person's likelihood of receiving disability insurance is much, much less than for a person who has never completed high school. So there is a very close relationship between receipt of disability insurance and the person's education and training.

Mr. LEWIS. Thank you very much.

Mr. Chairman, I yield back.

Mr. JOHNSON. Thank you. Appreciate that.

Mr. Reichert, you are recognized.

Mr. REICHERT. Thank you, Mr. Chairman, and thank the witnesses for your testimony and taking time from your busy schedule to be here. I really like the analogy used by Mr. Smith, the spider web versus the trampoline. I think that clearly illustrates a picture that everybody can attach themselves to and understand.

I want to see if I can continue on with Mr. Tiberi's successful efforts in getting agreement. So the Chairman mentioned early in his comments that we don't want a 20 percent cut, we want the system to pay on time. We want the program to work better, and we want to help people get back to work. We want to strengthen the disability insurance program to protect those beneficiaries. Everyone agree with that, with those premises?

Mr. ZELLEY. Absolutely.

Mr. REICHERT. Okay, good. We are on—we are still on the positive side, then.

So I want to ask Dr. Kregel a question that relates to one of those anecdotal stories. There is a disabled veteran in my district who has shared with us that, because of the complexities and confusing rules of SSDI work incentive programs, he went back to work, was hit with overpayments, and now he is struggling to pay those overpayments back. And he also understands and recognizes that he actually would have been better off, he would have had more money, if he had simply remained on disability and not gotten a part-time job.

So, we know the Social Security Subcommittee has recently had a hearing on overpayments. How common is it to receive an overpayment, and what causes overpayments? Mr. Kregel.

Mr. KREGEL. Congressman Reichert, it is very common for individuals to receive overpayments. If you look at the percentage of overpayments, SSA says that they make 99 percent of their payments on time and accurately. Well, 10 percent of the people on DI work. And so, if it is 10 percent, then it is 10 percent of people who are on DI who may have an overpayment at some point in time.

What happens then is it relates to another huge administrative issue, and that relates to reporting earnings—the beneficiary has to report earnings to Social Security. If they do that accurately, and if Social Security immediately logs it in, then it should not result in an overpayment. However, it may take weeks or more for it to be logged in, and it may be logged in inaccurately, or the indi-

vidual may not understand the rules. And so they don't report their earnings, and that is when you get overpayments of 40, 60, \$70,000 that you may hear of.

There are also overpayments in the SSDI system that has the gradual ramp-off, as individuals' work progresses. But these are smaller overpayments, that may be affected one month, and then recovered in the next month, and you don't have these traumatic tens of thousands of dollars of overpayments that some individuals receive.

Mr. REICHERT. And, just out of curiosity, why does it take weeks to log in this information?

Mr. KREGEL. I am sorry?

Mr. REICHERT. Why does it take weeks? You said it sometimes takes weeks to log in the information provided.

Mr. KREGEL. This has to do with the workload within the local offices, the priority that is given to this particular work. Remember, they are dealing with a paper process. To log it, you mail in your actual pay stubs, or copies of your pay stubs, and somebody manually logs that in. We are not using automation in the process that could be done that would really reduce the administrative burden and make these payments more accurate.

Mr. REICHERT. All right. I have one other question. My father is on disability. I am the oldest of seven children, Mr. Zelle, so I can identify with this in a different way. My father was injured at work, and so I worry about the kids.

So, the recipient loses his or her benefits, the injured parent. What about the kids' benefits? They also get benefits. Mr. Kregel, what happens to those benefits?

Mr. KREGEL. Yes. If your benefits go into suspension because you have completed the trial work period and you go over substantial gainful activity, your benefit is suspended, and then the children's benefits are immediately suspended, as well. This is a very, very important issue that needs to be taken into account.

Mr. REICHERT. I am sure it affects the person's decision as to whether to go back to work or not go back to work. Right?

Mr. KREGEL. That is very true.

Mr. REICHERT. And my time is expired. I was going to go to Mr. Zelle, but, Mr. Chairman, I yield back.

Mr. JOHNSON. Thank you.

Mr. Neal, you are recognized.

Mr. NEAL. Thank you, Mr. Chairman. And thank the panelists. This has been very helpful, as we try to sort data and try to get information from those who are experts in the field. And I appreciate the conciliatory tone of the Members of the Committee today as we try to probe the issue.

Would you agree that there has been an uptick or, some would argue, a surge in disability applications during the recession? You could just shake your heads, because I will pursue the questioning after that.

Mr. VAN DE WATER. Yes, there is generally an uptick in applications during recessions. But the rate of awards goes down, so that the number of beneficiaries goes up only slightly during poor economic times.

Mr. NEAL. The others agree that there was an uptick during the midst of the recession. And some of this is linked to the worker participation rates. Some would ascribe the problem to being—but it is hard, after Mr. Zelle testified that he had gone from gainful employment to a benefit of \$9,600 a year, I don't think there was an incentive for him to say, "I would like the \$9,600," as opposed to what had been a pretty good career. And I think—and part of the atmosphere that we have been discussing this in, there has been the suggestion in some quarters that there had been more disability income applications because of the fact that it has been harder to find work.

Do any of you want to comment on that?

Mr. ZELLEY. I would comment that I don't believe that is true. I believe that we are following the population increase of Baby Boomers. We just heard testimony that says the actual awards are less. So, even if you are applying for it, so what? The actuality is that, no—I mean people, if acquire a disability, are looking for ways to get back to work. And Social Security is one way to ramp—it can be one way to ramp back on. It is just too complicated.

So, I don't know if I answered your question—

Mr. NEAL. Yes, that is perfect, as a matter of fact, yes.

Any other panelists who would like to—

Mr. SMITH. I just had one thing to add. I can't speak to the increase in the rolls, but I—as working within vocational rehabilitation, we serve folks both who receive SSDI and SSI and folks who don't. And it is clear to me that there are folks who are not currently on SSI or SSDI—

Mr. NEAL. Can you speak up, please?

Mr. SMITH. There are folks who are currently not on SSI or SSDI who would probably be eligible, but also, given some early intervention and some employment supports, may be able to delay or maybe never go on to the program if they are given the appropriate employment supports at that point.

Mr. NEAL. And other—for the panelists, anybody who wants to offer an answer—if one gets back to the workforce and they give up their benefits, if the problem reoccurs, can they reclaim, or can they go back to disability, Social Security disability?

Mr. ZELLEY. I can state that that actually happened to me.

Mr. NEAL. Okay.

Mr. ZELLEY. And I can testify to that. I was able to bounce—went from a job, off the job, SSDI came back right away with the health care insurance. Granted, it wasn't a lot of money in my case, but it did come back. So, yes, that occurs. And that trial work period starts right again. You bounce, you are back into it. And it is the same thing.

I do want to comment that you have done this, you know, this 20 percent cut. Don't do that. You figured this out. I know it must be so complex, but you have done it on SSI, you have done it on early retirement. You guys can—men and women can figure this out.

And because people are depending upon you to figure it out, just let—get out of the way and let us go back to work. I mean that is really what we are trying to get across to you today, is that there are barriers in the system that prevent us who want to go to work

going to work. And I see thousands of people with disabilities. That is who I am speaking about. I am not a math major. You have got very talented math folks, and—but it must be very frustrating when you got CBO that says you can't count tax income, you can't count new taxes, or you can't count the fact that you are going to be paying SSDI when you are receiving it. Makes no sense.

So you have tough jobs. I admire you for what you are doing. But please figure this out.

Mr. NEAL. I think the metaphor you used was the correct one in your testimony, Mr. Zelle, when you suggested the trampoline effect. Thank you.

Thank you, Mr. Chairman.

Mr. JOHNSON. Thank you.

Mr. Boustany, you are recognized.

Mr. BOUSTANY. Thank you, Mr. Chairman. And I want to thank you all for your testimony. It has been very helpful.

I chair the Human Resources Subcommittee of this Committee, and we have been looking at work incentives across a number of programs, and whether they are actually working or not. And it was kind of interesting. My colleague, Mr. Tiberi, just a moment ago highlighted the more gradual cliff with the SSI program versus what we see with the DI program. And it seems to make a difference.

I mean some numbers I have, SSI recipients have worked less experience than DI recipients, but an average of 5 percent leave SSI rolls each year, due to income from work or other sources, which is about 10 times higher than what we see with the DI recipients. But even then, five percent is still a pretty low rate.

And as we look at work incentives, there are many, many different organizations across the spectrum that work in this space. And so, Dr. Kregel, I want to ask you, do you think the current work incentives and policies designed to help these low-income individuals and individuals with disabilities, do they successfully promote work? And are we actually measuring outcomes with all this?

Mr. KREGEL. Congressman, I think that the work incentives within the SSI program do help. Basically, these individuals, many of them, have minimal employment histories, in contrast to the DI population. And so, starting out, starting a career, working for the first time, the offset that they receive helps them get comfortable with work, and they can move their way forward.

But that is just part of the picture. There are also parts of the service system that other witnesses have referred to, vocational rehabilitation and all of those kind of things, and employers that are involved in the process, as well.

So, in combination with the work incentives, there needs to be support for those individuals to put them in contact with the employers who stand ready to do that. One of the primary agencies for that is vocational rehabilitation, who has a responsibility for doing that.

Mr. BOUSTANY. Is there more than we can do to help streamline this approach, make it more effective?

Mr. KREGEL. Within the SSI program I think that there are a couple of things that could be done readily. The first one would be to try to do a better job of linking the SSI beneficiaries to employ-

ment. There is the Ticket to Work program, but there is also maybe other opportunities that you could look at, so that people are aware of the services and the supports that are out there.

And then, looking at the other array of benefits that the SSI population may look at, as well, because, as they work, they have to worry about are they jeopardizing their food stamps, their children's health programs, and those kinds of things. So it is also the interaction of benefits at the SSI level.

Mr. BOUSTANY. I appreciate that. And our Subcommittee has been looking at some of these cross-jurisdictional programs to try to understand the interactions, so that we can, hopefully, better design programs that help people in need.

But if you could step back for a minute and start from scratch, how would you design a system that actually provides employment assistance? I mean if you could just kind of rewrite things from the beginning, how would you do that?

Mr. KREGEL. Everybody has two reasons to go to work. One, they want to work, work is meaningful in their lives. And then the second thing that hasn't been talked about is these people are in poverty. And some of them are making choices between food and medications, really, on a monthly basis. They are really living at a subsistence level. Seventy percent of the SSI folks are working below the federal poverty level, have income below the federal poverty level.

So those folks need the same kinds of supports that other individuals in poverty need in order to get that done. Child care. They are more likely to have children. Transportation. They may have to do specialized transportation because of needs for certain kinds of support that they effectively need. So, looking at those kinds of things that surround the individual, we hear stories weekly about people who are working, their truck broke down, they went to a payday loan person, they got their truck repaired, they can go back to work, they have been paying \$50 a month on their \$600 principal, and they still have a \$600 principal. So it is all these things that surround the individual, in addition to their own work ability.

Mr. BOUSTANY. And, ultimately, we do have to measure results, outcomes, what is really working and what isn't, as you know, because, as you look at all these different programs, we need to see which programs are really effective and actually moving people onto the work rolls versus those that aren't.

Mr. KREGEL. Yes.

Mr. BOUSTANY. Well, I appreciate that, thank you. I yield back.

Mr. JOHNSON. Thank you. Mr. Becerra, you are recognized.

Mr. BECERRA. Thank you, Mr. Chairman. And thank you all for your testimony.

And I think, actually, Mr. Zelle, I think you are right. We can come up with a solution. And I think, especially for someone who, like you, figured out a way to get himself/herself back into a position where you could be gainfully employed, I think, ultimately, that is what we want to do.

And when we—when our previous leaders had the vision to come up with a program like Social Security, it was essentially for that, because most people want to pick themselves back up. So I thank you for everything you are trying to do to help us get there.

I just want to make sure I clarify a couple of things. Because we talk about this stuff because we know we talk SSDI—we talk the lingo all the time, but most Americans probably wonder what the heck we are talking about. SSDI is not SSI that some people hear about. SSI is Supplemental Security Income, which is an income for low-income Americans that you get, not because you worked and paid into it, but because you are low-income. SSDI, disability insurance, Social Security Disability Insurance, is not welfare. Welfare you get whether you worked or not, and it is because you are in a difficult circumstance.

SSDI goes only to Americans who, as Mr. Zelley pointed out in his testimony, you worked. Not only did you work, but you paid taxes into Social Security to be able to get those benefits. So, every time you work, and you see that paycheck, you see that deduction, it goes for Social Security. It is for your potential retirement, or your potential, like Mr. Zelley, to become disabled. Or, unfortunately, for some, if they die, it is for your survivors. That is the purpose of Social Security, that three-pronged system, right? And folks should be very clear. We are not talking about some welfare program. No, you paid into it, right?

At the same time, I think we have to be clear. All of us, as Americans who have been paying into the Social Security system, have provided the system more money than it needs right now to pay out all benefits, to the tune of close to \$3 trillion, which we have right now in the trust fund. And that is to help Americans, whether they are getting ready to retire or, by some misfortune, become disabled. They can get those benefits.

This so-called 20 percent cut, it is not a cut that is required in law, or a fait accompli. It is only because, 20 years ago, when the formula was created by Congress on how to distribute the Social Security dollars that we contribute to our taxes into the pots of money for retirement, disability, or for our survivors was off. Twenty years ago, would we have known exactly—actually, they actually knew that they were only providing about twenty years' worth of funding for DI out of the pot of money that Americans are contributing.

But that doesn't mean that we should cut disability insurance for Mr. Zelley or folks who had disability insurance, simply because we didn't put the right amount into each pot 20 years ago. We have got the money, Americans have paid for it. So this 20 percent cut is fictitious, if we want to be serious about Americans who have earned this. And, again, remembering that most Americans who are on disability, SSDI, worked for over 20 years, paying into the system.

Having said all that, let's also make sure that we get rid of another confusion. There are about 30 million Americans, working Americans, who are disabled. Not all of them qualify for SSDI. Only the most severely disabled do. That is why only around 9 million of those close to 30 million actually receive Social Security Disability Insurance.

So the population we are talking about is not all disabled Americans, it is those with the severest of impairments. And the folks that we are talking about specifically today aren't just disability insurance beneficiaries, it is those who are trying to go to work, be-

cause so many of them have no opportunity to go to work. In fact, there is a study that shows that close to one in five Social Security Disability Insurance beneficiaries die within five years of qualifying for the benefit. That is how disabled they are.

Okay, so now we are talking about this universe of those who really want to work. I think there is universal agreement here. If we could help them get to work, if we could provide incentive, let's do it.

But I think Mr. Tiberi's chart was very illustrative. If I looked at that chart correctly, this offset, to me, is troubling. Because I look at this chart, and, for those who want to work and start working, if you start doing an offset so that you lose \$1 in benefit, disability benefit, for every \$2 you earn in work, just about everybody that earns less than \$1,100 is going to lose, come out a loser, at the end of the day.

So, I ask a question to anyone who will wish to answer. Are we in this to create an incentive program that creates winners and losers, where the less-able to work are punished to try to help those who can work?

Mr. JOHNSON. The time of the gentleman has expired.

Mr. BECERRA. I don't know if anyone—Mr. Chairman, if I could just try to get a quick response from anyone, and—

Mr. JOHNSON. We will give you two seconds.

[Laughter.]

Mr. BECERRA. A yes or no is—

Mr. ZELLEY. I would just—I would add that we are not—for goodness sakes, do not penalize people, of course not. That is not the intent. We should be incentivizing.

I would add—I know it is not going to be a popular statement, but the Ticket to Work—and I know it is affecting 90,000 people or so—in many ways, they are taken to nowhere, because we are incentivizing VR agencies, rather than incentivizing the individual. If I go back to work, let me keep the money. Why are you giving it to somebody else to help me get back to work? Businesses want the connection, businesses want me to work. I have skills and talent to work. Only 85 percent—or 15 percent of people are born with a disability who have—the rest of us have education and work skills and experience. Just incentivize us to go to work.

And so, I know this is complex with this offset. It is not intended—and I don't think you are hearing it is intended—to hurt people. It is all about this doing it cost neutral. If you will let me work, believe me, you are going to be getting more revenue and more income from me. So, Congressman, I am hopeful that it isn't interpreted that way.

Mr. BECERRA. Okay. Others?

Mr. JOHNSON. Thank you. The time of the gentleman has expired.

Mr. BECERRA. Thank you all very much.

Mr. JOHNSON. Mr. Price, you are recognized.

Mr. PRICE. Thank you, Mr. Chairman, and I want to thank you for holding this hearing. This has been fascinating.

And, Mr. Zelley, I am struck by your passion, and I appreciate it. And I want to pick up on what you have just said in response

to the previous question, and that is—you telling me that some of this money gets sidelined, doesn't go to the worker?

Mr. ZELLEY. I am sorry, sir?

Mr. PRICE. You are—what you just said is, "Let us go to work, but let us keep the money." Where is—but you mentioned that the money is going elsewhere.

Mr. ZELLEY. What I was talking about is the Ticket to Work—

Mr. PRICE. Yes?

Mr. ZELLEY [continuing]. Actually incentivizes a rehab company that helps me go to work, because Social Security rewards them. They take my Social Security benefit and give it to them to put me to work. And I am saying stop that. Let me keep it. I am the one that is going to work. And so, reward me, or incentivize me for going to work.

So, again, I know that is controversial, because there are people using the ticket, it is helping some people. I just think we are pointing it the wrong way.

Mr. PRICE. Yes, yes. No, I appreciate that. Look, as I say, this has been fascinating, to hear the testimony. I am a physician. I was an orthopedic surgeon. So I have done hundreds, if not thousands, of disability evaluations. And one thing that I was struck with when I was in practice, in medical practice, is that the program is static. It says that if you have got this disease, or if you got this problem, or you got this disability, that that is it, that you are punished to consider going back into the program, for fear that you might lose the disability insurance or the payment.

Mr. SMITH, have you had any experience with that in the programs that you have run? Is that a real fear? I know it is a fear that many of my patients described.

Mr. SMITH. Absolutely. And I—and it was clear from one of the—for example, some of the folks that we had in the benefit offset who did, for a period of time, have a gradual ramp-down, when the pilot ended and the ramp-down went away, we estimated about half of those folks then reduced their earnings to—because of their fear of being—losing eligibility for the program. So, yes, I think it is very powerful.

I also want to point out I might mention the Ticket to Work program. And I am chuckling, because I am one of those voc rehab providers that gets paid under the Ticket to Work program. But the Ticket to Work program is based on VR agencies and employment networks paid if a person zeroes out their cash benefit. And it presents—for me, it presents a conflict of interest, because I am sitting in front of a beneficiary, and under the current rules, I get paid if he or she works themselves off of benefits. But there are definitely situations when that is clearly not in that person's financial best interests.

So, obviously, my staff and my program give people the correct information to make sure that they are not harmed, and if they do choose to go off the program, it is—that they are fully informed. But there is a clear conflict of interest for us in that, you know, we essentially could be paid for something that is not in the individuals—

Mr. PRICE. Provides a disincentive, yes. I want to touch with you, Mr. Smith, a little more, though, because I am struck by the experience that you have with an alternative program, this benefits offset and the real-life examples that you can provide, and have provided, about how that incentivizes individuals to get back to work when they want to, because the four percent number doesn't seem like it—you have got 40 percent of the folks out there saying that they want to work, and we got less than 1 percent of the folks who are actually working.

So do you have statistics or a comparison of this benefits offset program that you have—the pilot that you have experience with?

Mr. SMITH. It wouldn't speak—our pilot was a small, short-term pilot, so it wouldn't provide data on how many people could potentially, on a nationwide level, participate in the program.

What we—what I do know is that, in my state, like, 10 percent of the SSDI population is engaged in our program, which means they have raised their hands and said, "Yes, I want to go to work." And, obviously, there are many other people who don't need—who don't want VR services who are probably also trying to return to work.

So, I am a bit more optimistic, perhaps, than others on the potential that folks can return to work and work at higher levels.

Mr. PRICE. Great. I appreciate it.

Thank you, Mr. Chairman.

Mr. JOHNSON. Thank you.

Mr. Doggett, you are—

Mr. DOGGETT. Thank you very much, Mr. Chairman. I suppose it is encouraging that this hearing began with Chairman Ryan telling us not to worry about the prospects of a 20 percent, across-the-board benefit cut for disability recipients next year. I see only one major problem with that, and that is that a partisan rule was adopted at the beginning of this Congress to prohibit the Congress from resolving this issue, as we have 11 times before, and that is to recognize, as Mr. Becerra said, that this fund distinction is artificial, and that one way of solving the problem, independent of our discussion of work this morning, is to do a fund transfer. And that rule says that you have to solve this 20 percent cut by either raising taxes—and we know they are committed to not raising taxes—or finding some other way to cut the amount of money being spent on disability payments in order to make up for the 20 percent.

So, the real—the complete statement should be there won't be a 20 percent benefit cut, because we are planning to find some other way to cut disability payments to make up for what would be necessary to avoid a 20 percent payment cut. Beyond that point, this morning's hearing begins to look, in a more sophisticated way, like the standard Republican stump speech, that the only thing that is wrong is that people, poor people, don't work hard enough, and that bureaucrats get in the way with red tape and unnecessary regulations.

Dr. Van de Water, I want to ask you about the type of people, first, who are getting disability. As Mr. Becerra pointed out, it is not all the disabled people in the country, it is only someone that a judge has determined has a mental or physical impairment which prohibits them from performing substantial gainful activity at any

job in the national economy. Is that basically the standard that applies before someone begins receiving a disability check?

Mr. VAN DE WATER. Yes, that is the standard that—

Mr. DOGGETT. And, in fact, as far as men who receive disability checks, some of them are in such bad condition that I believe it is about one in five of them actually die within five years of getting their first check.

Mr. VAN DE WATER. Yes. The death rate for disability insurance beneficiaries is much, much higher than—

Mr. DOGGETT. I very much believe in work, and I appreciate the testimony that has been given here this morning. I think we need to provide incentives for people to work, and remove any disincentives that exist. But in terms of whether we can just have disabled poor people work their way out of this 20 percent cut and solve the problem that way, if you actually provide more incentives like this 2-for-1 payment instead of an absolute cliff, doesn't it end up costing more for the system, and not less?

Mr. VAN DE WATER. That is exactly right.

Mr. DOGGETT. And so the—you mentioned that is true of administrative costs and otherwise.

So, I guess really, the question is do those who believe in work—and I certainly do—are they willing to pay more out of the disability trust fund to encourage work, to incentivize work, rather than to pay less? And I don't see any indication that they are willing to do that. In fact, they are talking about cuts that would be very severe—if you offset everything you do about incentivizing work, won't you actually reduce benefits to many more people than you help? Won't you hurt more people than you help?

Mr. VAN DE WATER. Well, you are absolutely right, Mr. Doggett, that providing work incentives, obviously, is what we are all talking about here this morning. But trying to do that and also save money at the same time is very difficult.

You have heard the problems involved if one started a benefit offset at less than \$1,090 a month substantial gainful activity level. You heard a story one of the other witnesses told about the problems created by the Ticket to Work and its effort to save money in the process of encouraging beneficiaries to return to work. And, actually, we failed when Mr. Tiberi was asking us about work incentive simplification. One of the things which—

Mr. DOGGETT. Let me just interrupt you as the time goes down to say is there enough red tape, change in work rules, and more work that people could do, if incentivized, that can—would be enough to make up for this 20 percent cut that is about to take place?

Mr. VAN DE WATER. No, by no means.

Mr. DOGGETT. Not even close, is it?

Mr. VAN DE WATER. No.

Mr. DOGGETT. Thank you.

Mr. JOHNSON. Thank you, Mr. Doggett. Mr. Smith, you are recognized.

Mr. SMITH OF NEBRASKA. Thank you, Mr. Chairman. And thank you to our witnesses, for sharing your expertise and insight today. I know I hear from constituents who find the program's work incentives difficult to understand and, actually, who have un-

expectedly had their benefits turned off because they crossed the earnings threshold without realizing it.

You know, just frustration in so many ways, and especially looking at the forward timeline of the solvency concerns, we have waited a long time. And it appears there will be no way to actually keep DI solvent, as you know, without transferring funds into the program, most likely from the Old-Age and Survivor's trust fund. Without reform, we will reach the point of insolvency again, and not just with DI, but with the old age trust fund, and with Medicare, and many concerns across the board there.

Ms. Houghton, in your testimony you note that, while businesses aren't experts on DI, the obstacles individuals can face can cause them to reduce their hours, limit their earnings, quit their job, or not try to return to work at all. Do you think a benefit offset would make it easier for people to try to work more hours, increase their earnings, or take a promotion?

Ms. HOUGHTON. Absolutely. You know, I think that, right now, the way the rules are, you have to be a rocket scientist to figure out how to make work pay.

Mr. SMITH OF NEBRASKA. That is very interesting. And speaking to the complexity—and I know my colleagues have just kind of pointed to the various channels that are pursued because of the complexity, and, really, I would hope we could avoid the complexity and the expenses associated with that.

So, with that, I yield back. Thank you, Mr. Chairman.

Mr. JOHNSON. Thank you.

Ms. Jenkins, you are recognized.

Ms. JENKINS. Thank you, Mr. Chairman. Thank you for holding this hearing. And I want to thank the panel for the great discussion this morning. Special thanks to Ms. Houghton. It is always great to see a native Kansan, a KU alum, and a former Bob Dole intern, before us. It has been nice to find a little common ground with our colleagues on the other side of the aisle this morning, as well.

I have long been an advocate for mental health, and service to help those who deal with mental illness. And I noted in Mr. Kregel's testimony that almost half of the younger beneficiaries—which, to me, means under 50—have mental impairments. This is compared to roughly 30 percent of all beneficiaries. Since these folks are facing a lifetime of challenges, it really is important to focus on helping them return to work.

So, Mr. Smith, it seems your pilot program had some findings in this area. And I just am curious, working to see, with those suffering with mental illness, what you feel their likelihood of returning to work is, and what we can do as policy-makers to help that happen.

Mr. SMITH. Sure. There is a very well-researched approach to supporting folks with psychiatric disabilities return to work called the IPS, or Individual Placement and Support model out of the New Hampshire Psychiatric Research Center, next door to us in Vermont. And I think Bob Drake has been—that program has been studied in a Social Security demonstration. And while I am not familiar with that demonstration, I did talk to Bob Drake, who ran it for Dartmouth. And he said the IPS approach clearly helps peo-

ple, and multiple random assignment studies have shown it can get younger folks with psychiatric disabilities back to work.

But he found that they ran up against—once folks started to really get their feet wet, and start moving towards employment, they ran into the cash cliff. And so the findings ended up not sort of saving Social Security funds, because they were running into this—the cash cliff.

So, yes, I—and this is, again, why I am somewhat more optimistic about the potential of folks, especially younger folks with psychiatric disabilities, to—if they are given time and given the right incentives to get themselves to a position where they can earn, they can increase their earnings and have a better life.

Ms. JENKINS. Okay, great. Thanks, I yield back.

Mr. JOHNSON. Thank you.

Mr. Larson, you are recognized.

Mr. LARSON. Thank you, Mr. Chairman. And, again, I want to thank the chair and Mr. Levin for this hearing. I especially want to thank our witnesses for your outstanding testimony and your passion and commitment, as well.

I find myself associating with the remarks of Mr. Zelley, especially as it relates to our responsibility. I think your frustration is shared by Members on both sides of the aisle here. And I know, based on the honor that the Members of this Committee bring to this effort, that there is a path forward, and we just simply have to find it.

I am going to yield a portion of my time. Mr. Becerra didn't get an answer on the question that he posed at the end of his statement. And then, after you answer, I will just have a suggestion. But I deeply appreciate the—both what the Committee is doing in this respect, in trying to resolve this issue, both in the short term and long term.

But, Mr. Becerra, I will yield to you to finish your question that you had asked.

Mr. BECERRA. I thank Mr. Larson for yielding. And let me just pose it again quickly, because I don't want to use up any more time than necessary.

So, if you do the offsets, if you start to—at a lower level, to remove some of the disability insurance benefit for money earned—so, in the case of this example given, if you lose \$1 of your disability insurance earned benefit for every \$2 you make in wages, and you start it early, instead of at \$1,090, which is the full disability benefit, you start it early, you've got a whole bunch of folks at that early stage, up to \$1,000 or so, who are getting cut, their benefit. Even if they get—have a chance to earn money, many of them are not able to earn that much, but they still get the cut.

And so, my question was, are we interested in creating losers in this? Are we interested in punishing people as we try to create an incentive to let those who can, as Mr. Zelley was able to, earn more money? And so, are we looking to punish those who don't have the ability to earn more money?

Mr. ZELLEY. I am not in favor of whacking somebody's benefits. But I think there is a perception issue that I would like to address, if I may, Congressman, and that is that when you see that international symbol—and we see it when we park. You have got it

here, at Congress. We have it at businesses, we have it in our life. We see that international symbol. I wear one that shows somebody carrying a briefcase, meaning that people with disabilities can work.

When we see that, that there is this stereotyping—you talk about mental illness, specifically—when you see that, you think, well, what is that? That is someone who needs help, needs a parking spot, a medical problem, needs public—lacks education, not working, is a drain on our society. There, but for the grace of God go I. Or, do we see past that wheelchair, past the eyeglass, and see a person who is dependable, as businesses have found out, dependable and motivated and loyal? And healthy. They are not sick. I don't need to be healed. I am working. I have education, talent. See that, and see that there, with the grace of God, go I.

So, my point is we have this tendency to think that everybody is really poor. Well, they are poor in a system that doesn't work well. That is the reason they are poor. The expectation should be higher, starting early, starting very early, with parents. And even at the low teenage years, that, yes, there is an expectation of work, and that, yes, you will be part of our society and community, and we have a support system that will bring you on that journey.

Mr. BECERRA. And, Mr. Zelle, I don't—this is Mr. Larson's time, so if I could just ask if anyone else wishes to comment on this, I open it up to you very quickly, because I know Mr. Larson probably has other questions.

Mr. KREGEL. Congressman Becerra, I really agree that this is an insurance policy. And if we start the offset below the current SGA level, we are effectively cutting the insurance payments for a certain group of individuals.

At the same time, we have to recognize that we are talking about people at the subsistence level, at the poverty level. And a reduction in insurance benefits, as they make up for that, by increasing their earnings may, for some individuals, be a path to greater self-sufficiency. So it is a delicate balance, but your point is well taken.

Mr. BECERRA. Thank you.

Mr. JOHNSON. The time of the gentleman has expired.

Mr. Paulsen.

Mr. PAULSEN. I just want to start by thanking the Chairman for holding this hearing. This has been some really outstanding testimony, based on the wealth of experience that all of you have offered here.

And it is interesting because, you know, our constituents back home, I mean, they expect us, as leaders in Washington, to get some things done. And this Social Security Disability Insurance program is the perfect opportunity for Congress to step in, make progress, come together, and make some real changes that are actually going to really, truly help people. And this is about making sure that those that do rely on that critical income safety net, they are not going to be put in jeopardy, right, from drastic benefit cuts, but also giving those tools and resources that are going to allow those who wish to return to work the opportunity to do so.

And, unfortunately, as we have heard—and we have heard other stories from back home, but also from the testimony—the SSDI programs become so complex that even those who want to return

to work, they have difficulty in navigating that huge web of rules and regulations. The beneficiaries become so overwhelmed or nervous about losing their benefits due to the overwork—due to overwork that they may actually stop looking for a job.

And, Ms. Houghton, you mentioned actually, you know, you have to be a rocket scientist, right, to kind of figure your way through this. And businesses clearly want to hire and promote the best person for the job. And, Ms. Houghton, you have—I mean this is your area of expertise. You work with all these different employers. And we have heard today that, for those that are receiving DI benefits, it is not that simple, just to say yes to a new job, yes to the next promotion, yes for more hours. It is not that simple.

Now, what about employers? How do employers navigate these rules? And if the program was simpler for employers also, do you think that employers could be more effective at providing opportunity for individuals with disabilities?

Ms. HOUGHTON. Yes. I mean absolutely, Congressman. Employers don't know how to navigate these rules any better than their employees know how to navigate these rules. And so, as a result, they are either losing talent, or not having access to talent.

If these rules—you know, I think it is clear that everybody wants to make this program work better, and wants to help people be able to become employed. And if we could simplify the rules so that you didn't have to be a rocket scientist, that would absolutely help individuals and, ultimately, help business, who wants to hire or retain these beneficiaries.

Mr. PAULSEN. All right. Well, clearly, I think the ground work is laid here, based on a lot of the comments and testimony on a bipartisan basis. So I really want to thank you again for all the testimony we have had today.

And, with that, Mr. Chairman, I will just yield back.

Mr. JOHNSON. Thank you for your questions.

Mrs. Black, you are recognized.

Mrs. BLACK. Thank you, Mr. Chairman. And, again, I want to thank the panel for being here, and this most interesting conversation today. I want to thank the Chairman for holding this hearing.

When I first came here to Congress in 2010, I was on the Human Resources Subcommittee, and that was my first time in understanding about the disability trust fund going defunct in 2016. And so I have been anxious about this now for five years, and I am glad we are finally getting a hearing.

One of the things that I did was to try to better understand this system. Because, as this chart shows, this is very complicated. You all know that. I think the audience and those at home—that are home watching need to see this chart, as well, to understand how complicated it is. And, because of that, what I did is I said I am going to act as if I am applying for services, and I am going to start at the beginning and work my way all the way through. And it was very, very enlightening.

And we have talked a lot about the cash cliff here, which is a very important piece of this, and one of the barriers to getting people back to work. But as I was going through the process, one of the things I heard from the workers that I was so impressed with, those who I met with and the workers that were really trying to

help the beneficiary get everything that they needed, at the same time to help them get back to work, was the whole issue of the lack of services there for those who, as has already been said in the testimonies that we have—let me see here, 70 percent of those that are applying are 50 years or older with a limited education and a limited amount of work experience to translate from whatever they were doing into something new. And there was a lot of frustration there, even though there are voc rehab programs, in getting someone from where they are back into the workforce, because the human capital is a big piece of that.

And that is something that I did here, is that people who are not able to get back to work then go into depression, and there is a lot of things that occur as a result of them not being able to feel like they are self-sufficient, that they are worthy. And so, that really worried me. And that is a component I don't think we speak enough about.

Mr. Kregel, I found it interesting in your testimony, and I highlighted this, a lack of training and support services are frequently cited by beneficiaries as a major obstacle to employment, training, and education to launch a new career, or need specialized employment services, have achieved mixed results.

Can you help me to, from your perspective, on what can we do better to help somebody to be able to transition, especially those that are at the lower income with lower education, to get them back into that workforce?

Mr. KREGEL. In addition to the individuals who say, "An obstacle to my employment is the work incentives," and those kinds of things, they also say things like, "There are no jobs in my community that I can do." They also say, "There is no one to help me get a job. Employers don't think that I can do a job for them," and those kinds of things.

And so, the issue is to get connections between those individuals and the business sector, which is very accommodating and very willing to hire these individuals. So, for low-income individuals who have significant health problems, it is a particularly daunting task. But the idea is there are people out there, employers, who are not the problem, who will accept you if we can enable folks to make that connection with them.

So, the recruitment is just as important as the retention work that employers do to keep people who have had injuries or illnesses on the job retain—stay in employment.

Mrs. BLACK. And, Ms. Houghton, that is where I want to say thank you for the work that you are doing, because I know in your testimony you said there are challenges finding the talent, and navigating the governmental system for these employers is very difficult. I am very excited about what you are doing, but can you help me in how we might be able to help you do a better job in getting these employers to where they need to be to get folks that are hired in the right places?

Ms. HOUGHTON. You know, I—obviously, we have got a lot of work to do. But if ever there was a time, it is now. And we need these systems. We need the education system, we need the vocational rehabilitation system. We need the workforce system to help people with disabilities focus on what they can do and how they

can do it, so that, as they interface with business, folks aren't talking about what they can't do, but they are talking about what they can do, and how they can get the job done.

Mrs. BLACK. Thank you. That is very helpful, and I would really like to be able to stay in touch with you to see how we might actually be able to do that in some form. Not necessarily in a bill, but working with those existing forces that we have currently, and beefing those up, and making those better.

Thank you, Mr. Chairman, and I yield back the balance of my time.

Mr. JOHNSON. Thank you. Mr. Davis, do you care to question?

Mr. DAVIS. Thank you very much, Mr. Chairman. And I ask unanimous consent to have entered into the record an article from the Washington Post printed on January 7, 2015.

Mr. JOHNSON. So ordered.

[The information follows:]

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Social Security disability payments will be cut by a fifth if Congress doesn't act

By Max Ehrenfreund January 7

On the first day of the new Congress, Republicans symbolically bound themselves to what is certain to be a controversial reform of the federal disability insurance program, which would probably occur near the height of the 2016 presidential campaign.

Social Security has two components, the disability insurance program and the much larger Old Age and Survivors Insurance program, for which almost all Americans become fully eligible [when they reach retirement age](#). Congress has historically treated them as one system, moving money between one pot and the other if one is running short on funds and the other has plenty of money.

That's the situation now, as the disability pot is expected to be empty late next year. There is enough money in the larger pot to last until 2034, or to keep both programs solvent through 2033, according to the [Social Security Administration](#).

On Tuesday, however, the House [adopted a parliamentary rule](#) that adds a procedural obstacle to reallocating the money.

If Republicans do decide that a transfer is necessary, they can change the rules again easily enough. Still, Rep. Sam Johnson (R-Tex.) said that a reallocation would be only a temporary solution that would avoid making real changes to "the fraud-plagued disability program."

"It will actually make the retirement program worse off, and it does nothing to fix the disability program," he said in [a statement](#).

Fraud appears limited to [relatively few cases](#) in the disability program, although it is difficult to know precisely how many beneficiaries could be working. A [report](#) by the nonpartisan Government Accountability Office found that

about 0.4 percent of disability beneficiaries were likely receiving improper payments, because they were working before or after they began receiving checks. Another [report](#) by Social Security's inspector general examined administrative law judges who were approving an unusually high proportion of disability applications and concluded that some of those approvals may have been mistaken. That group of beneficiaries also accounted for about [0.4 percent](#) of all those receiving disability payments.

And while it's true that more and more people are on disability, this is largely a result of the fact that the workforce is getting older and more likely to be hurt or sick, according to [Kathy Ruffing](#) of the Center on Budget and Policy Priorities, a left-of-center think tank. About [seven in ten](#) disability recipients are at least 50 years old -- and that group is also expanding to include the women who entered the workforce at the beginning of their careers decades ago.

In any case, it's not clear whether fraud is more common in the disability program or in the retirement program. After all, it's common to read headlines about people accused of [fraudulently collecting retirement benefits](#) for a deceased parent, for example.

The effect of the rule appears to be to force Congress into a debate about Social Security next year instead of sometime before 2033. Without action from Congress, Social Security will be forced to cut disability payments to all recipients by about one fifth.

Johnson and his allies argued that a simple reallocation would irresponsibly and unfairly transfer money from future retirees to this year's disabled, but Ruffing countered that in fact it's the folks in the disability program who are owed a favor. She said that Congress created an imbalance created in 1983 by moving funds in the opposite direction -- out of the disability program and into the retirement program, which was approaching a shortfall.

"It's no surprise, and no crisis, unless somebody manufactures one," she said.

Max Ehrenfreund writes for Wonkblog and compiles Wonkbook, a daily policy newsletter. You can subscribe [here](#). Before joining The Washington Post, Ehrenfreund wrote for the Washington Monthly and The Sacramento Bee.

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Mr. DAVIS. Thank you very much, and I want to thank you for the hearing. I certainly want to thank all of the witnesses for their participation in this very serious, sanguine, rational, what I call logical discussion of a way to look at trying to be of benefit and help some of the most vulnerable members of our society.

And so, I relish the fact that we have talked about the Social Security Disability Insurance, realizing that there are no simple solutions to very complex issues and very complex problems. But, at the end of the day, I think we have to remember that, no matter what happens, these are individuals who have worked for their disability insurance. It is, indeed, insurance and not a means-tested program. These workers paid for their benefit over decades of hard work, and they have earned their Social Security benefits.

In Illinois alone, we have 289,730 DI recipients; 18,601 in my district alone. The monthly average payment for a disabled worker in Illinois covers less than half the actual amount they earned before disability. And, if you consider the fact that rent for a one-bedroom apartment in Chicago is \$1,752 a month, anyone on DI can hardly make a living.

I agree that we must do everything that we possibly can to get as many of these individuals back into the workforce with meaningful jobs. But, at the same time, we cannot neglect the needs of the majority of recipients who have worked hard to pay into the trust fund all their lives. Cutting the benefit amount or altering program eligibility would take away already scarce resources of many vulnerable Americans.

Dr. Van de Water, I would like to ask you this one question. Considering the fact that, since 2011, Social Security has received an average of \$1 billion a year less than it needed to administer its programs, even though the number of Americans collecting earned Social Security benefits has grown by 7.5 million, could SSA administer a benefit offset program accurately within its current congressionally-provided benefit? And how have the budget shortages affected SSA's ability to administer the current work incentives that already exist?

Mr. VAN DE WATER. Mr. Davis, as another witness has indicated, I think that the Social Security Administration is quite capable of administering a benefit offset, but that if the funding is short, as you point out, that will provide a practical impediment to doing the job well.

One of the themes I think that has emerged from this morning's hearing is that there are a number of ways to encourage disability insurance beneficiaries to work. But many, if not all of them, are going to cost money, whether that is administering a benefit offset, whether it is doing additional continuing disability reviews, whether it is providing work simplification of the sort that Mr. Tiberi was asking about, all of these things require either program money or administrative money. And the attempt to achieve these goals and reduce program spending at the same time is an overly constrained problem. But the shortage of funding is key.

Mr. DAVIS. Thank you very much. So the bottom line is you can't get blood out of a turnip. Thank you, Mr. Chairman.

Chairman RYAN [presiding]. Thank you.

Mr. DAVIS. And again, thank you all for being here.

Chairman RYAN. Thank you, Mr. Davis.

Mr. Renacci.

Mr. RENACCI. Thank you, Mr. Chairman, and thank you for holding this hearing. I want to thank the witnesses.

I have been sitting here, listening to all the testimony. And I realize there is no silver bullet to fix this shortfall that we are going to have next year, and I don't think this hearing was about finding that silver bullet to fix the shortfall next year. I do think the hearing, though, was about promoting opportunity for Disability Insurance beneficiaries.

And so, keeping with that theme, I think back of a couple constituents in my district. And I always try and go back and think of constituents in my district, and how we can change things for

those constituents. So there are some constituents out there that I know that would like to work. They are on Disability Insurance. They see a very difficult system to get into, but they deserve to get into it, and they have gotten into it, and now they are fearful they are going to lose it. In fact, I ran into one of them the other day and said, "If you see the complicated form I got to report back on, I am not sure if I make the wrong election or say the wrong thing I am going to lose everything."

But these are also people who would like to work, too. So—and I agree, I am hearing some things that—you know, if you change the payout system—in fact, Mr. Zelley, you even mentioned let them keep all their DI payments. Well, it is an interesting concept, because, you know, if people could do that, and still work, there probably is an incentive. But, again, it doesn't fix the system. But I think the goal here was really promoting opportunities.

So—and the other thing—and when you say that—and I am not saying that is the answer—I was sitting here thinking the more that they are able to make, the more wages they are able to make, the more Social Security they pay, actually, back in on those wages. So there is some benefit to that.

But the other thing I keep hearing today is the system doesn't work well, it is too complex, it is overwhelming. And that is actually what I am hearing from my constituents that I know are on the system, as well, those that want to work. Now, again, there are some that it would be very difficult to get back into the job market, but there are some that can.

So, what I am trying to do after all of this is figure out what can we do differently. What can the system do differently? Because, Mr. Kregel, I heard you say, you know, that many people just feel there are no jobs in the community. And that is a problem, because there are jobs in the community. I know, when I was a business owner for 28 years before I came here, I hired many people that were disabled, and put them to work. And there were job opportunities for them. They weren't able to maybe lift, or they weren't able to fix a car in the automobile dealership, but they were able to sit at the desk and greet people, and they did a great job.

But the question is, so now I am disabled, I get on the system, and it is a complicated system, and I am scared I am going to lose the dollars I am getting. So what can we do within the system to fix the system? That is really what I am looking for, so that that individual can have, maybe, an opportunity for work. Mr. Kregel, you have any thoughts there?

Mr. KREGEL. I think that one of the advantages of the offset that hasn't been mentioned is that people who are afraid to work at that level presently—I think that there are people who are not working, and they just hear this stuff about, "I am going to lose my benefits. If I work at all I am going to lose my benefits," and all of the information or inaccurate information that they receive.

So, with the offset, it will enable people who are not working at the present time—and I would anticipate it would increase the percentage of DI beneficiaries who would actually attempt work and go to work, because we create this huge fear for folks at the present time. And then we have to automate the system. The form that you are talking about, the work activity report, the Form 821,

there is another one we haven't talked about for self-employed individuals, all of those things just create tremendous burden, and really, fear on the part of individuals, "If I say the wrong thing, I am going to lose my check. If I lose my check, I can't take care of my basic shelter and food."

And so, those kinds of choices that people are forced to make right now, those are the things that have to be changed, if we can.

Mr. RENACCI. Could it be as simple as a follow-up from the Social Security Administration, saying, "Hey, have you been looking for work," or, "Is there something we can help you with?" That seems like a very simple change that I am not sure if we are doing.

Mr. Zelley, do you have any thoughts on that?

Mr. ZELLEY. Well, if you are talking about encouraging people to work, absolutely. And, you know, there is this word, "bureaucracy," and we all get afraid of it. But it is in our lives, and so let's take advantage of it. Let's absolutely encourage people, as you are applying for disability, that there are alternatives.

And the two-for-one ratio, I think it is—I am all in on this, you are hearing from the panel that this is a good thing, because you are not penalized for going to work. That is what we want.

The other thing I will just say that—if I may, Congressman, that when I was first injured, and I am laying in intensive care with bolts in my head on a striker frame, thinking, you know, we depend on our faith and family and friends to get us through, and just—my life was over. What can I do? I have these children I can't provide for. And my brother-in-law, Gene Hamilton, brought in a fellow in a wheelchair, a friend of his, the same level of injuries I had, and he started talking about life in a wheelchair. And come to find out he was a stockbroker, making a lot of money. And I thought to myself—it was an epiphany.

Well, if he can do it, if he can have a career, if he can make money, I can do it. And so that just changed everything, that pure support. There are organizations called Center for Independent Living, they are made up of, governed by, led by people with disabilities who are working. And I encourage you to support that Social Security engage with them early on, early on, as people apply. Because when you see somebody else, and you get that peer support, it is a bridge to work. It is a "Yes, I can."

So, I don't know if I have answered your question——

Mr. RENACCI. No, you did, thank you. And I want to thank all of the—all the witnesses. And that is what I am talking about. We got to make sure—when I go back to those constituents, they just complain about the forms, and they never say to me, "Hey, it would be great if somebody would show me how to get back to work, or give me that"—as you said, that inspiration, that here is an opportunity——

Chairman RYAN. Thank you.

Mr. RENACCI. So thank you. I yield back.

Chairman RYAN. Mr. Reed.

Mr. REED. Thank you, Mr. Chairman.

And, Mr. Zelley, you just summed it up. That was the best testimony of the day, your story right there. That is what we are trying to do on this side of the aisle, is to promote that work ethic, that opportunity that you sought and you achieved and you recognized

in your peer. So I applaud you in your story. I truly and honestly do.

And before I ask my question of Mr. Kregel, I want to just note for the record what I heard from my colleagues on the other side—Mr. McDermott—about the fact that we are not going to be able to solve this problem because of a rule change, and that we should do what has been the status quo in Washington, D.C. for 11 times and multiple times over the decade, it is just transfer money for the retirees into the disability trust fund, and that will solve this problem. It doesn't solve the problem. It takes what is a \$270 billion problem today that we are facing in 2016 with the disability trust fund, kicks it down to 2031 or 2033, and couples it with a \$3.7 trillion problem.

And so, if my colleagues on the other side of the aisle think we can't solve a \$270 billion problem within the next 18 months, how in the hell are we going to solve a \$3.7 trillion problem just 16 years down the road? That is asinine. That is stupidity. And I came here in 2010 to change the status quo, and I am standing here seizing this opportunity in the disability trust fund to implement reforms that are going to help people. And your story inspires me to continue in that effort, Mr. Zelley, and I appreciate it.

We had a chance on the Subcommittee, the Social Security Subcommittee, to have the Social Security Administration come before us. And during that questioning, I pulled up the Red Book and I gave it to the Social Security Administration who writes it. And I said, you know, "This book says it is written in plain English language." That is the goal of the book, right, when you read the introduction. And I just flipped open the page. And I am looking at the smiles of the witnesses. You have read this book, right? This is D.C.-speak like I wouldn't believe. This is not plain English. My favorite: "The EPE begins the month after the TWP ends. If you are not working that month, the first 36 months of EPE is—then you got to deal with the SGA then. Then the EPE is different than the EPX or the EXR." That is not plain English to me, ladies and gentlemen.

So, Mr. Kregel, you are contracted by the Social Security Administration to teach counselors how to help people with the work incentive program. How long does that program take?

Mr. KREGEL. We would say in our training program, between training and testing and ongoing support, it takes about a year to get to a basic level of competence.

Mr. REED. So one year to train a professional to help a beneficiary to figure out the Social Security work incentive program is essentially what I heard from your testimony. Is that accurate?

Mr. KREGEL. Yes, to help beneficiaries, right, yes.

Mr. REED. To help a beneficiary counselor who is going to help a beneficiary.

Mr. KREGEL. Right.

Mr. REED. So it takes one year to teach them this program. And so, our beneficiaries, who don't have the benefit of that training, who don't have that level of professionalism when they deal with this situation, they are expected to know what this work incentive is on their own, because of a Red Book given to them by the Social

Security Administration. That is generally the position of the Administration?

Mr. KREGEL. That is where the state of the art is right now.

Mr. REED. Yes. See, that is the problem. So, when I read your testimony I was so impressed with—and we saw common ground. Mr. Tiberi's question led to common ground, that we need to simplify this program, we need to simplify the work incentive program.

So, let's take it one step further, Mr. Kregel. You are clearly an expert in this area. What are the top three things we can do to simplify this work incentive program, from your perspective and your experience?

Mr. KREGEL. Well, I think that the first thing is to always make work pay. You are never going to go wrong betting on the willingness and the ability of individuals with disabilities who want to pursue their work goals. They want to work, like everybody else. They have their own personal lives, and they really need to do it.

So, what we want to do is make sure that—people who can't go to work, we want to help them. People who want to work, we want to be focused on doing everything that we possibly can to assist those individuals.

The second thing that we really need to do is reduce the burden on the beneficiary at various points in time. If you look at this particular chart, each one of these squares can be expanded into another couple charts, in terms of what happens in this instance, and what happens in this instance. What happens that we haven't talked about, if you are self-employed, and you run your own business. So, reducing burden of individuals who want to go back to work, to get past this mailing stuff, and doing it in a way that simplifies it from their perspective, would really, really be helpful.

And then we have to get to accurate information. So the ability of the local field offices and the service providers and VR and other places to actually provide the right information, or make sure they follow up and make sure the individual understands that information, so that people aren't making wrong decisions based on what they think is the right information but is erroneous information. And it ends up causing major turmoil in their life, as a result of an overpayment.

Mr. REED. I appreciate those suggestions. And what I hear is proactive, get into it early, educate individuals, and then stand with those individuals as they go back to work.

Mr. KREGEL. Correct.

Mr. REED. Thank you. With that, I yield back.

Chairman RYAN. Fantastic. Thank you very much. I thought this was a very insightful hearing, and I hope that we can move in a bipartisan way. I heard some partisan comments. Hopefully that is not what is to come, because I think you can see that we have a deep interest in avoiding this problem, this 20 percent cut, and making work pay, and making this law work like we all want it to work.

So I want to thank each of you for bringing your fantastic testimony. It was very enlightening.

This hearing stands adjourned.

[Whereupon, at 12:36 p.m., the Committee was adjourned.]

Questions for the Record

**Responses to Questions for the Record for James Smith
Vermont Division of Vocational Rehabilitation
For the July 9, 2015 House Ways and Means Committee Hearing**

Questions from Chairman Paul Ryan:

1. While some preliminary results have been released, the final report on the Benefit Offset National Demonstration (BOND) project testing the effects of a benefit offset in the Disability Insurance (DI) program will not be ready for a several years. Congress does, however, have the findings of the Four State pilot. Vermont was one of the States in the pilot phase of this demonstration project. Do you believe this policy is ready to be implemented nationally? Should Congress wait for the final BOND report to be released before considering a benefit offset?

Response:

In response to the first question, yes I believe the Four State Pilot results support a change of policy without waiting for the BOND to be complete. The Pilot was implemented using rigorous experimental design. A positive impact on beneficiary earnings over a substantial level was found in each of the four states. This was despite the fact there were significant challenges with implementation of the offset and that beneficiaries knew this was a very time limited study. The Pilot was intended to be a process study to help work out implementation issues for the larger BOND. So the fact that it produced statistically significant results so quickly, suggests the offset would have a positive impact if implemented as national policy.

In response to the second question, no I do not believe waiting for the BOND results would serve any purpose other than to delay policy change. The BOND is studying basically the same benefit offset as the Four State Pilot, and it will not provide any new information on other policy options Congress might want to consider. For example the BOND would not provide any information on the impact of starting an offset at less than Substantial Gainful Activity (SGA). Also it will not tell us anything about eliminating the Trial Work Period (TWP) or other options to simplify the SSDI program. Further, the BOND has had similar implementation issues as we experienced with the Four State Pilot, only on a much larger scale. SSA did not devote sufficient resources to BOND to overcome the backlog of administrative work associated with the TWP. Lastly, it is already clear that some—perhaps many—beneficiaries were confused or mistrustful of this experimental benefit.

The response to a national benefit offset policy (rather than an experimental study) without a TWP and starting at a offset below SGA is more likely to generate a much larger behavioral response and reduce benefit payments to current beneficiaries. If an offset was national policy, the disability community, employment service providers and others will understand the nature of the benefit change and will help beneficiaries use it to their full advantage. Most importantly, those beneficiaries who can increase their earnings will have a clear incentive to do so.

Congress might consider implementing an offset in the SSDI program with a sunset date. The earned income offset for the SSI program was originally implemented with a five year sunset date before being made permanent. A sunset date would allow Congress to assess the impact of an offset and potentially make adjustments based on real world data. For example, if an offset was set at a point below SGA, a sunset provision would provide an opportunity to determine if the offset starting point was too high or too low.

The Four State pilot has been criticized for its poor roll out by the Social Security Administration (SSA) and its contractors. What are the lessons the SSA should take away from this experience? Do you believe the agency would be able to implement a benefit offset nationwide?

Response:

Like the BOND, the offset for the Four State Pilot was implemented on top of the existing SSDI work incentives including the Trial Work Period (TWP). Most of the implementation issues for the Pilot were directly related to the administrative work associated with the TWP. This is why we advocate for the elimination of the TWP and replacing it with a simple offset design like the SSI program. This would make the program much simpler and easier to understand. It would also reduce overpayments.

The Social Security Administration clearly can implement a benefit offset. It currently administers the offset for the SSI program very effectively.

2. One of the reasons beneficiaries may not return to work is due to fear that their condition might worsen and they will not be able to quickly restart benefits. Under a benefit offset approach, if earnings decreased when a medical condition worsened, benefits would increase. If the condition later improved, the worker could increase earnings again and benefits would be adjusted as necessary. Would a benefit offset approach assuage fears about conditions worsening in the future?

Response:

Yes, definitely. The all-or-nothing nature of the SSDI program is a real problem for beneficiaries with chronic or unstable disabling conditions. If a beneficiary intends to work above the Substantial Gainful Activity (SGA) level, they must be prepared to lose their entire benefit. For many beneficiaries this is too great a risk. In my written testimony, John's case study illustrates this dilemma perfectly. He is a gentleman with paraplegia and related health conditions. He returned to work without fully understanding the SGA cash cliff. As a result he ended up with an overpayment over \$10,000. We suspect he will never try to work above SGA again because of this experience.

A benefit offset approach would greatly reduce the fear of a sudden loss of benefits. It would create a gradual ramp down of benefits as people increased their earnings. This would be particularly helpful for people who do not know how much they can work from month to month.

Question from Rep. Jason Smith:

3. The district I was elected to represent has over 100,000 Social Security beneficiaries. What I hear back home from constituents is that they want to get back to work, but they're uncertain how working would impact the benefits they earned. The Disability Insurance program should promote ambition and reward work. But, DI is simply too complicated to help my constituents get back to work.

Mr. Smith, you and your team work on the front lines every day helping individuals who want to return to work. How difficult is it for people to understand the current work incentives? Would simplification make it easier for people to return to work and help people achieve financial independence?

Response:

The current SSDI work incentives rules are overly complex. Unfortunately, the complexity itself is a major barrier to return to work. In my written testimony, I describe how the SSDI program includes three phases during which earned income is treated differently. The rules are so complex that my agency, the Vermont Division of Vocational Rehabilitation, had to hire specialist staff to explain the SSDI work rules to beneficiaries. The Trial Work Period (TWP) and Extended Period of Eligibility (EPE) in the SSDI program cause the most confusion and frequently cause overpayments. This is why we advocate for the elimination of the TWP and EPE and suggest replacing them with a simple earned income offset similar to the SSI program.

Question from Rep. Kristi Noem:

4. I want to share the story of one of my constituents. Larry Eining lives in Clear Lake, South Dakota, and until recently, he had worked for an energy company for nearly 30 years. One day while working, Larry was driving a pay loader when he was rear-ended by a teenager who was texting. Larry was thrust into the steering levers. He was unable to work for over a year due to his serious injuries.

It took less than 30 days for Larry to receive Social Security disability benefits, and after about 13 months, Larry's doctor released him to go back to work. Unfortunately, because he was away from work so long, he lost his job.

Undeterred, Larry decided to start his own business, and he notified the Social Security Administration that he didn't need benefits anymore. SSA told him that he would be

required to receive benefits for two more years. Sure enough, two years and one month later, Larry received a letter saying he owed SSA over \$40,000.

Larry began to fix the problem immediately, but SSA hasn't made it easy for him. For example, in November, Larry sent SSA a check for half the amount he owed. He sent it in November to get it done before the end of the tax year. SSA waited until February to cash it.

Later, when Larry went to SSA to discuss his account balance, he was told that the SSA employee with whom he had been corresponding did not exist. To his credit, Larry has been cheerful throughout this bureaucratic circus, and just wants to get the problem solved.

The Trial Work Period is supposed to allow beneficiaries to test their ability to work. During this time, an individual can earn any amount and continue to receive benefits. After that period ends, earnings above a certain amount cause benefits to end. But it's not just earnings that matter – Social Security also looks at expenses due to an impairment a person has because he or she is working. With all these complex rules, how is a person like Larry supposed to know if he is working in excess of the limit, and not supposed to be receiving a benefit?

Mr. Smith, how do you advise beneficiaries? Should people just expect to receive an overpayment?

Response:

Larry's story is not unique, though it is very disappointing. But, the fact of the matter is that the design of the Trial Work Period frequently does cause overpayments. As noted in my written testimony, the GAO reported that the complexity of the SSDI work incentives has contributed to the program's significant overpayments (\$11 Billion between 2005 and 2014). The following are some common factors that contribute to the problem:

- *The Social Security Administration has great difficulty accurately tracking the Trial Work Period in a timely fashion. So beneficiaries often work for many months or even years before the Social Security Administration informs them that they have been overpaid.*
- *Beneficiaries often do not understand that they may have used up their Trial Work Period in the past. So they may start a job believing in good faith that they have a nine month Trial Work Period, when in fact it is used up. As a result, they go into overpayment the very first month they earn above SGA.*
- *The income threshold for the Trial Work Period is different from the Substantial Gainful Activity Level, so it is easy for beneficiaries to confuse the two and unintentionally use up Trial Work Months.*

All that said, there are options available to folks like Larry, and my advice would include exploring as many as possible. A person can sometimes reduce their countable income

towards Substantial Gainful Activity, and therefore avoid an overpayment, by using what is called an Impairment Related Work Expense (IRWE). However, a beneficiary has to know about and apply for an IRWE. Very few beneficiaries understand IRWEs exist or how to apply for them. Larry's patience is commendable, and he is a perfect example of the kinds of people we serve day in and day out: Vermonters who want to work amidst challenging circumstances. Simplifying the rules would go a long way to help reduce the unnecessary burden of overpayment.





Response to Questions

John Kregel
Virginia Commonwealth University

Questions from Chairman Paul Ryan:

1. *One of the roles of benefit counselors is to help people navigate the Disability Insurance (DI) program's complex rules when trying to return to work. Do individuals generally know where they are in the return-to-work process without the aid of a benefit counselor? How easy it is to keep track?*

In the SSA sanctioned benefit counselor training and certification program operate by Virginia Commonwealth University, counselors receive 40 hours of live training, pass a battery of six examinations, successfully prepare and submit a minimum of three benefits plans for rigorous review, and complete 18 hours of professional development units each year. This provides them a basic level of mastery. This level of knowledge is unattainable for virtually all beneficiaries.

Without the assistance of a benefits counselor, a beneficiary must keep track of where they are in their Trial Work Period, which requires extensive documentation of the prior work history going back many years. After completing their Trial Work Period, they must understand the cessation and grace periods. Assuming the beneficiary is working above the Substantial Gainful Activity level, he or she must report earning to SSA, which requires completing a work activity form and a submitting monthly pay stubs. If the beneficiary is attempting to use a work incentive such as the Impairment Related Work Expense, he or she must write a letter justifying the request and then submit monthly receipts for the approved expenses. The beneficiary must track progress throughout the 36 month Extended Period of Eligibility, after which their benefits will terminate.

The examples described above are just the major components of the program. Each of the components has its own rules, requirements, and record-keeping. Without the assistance of a benefit counselor, beneficiaries face extraordinary challenges when attempting to understand and comply with all program provisions.

2. *In your testimony, you noted that people are more likely to choose what is certain over what is possible. How does a benefit offset help people choose what is possible when it comes to returning to work?*

The psychological impact of risk aversion and loss aversion are well-established in the applied economics field. Potential losses loom larger than gains in the minds of decision-makers, with

the practical effect that anticipated losses are weighted more heavily and have a greater influence than anticipated gains of the same magnitude. Research has demonstrated that a loss is typically estimated to have twice as much influence on individuals' decisions as an equivalent gain. To many SSA beneficiaries, a work attempt under the current system is a highly risky decision, with their essential benefits at risk if a change in their health status precludes their ability to remain in the work force for an extended period of time.

The most serious risks in life are precisely those high-stakes events that involve potentially enormous quantities of wealth, such as unemployment, and disability. Research has demonstrated that individuals with less income and wealth are more risk averse than those with higher income and wealth. Moreover, individuals who are in poor health and individuals who are unemployed or not in the labor force are more risk averse than individuals who are in better health and who are employed or self-employed. For those with few possessions and no employment, every financial loss is significant.

A key advantage of the benefit offset is that it greatly lessens the financial risks for beneficiaries who return to the workforce and earn above the Substantial Gainful Activity level. As with the SSI program, beneficiaries who work will always have higher income (wages plus benefits) than they would by relying only on their disability benefits. A benefit offset would also protect beneficiaries from the sudden, complete loss of benefits that will occur after an individual has completed the Extended Period of Eligibility. It would provide a beneficiary with a more solid foundation from which to make employment decisions and pursue their vocational goals.

3. *One of the most important work incentives in the DI program is the treatment of Income Related Work Expenses (IRWEs), which allows beneficiaries to deduct the out of pocket costs for disability-related work expenses from the SGA determination. In your testimony, you discussed the 3 million DI beneficiaries who are employed or looking for work, yet according to the Social Security Administration, only 10,000 DI beneficiaries claimed IRWEs last year. Why don't many people use IRWEs? Is it because many just do not know about them and may not bother to fill out more government paperwork?*

The purpose of the Impairment-Related Work Expense (IRWE) is to take the costs associated with an individual's disability into account when assessing the value of the beneficiary's earnings. For an IRWE deduction to be allowable, five criteria have to be met:

1. First, the expense must be directly related to enabling the beneficiary to work.
2. Second, the expense has to be related to a medically determinable impairment that is being treated by a health care provider rather than being a cost that anybody would incur by working. This means that things like health insurance premiums are not permissible as IRWEs.

3. Third, the expense must be paid for out-of-pocket by the individual and not reimbursable from another source.
4. Fourth, in most cases, the expense must be paid for in a month during which the individual was working. Under some circumstances, costly durable goods purchased during the 11-month period preceding the month work started may be deducted as an IRWE. Expenses incurred in a month of work but paid for after work stopped also can be considered.
5. Finally, the expense must be “reasonable,” which Social Security generally defines as “usual and customary” or the typical cost for that item or services in the persons community.

There are a number of reasons (IRWEs) may not be appropriate for all Title II disability beneficiaries. These are described below.

People don't know this work incentive exists. Information on IRWEs is contained in the Red Book, but the availability of this work incentive is not widely disseminated. SSA sends SSDI beneficiaries a form to fill out when they become aware that the individual is work does ask appropriate questions about potential IRWEs, but most beneficiaries don't understand what these questions mean.

IRWEs are not available during the Trial Work Period. During the Trial Work Period, any amount of earnings will have no effect on the Title II disability check. Beneficiaries complete the Trial Work period when they have achieved nine months of earnings above a threshold amount (in 2015 this amount is \$780.00 in gross earnings per month). IRWEs are not applicable during the Trial Work Period, because there is no limit on the amount of earnings a beneficiary can achieve while receiving a benefit check during the Trial Work Period.

To use an IRWE, a beneficiary must be earning above Substantial Gainful Activity (SGA). In 2015, the SGA threshold is \$1,090.00 for individuals with disabilities, and \$1,820.00 for individuals who are blind. Social Security uses work incentives such as IRWE to bring the beneficiary's countable earnings below the SGA threshold, to allow beneficiaries to remain on benefits, and pay for services or items needed to work, and become stable in employment. If, after applying all applicable work incentives (such as IRWE), if the beneficiary's countable earnings are above SGA, Social Security will make a cessation decision for benefits. Individuals who are working and are not yet earning SGA do not need to use IRWEs, as their benefits will continue as long as earnings are below SGA.

The approval process for IRWEs is lengthy and complicated. There is no standard form to use when applying for an IRWE, so beneficiaries must write a letter requesting approval that addresses each of the criteria described above. After receiving the letter, it may take SSA a month or more to review and make a decision on the IRWE. The range of allowable

expenditures under IRWE is extensive and includes costs of adaptive equipment or specialized devices, attendant care, special transportation costs, costs for the care of service animals, the cost of job coach services if paid by the beneficiary, and anything else Social Security thinks is reasonable, considering the person's impairment(s) and circumstances. There are no definitive lists of acceptable IRWEs. What Social Security will allow as an IRWE deduction depends on the consumer's situation, the impairment, and the reasonableness of the cost. Field Office Claims Representatives must make subjective determinations related to the IRWE criteria based on the information submitted to them by the beneficiary to determine if the IRWE expense is reasonable. Therefore, an IRWE that may be approved in one Social Security office may not be approved in another office.

The IRWE is a powerful work incentive for some beneficiaries. Like all work incentives, it may not be applicable for all individuals. The application and documentation process is challenging, the eligibility criteria are very specific, and the benefit for specific individuals will vary widely based on how long beneficiaries have worked, earnings level, and other factors.

4. *Social Security pays benefits to workers who are unable to work due to a medical condition, as well as to dependent family members, such as children. In your testimony you noted that under current law, when a worker's benefit is terminated due to work above substantial gainful activity, any associated family benefits are also terminated. What would happen under a benefit offset? Would such an approach be less of a shock to a family's finances?*

Under existing regulations, when an SSDI beneficiary engages in SGA and cash payments cease, all payments to dependent family members also are suspended. This serves to make the "cash cliff" more precipitous for the beneficiary and makes it more difficult to fully replace the value of the benefits through wages. For example, if Tim receives \$1,800 per month in SSDI and his 6 year old son and wife receive an additional \$900 in dependent's benefits, Tim would risk losing more than \$2,700 in Social security benefits each month by earning more than \$1,090 in countable monthly wages (the 2015 SGA guideline). To fully replace the value of the Social Security benefits received by the family, Tim would need to earn more than \$2,700 each month AFTER taxes and payroll deductions. That would equate to a gross annual salary of approximately \$42,000. For many individuals with severe disabilities, this level of earnings (at least initially) is simply not possible. For many beneficiaries like Tim, the only financially viable option is to work part-time earning less than the SGA guideline so that cash benefits are retained.

Under an offset program, benefits of dependent family members are not suspended until wages are sufficient to cause the SSDI cash payment to be reduced to zero. This allows beneficiaries to gradually increase earnings over time as benefits payments are reduced rather than suffering a

sudden and significant loss of income. The offset approach encourages beneficiaries to work and earn more while still retaining attachment to the SSDI program and eases the transition from dependence on disability benefits to reliance upon earned income. The offset approach allows beneficiaries with limited earnings capacity to work over the SGA guideline and still retain partial benefit payments. For Tim, this means he could accept employment earning \$2,000 per month (\$24,000 per year) and be confident that his SSDI check would be reduced, but not suspended entirely, and the \$900 in dependent's benefits would continue. The offset would allow Tim to gain valuable work experience and have more disposable income available to support the family.

Question from Rep. Jason Smith:

5. *The district I was elected to represent has over 100,000 Social Security beneficiaries. What I hear back home from constituents is that they want to get back to work, but they're uncertain how working would impact the benefits they earned. The Disability Insurance program should promote ambition and reward work. But, DI is simply too complicated to help my constituents get back to work. Dr. Kregel, how difficult is it for people to understand the current work incentives? Would simplification make it easier for people to return to work and help people achieve financial independence?*

Simplification of the SSDI program rules is urgently needed. Current rules and SSA procedures make it extremely difficult for beneficiaries to (1) find information on existing work incentives, (2) understand the intricacies of the program rules, and (3) work with local Social Security Field Offices to apply the work incentives in an accurate and timely manner.

Beneficiaries can find information on the program rules and work incentives online. However, the rules and work incentive provisions are quite extensive, difficult to understand, and often open to interpretation. It is extremely difficult for a single individual to acquire and understand all the necessary information to use as a basis for major employment and financial decisions without having access to the services of a Work Incentive Planning and Assistance (WIPA) project, or devoting considerable time in telephone discussions with knowledgeable SSA representatives.

Even assuming that a beneficiary can compile and study all the relevant information, he or she must be very vigilant that the work incentives are applied accurately and in a timely manner. Mistakes commonly occur and decisions are often delayed. Too frequently, beneficiaries diligently work to comply with all rules, provide all necessary notifications and documentation, and still receive inaccurate benefit payments. When a program reaches this level of complexity, when a reasonable, honest individual is attempting to fully comply with regulations yet is still making mistakes or having rules applied incorrectly, immediate efforts to simplify the program are necessary and justifiable.

Question from Rep. Kristi Noem:

6. *I want to share the story of one of my constituents. Larry Eining lives in Clear Lake, South Dakota, and until recently, he had worked for an energy company for nearly 30 years. One day while working, Larry was driving a pay loader when he was rear-ended by a teenager who was texting. Larry was thrust into the steering levers. He was unable to work for over a year due to his serious injuries.*

It took less than 30 days for Larry to receive Social Security disability benefits, and after about 13 months, Larry's doctor released him to go back to work. Unfortunately, because he was away from work so long, he lost his job.

Undeterred, Larry decided to start his own business, and he notified the Social Security Administration that he didn't need benefits anymore. SSA told him that he would be required to receive benefits for two more years. Sure enough, two years and one month later, Larry received a letter saying he owed SSA over \$40,000.

Larry began to fix the problem immediately, but SSA hasn't made it easy for him. For example, in November, Larry sent SSA a check for half the amount he owed. He sent it in November to get it done before the end of the tax year. SSA waited until February to cash it.

Later, when Larry went to SSA to discuss his account balance, he was told that the SSA employee with whom he had been corresponding did not exist. To his credit, Larry has been cheerful throughout this bureaucratic circus, and just wants to get the problem solved.

Dr. Kregel, I tell this story because it shows us how beneficiaries' lives can be turned upside down when SSA overpays.

The Trial Work Period is supposed to allow beneficiaries to test their ability to work. During this time, an individual can earn any amount and continue to receive benefits. After that period ends, earnings above a certain amount cause benefits to end. But it's not just earnings that matter – Social Security also looks at expenses due to an impairment a person has because he or she is working. With all these complex rules, how is a person like Larry supposed to know if he is working in excess of the limit, and not supposed to be receiving a benefit?

Mr. Eining's experience is one that is particularly frustrating. It appears that he was given erroneous information when he was told that he was "required to keep benefits for two years". While this is an extreme example, it is not uncommon that beneficiaries contact Social Security Field Offices, provide complete information on their employment status, and then are totally surprised when they subsequently receive a notice of a large overpayment, creating a huge financial hardship on them as they attempt to restart their careers.

The rules are complex, but a larger problem occurs when beneficiaries receive inaccurate information. Some SSA employees are not thoroughly versed on the work incentives and even knowledgeable staff members often have little time to spend with beneficiaries. Staff shortages make it difficult for SSA to process work activity reports and complete work-related Continuing Disability Reviews in a timely manner, which should have occurred in Mr. Eining's case.

Another problem that Mr. Eining may have faced is the complexity and confusion involved the SSA wage reporting requirements. He notified the Field Office that his benefits needed to stop, but the earnings reporting process requires monthly submission of pay stubs. If he had received complete and accurate information, he could have ensured that his benefits stop. His overpayment should never have reached the \$40,000 level.

One sure way that Mr. Einings can receive reliable information is from the North Dakota Work Incentive Planning and Assistance (WIPA). The North Dakota project is operated by Rehab Services, Inc. and is called the Social Security Benefits Project. They do a great job.



Submissions for the Record



**CONSORTIUM FOR CITIZENS
WITH DISABILITIES**

STATEMENT FOR THE RECORD

**Hearing before the
House Committee on Ways and Means**

**Promoting Work Opportunities for Social Security
Disability Insurance Beneficiaries**

July 9, 2015

**Statement submitted on behalf of the undersigned members of the
Social Security Task Force, Consortium for Citizens with Disabilities:**

Easter Seals
Health & Disability Advocates
Justice in Aging
Lutheran Services in America Disability Network
National Alliance on Mental Illness
National Association of Disability Representatives
National Committee to Preserve Social Security and Medicare
National Disability Rights Network
National Organization of Social Security Claimants' Representatives
Paralyzed Veterans of America
The Arc of the United States
The Jewish Federations of North America
United Spinal Association

Chairman Ryan, Ranking Member Levin, and Members of the Committee, the undersigned members of the Consortium for Citizens with Disabilities (CCD) Social Security Task Force submit this Statement for the Record for the July 9, 2015 hearing on "Promoting Work Opportunities for Social Security Disability Insurance Beneficiaries."

The CCD is a coalition of national organizations working together to advocate for federal public policy that ensures the self-determination, independence, empowerment, integration, and inclusion of the approximately 57 million children and adults with disabilities in all aspects of society. The CCD Social Security Task Force focuses on disability policy issues in the Title II disability programs and the Title XVI Supplemental Security Income (SSI) program.

Congress Must Ensure the Financial Future of Social Security Benefits

Our nation's Social Security system insures nearly all American workers and their families for retirement and in the event that a worker experiences a qualifying disability, or dies. As part of this system, Social Security Disability Insurance (SSDI) provides modest but vital financial assistance to approximately 11 million Americans. SSDI helps beneficiaries with disabilities and their families to meet their everyday needs -- keeping a roof over their heads, putting food on the table, paying for out-of-pocket medical and disability-related expenses, and paying for other basic living expenses.

The CCD Social Security Task Force strongly supports efforts to help beneficiaries to obtain and maintain employment to expand economic opportunity and promote self-determination, independence, empowerment, integration, and inclusion. Improving the SSDI program work incentives and providing better employment supports and services is an essential part of these efforts. Below, we provide highlights of the many recommendations for strengthening SSDI work incentives that the CCD Social Security Task Force has made over the last several decades.

With the impending depletion of the Disability Insurance (DI) Trust Fund, beneficiaries face a 20 percent across-the-board benefit cut in just over one year. Given the critical role that SSDI plays in the lives of beneficiaries and their families, our longtime position is that limiting coverage or eligibility or cutting benefits will harm beneficiaries and their families, and will not help anyone to work. **What is needed is a guarantee that SSDI will be maintained through reallocation, without cutting coverage, eligibility, or benefits, to ensure continued benefits through 2034.**

Congress has known for nearly two decades that Social Security's DI Trust Fund will need to be replenished by 2016. The need for action now is no surprise, but stems from long-term demographic trends including an aging workforce now in its disability-prone years, and an increase in work by women that has led to an increase in women's eligibility for Social Security including SSDI based on their own work records.

Reallocation will ensure that SSDI is available to both current and future beneficiaries, including the 7 in 10 SSDI beneficiaries who are age 50 and older. SSDI benefits average just under \$40 per day for workers with disabilities. Benefits make up the majority of income for 4 out of 5 beneficiaries and provide the sole source of income for 1 in 3 beneficiaries. The impact of any reduction in benefits could be truly devastating.

Congress needs to act expeditiously, as it has done many times in the past, to reallocate existing payroll taxes between Social Security's DI and Old-Age and Survivors' Insurance (OASI) funds. Last year, using data from the 2014 Social Security Trustees Report, Social Security's actuaries found that both trust funds would be able to pay full scheduled benefits through 2033 by temporarily raising the 1.8 percent DI share of the current 12.4 percent Social Security payroll contribution to 2.8 percent in 2015 and 2016, and then gradually reducing it back to 1.8 percent by 2025. Congress has reallocated between Social Security's funds in this manner about equally in both directions to keep the system on an even reserve ratio -- 6 times using a narrow definition of reallocation, and 11 times using a broader definition of reallocation. As outlined last year by the actuaries, reallocation does not require any new taxes and would maintain the long-term solvency of the combined Social Security trust funds for approximately 18 years.

A reallocation that equalizes Social Security's trust funds -- without any accompanying cuts to Social Security coverage, eligibility, or benefits -- is the common sense, responsible solution that Congress should enact promptly. Such a reallocation is needed to keep Social Security's promise to the more

than 165 million Americans who currently contribute to the system and the nearly 11 million Americans who currently receive SSDI benefits.

CCD Recommendations for Improving Employment Opportunities for SSDI Beneficiaries

Since CCD's founding in 1973, the Consortium and the CCD Social Security Task Force have developed numerous recommendations for strengthening SSDI. We believe that proposed changes to any program, including SSDI, *must be developed and evaluated by looking beyond budgetary effects to understand the actual impact on people's daily lives now and in the future*. The recommendations below seek to strengthen SSDI to make it work better for people with disabilities and their families.

The CCD Social Security Task Force strongly supports increasing efforts to help people with significant disabilities to work to their fullest potential. The basic structure of the Social Security Title II and SSI disability programs is sound and should be preserved, but much more can be done to increase economic security and employment among current and future beneficiaries. The CCD Social Security Task Force has written extensively and testified before Congress on numerous occasions, regarding the multi-faceted approaches needed to modernize the Social Security disability programs to increase opportunities for beneficiaries to work, to provide support to help people with disabilities remain attached to the labor force, and to deliver the training, services and supports that people with disabilities, including SSDI and SSI beneficiaries, may need to return to work.

The Task Force has developed the following Reform Principles to guide our recommendations.¹

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

Social Security's disability programs are critical to people with disabilities and their families. Their basic structure is effective and should be preserved. Any efforts to change the Social Security disability programs must protect and expand the effectiveness of these income support programs, as well as protect access to the corresponding health coverage provided through Medicare and Medicaid. Additionally, because the intent of the Social Security disability programs is to provide income support for individuals who do not have the capacity to work, the existing definition of disability is appropriate. The current definition is strict, providing benefits only to individuals with the most significant impairments. The current structure also provides sufficient flexibility to allow for policies that promote employment for beneficiaries who are able to do some work.

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

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

¹ "Disability Program Reform Principles," CCD Social Security Task Force, March 2012. http://www.c-c-d.org/fichiers/CCD_SS-Disability_Program_Reform_Principles3-2012.pdf.

benefits while also promoting ways to improve employment outcomes for individuals with disabilities who have the capacity for work.

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

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

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

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

In our experience, even those beneficiaries who eventually attain self-supporting employment may take a long time to do so. Placing arbitrary time limits on benefits could be counterproductive and exacerbate physical or mental health problems. It is also impossible to predict who might be able to work at a self-sustaining level as the course a disability or illness may take is unpredictable and definitely not known ahead of time. For those who are not able to attain a significant level of employment, or not able to do so within the prescribed time frames, a time-limited program would greatly increase the need for repeated applications and adjudications, causing great stress for beneficiaries as well as increased administrative costs for the Social Security Administration. The current policy of conducting continuing disability reviews avoids these problems and additional costs, while ensuring that individuals who no longer qualify for the program have their benefits terminated.

Recommendations for Work Incentives

Some of our major recommendations for modernizing the Social Security disability program work incentives are discussed below. We believe that these kinds of reforms should be the first line of exploration when considering options for strengthening the Title II and Title XVI disability programs, and have the best chance of increasing employment while ensuring that people with the most significant disabilities do not risk the loss of vital income support.

As noted above, development of any system to enhance work among SSDI and SSI beneficiaries must start with the needs of beneficiaries and be designed to meet those needs. Although we believe reforms are urgently needed to maximize opportunities for SSDI and SSI beneficiaries to work, we do not expect significant cost savings from these reforms. If cost saving becomes the major driver of Social Security disability program reform, the unintended consequences for current and potential beneficiaries could be severe.

As a general matter, we have serious concerns that people with disabilities could be hurt by implementation of untested proposals. Additionally, certain proposals could have the unintended consequence of actually making it *more* difficult for people with disabilities to obtain employment. We urge thoughtful consideration and testing prior to endorsing or implementing changes to the Social Security disability programs. In addition, we urge caution in considering changes that could cause individuals to lose access to SSDI or SSI benefits.

Further, we believe that modernizing the Social Security disability programs to improve employment outcomes must occur in close coordination with enhancement of a range of other vital supports and services to ensure that workers with disabilities have a fair shot. In our experience working with people with disabilities, a myriad of factors contribute to the high rate of unemployment among beneficiaries with disabilities. These include the systemic lack of access to post-secondary education, employment services, health insurance, long-term supports and services, and paid leave and sick days, as well as the need for easily accessible, reliable transportation and affordable, accessible housing. All of these factors can conspire to trap people with disabilities in a cycle of poverty, and must be considered and addressed in constructing a system to assist beneficiaries with disabilities to achieve greater economic self-sufficiency.

A. Decouple access to supports and services from Social Security disability

As attitudes and expectations regarding people with disabilities have evolved over time, so has our nation's system of programs designed to support people with disabilities to live independently. Though the purpose of the Social Security disability programs is partial wage replacement for people experiencing limited earnings capacity, these programs became the "gateway" for accessing other needed supports and services. Many other important programs use eligibility for Social Security disability benefits to determine eligibility for the other benefits. For example, receiving a disability determination from Social Security and receiving SSI automatically entitles a person to receive Medicaid in most states; similarly, SSDI eligibility confers eligibility for Medicare, after a 24-month wait. While access to healthcare via Medicare and Medicaid should not be jeopardized in any way for SSDI and SSI beneficiaries, we believe there should be pathways to accessing public health insurance for all individuals with disabilities, without needing to apply and be found eligible for income support benefits (whether needed or not) as a prerequisite to accessing the services and supports they need.

B. Strengthen the Social Security work incentives

The CCD Social Security Task Force highlights the following recommendations to provide greater support to allow beneficiaries to work to their fullest capacity. These represent some of our key recommendations over the years, but are by no means comprehensive.

- **Renew SSA's Title II demonstration authority.**

SSDI beneficiaries face a complex set of rules regarding earnings, and, in the case of concurrent beneficiaries who receive SSDI and SSI, regarding assets as well. Demonstrations allow SSA to test

additional ways to help beneficiaries navigate the system and can provide important information about effective strategies for assisting beneficiaries in attempting to work or return to work. Currently, SSA has demonstration authority for its Title XVI programs, but demonstration authority for the Title II programs expired in 2005. Congress should extend SSA's Title II demonstration authority and should include the same protections for beneficiaries included in the Title XVI demonstration authority.

The CCD Social Security Task Force has principles for Title II demonstrations, available at:

http://c-c-d.org/fichiers/CCD_SS-Disability_Demonstration_Principles-Final-1-14.pdf

- **Ensure continuation of the Work Incentive Planning and Assistance (WIPA) and Protection and Advocacy for Beneficiaries of Social Security (PABSS) programs.**

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

- **Improve program navigation and remove barriers to work.**

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

As discussed below, we strongly recommend that SSA develop a better wage reporting and recording system and ensure prompt adjustment of benefit payments to minimize overpayments. Some individuals with disabilities are wary of attempting a return to work out of fear that this may give rise to an overpayment if their earnings are not properly recorded and monthly benefits are not properly and promptly adjusted.

- **Establish an earnings offset in the SSDI program.**

One of the most difficult and enduring barriers to work for SSDI beneficiaries is the sudden termination of cash benefits when someone crosses the substantial gainful activity (SGA) threshold after the trial work period. This affects both the individual's benefits as well as those of any dependent(s).

The CCD Social Security Task Force has long been on record supporting the creation of a benefit offset in SSDI to eliminate the work disincentive created by the cash cliff and create a ramp off of benefits to better support return to work for beneficiaries. There is over 25 years of experience regarding the effects of an offset on beneficiaries from the SSI program under the Section 1619 program, which Congress made permanent in 1987 following a demonstration period of 7 years. Combined with the results of the 4 state pilots undertaken in the early 2000s in SSDI, there is ample evidence that Congress should enact a benefit offset in SSDI.

Last year, in response to a request by Majority staff of the House Ways and Means Social Security Subcommittee, the CCD Social Security Task Force developed a unified SSDI benefit offset proposal. We have shared and discussed our proposal with both the Majority and Minority Subcommittee staffs. Our proposal includes the following features:

1. Benefit offset level: \$1 benefit offset for every \$2 of earnings over the earning disregard threshold.
2. Earning disregard threshold: Initial earning disregard should be set *no lower than* the current law Trial Work Level (TWL) period earning threshold of \$780 for 2015 (if adopted in 2016 or after should begin with scheduled TWL earning threshold for that year). The earning disregard threshold for SSDI should be indexed in the same manner that TWL is currently indexed annually.
3. The earned income disregard in the Supplemental Security Income (SSI) program should also be increased to the level it would be at if it had been indexed since its inception. The earned income disregard in the SSI program should be indexed after it is increased. For example, the CCD Social Security Task Force is supportive of the approach taken by the Supplemental Security Income Restoration Act (\$112 general income disregard, \$364 earned income disregard).
4. Eliminate the Trial Work Period and Extended Period of Eligibility. Rather, earnings should never cause a SSDI beneficiary's eligibility to be terminated. Instead, benefit eligibility should be put in suspension in any month that a beneficiary's earnings rise to the level that no benefit is payable. A SSDI beneficiary's eligibility should only be terminated if the individual has medically improved and no longer has a disabling impairment according to the Title II definition of disability.

The proposal includes other administrative and work incentives proposals. Our full proposal is available at:

http://www.c-c-d.org/fichiers/CCD_Final_Benefit_Offset_Proposal.pdf

The structure and features of SSDI benefit offset proposals matter greatly. The CCD Social Security Task Force proposal came out of extensive research and discussion about what elements must be present to promote work while also ensuring the adequacy of SSDI benefits which have been paid for by workers with disabilities. Our proposal is a unified design, not a menu of options. Additionally, proposals that lack key elements – such as continued attachment to SSDI and Medicare – or that set the earnings disregard threshold lower than the TWL could erode the financial security of SSDI beneficiaries and their families, create new work disincentives in the SSDI program, and increase overpayment rates.

- **Provide a “continued attachment” to SSDI and Medicare, for as long as a beneficiary’s impairments last.**

Beneficiaries who are sometimes able and other times unable to be employed should have continued attachment to cash and medical benefits that can be activated with a simple and expedited procedure that is as “seamless” as possible.

For example, SSA has proposed the Work Incentives Simplification Pilot (WISP). Under the WISP, work would no longer be a reason for terminating SSDI benefits. SSA would continue to pay cash benefits for any month in which earnings were below the established threshold, but would suspend benefits for any month in which earnings were above the threshold. SSA would evaluate whether this pilot simplification reduces the number of improper payments due to work, and allows the agency to redirect those administrative resources to other areas.

As noted above, “continued attachment” is also an essential feature of the CCD Social Security Task Force benefit offset proposal.

- **Preserve and strengthen programs designed to allow flexibility for people with disabilities to return to work, including programs authorized under the Ticket to Work and Work Incentives Improvement Act (TWWIA).**

These programs offer people with disabilities the option to try different work opportunities without risk of losing their benefits should a return to work be unsuccessful. Providing individuals with disabilities opportunities to work up to their capacity without risking vital income support and health care coverage promotes their independence and self-sufficiency.

One critical enhancement that the CCD Social Security Task Force has recommended for many years is to increase the Substantial Gainful Activity (SGA) level for all beneficiaries to be the same as the SGA level for beneficiaries who are blind.

In addition, as highlighted in testimony by the CCD Employment and Training Task Force (<http://waysandmeans.house.gov/UploadedFiles/TTWWIATest.pdf>), several statutory problems with TWWIA have yet to be addressed by Congress. Among these are the law’s disconnect between its eligibility standard and Social Security’s normal retirement age; the inability of those working past age 65 to participate in a Medicaid buy-in; prohibitions against Ticket holders receiving more than one ticket; and the requirement that a beneficiary wait 24 months after reinstatement to the benefit rolls before he or she can use the work incentives again. Additionally, the existing expedited reinstatement program could be improved by making the following changes: (1) eliminate the 60-month time limit; (2) provide provisional cash and medical benefits until SSA processes the request for reinstatement (current rules limit provisional benefits to 6 months); (3) ensure that SSA promptly reinstates both cash and medical benefits once the agency has approved the reinstatement; (4) explicitly recognize that people may use expedited reinstatement repeatedly; and (5) provide that beneficiaries are eligible for expedited reinstatement if they are unable to engage in SGA when they are no longer working.

- **Reject proposals to create new work disincentives.**

The CCD Social Security Task Force strongly opposes any proposals that would create new work disincentives in the SSDI or SSI programs, including proposals to eliminate or reduce concurrent SSDI and Unemployment Insurance (UI) benefits, such as the “Social Security Disability Insurance

and Unemployment Benefits Double Dip Elimination Act of 2015” (S. 499; H.R. 918) and the “Reducing Overlapping Payments Act of 2015” (S. 343).

As noted in a letter signed by 75 national organizations, including members of CCD, the Coalition on Human Needs, and the Strengthen Social Security Coalition, SSDI and UI are vital insurance systems, paid for by workers and their employers, and established for different purposes. Receiving UI and SSDI concurrently is legal and appropriate. Proposed cuts to concurrent SSDI and UI benefits run counter to decades of bipartisan federal policy seeking to open up employment opportunities for SSDI beneficiaries. These proposed cuts single out SSDI beneficiaries, treating them differently from other workers insured under the UI program, and penalize SSDI beneficiaries who have attempted to work by cutting or putting at risk their SSDI benefits. Our full letter is available at:

<http://c-c-d.org/fichiers/CCD-Letter-DI-UI-03-17-15FINAL.pdf>

- **Improve the rules for impairment-related work expenses (IRWE).**

Under current program rules, beneficiaries can deduct from earned income the costs of IRWEs for SGA determinations. The IRWE deduction can be a significant work incentive by allowing individuals with disabilities to obtain services, medical items, and other assistance that allow them to engage in work activity. CCD proposals for revising IRWE include:

- ✓ *Apply the current SSI blindness rule to SSDI disability claimants and beneficiaries to allow the consideration of all work expenses, not only those that are “impairment-related.”* Currently, for Title II and SSI disability claimants and beneficiaries, only those work expenses that are “impairment-related” are considered. However, the SSI income-counting rules for individuals who qualify based on statutory blindness are more liberal because all work expenses can be deducted, not only those that are “impairment-related.” There is no public policy basis for this continued disparate treatment of people with different significant disabilities.
- ✓ *Allow beneficiaries to include their health insurance premiums as IRWEs.* This would recognize the higher costs incurred by workers with disabilities who must pay premiums for the Medicaid Buy-In or for continued Medicare after the termination of free Part A benefits.
- ✓ *Increase the SGA level for all beneficiaries to be the same as the SGA level for beneficiaries who are blind,* and maintain annual indexing of the SGA to adjust for inflation and cost of living increases.
- **SSA must receive sufficient administrative funding in order to process earnings reports timely and adjust benefits as appropriate.**

When a disability beneficiary goes to work, she is required to report her earnings to SSA so that benefits can be adjusted and a work CDR performed as appropriate. If the earnings report is processed in a timely manner, benefits are adjusted and no overpayment results. However, if SSA lacks the staff capacity required to process earnings reports in a timely manner, beneficiaries who have earnings from work are likely to receive overpayments despite reporting their earnings timely to SSA. The longer the delay in processing, the larger the overpayment will be. According to Acting Commissioner of Social Security Carolyn Colvin in testimony delivered to the Social Security Subcommittee of the House Committee on Ways and Means in January 2012, SSA has allocated additional resources to work CDRs, targeting cases with the oldest earnings reports—those more than a year old—but that the agency still has a significant backlog of medical CDRs. Acting

Commissioner Colvin further testified at that hearing that it takes more than 270 days on average for SSA to complete a work CDR. Every month that passes from the time that a beneficiary reports earnings before a work CDR is completed increases the likelihood of a large, preventable overpayment.

This delay in processing of earnings reports can have a significant detrimental impact on people with disabilities. When beneficiaries faithfully notify SSA of earnings or other changes that may reduce their benefit payment amounts, as noted above, it may be months or years before SSA sends an overpayment notice to the beneficiary, demanding repayment of sometimes tens of thousands of dollars of accrued overpayments. It can be shocking and anxiety-provoking to receive such a notice, particularly when the beneficiary reasonably assumed that SSA had processed the information they submitted. Moreover, it can be challenging, if not impossible, for someone subsisting on benefits alone to repay an overpayment of even a few thousand dollars, let alone tens of thousands of dollars or more.

Some individuals with disabilities are wary of attempting a return to work out of fear that this may give rise to an overpayment, jeopardizing their economic stability. SSA needs to develop a better reporting and recording system and ensure prompt adjustment of benefit payments to minimize overpayments due to reported earnings. It is important to note that, in and of themselves, overpayments do not indicate fraud or abuse as beneficiaries are encouraged to work if they are able. The problems arise when reported earnings are not properly recorded and monthly overpayments are not properly adjusted. SSA must have adequate resources and staffing to allow the agency to reduce both the backlog and processing time of earnings reports.

Conclusion

Thank you for the opportunity to submit this Statement for the Record of the July 9, 2015, hearing on Promoting Work Opportunities for Social Security Disability Insurance Beneficiaries. The Social Security disability programs are a vital part of our nation's Social Security system, and provide nothing short of a lifeline to people with significant disabilities. We look forward to working with you in the future as you consider ways to strengthen these vital programs for current and future beneficiaries.

Submitted on behalf of the undersigned members of the Social Security Task Force, Consortium for Citizens with Disabilities:

Easter Seals
Health & Disability Advocates
Justice in Aging
Lutheran Services in America Disability Network
National Alliance on Mental Illness
National Association of Disability Representatives
National Committee to Preserve Social Security and Medicare
National Disability Rights Network
National Organization of Social Security Claimants' Representatives
Paralyzed Veterans of America
The Arc of the United States
The Jewish Federations of North America
United Spinal Association



Written Testimony

for the

**U.S. Ways and Means Committee Hearing
“Promoting Opportunity for Disability Insurance Beneficiaries”**

July 9, 2015

Submitted By:

Susan Webb Representing

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July 23, 2015



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The Honorable Paul Ryan, Chairman
US House Ways and Means Committee
1102 Longworth HOB
Washington D.C. 20515


Mr. Ryan,

Thank you for the opportunity to submit written testimony in response to a hearing held by the full US House Ways and Means Committee on July 9, 2015, "Promoting Opportunity for Disability Insurance Beneficiaries."

The Employment Network Advocacy Coalition (ENAC) represents Employment Networks (ENs) that have a contract with the Social Security Administration to provide diverse, individualized employment services to Social Security Disability Insurance (SSDI) beneficiaries and recipients of Supplemental Security Income (SSI) to help them achieve and maintain self-supporting employment.

During the hearing Congressman Charles Boustany posed a question to one of the witnesses, John Kregel of Virginia Commonwealth University, "If you could design an employment program from scratch, what would it look like?" Our testimony answers that question.

After 13 years of operating the Ticket to Work Program with limited success, much can be learned from the collective experience of Employment Networks and other providers who have direct one-on-one contact with beneficiaries on a daily basis. Our recommendations affect three key categories of stakeholders: 1) beneficiaries; 2) the Social Security Administration; 3) employment services providers, including Employment Networks (ENs), State Vocational Rehabilitation Agencies (SVRAs), American Job Centers (AJCs, AKA One-Stops), and Work Incentive Planning and Assistance Programs (WIPAs).



Specific Recommendations

For Beneficiaries:

1. Eliminate the Trial Work Period/Grace (TWP), Extended Period of Eligibility (EPE), and Expedited Reinstatement (EXR).
2. Implement a 2:1 earnings offset to reduce benefits \$1 for every \$2 earned starting from first dollar earned.
3. Include the 2:1 offset for spouse/child benefits after the main beneficiary reaches \$0 rather than the current practice of suspending all dependent benefits after the primary beneficiary works above Substantial Gainful Activity (SGA) and uses the TWP/Grace.
4. Implement permanent attachment to SSDI and use timely and regularly scheduled medical Continuing Disability Reviews (CDR) to determine ongoing eligibility.
5. Retain voluntary beneficiary participation in any return-to-work (RTW) program with a choice of service providers.
6. Allow a one-year adjustment period before implementing the 2:1 offset for those whose monthly earned income is below \$700 when the law goes into effect. This will alleviate hardship for beneficiaries currently working below SGA whose benefits would immediately be reduced by applying a 2:1 offset.
7. Allow those using the TWP when the law becomes effective to complete it before applying a 2:1 offset.
8. Eliminate recovery of benefits from beneficiaries who return to work before they have been on benefits for 12 and experience an unexpected medical improvement. This is especially important for beneficiaries with episodic disabilities.


Social Security Administration:

1. Require a separate communication about return-to-work from SSA at least annually to each beneficiary. The current practice of including a small paragraph buried within their annual benefits update is insufficient.
2. Require that all messaging from the Commissioner on down regarding working and benefits promote and encourage return-to-work. Instead of the current, "If you earn more than \$X, you will lose your benefits," the message should be, "Here is how you can work to the maximum extent of your ability and still have your benefits available if you cannot work."
3. Establish an electronic resource to teach and inform beneficiaries about return-to-work, and aggressively promote it.
4. Establish a centralized cadre of field office support staff dedicated to return-to-work including services to beneficiaries and also to service providers.
5. Implement a telephone and digital wage reporting system with monthly reporting.
6. Count earnings of DI beneficiaries when paid, not when earned.
7. Allocate sufficient administrative resources to prioritize return-to-work administration, including timely CDRs, earnings tracking and posting, and other items listed above.

Service Providers:

1. Ensure a diverse choice of providers including VR, ENs, AJCs and workforce intermediaries (including staffing agencies).
2. Ensure educational advisor resources, certified Work Incentives Planning and Assistance Counselors, to help beneficiaries coordinate return-to-work with other benefits. The benefits include, but are not limited to, Medicare/Medicaid, food stamps, subsidized housing, veteran's benefits, impairment-related work expenses, unemployment insurance, credit and student loan management, etc.
3. The payment structure must be outcome/performance-based and allow for services to individuals as agreed between the beneficiary and the provider, without SSA intervention.
4. The payment structure should allow providers to equally serve those who cannot work to self-sufficiency. ENAC is currently designing a revised payment plan which will be submitted for consideration.
5. Providers should have a choice of who to accept for services, notwithstanding requirements of other statutes (Rehabilitation Act, WIOA).

The recommendations offered in this testimony represent several years of discussions among provider groups who know firsthand what an effective return-to-work program looks like.

Sincerely,

ENAC Coordinating Committee:

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 Davinci Center for Community Progress, Providence, RI
 CDO Workforce, Oneonta, NY
 ServiceSource, Clearwater, FL
 Body of Christ Assembly EN Dallas, TX
 Orange Grove Center, Chattonooga, TN
 Freeney Rehabilitative Career Services, LLC, Rowlett, TX
 The Freedom Center, Frederick, MD
 Sarita'Lynne Ministries, Missouri
 Ability One Rappahannock Goodwill Industries, Fredericksburg, VA
 Disability Services of America, Bensenville, IL
 Workforce Essentials, Inc., Clarksville, TN
 Lynchburg Area Center for Independent Living, IN
 Empower Me Corporation, Ft Worth, TX
 South Western West Virginia Region 2 Workforce
 Center for Independent Living of Broward, Miramar, FL
 Step by Step Employment Services, Memphis, TN
 Lifeworx, LLC, Topeka, KS
 CareLink Community Support Services, Lansdowne, PA
 Rehability Oregon, Portland, OR
 Northern Transitions, Inc., Sault Ste. Marie, MI
 RAMP Employment Services, Belvidere, IL
 Employment Resource Network, San Antonio, TX
 Evansville Goodwill Industries, Inc., Evansville, IN
 RISE, Incorporated, Minneapolis, MN
 Northeast Florida Workforce Development Board, Ocala, FL
 SouthSTAR Services, Chicago Heights, IL
 Job Victories, Inc., Somerville, MA
 Southwest Florida Workforce Development Board, FL
 Real Solutions, Dorris, CA

Active Members, Cont'd:

Alternative Living Solutions, Charlotte, NC
Goodwill Industries of Central Florida, Inc., Orlando, FL
Special Employment Services, Inc., Wichita, KS
Reach, Inc., Eau Claire, WI, Menomonie, WI
Mending Wings, Inc., Orlando, FL
Certified Placement Services, LLC
America Works of New York, Inc
DisABLEd Workers LLC, Waterloo, IA
Workable Solutions, LLC, Ashland, OR
RAMP Employment Services, Rockford, IL
Bridges Enterprise Four County Counseling Center, Logansport IN
City of Glendale, Verdugo Jobs Center, CA
Full Circle Employment Solutions, Silverspring, MD
Maryland New Directions, Baltimore MD
Rational DataSearch, Barlett, TN
Creative Achievements, Fort Worth, TX
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Tecumseh Area Partnership dba Workforce Region 4 Employment Network, Lafayette, IN
Employment Network Hawaii

Statement To the U.S. House Committee on Ways and Means

**Hearing on “Promoting Opportunity for
Disability Insurance Beneficiaries”**

Held: July 9, 2015

Submission deadline: July 23, 2015

**WorkFirst: Early Intervention for
Social Security Disability Insurance Beneficiaries**

By

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Introduction: WorkFirst for Early Intervention

Allsup is a provider of specialized services and technologies that help meet the financial and healthcare needs of Americans with disabilities. Founded in 1984, Allsup companies work nationwide to deliver a range of advocacy services and integrated products that help reduce the financial impact of disability, including: assessing eligibility and obtaining Social Security Disability Insurance (SSDI) benefits, supporting return-to-work efforts, and ensuring the healthcare needs of individuals as they move across the disability continuum. A subsidiary, Allsup Employment Services Inc. (AESI), is a Social Security Administration (SSA)-approved Employment Network (EN).

In 2014, Allsup began working with four states and their Vocational Rehabilitation agencies—Delaware, Nebraska, Vermont and Wisconsin to develop an early intervention project. Called WorkFirst, the project proposes to use Allsup's well-developed education and eligibility review process to identify and refer potential SSDI applicants to their home state VR agencies for voluntary return-to-work assistance, prior to their application for SSDI benefits.

WorkFirst has gained the support of these state agencies. WorkFirst also was proposed to the SSA through its Request for Information on Early Intervention Strategies for Serving Individuals with Disabilities, Docket No. SSA-2015-0023, May 7, 2015.

Why have Allsup and these states joined efforts? Allsup has helped more than 250,000 individuals with disabilities successfully obtain their SSDI, Medicare and veterans disability benefits. Nearly 100,000 individuals annually in the past three years have asked Allsup to determine their eligibility for benefits. This provides a unique position to introduce the WorkFirst program to tens of thousands of individuals with disabilities, prior to their application for benefits.

As members of the disability community and providers of state services to millions of people with disabilities, Allsup and Delaware, Nebraska, Vermont and Wisconsin agencies are submitting the following information in response to House Ways and Means Committee Chairman Paul Ryan's call for ideas to help strengthen the SSDI program.

Congress and the SSA should provide full budget consideration for true early intervention programs such as this one. WorkFirst proposes an early intervention demonstration for *potential* SSDI applicants.

More information is provided on subsequent pages.

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WorkFirst: Early Intervention for Social Security Disability Insurance (SSDI) Beneficiaries

Executive Summary. *It is well-documented that the Social Security Disability Insurance Program (SSDI) is facing an imminent fiscal shortfall. The primary driver of the increase in costs of the program has been an increase in the number of people on the SSDI rolls due to demographic and economic changes. If nothing changes, the Social Security actuaries project the program will not have sufficient funds to cover benefits payments as soon as 2016.*

One potential strategy to slow the influx of new beneficiaries into the program is to assist prospective SSDI applicants with returning to work before they become beneficiaries. By intervening early, we believe we can divert SSDI applicants back into the workforce, before they become committed to a life on disability benefits. The States of Delaware, Nebraska, Vermont and Wisconsin are proposing a unique public/private partnership with Allsup Incorporated to test such an approach.

Allsup is one of the largest private companies in the country that represents individuals with disabilities applying for SSDI benefits. As part of its business model, Allsup has developed considerable expertise in screening individuals for eligibility. For this project, we propose using Allsup's expertise in identifying eligible SSDI applicants, and to divert individuals to return to work services through the public vocational rehabilitation program in the four states.

Under the proposed model, Allsup would screen potential applicants and if the individuals are determined as likely to be eligible for SSDI, the individual will be offered a "return to work" track through the public vocational rehabilitation program. If they agree to enter the return to work track, they would be provided a time limited cash benefit that would be contingent on their participation in the vocational rehabilitation program.

The participating state vocational rehabilitation programs would provide specialized "fast track" return to work services. Allsup would maintain an ongoing support role similar to that of an Employment Network under the Ticket to Work program. Any payment for services would be contingent on a successful employment outcome. If the individual sustains work for one year at a substantial level (defined as the level that would preclude eligibility) the state vocational rehabilitation program would receive cost reimbursement. If the individual sustains work at a substantial level beyond one year, Allsup would receive Phase II Milestone and Outcome payments under the Ticket to Work program.

In the current system, many of the incentives are skewed. Companies like Allsup are paid for helping individuals apply for benefits. They are typically not paid for helping someone choose a return to work path. Vocational rehabilitation only receives reimbursement if it helps an existing SSDI beneficiary achieve an employment goal. Vocational rehabilitation does not get any reimbursement if it prevents someone going on the rolls in the first place by helping them return to work. What we propose is to turn the incentives around toward keeping potential SSDI beneficiaries in the labor force and off of the SSDI rolls.

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WorkFirst: Early Intervention for Social Security Disability Insurance (SSDI) Beneficiaries

The Context

The Social Security Disability Insurance (SSDI) program rolls have increased significantly over the last few decades. The increase has put substantial financial pressure on the program. The Social Security Administration's actuaries project the program will become insolvent by 2016 and require either increased revenue or cuts in benefits. A large portion of the increase in the SSDI rolls can be explained as the result of demographic trends, mainly that the "baby boomers" are reaching their late 50s, an age when they are far more likely to apply and be eligible for SSDI. However, according to researchers, demographics do not explain the entire increase. In particular, researchers have identified a significant increase in individuals enrolled in the SSDI program based on what they describe as low mortality diagnoses, including psychiatric disabilities and musculoskeletal disabilities.

We suggest it is these last two broad groups that could benefit from effective early vocational rehabilitation services. There is considerable evidence that, with appropriate supports, people with psychiatric disabilities can work. In addition, advances in assistive technology, better therapeutic care and vocational rehabilitation services could be very effective helping individuals with severe back injuries and other musculoskeletal disabilities get back into the work force.

There is considerable research to demonstrate that the longer a person is detached from the labor force, the less likely it is that they will return to work. The SSDI application process may in fact encourage people to give up on any return to work efforts, because it requires individuals to have not worked at a substantial level for at least one year. As a result, SSDI applicants may lose additional work capacity as a result of waiting to become eligible for SSDI.

In recent years, it has become more common to retain a representative to assist with the SSDI application. Twenty percent of those applying now have representatives, who screen for eligibility. Allsup is one of the largest companies providing this service nationwide. The business model of attorneys and organizations like Allsup is based on the payment they receive (25% of back benefits up to \$6,000). Most of these entities have limited incentive to help return applicants to the workforce. (An Allsup subsidiary, however, is an Employment Network.) Similarly, the State Vocational Rehabilitation programs receive cost reimbursement or Ticket to Work payments for assisting current SSDI beneficiaries to return to work. However, State Vocational Rehabilitation programs do not receive any payment for helping a potential SSDI applicant return to and stay in the workforce.

The Proposed Solution

We propose a solution that seeks to help potential SSDI applicants return to work before they become beneficiaries. To achieve this aim, we propose a unique public/private partnership with Allsup to identify potential beneficiaries early and help them return to work through their local vocational rehabilitation program.

Screening

With more than 30 years of experience, Allsup has demonstrated the ability to pre-screen SSDI applicants with a high degree of accuracy. Allsup's expertise at pre-screening applicants would

allow a demonstration to target the return to work strategy only for applicants who are likely to be awarded SSDI benefits.

The screening process may also assess for individuals who are most likely to benefit from the intervention and for which SSA is most likely to secure a return on investment, such as:

- Applicants between the ages of 25 and 50+;
- Individuals with a relatively stable diagnosis and prognosis;
- Individuals with a low mortality diagnosis.

For example, a 30-year-old applicant with bipolar disorder would be a strong candidate for early intervention. While every case is different, there is significant evidence that individuals with bipolar disorder can and do work at substantial levels given the right supports. Diverting this potential beneficiary from the SSDI rolls could potentially save the SSA 30-plus years of benefits payments and Medicare costs.

If an individual is screened and considered likely eligible, this would trigger an informed consent and random assignment process for the intervention. Likely DI eligible individuals would have the option of continuing their SSDI application or volunteering for the project intervention. Allsup would receive a one-time fee for each individual who enters the program intervention, to offset the loss of the revenue they would receive if they supported the application through SSDI award and as an Employment Network, through the Ticket to Work program.

Accurate screening also would offer a secondary gain of allowing the project to counsel individuals who are unlikely to be found eligible about their options. The project may then refer the individual to public vocational rehabilitation services or Workforce Investment Act (WIA) services to help them re-engage in the workforce. This has the potential to prevent the harm to an individual, who might remain detached from the workforce waiting for a decision, only to get nothing.

A Time Limited Healthcare and Benefits Package

Often applicants are applying for benefits because of immediate financial need and a belief they have no other option. It will be very difficult to persuade individuals to suspend their SSDI application without offering some temporary cash assistance and access to healthcare. It will also be essential for the return to work process that the individual has some level of financial support to enable them to engage fully in employment services. Applicants would have had to exhaust Unemployment Insurance Compensation in order to receive the temporary cash assistance. We propose the temporary cash benefit be at the same monthly level as the individual would receive if they were awarded SSDI benefits.

Also, immediate access to healthcare may be critical for the individual to manage their disability or other health issues that are a barrier to employment. *All of these benefits would be contingent on participation in the vocational rehabilitation return to work plan.* If a participant decides they are unable to pursue a return to work plan, they would simply reactivate the SSDI application. If the SSDI application resumes and is allowed, then any short-term benefit paid during a period that is covered retroactively by SSA would be deducted from the retroactive payment. In this same case (i.e., a completely unsuccessful effort), the Medicare clock would not be affected as it still starts in first month of inability to engage in SGA as determined by SSA.

We also propose, in addition to time limited cash benefits, that participants have the opportunity to receive additional benchmark payments if they achieve employment at or above a substantial level. Strong cash incentives may further support the participant's engagement in the return to work services.

Table 1: Incentive Structure

Temporary Benefit or Return to Work Incentive	Time Frame
A monthly cash benefit at the level the individual would receive if they became an SSDI beneficiary	One Year Duration from Enrollment
Medicare or an equivalent private healthcare package	Three Year Duration from Enrollment
Work Incentive Payment One: \$1,000	Employment at/above SGA for three months
Work Incentive Payment Two: \$2,000	Employment at/above SGA for nine months
Work Incentive Payment Three: \$3,000	Employment at SGA/above for eighteen months

The monthly cash benefit would not be affected by the participant's work activity. Therefore, if the participant was able to secure employment within the year, they would receive both the benefit and their wages. This would act as a further incentive to work.

Fast Track Vocational Rehabilitation Services and Allsup Long-Term Support

Vocational Rehabilitation Services

Given the time limited nature of the temporary cash benefit, participants would be highly motivated to get back to work as soon as possible. To meet this need Vocational Rehabilitation would develop a combination of fast track services designed to get the individual back into the workforce as rapidly as possible. A service package might include the following:

- Direct job placement and support services;
- Specialized medical assistance in support of return to work (for example pain management);
- Short term (six months) skills training in high demand and industry certified programs;
- Short term training placements in real competitive settings to assist participants re-engage in the workforce;
- On the job training agreements, where Vocational Rehabilitation pays employers to train individuals on the job.

Allsup Long-Term Services

Allsup would continue to maintain an ongoing relationship with the participant throughout the process. This would include benefits and financial/budget planning services to help participants

stabilize and improve their overall financial situation. Allsup also would provide ongoing support to the individual after they have returned to work.

The table in the following section summarizes the elements of the proposed design and the treatment and control interventions.

Table 2: Overview of Potential Early Intervention Research Design

Intervention	Control Group	Intervention Group
Allsup Screening and determination of likely eligibility	Yes	Yes
SSDI Application Status	Continues the SSDI Application Process	SSDI Application Suspended
Temporary Benefits	No temporary cash or healthcare benefits	Time Limited Cash and Healthcare Benefits
Employment Services	Standard VR services available if individual decides to apply	Fast Track VR services targeted at rapid return to work at SGA or better
Cash Incentives to Participants who sustain employment	No	Yes
Allsup Benefits and Financial Planning Services	No	Yes
Allsup Long-Term Support Post VR services	No	Yes

Outcome-Based Payments for Employment Outcomes

We propose an outcome based payment system for Vocational Rehabilitation and Allsup similar to the current Ticket to Work Partnership Plus model. The primary difference is that Vocational Rehabilitation and Allsup would be paid for employment outcomes that would divert applicants from the SSDI rolls. Any successful early intervention strategy must show a return on investment to the Social Security Trust Fund. Therefore, we propose a payment structure that is entirely contingent on outcomes.

Table 3: Payment Structure

Organization	Outcome	Payment
Allsup	Applicants screened into the return to work program	One-time payment from SSA for each participant who agrees to enter return to work track
Vocational Rehabilitation	Applicants who work at SGA for 12 months	Cost Reimbursement
Allsup	Applicant maintains work at SGA beyond VR case closure	Phase II and Outcome Payments based on Ticket to Work

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STATEMENT FOR THE RECORD

Hearing before the
House Committee on Ways and Means

Promoting Work Opportunities for Social Security
Disability Insurance Beneficiaries

July 9, 2015

Statement submitted on behalf of the National Council on Independent
Living (NCIL) by the NCIL Employment-Social Security Subcommittee.

Chairman Ryan, Ranking Member Levin, and Members of the Committee,

The National Council on Independent Living (NCIL) submits this Statement for the Record for the July 9, 2015 hearing on "Promoting Work Opportunities for Social Security Disability Insurance Beneficiaries." NCIL works with Americans with disabilities who use Social Security's two main disability benefit programs to live independently and work in their communities, Social Security Disability Insurance, and the Supplemental Security Income program (SSI). Both programs are in need of structural reform and each program can serve widely different populations, which underlie some of the reasons for two sets of recommendations this year.

Social Security Disability Insurance: SSDI Beneficiaries and Employment
NCIL salutes each one of the 1.2 million SSDI beneficiaries in 2013 who had a job, out of 8.4 million SSDI beneficiaries that year.¹ Most of them unfortunately earned very low wages that were below federal poverty guidelines. NCIL believes Congress must address this crisis this year.

NCIL members have spent the first six months of 2015 carefully shaping recommendations which we believe will better support more SSDI disability beneficiaries and their employment activities.

NCIL members recommend and support:

- For SSDI beneficiaries who work, SSDI should disregard 50% of Substantial Gainful Activity earnings (\$545 in 2015) per month as a Career Expense Disregard. Earnings above this amount should reduce the SSDI benefit check by \$1.00 for every \$3.00 in earnings, commonly called a 3/1 benefit offset.

¹ Table 9, Social Security Administration, U.S. House of Representatives Hearing Testimony, June 16, 2015, <http://docs.house.gov/meetings/WM/WM01/20150616/103613/HHRG-114-WM01-Wstate-WeaverD-20150616.pdf>.

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- For current SSDI beneficiaries, SSDI should eliminate work incentive rules, in particular, the Trial Work Period (TWP) and the Extended Period of Eligibility (EPE). Eliminate earned income as a reason for ceasing entitlement to SSDI benefits.
- Earnings in the SSDI program should be counted in the month in which they are paid.
- The Social Security Administration (SSA) should be required to prioritize telephonic and digital forms of real-time wage reporting procedures, similar to what they currently use for SSI.
- SSDI eligibility should only be terminated due to medical improvement, as determined in the current medical Continuing Disability Review (CDR) process.

Supplemental Security Income program: SSI Recipients and Employment

In a 2015 letter to President Obama, the National Council on Disability asks:

"What would a fundamental restructuring of the SSI and SSDI system require to align it with the goals of the Americans with Disabilities Act (ADA), which celebrates its 25th anniversary this year."

National Council on Disability

Securing the Social Contract: Reforming Social Security Disability Report
January 2015

Updates on an Important NCIL Response: The CareerACCESS Policy Initiative

NCIL's Board of Directors has adopted a strong statement of support for CareerACCESS. NCIL Members passed a 2014 Resolution calling on NCIL to advocate for reform of the current Social Security definition of disability.

Discussions with key Congressional staff and interested state agencies continue this year. NCIL is working with the World Institute on Disability and PolicyWorks to secure wider support and funding for CareerACCESS pilot projects in up to five states. For current details and the CareerACCESS blog, use the QR Code below on your smart phone, visit ourcareeraccess.org, or email Justin Harford at justinh@freed.org.

QR Code: www.ourcareeraccess.org

NCIL Asks Congress: Reform SSI for Career Building Young Adults!

The NCIL Ask: NCIL requests Congress (through the House Ways and Means Committee and the Senate Finance Committee) for funds to start and continue CareerACCESS pilot projects in up to 5 states that will serve young adults who meet SSI medical rules for disability, while eliminating the requirement for applicants to prove an inability to work.

Since 1956, young adults with disabilities must prove their inability to work to be eligible for Social Security disability programs. Current SSI rules relegate millions of individuals with disabilities to lives of poverty to remain eligible for cash benefits and health care.

CareerACCESS confronts the disability determination and benefits eligibility rules, transforming SSI's supplemental security income from a safety net to a springboard of opportunity for youth building careers.

CareerACCESS can revolutionize how young adults eligible for Social Security's SSI program (Supplemental Security Income) find and use employment support services, while maintaining disability cash benefits and building their own assets.

CareerACCESS pilot pilots will build on innovative practices to increase employment rates for young adults with disabilities, and over time, provide an effective alternative to the current SSI benefits program.

Current Pilot Project Features and Directions

Piloted in up to 5 states, CareerACCESS will serve young adults who are eligible for SSI while eliminating the requirement for applicants to prove an inability to work. It will blend and braid services and supports from across federal agencies to provide ACCESS (Adult Coaching, Counseling, and Employment Support Services) for young adults up to age 30.

Features:

Eligibility - Establish new eligibility rules eliminating tests for work incapacity.

Applicants with a disability under the age of 28, who meet the current SSI income and resource rules, are auto-enrolled into CareerACCESS, an alternate benefit program to SSI. Eligible applicants must meet or equal the current medical rules in Social Security's Listing of Impairments, excluding the test for work incapacity. Applicants who decide they are not ready for CareerACCESS can choose to apply for the current SSI program in a pilot state.

Supports - Design a mix of new and existing supports by using blended and braided funding from the Department of Education, Health and Human Services, Department of Labor, and Social Security, to serve young adults with disabilities who are in compliance with an Individualized Career Plan (ICP) that meets federal rules and standards.

The individual will review and update the ICP with the key support partners needed to comply with project rules. If a participant becomes non-compliant for any reason, they may exit to the traditional SSI program.

Simplification - Test simplification of SSI work rules allowing CareerACCESS participants to keep their federal SSI stipend (\$733 for an individual, \$1100 for a

couple). The cash benefit stays the same until the participant's earnings and stipend combined are more than 250% of the 2015 federal poverty level. When the participant reaches that level, the young adult will have \$2,452 per month to work with. For income amounts above this level, the cash stipend (\$733) will be reduced \$1 for every \$3 in earnings.

Cash and Counseling – The cash stipend rules allow for a “cash and counseling” approach, similar to successful Medicaid models, to provide life coaching services to enrollees and their families. Services include: counseling and guidance on career planning and coaching, navigating systems, benefits planning, asset development, and health care access.

Financial Planning - Allow participants to benefit from work by eliminating asset building limitations; assets acquired and saved during the project, including ABLE Accounts, are held harmless. Asset development and portability after exit from the project is key to stabilizing financial independence.

Establish enrollee-friendly, online wage reporting, tracking, and information services.

The SSI program - Modify the SSI program rules over time for all SSI youth based on CareerACCESS pilot project findings and outcomes. Sunset the program at or before 12 years, depending on objectives being met as regularly reported to Congress.

Summary by: World Institute on Disability (WID), National Council on Independent Living (NCIL), and PolicyWorks. Current information is at: www.ourcareeraccess.org.





Statement for the Record of the

National Employment Network Association

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United States House of Representatives

Committee on Ways and Means

Hearing on:

Promoting Work Opportunities for

Social Security Disability Insurance (DI) Beneficiaries

July 9, 2015

Paul Luttrell, Board Chair
National Employment Network Association

Lisa Jordan, Board President
National Employment Network Association

Honorable Chairman Paul Ryan, Ranking Member Samuel Levin, and distinguished members of the House Committee on Ways and Means:

The National Employment Network Association (NENA) is honored to present this Statement for the Record for the legislative hearing on July 9, 2015. On behalf of the 150 Employment Networks (EN) represented by NENA, we wholeheartedly support your commitment to a bipartisan solution to the Social Security Disability Insurance (DI) crisis and to solving issues that prevent DI recipients from working to their capacity.

NENA is in full agreement with testimony during the hearing regarding issues and barriers that DI beneficiaries experience in returning to work. Our statement proposes solutions that allow beneficiaries to reduce their dependence on DI benefits, offer a path out of poverty, and produce savings to the Social Security Disability Trust Fund.

Consistent with those of Sam Johnson, Chairman of the Subcommittee on Social Security, NENA's guiding principles for reform are:

- Encourage work
- Simplify the return-to-work process
- Maintain solvency and stability of the system

About NENA

NENA is an incorporated non-profit organization whose purpose is to perform recruiting, outreach, research, training, education, and other services to improve effectiveness of the Ticket to Work and Self-Sufficiency Program, including serving the needs of the Association's members. NENA represents all organization types providing services as employment networks under the Ticket to Work Program.

NENA is recognized as a "Ticket" Subject Matter Expert and is often asked to provide information or review proposed changes to rules, policies, or regulations related to the Ticket to Work Program.

About Employment Networks

An EN is an entity that contracts with the Social Security Administration to either provide or coordinate the delivery of necessary services to Social Security disability beneficiaries under the Ticket to Work and Self Sufficiency Program. The EN can be a single individual, a partnership/alliance (public or private) or a consortium of organizations collaborating to combine resources to serve eligible individuals.

Employment Networks are "boots on the street," assisting DI beneficiaries to set and achieve career goals and helping them navigate through the complex and intimidating process of disengaging from public benefits. Once beneficiaries are employed, ENs support them to remain employed and continue their path toward self-sufficiency to the extent possible for them. Many ENs have Certified Work Incentive Counselors (CWICs)

on staff. The combination of knowledge and human support from these counselors cannot be replicated using online/automated benefit review systems, though they may be useful as an adjunct resource.

The Ticket to Work Program originally was designed to encourage entrepreneurial service models, increasing choice and diversity of providers. ENs are reimbursed for employment outcomes of beneficiaries - payments are based solely on documented employment outcomes.

The Ticket to Work Program operates parallel to the system of State Vocational Rehabilitation (VR) agencies. In some cases, SSDI beneficiaries who would be on a wait list for their state VR agency are able to receive immediate help from an EN. In addition, the Ticket Program allows a simpler service experience, which some beneficiaries prefer.

Identifying Issues and Barriers

All beneficiaries who have capacity and desire to work may fear or have experienced the following:

- A grossly complex system of work incentives
- Inefficient processing of earnings information
- A benefits payment structure that prevents working to true capacity
- Large overpayments that can be financially crippling
- Loss of needed medical benefits
- Inconsistent messages about the impact of working on benefits

For every beneficiary an EN accepts for services, the EN turns away many more. The reasons are not related to the desire of beneficiaries to work, or of the EN to assist them, but the following:

- Complexity of the system confuses and intimidates beneficiaries, causing a major disincentive to return to work at any level.
- Current Ticket to Work provisions cause ENs to reject the majority of ticket-holders because they either have limited work capacity or desire part time work.
- Current SSDI policy financially rewards beneficiaries to “park” below Substantial Gainful Employment (SGA); i.e., intentionally limit their earnings.
- Substantial numbers of beneficiaries want to work but truly cannot work above SGA. Public policy should allow them to work to the extent that they can because all earnings contribute not only to the economy but also the individual’s FICA contributions.

Eliminating the various work incentives will necessarily require changes in the Ticket to Work and Work Incentives Improvement Act (TWWIIA) to allow ENs to serve ticket users at all levels of work and not focus only on those whose goal is to work toward self-sufficiency and eventually leave the rolls.

Recommendations

Drawing on the vast experience of its member organizations and in response to a request, NENA developed a proposal with recommended solutions, enumerated below:

1. Eliminate Substantial Gainful Activity relative to return to work.
2. Eliminate the Trial Work Period (TWP), Extended Period of Eligibility (EPE), Expedited Reinstatement (EXR), and work related Continuing Disability Reviews (CDRs).
3. Implement a 2:1 offset from first dollar earned, with no set-aside.
4. For those beneficiaries receiving children's benefits, apply the 2:1 offset first to the primary beneficiary's earnings and not reduce children's benefits until the primary beneficiary reaches full cessation. Then apply the 2:1 offset to the children's benefits until those reach full cessation or are otherwise no longer payable.
5. Reduce countable income dollar for dollar after offset for Impairment Related Work Expenses (IRWEs), and by the actual determined value of subsidized wages.
6. Continue eligibility for the SSDI program for as long as the beneficiary continues to be medically disabled regardless of work activity.
7. Eliminate the two-year waiting period for eligibility for Medicare.
8. Implement automated reporting systems to achieve real-time earnings reporting instead of relying on beneficiaries to report their earnings.
9. Include wording in various informational sources and design mandatory training for personnel at all levels of SSA and its partners that encourages work to the extent possible and guides beneficiaries to learn and use work incentives.

Summary

Every citizen deserves the opportunity to derive dignity and other benefits that come from gainful employment. The current DI payment structure and the accompanying administrative and support systems are cumbersome, confusing, discourage work and trap people with disabilities in a cycle of poverty. Employment Networks are a vital resource to achieve employment goals for those 40% who want to work while also producing savings to the DI Trust Fund.

NENA will respond to the call by you, Mr. Chairman, SS Subcommittee Chairman Johnson and Senator Hatch for ideas on how to strengthen the Social Security Disability Program, as announced in the July 8, 2015 press release. Our submission will further detail the NENA proposal, elements of which are provided in this statement.

Thank you for the opportunity to submit this Statement for the Record and for all you do to promote work for those who can, and preserve the safety net for those who cannot.