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REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

Improvements Needed In Rehabilitating Social Security Disability Insurance Beneficiaries

Department of Health, Education, and Welfare

The Beneficiary Rehabilitation Program, established to save social security trust funds, has been marginally successful. HEW claims of program savings have been overstated.

State vocational rehabilitation agencies have had problems complying with the program's guidelines, and HEW's implementation and evaluation have been inadequate.

HEW should make a concentrated effort to return the maximum number of disabled beneficiaries to self-sufficiency. To support this effort, the Congress should change the present fixed-percentage method of financing to a method which relates funding to the demonstrated program success in providing savings to the trust funds.

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
RSA	Rehabilitation Services Administration
SSA	Social Security Administration

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

IMPROVEMENTS NEEDED IN
REHABILITATING SOCIAL
SECURITY DISABILITY
INSURANCE BENEFICIARIES
Department of Health, Education,
and Welfare

D I G E S T

The Social Security Amendments of 1965 authorized the use of social security trust funds to pay for vocational rehabilitation services to disabled beneficiaries. To this end the Beneficiary Rehabilitation Program is managed jointly by the Rehabilitation Services Administration and the Social Security Administration of the Department of Health, Education, and Welfare (HEW).

The program's primary purpose is to return the maximum number of disabled beneficiaries to work so that savings in avoided benefit payments and the additional social security contributions from their earnings would equal or exceed the amounts paid for the rehabilitation services.

Presently program funding is based on a fixed percentage of the preceding year's disability payments without regard to whether the program has achieved the desired results. Consequently, increases in total disability payments automatically provide more funds for the program. (See p. 28.)

GAO, having noted several problems in program administration, recommends that HEW:

- Insure that actuarial assumptions used in attributing savings to the program are consistent with the program's eligibility criteria.
- Develop an adequate information system for measuring program results and gauging program potential. (See pp. 23 and 24.)
- Give State vocational rehabilitation agencies technical assistance in interpreting program goals and applying eligibility criteria. (See p. 24.)

- Initiate HEW headquarters overview of the HEW agencies responsible for administering the program. (See p. 23.)
- Initiate an outreach effort for disabled beneficiaries who may not have had the opportunity to participate in the program. (See p. 29.)
- Enforce the provision in the Social Security Amendments of 1965 authorizing the Social Security Administration to withhold disability payments from beneficiaries who refuse vocational rehabilitation services without good cause. (See p. 37.)
- Provide that cases of beneficiaries eligible for vocational rehabilitation services be maintained in open status until their disability benefits are terminated. (See p. 24.)

These recommendations were the result of GAO's questioning whether rehabilitation services caused the benefit termination in about 63 percent of the cases which were accepted for services and later terminated in the four States reviewed.

GAO believes the savings HEW attributed to the program were considerably overstated, that the program was operating close to the break-even point, and that there could be a downward trend in the savings computation. (See ch. 2.)

Also, the program's resources have been directed, in part, toward serving temporarily disabled beneficiaries who did not meet eligibility criteria. These beneficiaries might have met the less stringent criteria of the basic State vocational rehabilitation program for which the Federal share of costs is 80 percent. As a result, some potentially eligible beneficiaries may not have had the opportunity to receive vocational rehabilitation services. (See pp. 26 to 28.)

HEW generally agreed with GAO's major recommendations and had taken or planned to take steps to implement them. However, HEW

expressed concern that certain of the recommendations presented implementation problems. (See app. I.)

GAO recommends that the Congress consider changing several procedures which can affect the operation of the program, including:

--Temporarily freezing the amount of social security trust funds available for financing the program until HEW can devise a system to provide accurate information on the program's success in returning disabled beneficiaries to work. (See pp. 29 and 30.)

--Changing the current fixed percentage method of financing the program to a method which relates funding to the program's demonstrated success and potential. (See pp. 29 and 30.)

--Requiring the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds to include in its annual report on the operation and status of the trust funds an evaluation of the program's operation. (See pp. 15 and 29.)

--Establishing a formula method to reduce monthly disability benefits of beneficiaries who attempt work according to their demonstrated earnings capacities. At present all benefits are discontinued when beneficiaries demonstrate the capability of engaging in "substantial gainful activity," currently defined as the capability of earning \$200 a month. (See p. 38.)

--Rescinding the requirement that disabled beneficiaries wait 24 months for Medicare eligibility if their benefits were terminated but later reinstated because they were unable to continue working. (See p. 38.)

CHAPTER 1

INTRODUCTION

The Social Security Amendments of 1965 provided for using trust funds 1/ to reimburse State vocational rehabilitation agencies for the cost of services provided to beneficiaries of the Social Security Disability Insurance program.

The Congress intended that these trust funds, composed of contributions withheld from wages of workers and amounts paid by employers and self-employed persons, would be used to return the maximum number of beneficiaries to employment so that savings would result to the trust funds. In addition, the individuals concerned and society would gain when the disabled individuals returned to productive activity. These concepts are expressed in the following quotation included in the "Vocational Rehabilitation Counselors Handbook For SSA Disability Applicants."

"* * * an increased number of disabled workers who are rehabilitated would benefit not only the individuals involved but also society in general. For the rehabilitated individual the gain would not only be in increased income but also in the satisfaction flowing from his restoration to a useful economic role in society. * * * It is wasteful and short-sighted for the social security system to be paying benefits to disabled persons if a lesser expenditure of funds would insure their return to work."

The program--called the Beneficiary Rehabilitation Program--began in early 1966.

Before this program began, State vocational rehabilitation agencies served very few disabled beneficiaries. This situation persisted even though earlier social security legislation provided that disabled persons be referred to State agencies for services.

Believing that more disabled beneficiaries could be returned to work, the Congress provided that trust funds be used to finance 100 percent of the cost of rehabilitating selected beneficiaries. The 100-percent funding provision contrasts with the basic State vocational rehabilitation program for which the Federal share of costs is 80 percent. Federal funds for the basic vocational rehabilitation program are appropriated from general revenues.

1/Includes the Disability Insurance Trust Fund and the Federal Old-Age and Survivors Insurance Trust Fund.

PROGRAM ADMINISTRATION

After enactment of the Social Security Amendments of 1965, the Department of Health, Education, and Welfare (HEW) assigned responsibility for managing the Beneficiary Rehabilitation Program to two of its agencies--the Social Security Administration (SSA) and the Rehabilitation Services Administration (RSA). Responsibility for establishing basic program policies and criteria and evaluating program effectiveness was assigned to SSA. RSA was made responsible for implementing the program and providing technical assistance to State rehabilitation agencies, which administer the program's day-to-day operations. The State agencies select persons to be served, decide the type and extent of services to be provided, and furnish reports required by RSA and SSA.

The Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds is required to report annually to the Congress on the operation, status, and general policies followed in managing the trust funds. In its 1975 annual report, the Board of Trustees estimated that the assets of the Disability Insurance Trust Fund would be exhausted by 1980.

THE DISABILITY REHABILITATION PROCESS

The steps leading to the Beneficiary Rehabilitation Program begin for a physically or mentally impaired person upon application for disability benefits at any SSA district office. The application is forwarded to the State disability determination unit, where medical and other evidence necessary for evaluation is developed. A State team consisting of a physician and a professional adjudicator determines whether disability exists under SSA-prescribed criteria and regulations.

If an applicant is found to be disabled, the team recommends to SSA whether a future medical reexamination should be scheduled and, if so, the date. A reexamination is scheduled when a beneficiary's impairment is expected, after continuing for 12 months or more, to improve sufficiently for the person to engage in substantial gainful activity. The establishment of a reexamination date is called a diary.

With each initial determination or redetermination of disability, each beneficiary who appears to have rehabilitation potential is referred with medical and other pertinent evidence to the State vocational rehabilitation agency.

Selection of beneficiaries to receive services

The 1965 amendments required the Secretary of HEW to develop criteria for selecting individuals to receive rehabilitation services under the Beneficiary Rehabilitation Program. The criteria were to be based on the savings which would accrue to the trust funds as a result of rehabilitating the maximum number of individuals into productive activity. If the State rehabilitation agency certifies that a beneficiary meets these criteria, the cost of rehabilitation can be borne by trust funds. HEW developed the following four criteria for selecting beneficiaries to receive trust-fund-financed rehabilitation services:

- The disabling physical or mental impairment is not so rapidly progressive as to outrun the effect of vocational rehabilitation services or to preclude restoration of the beneficiary to productive activity.
- The disability without the services planned is expected to remain at a level of severity resulting in the continuing payment of disability benefits.
- A reasonable expectation exists that providing such services will result in restoring the individual to productive activity.
- The predictable period of productive work is long enough that the benefits which would be saved and the contributions which would be paid to the trust funds from future earnings would offset the costs of planned service.

Beneficiaries not meeting these criteria, including many in our random samples, could be considered for services under the basic State vocational rehabilitation program.

Rehabilitation process

After a beneficiary is selected for the program, the State rehabilitation agency develops a plan and provides for the appropriate services 1/ necessary to attain the plan's goal. The Beneficiary Rehabilitation Program's rehabilitation goal must be competitive employment leading to the beneficiary's removal from the disability rolls. In contrast, the basic State rehabilitation program's goal can be homemaking, sheltered employment, or unpaid family work, none of which would be likely to result in termination of benefits.

1/See app. III for a description of vocational rehabilitation services.

If a beneficiary reaches the goal established in the rehabilitation plan and maintains that status for at least 60 days, the State agency may classify the case "rehabilitated." The case is then reported to SSA headquarters, which may initiate a continuing disability investigation to determine whether the beneficiary should be removed from the benefit rolls.

Termination of social security disability benefits

Disability benefits are terminated when persons medically recover and can work or when they demonstrate that they can work despite their impairment. In the latter instance, beneficiaries are granted a 9-month trial work period during which they continue to receive disability benefits while testing their earning capacity and ability to continue work.

When a State rehabilitation agency reports a "rehabilitated" case to SSA and the social security disability benefits of that person are terminated, the SSA actuary includes the case in periodic savings computations for the Beneficiary Rehabilitation Program.

PROGRAM FUNDING

The 1965 amendments provided for the program to be financed from social security trust funds based on an amount necessary to pay for the cost of vocational rehabilitation services with a maximum not to exceed a fixed percentage of the prior year's total disability payments. At program inception in 1966, funds annually available could not exceed 1 percent of the prior year's payments. The percentage remained at 1 through fiscal year 1972 but increased to 1.25 in 1973 and 1.5 in 1974 and thereafter. Thus the Beneficiary Rehabilitation Program's expansion has been commensurate with recent increases in social security disability payments as shown below.

<u>Year</u> (note a)	<u>Social security</u> <u>disability payments</u> (000,000 omitted)	<u>Social security trust</u> <u>funds in the Beneficiary</u> <u>Rehabilitation Program</u>	
		<u>Available</u> (000 omitted)	<u>Spent</u>
1967	\$ 2,113	\$ 14,800	\$ 9,785
1968	2,523	16,000	15,990
1969	2,806	18,037	17,557
1970	3,386	21,580	20,984
1971	4,146	24,731	24,376
1972	4,911	30,445	30,372
1973	6,266	45,370	42,935
1974	7,524	69,705	56,464
1975 (note b)	9,107	83,000	-
1979 (note b)	14,779	200,000	-

a/Social security disability payments are shown by calendar year, while funding for the Beneficiary Rehabilitation Program is by fiscal year.

b/Estimated.

SCOPE OF REVIEW

After initiating a survey of the Beneficiary Rehabilitation Program, we received a request, dated April 25, 1974, from the Chairman, House Committee on Ways and Means, expressing concern about several areas of the program. (See app. II.) The request emphasized the Committee's interest in program effectiveness and its concern with recent program growth and with savings credited to the trust funds as a result of the program.

We reviewed selected aspects of the program to reply to the Chairman's request and to determine its effectiveness in returning disabled beneficiaries to work.

Our findings and conclusions are based principally on reviews of legislation and RSA and SSA policies and procedures and analyses of randomly sampled cases from California, Maryland, Pennsylvania, and Texas. We also evaluated program activities at RSA headquarters in Washington, D.C.; SSA headquarters in Baltimore, Maryland; HEW regional offices in Philadelphia (Region III), Dallas (Region VI), and San Francisco (Region IX); and State agencies and disability determination units in the four States. About 23 percent of the Nation's social security disability beneficiaries reside in

these States. We discussed our findings with State and Federal officials.

We selected five samples (see app. IV), each designed to provide information on a particular aspect of the program.

CHAPTER 2

DOES THE PROGRAM SAVE

SOCIAL SECURITY TRUST FUNDS?

Although in many cases rehabilitation services led to the termination of benefits for persons having severe impairments, in most cases reviewed vocational rehabilitation services had little or no impact on disability payments. In most cases in which disability benefits were terminated, either the beneficiary had been expected to medically recover, which would make him ineligible for the program, or services provided had had little or no impact on benefits.

Because the SSA actuary included these cases in computing the amount of savings to the social security trust funds, the claimed savings have been greatly overstated. Steps should be taken to insure that savings are claimed only for those cases in which rehabilitation services were instrumental in terminating the beneficiaries' benefits.

Also, the Board of Trustees in its annual report should provide the Congress with more information on the progress and problems of the program.

HEW CLAIMS OF PROGRAM SAVINGS

The decision to authorize the use of social security trust funds to finance the cost of rehabilitating disability beneficiaries was based on the expectation that savings in avoided benefit payments and the additional social security contributions from earnings of rehabilitated workers would equal or exceed the costs of rehabilitation. Beneficiaries with the most potential for providing savings to the trust funds were to be selected for services by State rehabilitation agencies.

Although there has been no systematic accumulation of data to determine program effectiveness, HEW has issued several reports, all of which have attributed significant trust fund savings to the program. The savings were calculated by the SSA actuary using information from State rehabilitation agency reports. The actuary assumed that State agency services were instrumental in terminating the benefits of all persons reported to SSA as "rehabilitated." SSA personnel told us that they used the information in State reports because it was the only data available. However, according to an SSA official, these reports were designed to alert SSA when an individual had returned to work so a continuing disability investigation could be made and not to serve as a basis for computing savings to the trust funds.

The actuary's savings computation was based on the assumption that the beneficiary would have continued to receive disability benefits until age 65 or death if the rehabilitation agency had not provided services. This is consistent with the program criterion which states that the disability without the services planned is expected to remain at a level of severity which would require continuing payment of disability benefits.

The following case illustrates how savings would be credited to the program for a bona fide case.

--A 28-year old accident victim was determined by SSA to be eligible for disability benefits of \$458 per month. He received services from a State rehabilitation agency which later classified him as "rehabilitated" in a report to SSA headquarters. His benefits were terminated at age 30. The SSA actuary credited the program with saving about \$83,000, which represents the present value of the trust funds which would have been paid to the beneficiary until age 65, adjusted for factors such as mortality and recovery.

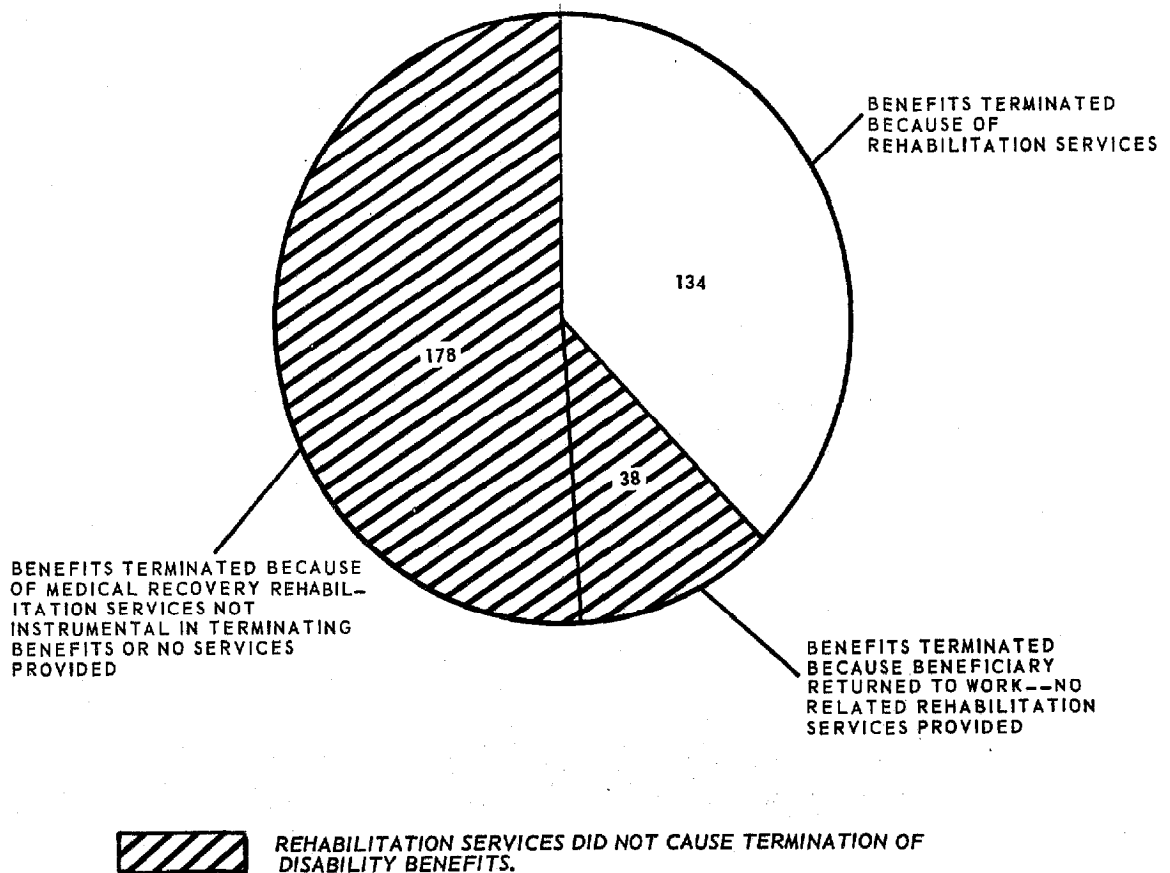
On December 31, 1970, HEW issued a report titled "Rehabilitation Services Paid From Social Security Trust Funds," in which the program was credited with saving \$1.60 in trust funds for every \$1 spent. This report was based on data from the program's beginning through June 1969 and concluded that the program was meeting its expectations and should be expanded. However, the program continued to be financed at the rate of 1 percent of the previous year's disability payments.

On January 25, 1972, HEW issued a report to the Senate Committee on Finance which claimed the program was saving \$1.93 in trust funds for every \$1 spent. This report was based on a study of cumulative data through June 1970 and concluded that it would be desirable to increase the amount of trust fund expenditures. The Congress increased the percentage of trust funds available annually to 1.25 in fiscal year 1973 and 1.5 in fiscal year 1974 and thereafter.

In June 1974 HEW reported benefit-cost information using cumulative data through fiscal year 1973. The report showed a saving of \$2.50 in trust funds for every \$1 spent.

IMPACT OF VOCATIONAL REHABILITATION SERVICES
ON DISABILITY BENEFIT TERMINATION

We reviewed the files of 350 beneficiaries who had been reported rehabilitated and whose social security disability benefits had been terminated to determine whether the rehabilitation services caused the benefit termination. The following chart summarizes our findings.



Beneficiary not eligible for program
because of expected medical recovery

In 178, or 51 percent, of the 350 cases in our sample, we concluded that the beneficiary did not meet the Beneficiary Rehabilitation Program selection criterion which states that the disability without the services planned is expected to remain at a level of severity resulting in the continuing payment of disability benefits. These beneficiaries were scheduled for medical reexamination by the disability determination unit, indicating expected medical recovery and regained capacity to work.

This information was available to the State rehabilitation agencies responsible for determining the eligibility of beneficiaries. Nevertheless, these beneficiaries were accepted by State rehabilitation counselors who certified that they met the program's selection criteria. In each case, the benefits were later terminated by SSA because the individuals medically recovered and regained the ability to work. Rehabilitation services were not instrumental in these benefit terminations. In some cases no rehabilitation services were provided. SSA officials responsible for establishing the selection criteria informed us that most beneficiaries scheduled for medical reexamination probably would not meet the selection criteria and, therefore, should not have been accepted for rehabilitation services at social security trust fund expense. Several examples follow:

--A 21-year-old motorcycle mechanic fractured his left leg in an October 1970 motorcycle accident. There was a delayed union of the fracture, and in July 1971 he was determined to be entitled to a disability benefit of \$143.90 a month. Medical examinations in July and August 1971 indicated the disability would be removed in about 6 months with current treatment. The beneficiary was scheduled by the State disability determination unit for medical reexamination in March 1972 and was referred to the rehabilitation agency for possible services.

An agency counselor certified his case as eligible for payment from trust funds. When he was reexamined, the medical evidence showed that the impairment was no longer severe enough to prevent employment, so his disability benefits were terminated by SSA. The rehabilitation counselor, upon learning that the beneficiary had found himself a job as a house painter, classified the case as a "rehabilitation." The case was reported to the SSA actuary, who credited the program with saving 42 years of benefits totaling about \$32,278, which would have been paid until the beneficiary reached 65 years of age.

--In February 1970 a 43-year-old sewing machine operator received a broken ankle, a broken shoulder, and severe cuts on her forehead in an automobile accident. In March 1971 she was denied social security disability benefits because she could do light work that did not require the use of her ankle. After surgery on the ankle, she reapplied for disability benefits. In May 1971 her application was approved because she had already been disabled for more than 12 months. However, she was scheduled for medical reexamination in September 1971.

In June 1971, a rehabilitation agency prepared a plan for returning the client to her former employment. However, no rehabilitation services were provided, and the beneficiary returned to her former job on August 2, 1971. In September 1971 she was reexamined as scheduled and the medical evidence showed that the impairment was no longer severe enough to prevent employment. Her disability benefits were terminated in December 1971. Four months later the rehabilitation agency closed the case as "rehabilitated" and reported this to the SSA actuary, who included \$19,252 in the computation of program savings.

--A State disability determination unit decided in December 1969 that a 31-year-old construction laborer was disabled due to problems associated with spinal fusion. The unit scheduled a reexamination for December 1970 because recovery was expected. In the meantime, the beneficiary's physician referred him to a rehabilitation agency which provided no immediate services. Based on a favorable medical reexamination, his disability benefits were terminated in March 1971.

In April 1971 the rehabilitation agency found the client was self-employed as a truck hauler making about \$90 a week. The next month the rehabilitation agency, which had still not provided services, wrote a plan to assist the client in his hauling business. The plan noted that the client's disability benefits had been terminated and that the client was self-employed. The rehabilitation agency reported the case to SSA in October 1971 as a trust fund "rehabilitation." In calculating program savings, the SSA actuary included this individual on the assumption that he would have continued to receive disability benefits without the services provided. Since the client was then 32 years old, about 33 years of benefit payments totaling about \$48,770 were considered to have been avoided.

Beneficiary returned to work
without rehabilitation services

In 38, or 11 percent, of the 350 cases in our sample, the beneficiary returned to work without rehabilitation agency services and therefore should not have been reported to SSA as "rehabilitated" under the Beneficiary Rehabilitation Program. An example follows:

--In June 1972 a 52-year-old former truck driver was granted disability benefits following heart surgery. An October 1972 cardiology examination disclosed that he could consider returning to work. He was referred to a rehabilitation agency in October 1972 but was not accepted until March 1973. The agency prepared a plan of counseling and guidance to help him live within the restrictions of his disability. In the following month the client returned to his old job without the knowledge of the rehabilitation agency. SSA established a trial work period for the beneficiary which resulted in terminating benefits in March 1974. The rehabilitation agency provided no services to the beneficiary. In October 1973, 6 months after the beneficiary returned to work, the rehabilitation counselor learned that he was working and in December 1973 closed the case as "rehabilitated," reporting that the beneficiary returned to work in November 1973. The case was reported to SSA, and the actuary calculated \$24,099 in savings to the trust funds.

This case is illustrative of the 38 cases in our sample in which the beneficiary, who was not expected to medically recover, returned to employment leading to benefit termination without rehabilitation services. Several beneficiaries in this group were removed from the disability rolls before being selected for services by a rehabilitation agency.

Benefits terminated as a result
of rehabilitation services

In the remaining 134, or 38 percent, of the 350 cases in our sample, we concluded that rehabilitation services led to the termination of benefits. Many beneficiaries with severe impairments were assisted extensively by rehabilitation agencies and probably would never have been removed from the disability rolls without this assistance. Examples follow:

--A 50-year-old male, who had been a grave digger for 18 years, was determined to be disabled in October 1969 due to coronary heart disease. He was not scheduled for medical reexamination by the State disability determination unit, indicating that he was not expected to improve to the point of being able to return to work. In April 1970 he was referred to a rehabilitation agency which provided work evaluation resulting in his placement in a 6-month upholstery training course. He continued this work and, after a trial work period, his benefits were terminated in May 1972.

--A 25-year-old male suffered a mid-brain injury in an automobile accident, resulting in emotional disturbances and residual speech and voice problems. The rehabilitation agency provided vocational evaluation, physical restoration services, and 18 months of accounting training. After completing the schooling, he went to work as an accounting clerk earning \$117 a week. At the end of a trial work period, his disability benefits were terminated.

Most of the 134 benefit terminations were similar to the above cases in that they were not scheduled for medical re-examination. Nevertheless, the rehabilitation agency was able to provide services which enabled the beneficiary to return to work and become self-sufficient.

In several of the cases, SSA expected the beneficiary to regain the capacity to work, but the rehabilitation agency demonstrated that the beneficiary's status had changed and he would probably have continued to receive benefits unless rehabilitation services were provided.

Estimated impact of rehabilitation services on benefit termination

On the basis of the results of our review of 350 sample cases, we estimate that, of the 1,200 beneficiaries reported as rehabilitated by the 4 States between January 1971 and December 1973, 756, or 63 percent, ^{1/} would have been removed from the disability rolls because of medical recovery or because of their return to work without rehabilitation services. The following table shows a breakdown by State.

	Reported rehabilitated and disability benefits <u>terminated</u>	Estimate of cases in which rehabilitation services had no impact on benefit termination	
		<u>Number</u>	<u>Percent</u>
California	453	290	64
Maryland	100	56	56
Pennsylvania	397	270	68
Texas	<u>250</u>	<u>140</u>	<u>56</u>
Total	<u>1,200</u>	<u>756</u>	<u>63</u>

^{1/}Does not agree with sample percentages discussed on pages 9 and 11 due to rounding and differences among State vocational rehabilitation agency reporting systems.

To evaluate the impact of our findings on the SSA actuary's savings computation, we removed the cases which should not have been included in the computation and, using the actuary's formula, estimated savings for the remaining cases.

Our computation showed that the program still provided trust fund savings of \$1.15 for every \$1 spent. While this is marginal it could be interpreted to mean that the program is capable of showing savings to the trust funds with a relatively small number of terminated cases. However, the \$1.15 is considerably closer to the break-even point than the figures reported by HEW. Should this figure drop below the \$1 level, the program would result in a net loss to the trust funds.

An important future consideration is that the number of recidivists--persons who returned to the benefit rolls after having been terminated and credited to the Beneficiary Rehabilitation Program--was greater in fiscal year 1974 (2,228) than the total for the first 7 years of the program (2,112). This may be due in part to the state of the economy; however, it may also indicate that many beneficiaries are marginally employed and more susceptible to fluctuations in the job market.

If this increase in the recidivism rate continues, it could invalidate the SSA actuary's formula for computing savings. The formula has not considered recidivism in the belief that it was not significant and that it would be offset by future social security contributions of beneficiaries removed from benefit rolls. Therefore, their future contributions are also not considered in the computation of savings.

The limited scope of our review does not enable us to estimate program savings nationwide; however, we believe our findings are significant enough to raise questions on the extent and trend of national savings.

CONCLUSIONS

The Beneficiary Rehabilitation Program has been marginally successful in removing beneficiaries from the social security disability insurance rolls. Many beneficiaries who would have medically recovered and many who returned to work without the services of a rehabilitation agency were accepted into the program, and their cases were included in computations of savings attributed to the program. As a result, savings have been significantly overstated.

In 216 of 350 cases reviewed, we concluded that rehabilitation services had little or no impact on terminating disability benefits. In 178 cases the SSA decision to terminate disability benefits was based on medical recovery which had been anticipated at the time benefits were awarded, and in the remaining 38 cases the rehabilitation services were insignificant or unrelated to the reason for benefit termination.

In most of these cases, the beneficiary probably would not have been selected for participation in the program if the rehabilitation agency had considered the available medical evidence and had properly applied the program's client selection criteria.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary insure that actuarial assumptions used in attributing savings to the Beneficiary Rehabilitation Program are consistent with the program's eligibility criteria. To do this, HEW should exclude cases in which rehabilitation services were not instrumental in terminating benefits.

We recommend that HEW accurately determine trust fund savings attributable to the program and report this to the responsible congressional committees and to the Board of Trustees.

RECOMMENDATIONS TO THE BOARD OF TRUSTEES

Because the Beneficiary Rehabilitation Program was established to save trust funds and the Board of Trustees has expressed concern about the financial situation confronting the social security system, we recommend that the Board include an evaluation of the effectiveness of the program in its annual report to the Congress on the operation and status of the trust funds. This evaluation should include an account of savings to the trust funds and a report on progress and problems in meeting the program's objective of returning the maximum number of beneficiaries to work.

AGENCY COMMENTS

HEW commented on matters discussed in this report in a March 17, 1976, letter. (See app. I.) It concurred in our recommendations and said it had taken or planned to take the following actions:

- SSA and RSA plan to obtain information from vocational rehabilitation agencies in order to assure that actuarial assumptions used in attributing savings to the program are consistent with the program's eligibility criteria.
- SSA and RSA plan to conduct joint program administrative reviews in all vocational rehabilitation agencies during fiscal year 1976. The reviews are to show deficiencies in the agency's application of the program's special selection criteria and to indicate whether services provided contributed to the individual's rehabilitation.
- Although HEW is reluctant to prohibit State vocational rehabilitation agencies from using trust funds to pay for services of any beneficiaries scheduled for re-examination, it intends to require full and adequate justification in each instance where trust funds are used for this purpose.
- SSA and RSA plan to provide (1) information to the SSA actuary for a yearly cost-benefit analysis and (2) information to the Board of Trustees on program progress and problems for use in the Board's annual report.

CHAPTER 3

NEED TO IMPROVE PROGRAM IMPLEMENTATION

AND EVALUATION

HEW headquarters must strengthen its commitment to assure that the Beneficiary Rehabilitation Program returns the maximum number of disabled persons to work and that the management information system is adequate. The HEW agencies responsible for administering the program have not provided State rehabilitation agencies with the needed interpretations of goals and criteria and have not adequately evaluated the progress of the program or assessed its potential.

As a result, program eligibility criteria were misinterpreted by State vocational rehabilitation agencies, information to assess program performance has not been developed for use by HEW and the Board of Trustees, and an accurate assessment of the program's potential to return disabled beneficiaries to work has not been developed.

This may explain why, nationally, the number of beneficiaries reported by HEW as rehabilitated has increased each year since the beginning of the program, while the number of beneficiaries being removed from the benefit rolls has leveled off at about 2,500, having peaked at 3,078 in 1970.

PROGRAM ADMINISTRATION SHOULD BE STRENGTHENED

Overall administration of the Beneficiary Rehabilitation Program needs strengthening. Adequate staff has not been devoted to the program, and because two separate HEW agencies are involved in administering the program, stronger oversight is needed.

RSA staff has not been sufficient

In an August 1966 program management agreement, RSA and SSA agreed on their responsibilities for administering the program. SSA was to be responsible for program planning and evaluation to assure effective accomplishment of program objectives. RSA was to provide direction, leadership, and guidance to State rehabilitation agencies in operating and administering the program. RSA regional office personnel were to act as liaisons with State rehabilitation agencies.

RSA has been unable to effectively carry out its responsibility due to a lack of sufficient staff, even though for each fiscal year beginning July 1, 1972, social security trust funds amounting to \$600,000 have been transferred for RSA's administration of the program.

RSA conducted a staffing study in its 10 regional offices between 1970 and 1972 and found that none had a full-time professional employee assigned to the program, even though trust funds were being provided to staff two full-time positions in each regional office. The study noted that social security trust funds had been provided to adequately staff Beneficiary Rehabilitation Program activities in the headquarters and regional offices, but that staff had not been fully utilized for this purpose. Regional office professional staff members were involved with the program between 5 and 35 percent of their time. An SSA official commented on this study.

"My first concern is that the RSA regional staffs have almost totally neglected their responsibilities in overseeing the development of the trust fund program in the State VR [vocalional rehabilitation] agency. With the exception of about two regional offices * * * most RSA regional personnel who are supposed to be pushing the trust fund program are not even intimately conversant with the program principles, procedures and progress. This becomes patently obvious when we make reviews of the State VR agency activities. We usually learn that the State has had little or no visitation by the RSA regional office on the subject of trust fund activities. In many instances we have found that there has never been such a visitation * * *."

The program coordinators in three HEW regional offices devoted less than full time to the program. In one region the coordinator had been assigned other tasks and was spending only 5 percent of his time on the program. His other duties curtailed his time for doing the job, and he could not understand why RSA did not hire a full-time coordinator since trust funds were paying for the position.

In a memorandum dated October 16, 1974, RSA's Assistant Commissioner for Financial Operations advised the RSA Commissioner that

"In its latest internal report, SRS [Social and Rehabilitation Service][1] can only account for \$400,000 of charges related to the BRP [Beneficiary Rehabilitation Program] program as against the \$600,000 transferred.* * *"

In a March 23, 1971, letter commenting on staff assigned to the Beneficiary Rehabilitation Program at RSA headquarters, the Director, Division of State Program Administration, advised the RSA Commissioner that:

"* * * Of the 13 C-O [central office] staff positions, 5 (4 professional, 1 clerical) have been assigned to DSPA [Division of State Program Administration], 3 have been assigned to other Divisions. Since 1966, 5 of the 13 positions have been lost through attrition and reductions in employment ceilings. * * *"

According to a May 15, 1975, letter from RSA's Assistant Commissioner for Financial Operations to its Director, Office of Program Planning, the State directors of vocational rehabilitation agencies have advised the Secretary of HEW to address the staffing shortage for this program. The directors pointed to the lack of Federal program consultation and technical assistance available for this program. The letter also stated that State directors were aware that staff for the program had been diverted to other Social and Rehabilitation Service programs and activities.

Data for evaluating program effectiveness not developed

Under the 1966 program management agreement, RSA agreed to furnish data to SSA for evaluating program effectiveness. In turn, SSA intended to provide an evaluation to the Board of Trustees for its annual report to the Congress. However, RSA has not furnished the necessary data and SSA has not developed it independently. As a result, program planning and evaluation have not occurred as originally intended, and the Board of Trustees has not had the information necessary to report program effectiveness to the Congress.

1/In February 1975 RSA was transferred from the Social and Rehabilitation Service to the Office of Human Development, headed by the Assistant Secretary for Human Development.

Inadequate program reviews by HEW

Joint RSA/SSA teams made program reviews in only 24 State rehabilitation agencies during 1971-74. Generally, the reviews were made under strict time constraints and dealt mainly with administrative matters not directly related to program effectiveness. No evaluation was made of rehabilitation agency effectiveness in achieving program goals. The information system used for reporting on the Beneficiary Rehabilitation Program does not yield this type of information. However, RSA and SSA informed us that they plan to jointly review all State programs in fiscal year 1976.

Need for strong oversight at HEW headquarters

There was no discernable management overview of the program from HEW headquarters. Although the basic State vocational rehabilitation program is included as an objective in the Operational Planning System--HEW's approach to management by objectives--specific consideration has not been provided for the Beneficiary Rehabilitation Program.

The Operational Planning System translates planning goals into specific, measurable objectives by laying out the short-term steps which should lead HEW to its long-range goals. More specifically, the system was established to enable the Secretary to

- define explicitly the results expected from departmental actions and expenditures;
- measure periodically the progress toward those results;
- recognize existing or potential problems which could prevent the accomplishment of objectives, thereby enabling management to take corrective action that insures successful accomplishment;
- insure the implementation of decisions made in the processes of long-range planning, budgeting, and policy development; and
- insure the timely and effective implementation of new legislation and initiatives.

NEED TO EMPHASIZE LEGISLATIVE GOAL OF BENEFIT TERMINATION

The Congress intended that the principles and practices developed over the years in the basic State vocational

rehabilitation program would also serve in the Beneficiary Rehabilitation Program. Consequently, a number of characteristics of the two programs are similar. However, the overall goal of the Beneficiary Rehabilitation Program must be to return beneficiaries to competitive employment leading to the termination of disability benefits. This consideration is not present in the basic vocational rehabilitation program.

The Beneficiary Rehabilitation Program was being managed by State agencies using the goal of the basic vocational rehabilitation program. Accountability by the States, HEW regional offices, and RSA has been in terms of "rehabilitations" and not "benefit terminations."

In two of the four States visited, counselors were rated and considered for promotion based on the number of "rehabilitations" they effected. We were informed by one State official that counselors are being "pressured" to increase the number of rehabilitations and, as a result, are concentrating on beneficiaries who can be quickly rehabilitated. Usually they are the less severely disabled.

Nationally, the number of beneficiaries reported as rehabilitated by State rehabilitation agencies has increased each year since the beginning of the Beneficiary Rehabilitation Program. In 1967 there were 1,815 such beneficiaries, and in 1974 there were 13,358. However, the number of these beneficiaries removed from the social security disability insurance rolls peaked at 3,078 in 1970 and has since leveled off at about 2,500 annually. Data on the number of disabled beneficiaries, the number of beneficiaries whose benefits were terminated, and the impact of the Beneficiary Rehabilitation Program on benefit termination is included in appendix V. In terms of rehabilitations the program appears to be advancing, while in terms of benefit terminations the program has leveled off.

State rehabilitation agency officials told us that the benefit termination goal is not visible to counselors who work with disabled beneficiaries. Counselor contact with the client is usually lost after the latter has been classified as rehabilitated and reported 1/ to SSA, even though the benefit termination may not occur until some time later.

1/The report to SSA contains limited information and is primarily used by SSA to institute continuing disability investigations of beneficiaries who have been classified as rehabilitated by a State rehabilitation agency.

Also, when SSA terminates disability benefits, it does not notify the rehabilitation counselor that the program goal of benefit termination has been met. Without knowledge of final case disposition, most counselors consider that their job is finished after they have classified the beneficiary as rehabilitated.

Beneficiaries rehabilitated but
benefits not terminated

To find out why many beneficiaries classified as rehabilitated by State vocational rehabilitation agencies continued to receive disability benefits, we reviewed 400 randomly selected cases from those reported to SSA by the four States included in our review.

Many rehabilitation counselors were not differentiating between the goals of the Beneficiary Rehabilitation Program and those of the basic State rehabilitation program. In 161, or 40 percent, of the 400 cases, beneficiaries were placed by the rehabilitation agencies in noncompetitive positions, such as sheltered workshops, homemaking, or unpaid family work. This type of placement generally will not result in terminating disability benefits. We recognize that a beneficiary's disabling condition can worsen, necessitating a revised goal; however, when competitive employment is no longer a feasible goal, additional services should be provided under the basic rehabilitation program.

In 71 of the 161 cases discussed above, the initial rehabilitation goal was not competitive employment. This is contrary to the Beneficiary Rehabilitation Program criterion which states that a reasonable expectation exists that providing such services will result in restoring the individual to productive activity. It indicates a need for States to emphasize to rehabilitation counselors the differences in goals of the Beneficiary Rehabilitation Program and the basic rehabilitation program.

For about 67, or 17 percent, of the 400 cases, beneficiaries were placed in competitive employment with substantial wages, and after a 60-day waiting period, the counselor closed the case as rehabilitated. The disability benefits were not terminated for these beneficiaries because they engaged in trial work and were not able to continue working. These individuals could possibly have benefited from additional rehabilitation services. However, because their cases were closed by the State rehabilitation agency, the agency was unaware that additional services might help the beneficiary continue working. It would be unlikely that these

beneficiaries would receive such services unless they returned to the State rehabilitation agency and had their cases reopened.

CONCLUSIONS

Inadequate staffing for the Beneficiary Rehabilitation Program and the lack of an adequate management information system resulted in inadequate HEW assessments of program progress and potential and insufficient guidance to State vocational rehabilitation agencies in understanding the program's goal and in interpreting eligibility criteria.

This may explain why, nationally, the number of beneficiaries reported by HEW as rehabilitated has increased each year since the beginning of the Beneficiary Rehabilitation Program, while the number of beneficiaries being removed from the benefit rolls has leveled off at about 2,500, having peaked at 3,078 in 1970.

HEW and the Board of Trustees have not been able to provide accurate information on the program's operation and potential to the Congress.

Program administration would be improved by the periodic monitoring of progress and performance assessments which are provided for in the Secretary's Operational Planning System. This would also assist the Board of Trustees in presenting to the Congress an evaluation of the program's operation.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary exercise his oversight responsibility to insure that the Beneficiary Rehabilitation Program is implemented and administered as intended by the Congress. He should direct the Commissioners of SSA and RSA to jointly develop a plan for inclusion in the Secretary's Operational Planning System.

For the Commissioners of RSA and SSA to do this and for the Beneficiary Rehabilitation Program to return the maximum number of disabled beneficiaries to work, we recommend that the Secretary require:

- The Commissioners of RSA and SSA to jointly develop an information system to measure the effectiveness of the Beneficiary Rehabilitation Program. This system should include controls to insure that only beneficiaries who meet the program's selection criteria are served by State rehabilitation agencies. It should also insure

that cases in which rehabilitation services were not instrumental in terminating benefits are excluded from program savings computations. This system should provide the Board of Trustees with information necessary for an evaluation of the program in its annual report to the Congress.

- The RSA Commissioner to use trust funds which have been made available for program administration to establish a capability in HEW regional offices to provide adequate technical assistance to States and to adequately staff the program at HEW headquarters. This should insure that State rehabilitation agencies will distinguish between the goals and criteria of the Beneficiary Rehabilitation Program and the basic State vocational rehabilitation program.
- The RSA Commissioner to provide for eligible beneficiaries to receive services up to the time of benefit termination and to be retained in the rehabilitation agencies' active caseload until then. This will also require closer cooperation by SSA and State vocational rehabilitation agencies.
- The SSA Commissioner to insure that assumptions used in attributing savings to the program are consistent with the program's eligibility criteria.

AGENCY COMMENTS

HEW agreed that SSA's and RSA's joint development of a plan for inclusion in the Secretary's Operational Planning System would do much to improve program performance at all administrative and operational levels. HEW generally agreed with the merits of our other recommendations but made the following comments.

- To insure that only beneficiaries who meet the program's special selection criteria are accepted and served by State rehabilitation agencies and to insure that cases in which rehabilitation services were not instrumental in the termination of benefits are excluded from program savings computations, HEW believes it would have to establish a monitoring system requiring prohibitive increases in staffing. HEW said it planned to comply through changes in control, monitoring, and data collection systems.

- HEW has taken or plans to take action to improve the effectiveness of its information system by revising (1) certain reports which provide or will provide information on cases which meet and those which do not meet the program's special selection criteria and (2) those reports which provide information for use in planning, evaluating, and monitoring the program's progress.
- A full-time RSA professional position with responsibility for the Beneficiary Rehabilitation Program and the Supplemental Security Income vocational rehabilitation program was assigned in each HEW regional office. SSA also designated a person in each regional office to work with the RSA staff on the vocational rehabilitation aspects of these two programs. A training conference for these staff members was held in September 1975, and another was planned for the spring of 1976. RSA also proposes to make a manpower utilization study to determine staffing needs and to make appropriate staff assignments at headquarters and in the regional offices.
- HEW does not believe that it is necessary to maintain a beneficiary's case in an "active" status in order to adequately provide postemployment services up to benefit termination or beyond. HEW believes that the present RSA system for providing postemployment services and RSA and SSA procedures to exchange information on (1) the status of a beneficiary's disability benefits before RSA closes a case, (2) recidivism among previously served beneficiaries, and (3) the termination of benefits of persons served under the Beneficiary Rehabilitation Program will be adequate to assure that postemployment services are provided to those beneficiaries who could benefit from such services.
- SSA and RSA plan to devise a sampling system for assuring that only those cases that meet the special selection criteria and that have benefit terminations directly related to services provided under the Beneficiary Rehabilitation Program are included in savings computations.

CHAPTER 4

PROGRAM FUNDING INCREASED ALTHOUGH

MANY INELIGIBLE BENEFICIARIES SERVED

State rehabilitation agencies have accepted many temporarily disabled persons for vocational rehabilitation services under the Beneficiary Rehabilitation Program while other more severely disabled persons might not have received such services. Neither RSA nor SSA has developed data on this program's potential for returning disabled beneficiaries to work. Many persons served did not meet the program's criteria.

Nevertheless, trust funds available for the program have increased greatly because the amounts available are based on a fixed percentage of the prior year's disability payments, which in recent years have been rising rapidly. This method of funding is not related to the program's success.

WHOM HAS THE PROGRAM SERVED?

The eligibility criteria for the Beneficiary Rehabilitation Program did not intend that those beneficiaries who were expected to medically recover and regain the ability to return to work would be selected for services. Our review of 750 beneficiaries who had been reported rehabilitated showed that 55 percent would probably have regained the ability to work without the rehabilitation services.

This is borne out by our review of a sample of 350 cases in which the beneficiaries were reported as rehabilitated and their disability benefits were terminated. In this sample, the incidence of both fractures and tuberculosis was two to three times greater than in any other sample. Such disabilities are included on an SSA list of disabilities from which medical recovery is expected. SSA establishes a reexamination diary date for persons having such disabilities to determine if continued payment of benefits is warranted. A comparison of the number of cases scheduled for medical reexamination included in our samples of rehabilitated and terminated, rehabilitated but not terminated, and not rehabilitated cases is shown in appendix VI.

In many of these temporarily disabled cases, the rehabilitation services were probably of value, but we believe the basic State rehabilitation program, private health insurance (where available), or other resources should have

been used to provide the necessary services. The resources of the Beneficiary Rehabilitation Program were intended to be directed to those beneficiaries who cannot be expected to regain the ability to work without such services.

ARE THERE ELIGIBLE BENEFICIARIES
NOT SERVED BY THE PROGRAM?

The Beneficiary Rehabilitation Program, by serving many temporarily disabled persons, may not be returning the maximum number of disabled beneficiaries to competitive employment.

The State disability determination unit is the primary referral source for the program, although referrals also may come from private physicians, hospitals, associates, and beneficiaries themselves. Whenever a disability unit makes either an initial determination or a redetermination of disability, the case is considered for referral to a State rehabilitation agency. Nationally, about 20 percent of all disabled beneficiaries are referred to a State rehabilitation agency by disability units. Many of those referred are not accepted for services under either the Beneficiary Rehabilitation Program or the basic State rehabilitation program. Reasons cited by State rehabilitation counselors for not accepting referred beneficiaries included:

- Client was too severely disabled.
- Client could not be located.
- Client was uncooperative.

The other 80 percent of disabled beneficiaries are unlikely to be considered for referral unless their cases come before a disability determination unit because of a medical reexamination or one of the other referral sources becomes involved. Consequently, there is little likelihood that disabled beneficiaries who are not referred to a State rehabilitation agency by a disability determination unit will come to the attention of a State agency. At the time of our fieldwork, SSA did not have a routine procedure for periodically notifying disabled beneficiaries of the Beneficiary Rehabilitation Program or the basic State rehabilitation program. Therefore, most persons receiving disability benefits might never be given an opportunity to participate in either program.

If additional beneficiaries are to be served, they will have to be those persons not accepted for services initially, those not referred to State rehabilitation agencies by

disability determination units, or new disability beneficiaries entering the rolls. Because of the high incidence in our sample of beneficiaries who did not meet the program's eligibility criteria, we believe that there may be some beneficiaries who might meet the eligibility criteria but have not been considered for the program. Appendix V shows the trend in benefit terminations resulting from services received under the Beneficiary Rehabilitation Program.

FUNDING NOT RELATED TO PROGRAM ACCOMPLISHMENTS

Between 1970 and 1975 the number of disabled beneficiaries increased from 2.6 million to 4.2 million, while their benefit payments increased from \$3.4 billion to \$7.6 billion annually.

Funding for the Beneficiary Rehabilitation Program has been based by law on a fixed percentage (currently 1.5) of the prior year's total disability payments. Under this method of funding, the amount available to the program is directly related to total payments made. As a result, increases in the numbers of persons receiving disability payments, as well as legislated social security benefit increases, while unrelated to program effectiveness, have automatically provided additional trust funds to the program. The table on page 5 shows the increases in Beneficiary Rehabilitation Program funding for several years.

The savings attributed to the program by HEW increased from \$1.60 for every \$1 spent through 1969 to \$1.93 for every \$1 spent through 1970 to \$2.50 for every \$1 spent through 1973. We questioned the savings computations reported by HEW (see pp. 13 and 14) and believe that the program has been marginally successful in returning beneficiaries to work. Although we did not develop a trend, our savings calculation of \$1.15 for every \$1 spent for the cases reviewed suggests the need to accurately determine how successful the program has been in returning disabled beneficiaries to work.

In view of the wide disparity between the latest savings figure reported by HEW and that which we computed, it is important to determine whether the trend of savings computation is up or down. Savings to the trust fund was the primary purpose for establishing the program.

CONCLUSIONS

The current fixed percentage method of funding the Beneficiary Rehabilitation Program has allowed the program to grow

significantly despite the lack of a substantial increase in benefit terminations. Under the present funding method, this trend will continue whether the program is successful or not.

The program has served many temporarily disabled beneficiaries who did not meet the program's eligibility criteria, and some eligible beneficiaries may not have been given an adequate opportunity to receive the program's rehabilitation services. We believe that those who were not initially accepted for rehabilitation services and those who were not referred to rehabilitation agencies could be notified periodically of the availability and purposes of the program.

If even a small number of these beneficiaries could be rehabilitated and subsequently have their benefits terminated, savings could be significant. It is also possible that few, if any, additional beneficiaries would meet the eligibility criteria for the program.

RECOMMENDATIONS TO THE SECRETARY OF HEW

The Secretary should direct the Commissioner of SSA to institute an outreach effort to notify periodically all disability beneficiaries of the availability of vocational rehabilitation services. This could generate voluntary inquiries from beneficiaries who are genuinely interested in rehabilitation. This recommendation should also be considered by the Commissioners of RSA and SSA in developing a plan for inclusion in the Secretary's Operational Planning System. (See p. 23.)

RECOMMENDATIONS TO THE CONGRESS

The Congress should temporarily freeze the funding level for the Beneficiary Rehabilitation Program at the fiscal year 1976 level, providing a factor for inflation. This should (1) provide sufficient funds for program operation until HEW can assist the States in properly administering the day-to-day operations of the program using the proper goal and (2) provide HEW with sufficient time to advise the Congress on the program's resource needs and progress.

We recommend that, after receiving this information, the Congress consider financing the program based on an annual determination by the Board of Trustees of demonstrated program success in providing savings to the trust funds through rehabilitating the maximum number of beneficiaries into productive activity. This would eliminate the present fixed-percentage method of financing the program, which does not relate program funding to its demonstrated success.

Proposed statutory amendment

Sec. 222(d)(1) of the Social Security Act (42 U.S.C. 422(d)(1)) is amended to read as follows:

"For the purpose of making vocational rehabilitation services more readily available to disabled individuals who are

- (A) entitled to disability insurance benefits under section 223, or
- (B) entitled to child's insurance benefits under section 202(d) after having attained age 18 (and are under a disability), or
- (C) entitled to widow's insurance benefits under section 202(e) prior to attaining age 60, or
- (D) entitled to widower's insurance benefits under section 202(f) prior to attaining age 60,

to the end that savings will result to the Trust Funds as a result of rehabilitating the maximum number of such individuals into productive activity, there are authorized to be transferred from the Trust Funds such sums as may be necessary to enable the Secretary to pay the costs of vocational rehabilitation services for such individuals (including (i) services during their waiting periods, and (ii) so much of the expenditures for the administration of any State plan as is attributable to carrying out this subsection); except that the total amount so made available pursuant to this subsection may not for any fiscal year after September 30, 1976, exceed twelve-fifteenths of the total amount available for (1) the fiscal year ending June 30, 1976, plus (2) the total amount available for the budgetary transition quarter ending September 30, 1976. An appropriate factor for inflation, taking into consideration the rate of inflation for the preceding 12-month period as determined by the Bureau of Labor Statistics, should also be provided. The selection of individuals (including the order in which they shall be selected) to receive such services shall be made in accordance with criteria formulated by the Secretary which are based upon the effect the provision of such services would have upon the Trust Funds."

AGENCY COMMENTS

HEW agreed that greater effort is needed to advise beneficiaries of the availability of vocational rehabilitation services, and it plans to review its outreach system to see if improvements can be effected. HEW believes that certain discretionary controls or screening criteria will have to be used to eliminate from notification those beneficiaries who obviously could not benefit from vocational rehabilitation services.

HEW said that all State rehabilitation agencies have been instructed to screen their active cases to assure that they continue to meet the program's special selection criteria. HEW believes that this screening procedure will have the effect of reducing the amount of trust funds that will be required in fiscal year 1977. Despite the reduction in funding, HEW believes the budget will be sufficient to serve beneficiaries who are eligible for the program.

HEW also agreed that the present fixed-percentage method of funding the program was no longer appropriate. HEW said that the formula method of funding the program provided advantages during the program's early years but that the formula had outlived its usefulness and was currently providing more funds than could prudently be expended by vocational rehabilitation agencies.

HEW plans to investigate alternate approaches to linking program funding to State agency performance and cost savings to the trust funds. It will coordinate an investigation of the total program and financing with evaluation of alternative means for correcting identifiable deficiencies. A report of the findings will be made to the Board of Trustees and the Congress.

CHAPTER 5

BARRIERS INHIBITING PROGRAM EFFECTIVENESS

Social Security Disability Insurance beneficiaries are often eligible for other social and economic benefits, which, when considered in total, may be more than they can expect to earn if they return to work. The possibility of losing these benefits may cause beneficiaries to refuse vocational rehabilitation services which could facilitate their return to work. To the extent that these other benefits influence beneficiaries not to return to work they inhibit the effectiveness of the Beneficiary Rehabilitation Program. Also, many beneficiaries whose disability benefits are terminated because of medical recovery may elect to remain unemployed or may not be able to find employment, thus they become dependent upon other social programs.

POTENTIAL DISINCENTIVES

Among the potential disincentives to a beneficiary's accepting vocational rehabilitation services are the increases in disability benefit payments; eligibility for Medicare, public assistance, food stamps, and Medicaid; and Workmen's Compensation benefits.

Increases in disability benefit payments

Disability payments to beneficiaries have increased significantly in recent years. For example, between July 1972 and June 1974, the maximum monthly benefit payable to a disabled worker increased from \$331 to \$412, while the maximum family benefit went from \$579 to \$722. These benefits are nontaxable.

A person who is able to engage in "substantial gainful activity" is no longer considered to be disabled and entitled to benefits. The monthly income level considered by HEW regulations to constitute substantial gainful activity was \$140 until September 1974, when it was raised to \$200. Therefore, if a beneficiary receiving family benefits of \$500 a month earns \$200 a month, he will lose his monthly disability benefits of \$500. Those working in the rehabilitation field generally believe that setting substantial gainful activity at such a low level results in a disincentive to rehabilitation.

Coupled with the comparatively high benefit payment level is the fact that benefit termination is absolute. If after engaging in an allowed trial work period, a beneficiary demonstrates the ability to earn \$200 or more a month, the beneficiary's benefits are terminated; there is no gradual reduction in benefits. The transition is from depending on the disability payments plus other benefits to depending on earned income.

The "Vocational Rehabilitation Counselors Handbook for SSA Disability Applicants" states that the 9-month trial work period plus 3 additional months of benefits and the waiver of the 5-month waiting period for benefit payments if disability recurs are major incentives for participating in the vocational rehabilitation program.

When disabled beneficiaries attempt to work but are unable to earn the substantial gainful activity wage, they may continue to receive benefits for themselves and their families for 9 months while testing their earning capacity and ability to sustain work. If it is determined after the trial work period that they can continue working, they will be paid benefits for an additional 3 months.

However, because any month in which a beneficiary earns over \$50 is counted as 1 month of the 9-month period, it is possible to use up the entire 9 months before truly demonstrating the capacity to engage in substantial gainful activity. Many persons working in the field of rehabilitation believe that the \$50 limit is unrealistically low, and therefore the trial work period might not be providing as much of an inducement to accepting rehabilitation services as was intended.

Medicare enrollment for disability beneficiaries

The 1972 amendments to the Social Security Act provide Medicare (hospital and medical insurance for the aged and disabled) entitlement to disability beneficiaries, regardless of age, after 24 months on the disability rolls. The potential loss of this benefit may also be a disincentive to beneficiaries who may be unable to obtain other health insurance if their disability benefits are terminated.

Further, if a beneficiary is terminated through employment but later regresses and returns to the disability rolls, he must again wait 24 months for Medicare entitlement. This may also be a disincentive to rehabilitation of beneficiaries who are doubtful of their ability to maintain competitive employment.

As mentioned on page 22, about 17 percent of our sample of 400 beneficiaries who did not have their benefits terminated after acceptance in the rehabilitation program did engage in competitive employment but were unable to continue.

Public assistance,
food stamps, and Medicaid

Depending on various individual situations, many beneficiaries are eligible for other types of economic assistance, such as public assistance, food stamps, and Medicaid. The availability of these benefits to the unemployed can make it difficult to rehabilitate and return beneficiaries to competitive employment.

Workmen's Compensation

Workmen's Compensation benefits might also result in potential disincentives; however, Workmen's Compensation payments generally reduce disability benefit payments according to a formula that takes into consideration the composition of the family unit. A subtle disincentive toward rehabilitation of beneficiaries who are also receiving Workmen's Compensation benefits is that, before receiving a lump-sum award under the Workmen's Compensation laws, they may be reluctant to demonstrate an ability to return to work because it could adversely affect the amount of their final award.

A sizable lump-sum award might also cause disability insurance beneficiaries to be reluctant to accept the services of a rehabilitation agency as long as they can continue receiving disability benefits. RSA has stated that there is a better chance for a successful rehabilitation if a client is provided with early attention and treatment. Delays such as those described could adversely affect the chances of success.

CASES INVOLVING POTENTIAL DISINCENTIVES
TO ACCEPTING REHABILITATION SERVICES

The following examples demonstrate that the benefits for which disability beneficiaries might become eligible can provide them with significant income and security which might not be available if they returned to competitive employment.

- The beneficiary was a 49-year-old male with chronic back strain, due in part to his occupation of hod carrier for 22 years. After he was judged disabled by SSA, he received \$237 a month in social security

disability benefits plus \$500 a month in disability benefits from his union. His wife earned \$414 monthly. The total monthly family income was \$1,151. The rehabilitation counselor closed the case as not rehabilitated and stated that any type of employment he could contemplate for the beneficiary would not provide him with income near the level provided by the social security disability and union benefits.

--A 30-year-old farm laborer was involved in a tractor accident which injured his right foot. His third toe was amputated, bone fragments removed, and skin grafted to the top of his foot. He received disability benefits of \$311 a month, Medicaid, and food stamps for which he paid \$41 and which were redeemable for foodstuff valued at \$112. He later received a Workmen's Compensation award of \$26,000. The beneficiary received hotel management training from a rehabilitation agency and was offered employment in the field. The pay was \$200 plus other benefits valued at \$250 per month. The beneficiary turned it down saying it was not enough money. Eventually, the rehabilitation counselor closed the case as not rehabilitated and noted that the beneficiary would not attempt work.

DEPENDENCY ON OTHER ASSISTANCE PROGRAMS

Of the 350 rehabilitated and terminated cases reviewed, about 50 percent were removed from the disability rolls because they had returned to competitive employment. The remainder were terminated by SSA because the medical evidence showed the impairment was no longer severe enough to prevent employment. In these cases, the termination of disability benefits could lead to increased dependency on other social programs. For example:

--A 38-year-old beneficiary with low back pain was terminated from the disability rolls in December 1970 because medical evidence indicated that his impairment would not prevent employment. However, the client was assisted by a social worker in arranging for other support--public assistance including medical assistance. The client also received monthly veterans benefits. The client was reported to SSA as a rehabilitated homemaker in December 1973.

REFUSAL OF SERVICES PROVISION NOT ENFORCED

Section 222(b)(1) of the Social Security Act provides that beneficiaries who refuse rehabilitation services without good cause shall have their benefits withheld.

The intent is to promote acceptance of rehabilitation services by disability beneficiaries and, for that reason, is considered by HEW to be an incentive for rehabilitation. The rehabilitation agency should report a beneficiary's refusal of services to the appropriate SSA district office for followup. If the refusal persists, the case should be referred to SSA headquarters for determining whether benefits should be withheld. SSA officials told us that nationally only one beneficiary's benefits are being withheld.

Rehabilitation counselors were reluctant to report beneficiaries who refused to accept services to proper SSA officials. A recent HEW Audit Agency review in one State showed that, of 278 cases closed by the rehabilitation agency because of refusal to accept services, only 1 case was referred to an SSA district office. According to the Audit Agency's report, the reasons given by rehabilitation counselors for not referring cases to SSA include an unawareness of the provision or procedure for processing refusals and a reluctance to establish communications with SSA district offices.

We analyzed 305 cases in which the refusal issue had possible application. These were disability beneficiaries who were included in samples we selected from a universe of beneficiaries who were not rehabilitated and not terminated and those who were not accepted for rehabilitation services. In 117 cases (38 percent) the rehabilitation counselor's reason for closing the case was that the beneficiary refused services or failed to cooperate.

We analyzed the appropriateness of each case closure, and in our opinion, there was a possible refusal of services issue in 72, or 23 percent, of the 117 cases. We believe the remaining 45 cases (15 percent) were miscoded by the vocational rehabilitation counselors. We found no documentary evidence that any of these cases had been referred to an SSA district office by a rehabilitation counselor.

For example, we believe the following case should have been pursued as a refusal of service case.

--In November 1971 a 31-year-old male was referred to the rehabilitation agency. His impairment was residuals of a spinal fusion which prevented him from returning to his former employment as a furnace operator.

The beneficiary had been receiving disability benefits since July 1970. At his scheduled medical reexamination in April 1972, it was determined that the fusion was not completely successful, and his doctor concluded that he could not carry on his usual occupation but that he possibly could do desk work.

As a furnace operator the beneficiary's gross earnings were about \$560 a month. His disability benefits, which were tax free, were \$428 a month.

The beneficiary was reluctant to accept rehabilitation services. He regularly missed counseling sessions and vocational evaluation appointments. In view of the beneficiary's lack of cooperation, the counselor closed the case as not rehabilitated because of refusal of service.

CONCLUSIONS

The economic status of disability beneficiaries can improve after onset of disability. If the proposed rehabilitation plan does not maintain or improve their economic status, beneficiaries may not be receptive to the services of a rehabilitation agency. This situation inhibits the effectiveness of the Beneficiary Rehabilitation Program and can lead to a refusal of vocational rehabilitation services. Social security legislation provides for withholding payments to beneficiaries who refuse such services; however, this provision has not been aggressively enforced.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary direct the Commissioner of RSA to insure that the necessary information regarding beneficiaries who refuse rehabilitation services is sent to SSA district offices by vocational rehabilitation counselors. The Secretary should also direct the Commissioner of SSA to initiate action to require SSA district office personnel to investigate each case referred by RSA to determine whether benefits should be withheld. This recommendation should also be considered by the Commissioners of RSA and SSA in jointly developing a plan for inclusion in the Secretary's Operational Planning System. (See p. 23.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress may wish to consider the feasibility of establishing a formula method to reduce disabled beneficiaries' monthly benefits according to their demonstrated earnings capacity. This would not apply to beneficiaries who have been determined by SSA to have medically recovered, but to those who attempt work and are unable for a period of time longer than the 9-month trial work period to earn the equivalent of their entitled benefits. Beneficiaries who have been determined by SSA to have medically recovered or who could engage in work equal to their benefit payments would not be eligible for this provision.

Periodic medical reexaminations of those on trial work periods who are still receiving partial disability payments would enable SSA to determine whether benefits should be terminated for medical reasons. This would enable the beneficiary to gradually assume a full-time occupation and would, for those who are able to work part time, partially relieve the Federal Government of the support of the individual while providing the individual the self-satisfaction associated with engaging in the part-time occupation. It would also reduce the impact of the \$200 limit for substantial gainful activity which many believe to be unrealistically low.

Consideration should also be given to rescinding the requirement that disabled beneficiaries wait another 24 months for Medicare eligibility if after benefits are terminated they return to the disability rolls because they are unable to continue to work. It is possible that a trial period during which the beneficiary would retain Medicare eligibility similar to the 9-month trial work period would provide added incentive for the beneficiary to accept rehabilitation services.

AGENCY COMMENTS AND OUR EVALUATION

HEW agreed on the need for followup in cases involving the possible refusal of vocational rehabilitation services. HEW plans to institute a computer monitoring system to insure that each issue of possible refusal is investigated and that, if necessary, action to withhold disability benefits will be taken.

HEW believes that establishing a formula method to reduce disabled beneficiaries' monthly benefits according to their demonstrated earnings capacity presents a number of problems. HEW was concerned that under such a formula even if it reduced benefits by \$1 for each \$1 of earnings beginning with the first \$1 earned, persons able to earn

substantial amounts would be entitled to some benefits. HEW cited an example of a disabled worker, with dependents, who was entitled to the maximum 1976 disability benefit of \$901.60 per month and would be able to earn up to \$10,000 per year and still receive over \$800 in yearly disability benefits.

At the other extreme, HEW believes that such a formula would, for those beneficiaries who supplement their benefits with relatively low earnings, be less liberal than the present law since a disabled beneficiary can currently earn up to \$200 per month and not lose any benefits.

HEW added that our proposal could greatly increase the number of people who enter the disability benefit rolls. They cited those medically disabled persons earning substantial amounts in competitive employment who might be encouraged to apply for benefits. HEW said that it would be difficult to justify limiting the recommendations to beneficiaries already on the benefit rolls and having different, less liberal criteria for initial entitlement.

In regard to our proposal that the Congress may wish to consider rescinding the requirement that disabled beneficiaries wait an additional 24 months for Medicare eligibility if after their benefits are terminated they return to the disability rolls because they are unable to continue to work, HEW said that it has not recommended eliminating the 24-month waiting period for Medicare in reentitlement cases. HEW advised that it is studying our proposal as part of its continuing reevaluation of the Medicare program to make it more responsive to the health-care needs of the Medicare population.

We recognize that a formula method for reducing disabled beneficiaries' monthly benefits could present certain problems in implementation and that it could affect several other programs. However, in view of the potential disincentives to a beneficiaries' accepting vocational rehabilitation services and remaining employed after engaging in trial work, we believe that HEW may wish to use such a formula on a trial basis to study its effects on encouraging beneficiaries to accept services and become competitively employed and thereby result in savings to the trust funds. Also, we do not believe that the examples cited by HEW would create great problems.

In the first example, HEW is concerned about paying \$800 in disability benefits to a person able to earn up to \$10,000 per year. We believe that, if a formula method for adjusting the amount of benefits paid to beneficiaries encourages them to seek employment paying \$10,000 per year, the savings to

the trust funds--the \$10,000 per year disability benefits that would not be paid--justifies the payment of \$800 in benefits.

We do not believe that this situation would long continue because, if a subsequent medical reexamination determined that a beneficiary had medically recovered, disability benefits would be terminated. Also, if the beneficiary were competitively employed, one cost-of-living increase of 9 percent in the above case would result in termination of all benefits ($.09 \times \$10,000 = \900). We believe that it would be feasible to limit the time beneficiaries can receive benefits if they are able to engage in competitive employment after the trial work period. It also appears to us that, the higher the entitled benefits disabled workers are receiving and the higher their earnings after employment, the higher would be the benefit to the trust funds in terms of savings in benefits not paid.

Regarding a beneficiary who supplements his benefits with relatively low earnings, we do not believe that a formula method would adversely affect him. Our proposal, as stated, refers to beneficiaries who are unable for a period of time longer than the 9-month trial work period to earn the equivalent of their entitled benefits. During the trial work period, beneficiaries would be entitled to supplement their benefits with the relatively low earnings referred to by HEW. Once the trial work period had ended, we believe that the formula method might encourage these beneficiaries to continue to work rather than stop working just before the end of the trial period.

Regarding the potential for increasing the disability benefit rolls substantially, we believe that, if the SSA disability determination process is functioning properly, there would not be significant additions to the rolls. Our recommendation refers to persons who have been judged to be disabled under SSA criteria and who have been referred to vocational rehabilitation agencies for services. Until persons have been judged to be disabled and have met the special selection criteria of the Beneficiary Rehabilitation Program, the formula would not be applicable. If the other recommendations in this report are adequately implemented, we do not believe that benefit rolls would increase substantially because persons already competitively employed are granted disability benefits.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

March 17, 1976

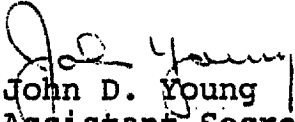
Mr. Gregory J. Ahart
Director, Manpower and
Welfare Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Improvements Needed in Efforts to Rehabilitate Social Security Disability Insurance Beneficiaries." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,


John D. Young
Assistant Secretary, Comptroller

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE ON THE GENERAL ACCOUNTING OFFICE DRAFT REPORT ENTITLED "IMPROVEMENTS NEEDED IN EFFORTS TO REHABILITATE SOCIAL SECURITY DISABILITY INSURANCE BENEFICIARIES"

We are in basic agreement with the report's major recommendations and have taken, or are taking, steps to implement them. Our comments on the individual recommendations are set forth below.

GAO RECOMMENDATION

That HEW:

-- Assure that actuarial assumptions used in attributing savings to the Beneficiary Rehabilitation Program are consistent with the program's eligibility criteria. In order to accurately attribute savings to the program, cases should be excluded from savings computations if rehabilitation services were not instrumental in the termination of benefits.

-- Accurately determine trust fund savings attributable to the Beneficiary Rehabilitation Program, and report this to the cognizant Congressional Committees and to the Board of Trustees for their consideration.

DEPARTMENT COMMENT

We concur with the recommendations. The Social Security Administration and the Rehabilitation Service Administration will work together to obtain the necessary data and to assure that all the information received from vocational rehabilitation agencies is accurate and timely. Several steps have already been taken, as detailed later, and others are planned. In the meantime, RSA and SSA are jointly conducting Program Administrative Reviews (PAR) of the program in all vocational rehabilitation agencies during this fiscal year. The case review schedule developed for use in the PAR's is designed to show agency deficiencies in the special selection criteria area as well as to indicate whether the services provided contributed to the individual's rehabilitation.

However, it must be recognized that there are individual cases that may meet the criteria in accordance with the counselor's judgment at the time of selection, but which may eventually fall short of meeting program objectives because of unforeseeable or unpredictable circumstances.

The problem which counselors appear to be experiencing the most difficulty with is selection criteria No. 2 -- "The disabling effect of the impairment without the planned services, is expected to remain at a level of severity which would result in the continued payment of benefits." It is important to note that although there are many cases which are diaried by DDS for re-examination and expected to recover medically

within a short time (12 months) there are other cases similarly diaried for re-examination that will in fact not recover within the expected time. Still others may not be expected to recover without the planned intervention by State vocational rehabilitation agencies. For this reason, HEW is reluctant to require arbitrarily that all such cases be excluded for assignment to the Trust Fund account. We intend, however, to require full and adequate justification in each instance where Trust Fund expenditures are made.

GAO RECOMMENDATION

That the Board of Trustees include an evaluation of the effectiveness of the Beneficiary Rehabilitation Program in its annual report to the Congress on the operation and status of the trust funds.

DEPARTMENT COMMENT

SSA and RSA will work to provide necessary data to the Office of the Actuary for a yearly cost benefit analysis and, as requested, will provide the Board of Trustees whatever information and data is needed to compile an annual report on program progress and problems.

GAO RECOMMENDATION

That the Secretary ensure that the Beneficiary Rehabilitation Program is implemented and administered as intended by the Congress by directing the Commissioners of SSA and RSA to jointly develop a plan for inclusion in the Secretary's Operational Planning System.

DEPARTMENT COMMENT

We believe that such focus at the Department level will do much to improve program performance at all administrative and operational levels.

GAO RECOMMENDATION

In order for the Commissioners of RSA and SSA to jointly develop a plan for inclusion in the Secretary's Operational Planning System, and for the Beneficiary Rehabilitation Program to realize its full potential of returning the maximum number of disabled beneficiaries to substantial gainful activity, GAO recommends the following:

The Secretary, HEW, should require

- the Commissioners of RSA and SSA to jointly develop an information system to measure the effectiveness of the Beneficiary Rehabilitation Program. This system should include controls to assure that only beneficiaries who meet the program's selection

criteria are accepted and served by State rehabilitation agencies. The system should also ensure that cases in which rehabilitation services were not instrumental in the termination of benefits are excluded from program savings computations. This system should be adequate to provide the Board of Trustees with information necessary to include an evaluation of the program in its annual report to the Congress.

-- the Commissioner, RSA, to use trust funds which have been made available for program administration to establish a capability in HEW regional offices to provide adequate technical assistance to States and to adequately staff the program at HEW headquarters. This should assure that State rehabilitation agencies will distinguish between the goals and criteria of the Beneficiary Rehabilitation Program and the basic State vocational rehabilitation program.

-- the Commissioner, RSA, to provide for eligible beneficiaries to receive services up to the time of benefit termination and to be retained in the rehabilitation agencies' active caseload until then. This will also require closer cooperation by SSA and State vocational rehabilitation agencies.

-- the Commissioner, SSA, to assure that actuarial assumptions used in attributing savings to the program are consistent with the program's eligibility criteria.

DEPARTMENT COMMENT

As to the first item, we concur in principle. However, to comply to the letter of this recommendation would require a review of each VR folder at the time of case assignment to the trust fund program, constant monitoring to ensure that the special selection criteria continue to be met, and a review at the time of closure. As indicated, such a monitoring program would require an increase in manpower requirements to the point where administrative costs may well exceed expenditures for case services. We expect to comply through changes in control, monitoring, and data collection systems.

We have taken measures to improve the effectiveness of the information system by revising some reports, for example:

RSA-200 - Quarterly Status Report: Disability Insurance Program and Supplemental Security Income Program

This report was revised to include a clear distinction between reporting of cases which do and do not meet the special selection criteria.

RSA-300 - Federal State Program of Vocational Rehabilitation

This report, used to describe the characteristics of clients closed from the SSDI Program to provide for planning and evaluation purposes, was revised to clarify the case service report related to SSDI beneficiaries. Further revision of this report is planned to provide data to serve as the basis for an information system to measure the effectiveness of the beneficiary rehabilitation system.

VR Monitoring System

A system for monitoring various aspects of the program is expected to be put in place in the near future. Initially, the system will assure that VR agencies report instances of beneficiary noncooperation and will provide gross and demographic data on the DDS-referred beneficiaries accepted for VR services. Once in place, the system is also expected to establish a control to assure VR submission of VR closure information (now Form SSA-853). The format for reporting this VR closure information is being redesigned to provide SSA with the necessary data for performing more sophisticated cost/benefit analysis.

Among the other reports that make up the management information systems are:

RSA-1 - Program and Financial Plan

The Program and Financial Plan is a management tool developed to assist the States and RS Regional and Central Offices in systematically developing short and long range goals, with resource requirements and narrative justification. Information from the PFP is used by RSA and the Department for short and long range planning, and for the preparation of the budget.

RSA-2 - Annual Report on Vocational Rehabilitation

This report provides a detailed breakdown of fiscal and program statistical data on the Basic Support, Beneficiary Rehabilitation and Supplemental Security Income Programs. It provides total accountability for the funds allocated and utilized under each of these programs.

RSA-13 - Quarterly Progress Report

This report provides the State VR agencies and the RS Regional and Central Offices with broad program goals, program accomplishments, and cumulative expenditures. It is an essential management tool and needed to monitor program progress.

Fiscal reports RSA-1, 2 and 13 are management tools designed for complete, incisive reporting and overall accountability. These reports are continuously updated based on management's need.

With respect to the second item of GAO's recommendation, early in 1975 RSA Regional Offices assigned a full-time professional position with responsibility for the Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)-VR programs. The Social Security Administration (SSA) has also designated one staff person in each of their Regional Offices to work with RS regional staff on these programs. A joint training conference was held for the RSA and SSA regional staff in September 1975 and another is planned for the spring of 1976. Current RSA regional activities related to the Beneficiary Rehabilitation Program include:

- conducting a Program Administration Review in nine State agencies during FY 1975, and completing PARs in all remaining States during FY 1976;
- monitoring and assisting the State agencies on the current review of all active SSDI and SSI cases assigned to special funds;
- conducting two training sessions in each region for State program coordinators during FY 1976; and
- monitoring and analyzing program reports submitted by the States and providing technical assistance on a State-by-State basis.

RSA proposes to make a manpower utilization study in the near future to determine staffing needs and for making appropriate staff assignments at headquarters and in the regional offices.

With regard to the third item of the recommendation, HEW agrees that eligible beneficiaries should be provided services up to the time of benefit termination or beyond, if necessary, but does not feel that the individual needs to be carried in "active" status in order to provide such services. RSA already has a system in place pursuant to the Rehabilitation Act of 1973 for providing post-employment services subsequent to rehabilitation closure. RSA will work with SSA and the State VR agencies to assure that every case is provided post-employment services as needed, but only if the client is engaging in what would usually be considered a substantial gainful activity (SGA). We do not believe it feasible to track individuals rehabilitated into employment at less than SGA levels, unless there is a strong likelihood (documented by VR), that, with the passage of time and provision of any necessary post-employment services, such work will increase to SGA levels. This latter exception is predicated upon our knowledge that, despite the best intentions and counseling practices of VR personnel, there will always be those clients who, because of severity of impairment, lack of initiative, etc., will never engage in employment at the SGA level.

Rehabilitation Services manual instructions were issued on May 9, 1975, to the States to more adequately assure the success of the rehabilitation process and result in termination from the benefit rolls. These instructions require casework procedures to be established for furnishing necessary post-employment services for at least a minimum period to coincide with the 9-month trial work period. In addition, contact with the client's local Social Security district office to determine benefit status before the case is closed from consideration for post-employment services will enable the State agency to provide any necessary services if benefits have not been terminated.

The States are currently being provided data on total benefit terminations and recidivism on the group of individuals they have rehabilitated under the program. Plans are also being made whereby the Social Security Administration will notify the State agency of the benefit termination of each client served under the Beneficiary Rehabilitation Program. This will enable the States to more efficiently assure that post-employment services are provided up to the time of benefit termination and beyond, if necessary.

GAO has pointed out that rehabilitations are advancing while the number of benefit terminations have leveled off. Some of the reasons for this are the poor state of the national economy, high unemployment rate and inflation in recent years. Another major factor is that disincentives to rehabilitation have gradually and inadvertently become a part of the Social Security Act. These include higher benefit levels; health benefits; termination of all benefits, even though demonstrating an ability to work at a level only slightly above substantial gainful activity; counter productive aspects of the trial work provision and the vocational rehabilitation refusal provision. While certain provisions, such as higher benefit payments and health benefits, are beneficial to the individual, other modifications have not been made to promote rehabilitation incentives for the individual who is more self-sufficient. An ad hoc committee appointed by the Council of State Administrators of Vocational Rehabilitation, Committee on Social Security Relationships, has studied this problem and addresses it at length in their report on ways to improve the trust fund and SSI programs, dated September 1975.

With respect to the last item of the recommendation, we agree that actuarial assumptions used in attributing savings to the program should be consistent with the program's eligibility criteria. As we have previously stated, much has already been done to improve reporting by the State VR agencies. SSA and RSA will work together to devise some type of sampling system for assuring that only those cases meeting the special selection criteria and whose benefit terminations are directly related to the VR services provided are included in savings computations.

GAO RECOMMENDATION

That SSA institute an outreach effort to notify periodically all disability beneficiaries of the availability of vocational rehabilitation services. This could generate voluntary inquiries from beneficiaries who are genuinely interested in rehabilitation services. If it is determined after a trial period that additional beneficiaries do not meet the eligibility criteria for the program, this should be reported to the Congress so that proper adjustments in the funding level can be made.

DEPARTMENT COMMENT

We agree that greater outreach effort is needed. Accordingly, we will undertake a review and modification of existing outreach efforts to see wherein improvements can be effected. Although GAO suggests that all beneficiaries be periodically notified, we believe that certain discretionary controls (or screening guidelines) will be mandatory, e.g., age of the claimant, degree of impairment, prognosis, etc., to eliminate from notification those beneficiaries for whom VR services would obviously be contraindicated.

We should also point out that at present the SSA district offices are currently instructed to provide applicants with informational material on VR services. Allowed beneficiaries receive further information on the availability of VR services in a booklet, "Your Social Security Rights and Responsibilities" which is enclosed with the award notice. In addition, the disability adjudicator and medical consultant screens each case to identify whether or not a referral should be made for VR services. National screening and referral criteria guidelines have been developed to assure that all disability insurance applicants who may benefit from VR services have the opportunity to receive them. We plan to re-evaluate this procedure to assure that more of the severely disabled are included in the rehabilitation process.

We agree that funding should be tied to program performance.

[See GAO note, p. 52.]

GAO RECOMMENDATION

That Congress should temporarily freeze the funding level for the Beneficiary Rehabilitation Program at the fiscal year 1976 level plus providing a factor for inflation. This should provide sufficient funds for

program operation until such time as HEW can assist the States in properly administering the day-to-day operations of the program using the proper goal and provide HEW with sufficient time to advise the Congress on the resource needs and progress of the Beneficiary Rehabilitation Program.

DEPARTMENT COMMENT

All State VR agencies have been instructed to screen their active caseloads during FY 1976 to assure that those cases assigned to the Beneficiary Rehabilitation Program continue to meet the special selection criteria. This screening is expected to reduce the number of individuals whose services are being financed with trust funds. We anticipate that this caseload reduction will be of such significance so as to require less funds during FY 1977. In fact, the Department estimates that ten percent less funds are required during FY 1977 as a result of this expected caseload reduction. Despite this reduction in funding, we believe the budget will be sufficient to serve those beneficiaries truly eligible during this period of reassessment and readjustment. However, it is important to indicate that we are not yet able to calculate the cost impact of serving only those truly eligible for the program, i.e., the more severely disabled who will require multiple services over an extended period of time.

GAO RECOMMENDATION

That after the Congress has been provided with this information, the Congress consider financing the Beneficiary Rehabilitation Program based on an annual determination by the Board of Trustees of the demonstrated success of the program in providing savings to the trust funds through rehabilitating the maximum number of beneficiaries into productive activity. This would eliminate the present fixed percentage method of financing the program which does not relate program funding to its demonstrated success.

DEPARTMENT COMMENT

In the beginning of the Beneficiary Rehabilitation Program, the formula method for determining the total funds which could be made available provided the VR agencies with the necessary funds for starting up this new program and made a slight increase in monies available each year as beneficiary caseloads grew. In recent years, however, a number of circumstances resulted in dramatic increases in the total funds available--the increase in the formula percentage, the burgeoning disability rolls, and the periodic increase in benefit levels. We think the original formula basis for financing the BRP has now outlived its usefulness and is currently providing more funds than may prudently be expended by the VR agencies. The Department will investigate alternate

approaches to linking Beneficiary Rehabilitation Program funding to State agency performance and cost savings to the Trust Fund. The Department will coordinate an investigation of the total program and financing with evaluation of alternative means for correcting identifiable deficiencies. A report of the findings will be rendered to the Board of Trustees and the Congress.

GAO RECOMMENDATION

The Secretary, HEW, should direct the Commissioner, RSA, to ensure that the necessary information regarding the referral of information on beneficiaries who refuse rehabilitation services is sent to SSA district offices by vocational rehabilitation counselors. The Secretary, HEW, should also direct the Commissioner, SSA, to initiate action to require SSA district office personnel to investigate each case referred by RSA to determine whether benefits should be withheld.

DEPARTMENT COMMENT

We concur. Joint efforts by RSA and SSA are underway. To ensure that each issue of possible refusal is investigated, we plan to institute a computer monitoring system. All DDS referrals to VR agencies will be controlled and followed-up. When a refusal issue is reported, another control will be established, and the case will be forwarded to the SSA district office for full development. If the individual, following contact by the district office, agrees to accept proffered VR services, the DO will forward the claim to the DDS for re-referral. If the individual persists in refusing, the DO will forward the claim to the Regional Office where a determination will be made as to "good cause", and, if necessary, suspension action taken.

GAO RECOMMENDATION

The Congress may wish to consider the feasibility of establishing a formula method to reduce disabled beneficiaries' monthly benefits according to his demonstrated earnings capacity. This would not apply to beneficiaries who have been determined by SSA to have medically recovered, but to those who attempt work, but are unable for a period of time longer than the 9-month trial work period to earn the equivalent of their entitled benefits. Beneficiaries who have been determined by SSA to have medically recovered or who could engage in work equal to their benefit payments would not be eligible for this provision.

Consideration should also be given by the Congress to rescinding the requirement that a disabled beneficiary wait 24 months for Medicare eligibility if he engages in competitive employment but is unable to continue to work. It is possible that a trial period during which the beneficiary would retain Medicare eligibility similar to the 9-month trial work period would provide added incentive for the beneficiary to accept rehabilitation services.

DEPARTMENT COMMENT

While we can appreciate GAO's concern that disability beneficiaries should not be discouraged from returning to work, the legislative recommendation which they make presents a number of problems. First, under the GAO recommendation, partial benefits would be paid to people who, despite their impairments, were able to engage in substantial gainful activity and earn very substantial amounts. For example, even under a formula which would reduce disability benefits by \$1 for each \$1 of earnings beginning with the first \$1 earned, it would be possible for a disabled worker (with dependents) who was receiving the maximum family benefit (in 1976) of \$901.60 a month to earn as much as \$10,000 in a year and still receive more than \$800 in disability benefits for the year. And for the beneficiary who supplements his benefits with relatively low earnings, this approach would be less liberal than present law since a disabled beneficiary can earn up to \$2,400 (\$200 a month) under present SGA regulations and not lose any benefits. A more liberal provision would, of course, permit people to have even more substantial earnings and still get some benefits, and, depending on how liberal it was, could substantially increase the cost of the program.

Second, a proposal along these lines could greatly increase the number of people who come on the disability benefit rolls. Conceivably, all of the people who are medically disabled but who would have applied for benefits except for the fact that they were earning substantial amounts would come in and file for benefits even if they would be potentially entitled to as little as \$1 in benefits. (It would be difficult to justify limiting the recommendations to those beneficiaries who are already on the benefit rolls and having different, less liberal substantial gainful activity criteria applicable for initial entitlement.)

In its report on the Social Security Amendments of 1967, the House Committee on Ways and Means, with concurrence by the Senate Finance Committee stated:

"The committee also believes it is necessary to reaffirm that an individual who does substantial gainful work despite an impairment or impairments that otherwise might be considered disabling is not disabled for purposes of establishing a period of disability or for social security benefits based on disability during any period in which such work is performed. The language in the committee's bill, therefore, specifically provides that where the work or earnings of an impaired individual demonstrates ability to engage in substantial gainful activity under criteria prescribed by the Secretary, the individual is not disabled within the meaning of title II of the Social Security Act."

With respect to the second of GAO's recommendations, we would point out that the Social Security Amendments of 1972 extended Medicare coverage to people receiving social security or railroad retirement benefits based on their disability, beginning with the 25th consecutive month of entitlement to disability benefits. Where there is an interruption in entitlement to disability benefits after the 24-month requirement has been completed, a new 24-month waiting period must be served before entitlement to Medicare can be resumed.

The Committee on Ways and Means of the House of Representatives discussed the basis for the decision to include the 24-month waiting period in its report on the Social Security Amendments of 1972. In its report the Committee gave the following explanation:

While your committee has concluded that considerations of public policy dictate the extension of medicare protection to the disabled, your committee also believes, given the cost and financing considerations involved in such coverage, that it is imperative to proceed on a conservative basis. Consequently, your committee's bill would provide health insurance protection only after the disabled beneficiary has been entitled to social security disability benefits for not less than 24 consecutive months. Such an approach would help to keep program costs within reasonable bounds, avoid overlapping private health insurance protection, particularly in those cases where a disabled worker may continue his membership in a group insurance plan for a period of time following the onset of his disability, and minimize certain administrative problems that might otherwise arise in cases in which entitlement to disability benefits is not determined until some time after application is made because of delays due to the appellate process.

Moreover, this approach would provide assurance that the protection will be available to those whose disabilities have proven to be severe and long lasting.

The Administration has not recommended elimination of the 24-month waiting period for Medicare in reentitlement cases. Nevertheless, we are studying this proposal as part of our continuing reevaluation of the Medicare program to determine what changes might be undertaken, within limitations of available funds, to make the program more responsive to the health-care needs of the Medicare population.

GAO note: Deleted comments pertain to matters presented in the draft report but revised in this final report.

NINETY-THIRD CONGRESS
WILBUR D. MILLS, ARK., CHAIRMAN

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

April 25, 1974

B-164031(4)

The Honorable Elmer B. Staats
Comptroller General of the
United States
Washington, D. C.

Dear Mr. Staats:

The staff of the Committee on Ways and Means is presently conducting a thorough review of the social security disability insurance program. One of the issues it is looking into is the effectiveness of the Beneficiary Rehabilitation Program, which is intended to enable social security disability insurance beneficiaries to return to employment and consequently reduce substantial future payments of trust funds. This program, as you know, is financed with social security trust funds and is administered by the Rehabilitation Services Administration, Social and Rehabilitation Service. The program has grown rather dramatically in recent years and significant savings to the trust funds have been claimed for the program.

It is my understanding that the General Accounting Office (GAO) is conducting a survey of this program with particular emphasis on expenditures, savings, and criteria for client processing. While GAO may already be addressing itself to areas in which the Committee is interested, I would like GAO to consider the following questions:

- (1) How do the Social Security Administration and the Rehabilitation Services Administration coordinate the operation and management of the Beneficiary Rehabilitation Program?
- (2) Are the criteria used to select clients for referral under the basic vocational rehabilitation program and the criteria used in selecting clients for Social Security Trust Fund financed services reasonable and consistent? Are Beneficiary

Rehabilitation program savings computations based on current and accurate data? How is this data used and are the actuarial assumptions consistent with the manner in which the program is administered?

- (3) Rehabilitation Services Administration emphasizes "rehabilitation" in its statistical reporting whereas the Beneficiary Rehabilitation program has a primary goal the "recovery" of individuals in order that they can return to competitive employment. Are these program goals consistent and does the vocational rehabilitation program, as administered by Rehabilitation Services Administration assist the clients to and through the recovery stage?
- (4) Are clients who are accepted for vocational rehabilitation services, which are financed with trust funds, those clients who would probably have recovered within a short time without these services?
- (5) Do State vocational rehabilitation agencies adequately distinguish between the Beneficiary Rehabilitation and the basic vocational rehabilitation programs? Should there be a distinction?

I would be particularly interested in an overall determination of the impact of the vocational rehabilitation services on termination of social security benefits.

Since the Committee will be considering these matters in the near future, I would appreciate your giving the highest priority to furnishing information on the questions I have asked.

Sincerely yours,



Wilbur D. Mills
Chairman

WDM/kf

REHABILITATION SERVICES

- Evaluation, including diagnostic and related services.
- Counseling and guidance.
- Physical restoration services.
- Training, including personal and vocational adjustment, maintenance, books and training materials (including tools), transportation.
- Placement.
- Tools; equipment; initial stocks and supplies, including equipment, and initial stocks and supplies for vending stands; occupational licenses.
- Management services provided by the State agency and acquisition of vending stands for small business enterprises operated under the supervision of the State agency by the severely handicapped.
- Interpreter services for the deaf.
- Services to members of a handicapped individual's family when such services will contribute substantially to the rehabilitation of the handicapped individual.
- Such other goods and services as are necessary to render a handicapped individual fit to engage in a gainful occupation.

DESCRIPTION OF SAMPLES OF DISABILITY INSURANCEBENEFICIARIES REVIEWED

We made five samplings, each designed to provide information on a particular aspect of the program.

SAMPLE 1

A random sample of 350 beneficiaries who were reported to SSA from January 1, 1971, to December 31, 1973, as rehabilitated by the 4 State rehabilitation agencies and whose disability benefits were terminated. This sample was selected from SSA's "Master Vocational Rehabilitation Record." 1/

Our sample provided a statistical reliability of 95 percent. These cases were included in the SSA actuarial computation of trust fund savings attributed to the Beneficiary Rehabilitation Program. (See ch. 2.) We assessed the attributes of these cases and the extent to which the services provided by the State rehabilitation agencies contributed to the termination of disability benefits. Information on the universe of cases in the four States and on our projection of cases in which rehabilitation services had little impact on benefit termination is shown on page 13.

SAMPLE 2

A random sample of 400 beneficiaries who were reported to SSA from January 1, 1971, to June 30, 1973, as rehabilitated by the 4 State rehabilitation agencies and whose disability benefits were not terminated. A small

1/This record is a cumulative listing of those beneficiaries reported to SSA as rehabilitated. SSA officials believe that all rehabilitants are not included in this data source because about 30,000 more trust fund rehabilitations were reported by State agencies to RSA over the period. However, SSA officials agree that this is the best source for a selection of rehabilitation cases. What probably accounts for most of the variance is that, before late 1972, trust fund rehabilitants classed as homemakers, sheltered workshop employees, and unpaid family workers were not included in this file because there was little chance of benefit termination. They are now being entered in the file.

number of clients from this sample later had their benefits terminated after undergoing a trial work period. This sample was also selected from the SSA "Master Vocational Rehabilitation Record." Our sample provided a statistical reliability of 95 percent. We reviewed these cases to determine why the services provided by the rehabilitation agencies did not result in the termination of disability benefits.

SAMPLE 3

A random sample of 192 beneficiaries who received rehabilitation services but were classified as not rehabilitated by the 4 State agencies. This sample was selected from records at the State agencies reviewed. We were interested in why beneficiaries could not be classified as rehabilitated by the State rehabilitation agencies.

SAMPLE 4

We selected 68 cases in a service status at the time of our review from records maintained in the 4 State rehabilitation agencies. Our selection was based on each State's determination of cases which could be considered long term and/or which had significant amounts spent on them. We reviewed selected case characteristics and the extent to which the States had controls to assure continuing eligibility for the Beneficiary Rehabilitation Program.

SAMPLE 5

We selected 119 disability beneficiary cases which were not accepted into the program by the 4 State rehabilitation agencies. We reviewed characteristics of these cases and the State agencies' reasons for not accepting them.

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Our review approach was identical for each sample. For each beneficiary, we obtained extensive information from the files of the State rehabilitation agency. Available complementary information was extracted from beneficiaries' disability files at SSA in Baltimore, Maryland. This independently developed information was then merged and formed the basis for our determinations and evaluations.

DISABLED WORKER BENEFICIARY TRENDS

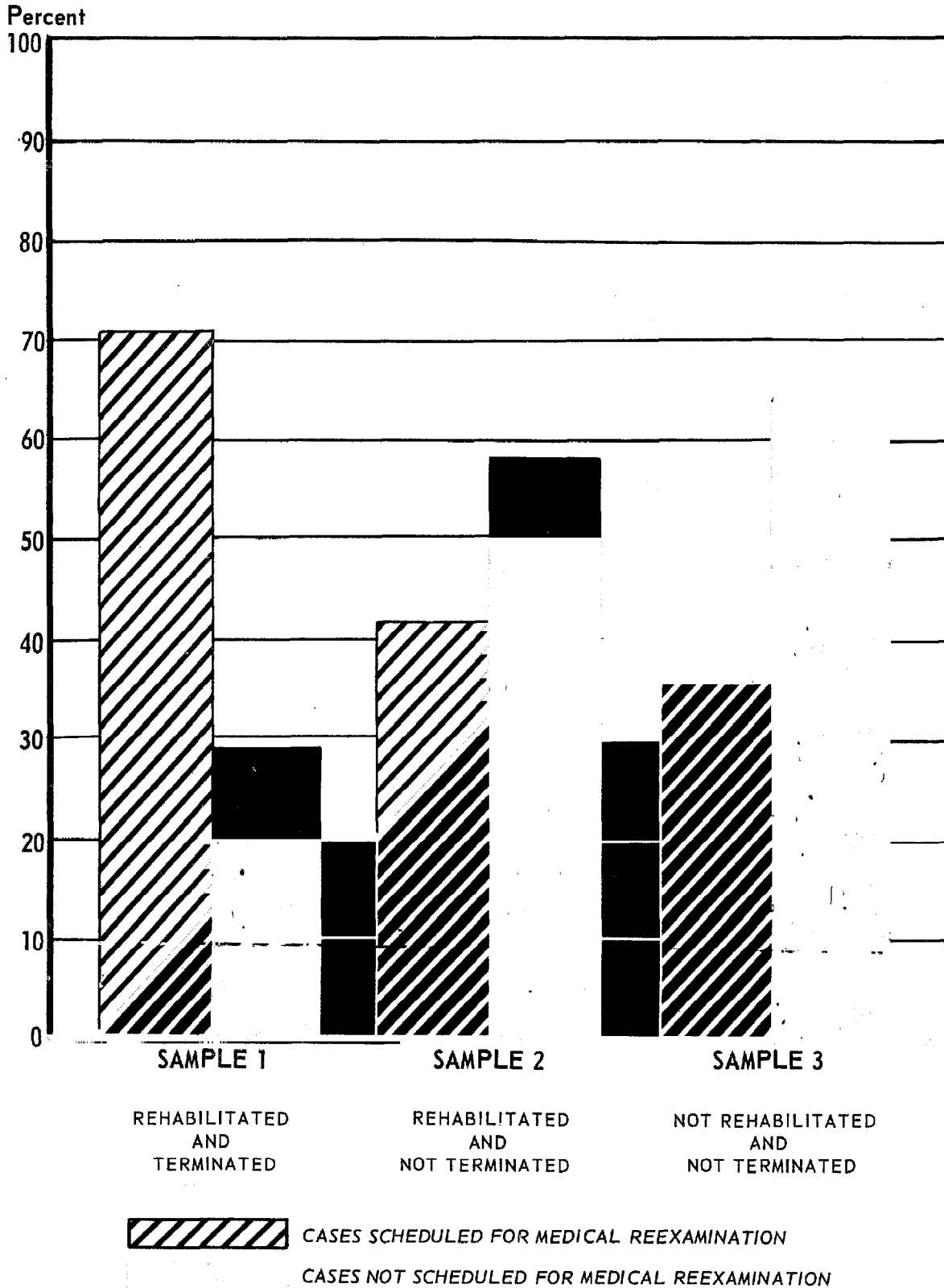
<u>Year</u> <u>(note a)</u>	<u>Disabled</u> <u>beneficiaries</u> <u>on roll</u>	<u>Total</u> <u>terminated</u> <u>from rolls</u> <u>for recovery</u> <u>(note b)</u>	<u>Credit for</u> <u>benefits</u> <u>terminated</u> <u>claimed by</u> <u>Beneficiary</u> <u>Rehabilita-</u> <u>tion Program</u> <u>(note c)</u>	<u>Percent</u> <u>terminations</u> <u>claimed by</u> <u>Beneficiary</u> <u>Rehabilitation</u> <u>Program</u>
1957	178,802	52	-	-
1960	544,838	3,124	-	-
1965	1,150,699	18,441	-	-
1966	1,272,396	23,111	-	-
1967	1,405,125	37,151	170	.4
1968	1,521,580	37,723	1,068	2.8
1969	1,644,124	38,108	2,799	7.3
1970	1,761,138	40,802	3,078	7.5
1971	1,926,359	42,981	2,335	5.4
1972	2,105,422	39,393	2,408	6.1
1973	2,335,756	36,696	2,597	7.0

a/Monthly cash benefits were first paid to disabled workers aged 50-64 in July 1957.

b/Includes persons removed from the benefit rolls for reasons other than death or attainment of age 65 (when disability benefits are automatically converted to old age benefits).

c/Program began about March 1966.

CASES SCHEDULED FOR MEDICAL REEXAMINATION



PRINCIPAL HEW OFFICIALS RESPONSIBLE FOR
ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
David Mathews	Aug. 1975	Present
Caspar W. Weinberger	Feb. 1973	Aug. 1975
Frank C. Carlucci (acting)	Jan. 1973	Feb. 1973
Elliot L. Richardson	June 1970	Jan. 1973
Robert H. Finch	Jan. 1969	June 1970
Wilbur J. Cohen	Mar. 1968	Jan. 1969
John W. Gardner	Aug. 1965	Mar. 1968
ADMINISTRATOR, SOCIAL AND REHABILITATION SERVICE (note a):		
John A. Svahn (acting)	June 1975	Present
James S. Dwight, Jr.	June 1973	May 1975
Francis D. DeGeorge (acting)	May 1973	June 1973
Philip J. Rutledge (acting)	Feb. 1973	May 1973
John D. Twiname	Mar. 1970	Feb. 1973
Mary E. Switzer	Aug. 1967	Mar. 1970
COMMISSIONER, SOCIAL SECURITY ADMINISTRATION:		
James B. Cardwell	Aug. 1973	Present
Arthur E. Hess (acting)	Mar. 1973	Aug. 1973
Robert M. Ball	Apr. 1962	Mar. 1973
ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT:		
Stanley B. Thomas, Jr.	Aug. 1973	Present
Stanley B. Thomas, Jr. (acting)	Apr. 1973	Aug. 1973
COMMISSIONER, REHABILITATION SERVICES ADMINISTRATION (note b):		
Andrew S. Adams	Apr. 1974	Present
James R. Burress (acting)	Jan. 1974	Apr. 1974
Corbett Reedy (acting)	Jan. 1973	Jan. 1974
Edward Newman	Oct. 1969	Jan. 1973
Joseph V. Hunt	Apr. 1968	Oct. 1969
Joseph V. Hunt (acting)	Oct. 1967	Apr. 1968
Mary E. Switzer	Dec. 1950	Aug. 1967

a/In February 1975 the Rehabilitation Services Administration was transferred from the Social and Rehabilitation Service to the Office of Human Development, headed by the Assistant Secretary for Human Development.

b/In August 1967 the Vocational Rehabilitation Administration became the Rehabilitation Services Administration.

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