

March 2007

# VOCATIONAL REHABILITATION

Earnings Increased for  
Many SSA  
Beneficiaries after  
Completing VR  
Services, but Few  
Earned Enough to  
Leave SSA's Disability  
Rolls



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## Abbreviations

DCF	Disability Control File
DI	Disability Insurance
MEF	Master Earnings File
MBR	Master Beneficiary Record
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
TRF	Ticket Research File
VR	Vocational Rehabilitation

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United States Government Accountability Office  
Washington, DC 20548

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March 30, 2007

The Honorable Charles B. Rangel  
Chairman  
The Honorable Jim McCrery  
Ranking Minority Member  
Committee on Ways and Means  
House of Representatives

The Honorable Michael R. McNulty  
Chairman  
The Honorable Sam Johnson  
Ranking Minority Member  
Subcommittee on Social Security  
Committee on Ways and Means  
House of Representatives

The Honorable Sander M. Levin  
House of Representatives

In 2005, about 10 million working-age people with disabilities were beneficiaries of federal income support programs administered by the Social Security Administration (SSA)—namely the Disability Insurance (DI) program and the Supplemental Security Income (SSI) program. Both of these programs have grown dramatically over the past decade and the federal government's cost of providing these benefits was almost \$101 billion in 2005. This growing cost and the need to redefine the relationship between impairments and the ability to work prompted us in 2003 to put federal disability programs on GAO's high-risk list.<sup>1</sup>

As we have previously reported, the percentage of SSA beneficiaries who could return to work is unknown. Some beneficiaries are unlikely to work because of the severity of their disabilities. Those who do return to the workforce may face additional challenges to their ability to leave the disability rolls. These include a potential loss of health care insurance

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<sup>1</sup> GAO, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003).

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coverage, lack of access to technologies, and transportation difficulties.<sup>2</sup> Nevertheless, we have reported in the past that some beneficiaries who do participate in the workforce have credited vocational rehabilitation services, in part, for their return.<sup>3</sup>

Administered by the Department of Education (Education) since 1973, the Vocational Rehabilitation (VR) program provides funds to states to offer an array of employment services that range from treatment of impairments to job counseling and placement. In 2005, the 80 state VR agencies were provided \$2.6 billion in federal funds.<sup>4</sup> The program serves about 1.2 million people each year, and over a quarter of those who exit are SSA recipients. On average, participants stay in the VR program for approximately 2 years, and Education tracks employment and earnings outcomes for 3 months after they exit the program.

You asked us to conduct a study examining long-term outcomes for SSA beneficiaries who participate in VR, on (1) the extent to which SSA disability beneficiaries who exit VR programs engage in work at the substantial gainful activity (SGA) level<sup>5</sup> and ultimately reduce or replace their benefits with earned income, (2) whether there are certain disability beneficiary characteristics associated with positive employment outcomes, and (3) whether some VR agencies have particular policies and approaches that can be associated with positive employment outcomes. In agreement with your staff, the briefing we provided on February 2, 2007 presented results on the first objective—namely, the number of SSA beneficiaries who gained employment or increased their earnings following VR, the extent to which their earnings were at the SGA level, whether they ultimately reduced or replaced their benefits with earned income, and whether they eventually left the rolls. This report formally conveys the information provided to you during that briefing, adjusted to

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<sup>2</sup> GAO, *Social Security: Disability Programs Lag in Promoting Return to Work*, [GAO/HEHS-97-46](#) (Washington, D.C.: March 1997).

<sup>3</sup> GAO, *Social Security Disability Insurance: Multiple Factors Affect Beneficiaries' Ability to Return to Work*, [GAO/HEHS-98-39](#) (Washington, D.C.: January 1998).

<sup>4</sup> Twenty-four states have separate blind and general agencies. Twenty-six states, the District of Columbia, and the five territories each have a single combined agency.

<sup>5</sup> Individuals are considered to be engaged in substantial gainful activity (SGA) if they have earnings above a certain amount each month (after the reduction of impairment-related work expenses). The amount of monthly earnings is set by SSA each year.

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reflect information provided by SSA in its review of our draft report. We will present the final results for objectives two and three in a future report.

To answer the question posed in objective one, we obtained a newly available longitudinal data set—the Ticket Research File (TRF) subfile—which contains information from several SSA and Education administrative databases on all SSA beneficiaries who left the VR program from 1998 through 2004. The longitudinal data enabled us to study outcomes far beyond the 90-day period that Education uses to track VR clients. The TRF subfile was matched by SSA with its Master Earnings File (MEF), which contains information on each beneficiary’s annual earnings from 1990 through 2004.<sup>6</sup> The combined data provide information about each beneficiary’s disability benefits, earnings, and VR participation. Using these data and focusing on SSA beneficiaries who completed VR services once between fiscal years 2000 and 2003,<sup>7</sup> we computed the number who had earnings after receiving VR services, the amount they earned, and whether their benefits were eventually reduced or discontinued. However, due to limitations with the data, we could not distinguish work-related earnings from other income sources; as a result, we reported on the number of beneficiaries who had earnings, but not employment, after VR. To assess the reliability of the SSA and Education data critical to our analyses, we (1) reviewed existing documentation related to the data, (2) interviewed knowledgeable agency officials about the data, and (3) tested the data for completeness and accuracy. Our findings are limited to, and cannot be generalized beyond, the population we studied (i.e., SSA beneficiaries who completed VR once from fiscal year 2000 through 2003). Additionally, because we were not able to identify a comparable control group, we cannot attribute positive earnings outcomes to the receipt of VR services. See appendix II for a more thorough discussion of our scope and

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<sup>6</sup> SSA contracted with Mathematica Policy Research, Inc., to build the Ticket Research File (TRF). The SSA administrative databases used in the TRF include the Supplemental Security Record (SSR), the Master Beneficiary Record (MBR), the Numident, the 831/832/833 Disability Files, and the Disability Control File (DCF). The earnings data from SSA’s MEF are annual earnings based on Internal Revenue Service W-2 tax filings and data on the VR program came from the Department of Education’s RSA-911 database.

<sup>7</sup> We excluded from our study SSA beneficiaries who may have exited VR (after receiving services) more than once between 2000 and 2003, to avoid double counting beneficiaries who go through VR multiple times but leave the rolls only once. We also excluded those who did not successfully complete VR services (i.e., they may have applied for or started VR, but did not complete the VR process). Finally, we excluded DI and SSI beneficiaries who left the beneficiary rolls during the time period of our study due to death or their reaching the age of 65 and becoming eligible for retirement benefits.

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methods, including study limitations. We conducted our work between October 2005 and January 2007 in accordance with generally accepted government auditing standards.

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## Background

Although the DI and SSI programs use the same definition of disability for eligibility purposes, they were designed to serve different populations and have different benefit structures. DI provides benefits to workers with disabilities who generally have a qualifying work history.<sup>8</sup> The monthly DI benefit is, therefore, based on a worker's contributions from prior earnings and differs for each beneficiary. In contrast, SSI provides cash support for people with low income, few resources, and who may have little or no workforce attachment. The base federal monthly SSI benefit is generally the same for all beneficiaries.<sup>9</sup> Concurrent beneficiaries qualify for both programs because they have a qualifying work history, but still fall below the SSI income and resource thresholds.

Once a beneficiary is determined eligible for disability, the two programs also differ in how subsequent earnings from work affect benefits. DI beneficiaries are allowed a 9-month trial work period,<sup>10</sup> during which there are no limits on their earnings. Upon completion of the trial work period, beneficiaries move into a 36-month extended period of eligibility when their cash benefit ceases except for those months in which the beneficiary reports earning less than SGA.<sup>11</sup> In 2006, SGA for nonblind beneficiaries was set at \$860 per month.<sup>12</sup> Recipients whose earnings are at least SGA

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<sup>8</sup> A qualifying work history means beneficiaries have earned the required amount of work credits within a certain period ending with the time period they became disabled.

<sup>9</sup> States may supplement the federal monthly SSI benefit amount. Additionally, individual benefit amounts may vary based on a variety of other factors, such as earned and unearned income, and marital status.

<sup>10</sup> The trial work period is any 9 months within a 60-month period where the beneficiary earns above a certain amount (\$620 per month or more in 2006). The 9 months do not have to be consecutive, but rather can take place during any 60-month rolling consecutive time period.

<sup>11</sup> After the trial work period, if beneficiaries are working at SGA, they receive benefits for a 3-month grace period before cash benefits cease. Although cash DI benefits may cease most individuals with disabilities who work continue to receive at least 93 months of Medicare and they may be eligible to participate in Medicaid Buy-in (in some states). Also, after the 93-month period ends, they may be eligible to buy Medicare coverage as long as they still have a disability.

<sup>12</sup> SGA for blind beneficiaries was \$1,450 per month.

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upon completion of the extended period of eligibility will cease to receive benefits and will be removed from the disability rolls. In contrast, SSI benefits are reduced by \$1 for every \$2 of earned income that exceeds \$65 per month, until their benefits reach zero (i.e., are suspended).<sup>13</sup> If SSI beneficiaries' monthly benefits are suspended for 12 consecutive months, they are taken off the disability rolls.<sup>14</sup>

Complexities inherent to the DI and SSI programs have been criticized for creating disincentives for beneficiaries to leave the rolls in favor of work. For example, many believe that the threat of losing health care coverage as a result of working for extended periods of time presents a significant obstacle to seek and maintain employment. In addition, the DI benefit structure has been referred to as having a "cash cliff," because beneficiaries who earn SGA stop receiving benefits entirely, whereas SSI benefits are reduced more gradually on a \$1-benefit-reduction for \$2-earned-income basis. To reduce some of the disincentives that DI and SSI beneficiaries face in returning to work, Congress enacted the Ticket to Work and Work Incentives Improvement Act of 1999.<sup>15</sup> Among other provisions, the law provided vouchers for vocational services, additional Medicaid eligibility options, and extension of Medicare eligibility. SSA phased in the Ticket to Work provisions gradually over a 3-year period beginning in 2002.

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<sup>13</sup> There is a \$20 general income exclusion that is first applied to unearned income. If the beneficiary does not have any unearned income, then the \$20 can be added to the \$65 exclusion for earned income. For example, if an SSI beneficiary earns \$1,000 from work during the month and receives no other income, the first \$85 would be exempted leaving \$915. Then, the \$915 would be decreased by \$1 for every \$2 resulting in \$457.50. As a result, the individual's SSI benefit for that month would then be decreased by \$457.50.

<sup>14</sup> Some SSI beneficiaries may continue to receive Medicaid coverage if their earnings alone, or in combination with their other income, become too high to receive a cash benefit.

<sup>15</sup> Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (1999).



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## Summary

In summary, we found the following for disability beneficiaries who completed VR once during fiscal years 2000 to 2003:

- Earnings outcomes were mixed in the year following VR and also over time.<sup>16</sup> Approximately 40 percent of the over 303,500 SSA disability beneficiaries in our study increased their earnings compared to the year prior to VR services, while 32 percent did not have any earnings and another 28 percent had fewer earnings. In comparison to DI and concurrent beneficiaries, more SSI beneficiaries—42 percent versus 36 and 39 percent—increased their earnings in the year following VR. Of the disability beneficiaries who exited VR in fiscal year 2000, 33 percent sustained some level of earnings through 2004, although their median earnings decreased by 12 percent over this period.
- Most beneficiaries' annual earnings remained below annualized SGA in the year following VR.<sup>17</sup> Specifically, 88 percent of all disability beneficiaries in our study had annual earnings below annualized SGA in the year following VR. Only a small percentage (5 percent) of beneficiaries from each cohort had annual earnings just below annualized SGA (i.e., earning over 75 percent of, but less than annualized SGA) in the year after VR. However, this does not provide evidence that beneficiaries either were or were not “parking”—i.e., deliberately remaining just below program income limits to retain benefits. Because SSA did not collect monthly earnings for DI beneficiaries during the timeframe of our study, we used annualized earnings for both DI and SSI beneficiaries, thereby limiting our ability to determine the extent of “parking” on a monthly basis.<sup>18</sup> For beneficiaries who had earned income in the year after VR, their median annual earnings were \$4,476.

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<sup>16</sup> Earnings were calculated using posted annual earnings in SSA's Master Earnings File (MEF). The MEF data had several limitations that made it difficult to estimate beneficiaries' earnings and earnings changes due to employment. See appendix II for details.

<sup>17</sup> For the purposes of our study, annualized SGA is the monthly SGA amount for a given year multiplied by 12.

<sup>18</sup> The Supplemental Security Record (SSR) collects monthly data on SSI beneficiaries, however, when we compared the SSR with the MEF, we found that the values between the two data sources differed for our study population. Additionally, the most recent version of the SSR may not have been included in our TRF subfile. Therefore, we used the annual earnings from the MEF for both SSI and DI.

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- Some beneficiaries in our study earned enough to have their benefits reduced in the year after VR, resulting in decreased DI and SSI program expenses. Benefit reductions from DI and concurrent beneficiaries in our four cohorts who did not receive DI benefits for 1 or more months due to work in the year after VR resulted in an estimated reduction in DI benefit payments of over \$106 million.<sup>19</sup> The average annual reduction in DI benefits due to work was \$26.6 million. Of the 70,302 SSI and concurrent beneficiaries in our study who had earnings gains from the year before VR to the year after VR, almost 50,000 (71 percent) had a reduction in their SSI benefits. However, we were unable to reliably estimate SSI benefit reductions for SSI and concurrent beneficiaries because SSI benefit amounts can be affected by other factors besides earnings increases (e.g., changes in unearned income, spouse's income, etc.), and, due to data limitations, we could not isolate the effect of beneficiaries' earnings increases on their SSI benefit levels.
  - For the 2000 and 2001 exit cohorts, 10 percent of beneficiaries were able to leave the rolls<sup>20</sup> at some point by 2005; however, about a quarter of those who left also returned for at least 1 month. While the SSI program saw the most departures, the lower rate of DI and concurrent beneficiaries leaving the rolls may be due to several factors. For example, DI beneficiaries are generally afforded a much longer working period before cash benefits are completely discontinued, and delays in the reporting of beneficiaries' earnings data to SSA are much more likely to occur for DI beneficiaries. The median annual earned income for all beneficiaries leaving the rolls was \$12,027.<sup>21</sup> By way of comparison, the average annualized SGA was \$9,618, and the average annualized disability benefit was \$8,460 for the DI beneficiaries and

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<sup>19</sup> According to an SSA official, this may be an underestimate as we did not include DI benefit reductions from auxiliary beneficiaries, such as a dependent child with disabilities. See appendix II for details.

<sup>20</sup> For the purposes of our study, leaving the rolls is defined as the cessation of cash disability benefits.

<sup>21</sup> Our estimates of disability beneficiaries' earnings when leaving the rolls may be an under- or overestimate because our data did not include earnings from certain sources not covered by Social Security (e.g., earnings from state governments). See appendix II for details.

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\$4,452 for the SSI beneficiaries in our study in the year after VR.<sup>22</sup>  
Those who returned were off the rolls for an average of 16 months.

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## Observations from Phase One and Next Steps

Although the lack of a comparable control group prevents us from attributing our results to the receipt of VR services, our study provides information about long-term earnings outcomes for disability beneficiaries 1 or more years after exiting VR. Specifically, our study shows that after completing VR, a number of disability beneficiaries from the 2000 through 2003 exit cohorts achieved positive earnings outcomes, and a few left the disability rolls for a period of time. While only a small number of the beneficiaries in our study left the disability rolls, SSA benefit reductions were realized as a result of increased beneficiaries' earnings and subsequent reductions in their benefits. The decline in earnings in the years following VR suggests that many factors are likely involved in achieving long-term earnings gains. As research and our prior work suggests, a transition into the workforce for people with disabilities can be a larger leap than it first appears—for example, the episodic nature of many chronic conditions can make it difficult for some beneficiaries to maintain steady employment levels. Moreover, it is unclear the extent to which the potential loss of health care coverage may still present disincentives for SSA beneficiaries to seek and maintain employment with significant earnings.

Much remains to be understood about the various factors that make it possible for persons with disabilities to participate in the workforce. State differences and local conditions may also be influences. Our next report will present our findings on some of these factors at the agency level—specifically, state economies, individual VR agency policies, and types of disabilities. We will analyze these factors' statistical significance and effect on beneficiaries' earnings outcomes.

We received written comments on a draft of this report from Education, which oversees the VR program, and SSA, which manages some of the

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<sup>22</sup> The average annualized SGA is an average of the annualized SGA amounts for 2000 to 2004 in 2004 dollars. The average DI and SSI benefits in the year after VR include concurrent beneficiaries.

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data we used in this report for purposes of evaluating its Ticket to Work efforts. In its response, Education, while acknowledging the limitations of the report, said our findings were consistent with its data regarding earnings of SSA beneficiaries upon closure from VR. See appendix III for Education's complete comments.

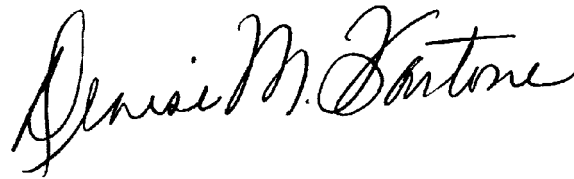
In its response, SSA expressed concern that limitations in our data and analysis prevent us from adequately addressing the research objectives. We believe that our final report appropriately acknowledges the limitations in our data and analysis and accurately and fairly addresses the report's objectives, as agreed with the congressional requesters. SSA also expressed concern that our report, particularly the slides, could be misleading as discussed below and addressed in appendix IV. We believe that our final report does not overstate our findings and that we have adequately eliminated cause for misinterpretation. For example, SSA stated that policy makers could misinterpret the relative effectiveness of VR services from our study. However, we indicate in the letter and the slides that our findings cannot be attributed to completion of the VR program because we were not able to identify a comparable control group. Additionally, SSA indicated that our study population may have biased our findings. We defined our study population, in part, based on interviews with SSA and Education, and state that our findings reflect only the outcomes of the individuals included in our study population and cannot be generalized to others. SSA also expressed concern that our estimate of benefit reductions may overstate the impact of SSI beneficiary earnings. We agree that data limitations prevented us from isolating the effect of earnings on SSI benefit reductions, so we removed the estimate from our final report. We adjusted our language to address these as well as additional SSA comments of a more technical nature to improve the clarity of the report. See appendix IV for a reprinting of all of SSA's comments as well as our more detailed responses.

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Copies of this report are being sent to the Secretary of Education, the Commissioner of SSA, appropriate congressional committees, and other interested parties. This report is also available at no charge on GAO's Web site at <http://www.gao.gov>.

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If you have any questions about this report, please contact me at (202) 512-7215. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Denise M. Fantone". The signature is written in a cursive, flowing style.

Denise M. Fantone  
Acting Director, Education, Workforce,  
and Income Security Issues



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## VOCATIONAL REHABILITATION

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**Earnings Increased for Many SSA  
Beneficiaries after Completing VR Services,  
but Few Earned Enough to Leave SSA's  
Disability Rolls**

**Briefing to Congressional Staff\*  
February 2, 2007**

\*The briefing slides were subsequently updated to reflect comments that SSA provided on our draft report. See appendix IV for SSA's comments and our response.

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**Introduction:**

## **Significant Challenges for Disability Beneficiaries to Participating in the Workforce**

In 2005, about 10 million\* working-age people were receiving Social Security Administration (SSA) disability benefits. Some disability beneficiaries may never work because of the severity of their disability. Those who do work may still face additional challenges in leaving the disability rolls:

- potential loss of health insurance coverage,
  - lack of access to technologies that could increase their work potential,
  - transportation difficulties, or
  - other potential barriers, such as tight labor markets.
- According to SSA, historically, very few disability beneficiaries have left the rolls because they increased their earnings through work. In 1999, the Ticket to Work Act was passed to reduce the disincentives for SSA beneficiaries to return to work.

\*As of December 2005.



**Introduction (continued):**

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## **A Small Percentage of Disability Beneficiaries Use VR Services**

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The Department of Education funds state Vocational Rehabilitation (VR) agencies that provide an array of services to people with disabilities.

Although a very small percentage of all SSA disability beneficiaries choose to participate in the VR program, over 25% who completed VR were SSA beneficiaries, according to Education's data.\*

In an earlier study, we reported that some disability beneficiaries who have participated in the workforce indicated that vocational rehabilitation played a role in their ability to return to work.

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\*From 2002 through 2005, SSA disability beneficiaries increased from a quarter to over one-third of the population who completed VR.





**Study Objectives:**

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## **Examine Employment Outcomes for Disability Beneficiaries Who Have Completed VR**

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**Phase One:**

Today's briefing is on the extent to which disability beneficiaries who completed VR once in fiscal years 2000 through 2003 subsequently earned income at the substantial gainful activity (SGA) level\* and ultimately reduced or replaced their benefits with earned income in one or more years after VR.

**Phase Two of our study, to be completed in May 2007, will examine:**

- whether there are certain disability beneficiary characteristics associated with positive employment outcomes, and
- whether some VR agencies have particular policies and approaches that can be associated with positive employment outcomes.

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\* Individuals are considered to be engaged in substantial gainful activity if they have earnings above a certain amount (after the reduction of impairment-related work expenses).



**Scope and Methods:**

**Scope and Methods for Phase One**

Obtained disability beneficiary information from SSA on:

- those who completed the VR program from 1998 through 2004,
- their benefit amounts from 1994 through 2004, and
- their annual posted earnings from 1990 through 2004.

Computed for the fiscal year 2000 to 2003 exit cohorts in the calendar year following VR completion and over time:\*

- the number of beneficiaries with earnings through 2004,
- the amounts they earned through 2004, and
- whether their benefits were eventually reduced (through 2004) or discontinued due to earnings (for the 2000 and 2001 exit cohorts through 2005).

We determined the data critical to our analyses were sufficiently reliable for our use and conducted our work in accordance with generally accepted government auditing standards. See appendix II for details on scope and methods.

\*Our cohorts included only beneficiaries who exited VR with services once during the timeframe of our study.



**Limitations:**

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## **Study Limitations**

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- Our results cannot be generalized to the larger population of all disability beneficiaries because we looked only at those who completed VR. Beneficiaries who participate in or complete VR may have certain characteristics that make them different from other SSA beneficiaries and, therefore, either more or less likely to succeed in the workforce. Also, without a control group, we could not isolate the impact of VR services on earnings. That is, we could not determine whether these beneficiaries would have been either more or less likely to achieve positive outcomes in the absence of the VR program.
  - Due to data limitations, we used annual instead of monthly earnings data for both DI and SSI beneficiaries, which restricted our ability to evaluate earnings one year after VR and relative to SGA.



**Limitations (continued):**

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## **Study Limitations**

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- We may have under- or overestimated beneficiaries' annual earnings, earnings changes, and earnings when leaving the rolls due to work because our data did not include earnings from sources not covered by Social Security (e.g., earnings from state governments), and included some earnings unrelated to employment.
  - DI benefit reductions are likely underestimates because they did not include benefit reductions for dependents.
  - We were unable to estimate SSI benefit reductions due to work because, unlike DI benefits, SSI benefits may be affected by changes in unearned income and assets, and data limitations prevented us from isolating SSI benefit changes due solely to changes in earned income.
  - See appendix II for a detailed discussion of our study limitations.
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**Summary:**

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## **Phase One Findings for the 2000 to 2003 Exit Cohorts**

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- 1) Beneficiaries' earnings outcomes were mixed in the 1 to 4 years following VR completion.
- 2) 88% of beneficiaries' annual earnings remained below annualized SGA in the year after VR.
- 3) Some earned enough income to have their benefits reduced in the year after VR, resulting in decreased DI and SSI program expenses:
  - Disability Insurance (DI) and concurrent\* beneficiaries who did not receive DI benefits in some months due to earnings resulted in more than an estimated \$106 million in benefit reductions.\*\*
  - 71% of Supplemental Security Income (SSI) and concurrent\* beneficiaries who increased their earnings also had their SSI benefits reduced, but data limitations prevented us from determining the extent to which this was due to increased earnings versus some other change in their income.
- 4) 2000/2001 Cohorts: By 2005, 10% of beneficiaries earned enough to leave the rolls, but about a quarter subsequently returned for at least 1 month.

\*Concurrent beneficiaries receive benefits from both DI and SSI programs.

\*\*Total DI benefit reductions may be underestimated because benefit reductions for dependents are not included.

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**Background:**

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## **SSA Administers Two Disability Programs**

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The Social Security Administration (SSA) administers two disability benefit programs: Disability Insurance (DI) and Supplemental Security Income (SSI).

While both use the same definition of disability, the programs serve somewhat different populations:

- *DI – people with disabilities who generally have a qualifying work history\*, and*
- *SSI – people with disabilities who fall below certain income and resource thresholds and who do not have a qualifying work history.*

Some (concurrent beneficiaries) qualify for both programs: They have a work history, but also fall below SSI's income and resource thresholds.

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\*A qualifying work history means beneficiaries have earned the required number of work credits within a certain period ending with the time they became disabled.



**Background (continued):**

**Each Program Has Distinct Provisions**

Table 1: SSA Disability Program Characteristics

	<b>DI</b>	<b>SSI</b>
Benefit amount	<ul style="list-style-type: none"> <li>Based on work history.</li> <li>Varies by beneficiary.</li> <li>In 2005, average federal monthly benefit was \$887.</li> </ul>	<ul style="list-style-type: none"> <li>Based on low income and few resources.</li> <li>Same federal base amount, although states may supplement.</li> <li>In 2006, individual federal base benefit was \$603 per month.</li> </ul>
Effect of earnings on benefits	<ul style="list-style-type: none"> <li>Can earn unlimited income during a trial work period (TWP) without benefit reduction.</li> <li>TWP is followed by a 36-month extended period of eligibility where benefits are not received (after 3-month grace period) in months with earnings at or above substantial gainful activity (SGA).</li> <li>In 2006, SGA was \$860 per month (\$1,450 if blind).</li> </ul>	<ul style="list-style-type: none"> <li>Benefits reduced by \$1 for every \$2 earned over \$65 per month.</li> <li>General income exclusion of \$20 first applied to unearned income. If no unearned income, then may be added to \$65 earned income exclusion.</li> </ul>
When off the rolls	<ul style="list-style-type: none"> <li>Earnings at or above SGA after completion of 36-month extended period of eligibility.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly benefit suspended for 12 consecutive months.</li> </ul>

Source: GAO presentation of SSA information.

Note: SSI benefits are also reduced \$1 for \$1 for any unearned income after the \$20 general income exclusion. Disability beneficiaries may also leave the rolls when they no longer meet SSA's definition of disability or reach age 65 and are converted to retirement benefits.



**Finding One: Earnings Outcomes Were Mixed**

**Earnings Outcomes Were Mixed 1 Year after VR**

About 40% of the beneficiaries in our study (i.e., over 303,500 beneficiaries who completed VR once in 2000 to 2003) increased their annual earnings. The percentages by beneficiary type were:

- 42% of all SSI beneficiaries,
- 36% of all DI beneficiaries, and
- 39% of all concurrent beneficiaries in our study.

Of the remainder:

- 32% did not have any earnings, and
- 28% had fewer earnings.





**Finding One: Earnings Outcomes Were Mixed (cont.)**

**Changes in Earnings 1 Year after VR**

Figure 1: Changes in Disability Beneficiaries' Annual Earnings from the Year before VR to the Year after VR for the 2000 to 2003 Cohorts (N=303,529).



Source: GAO analysis of SSA data.

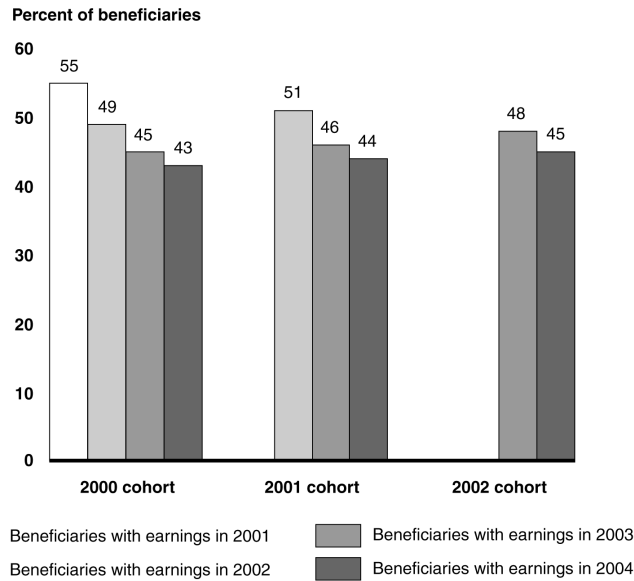
<sup>a</sup>Beneficiaries' median annual earnings in the year before VR were \$2,830.



**Finding One: Earnings Outcomes Were Mixed (cont.)**

# The Total Percentage with Earnings Decreased 1 to 4 Years after VR Completion

Figure 2: Total Percentage of Beneficiaries with Earnings in Each Year after VR.



Source: GAO analysis of SSA data.

**Finding One: Earnings Outcomes Were Mixed (cont.)**



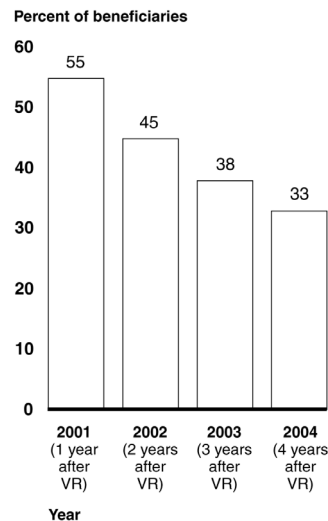
**2000 Cohort: 33% Had Some Level of Earnings over a Consecutive 4-Year Period**

Of the 55% (41,367) who had earnings the year after VR:

- 42% were DI,
- 40% were SSI, and
- 18% were concurrent beneficiaries.

By 2004, the percentage of those who had earnings in each consecutive year was 33% - a 40% decrease. Proportionately, fewer SSI and concurrent beneficiaries sustained some earnings in each year.

Figure 3: Percentage of Beneficiaries from the Fiscal Year 2000 Cohort Who Had Earnings for 4 Consecutive Years after VR.



Source: GAO analysis of SSA data.

**Finding One: Earnings Outcomes Were Mixed (cont.)**

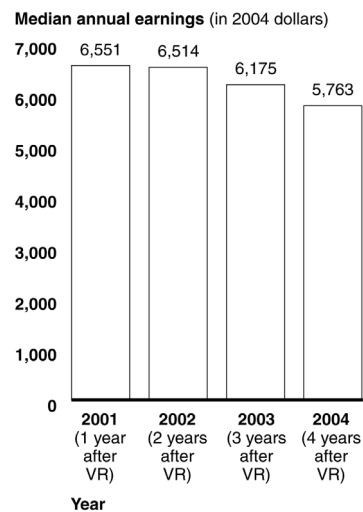


**2000 Cohort: Median Earnings Fell Slightly for Those with 4 Years of Consecutive Earnings**

Of the 33% (24,583) who had some level of earnings for 4 consecutive years after VR, their median earnings declined by 12%.

Our data do not allow us to determine the reasons for the decrease in earnings (e.g., whether the beneficiaries worked fewer hours or their wages decreased).

Figure 4: Median Annual Earnings for the Fiscal Year 2000 Cohort Beneficiaries Who Had Earnings for 4 Consecutive Years after VR (N=24,583).



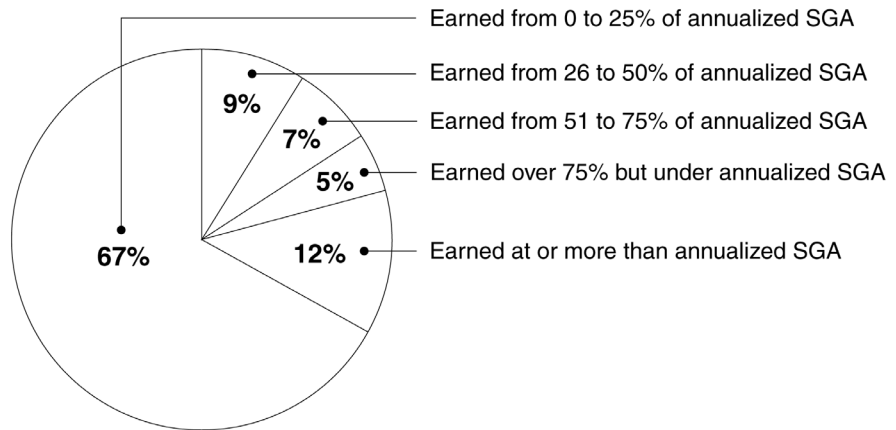
Source: GAO analysis of SSA data.



**Finding Two: Earnings Remained Below SGA**

**88% of Beneficiaries Had Annual Earnings Below Annualized SGA 1 Year after VR**

Figure 5: Percentage of Annualized SGA Earned by Beneficiaries in the Year after VR for the 2000 to 2003 Cohorts (N=303,528).



Source: GAO analysis of SSA data.

Note: Figure represents percentage of annualized SGA in the year after VR for all exit cohorts combined and includes those who did not have any earnings. Annualized SGA is the monthly SGA for a given year multiplied by 12.

**Finding Two: Earnings Remained Below SGA (cont.)**



## **Annual Earnings after VR Do Not Provide Evidence of “Parking”**

Only a small percentage of beneficiaries from each cohort had annual earnings just below annualized SGA:

- In the year after VR, 5% of beneficiaries earned just below the annualized SGA level (see figure on previous slide).\*
- By 2004, the percentage of beneficiaries just below annualized SGA had decreased to 3.8% for both the 2000 and 2001 cohorts.

However, this does not provide evidence that beneficiaries either were or were not “parking” – i.e., deliberately remaining just below monthly program income limits so as not to lose their disability benefits. Because monthly earnings for DI beneficiaries were not collected for the timeframe of our study, we used annualized earnings for both DI and SSI beneficiaries, thereby limiting our ability to determine the extent of “parking” on a monthly basis.

\*Consistent with past GAO reports, we considered annual earnings that were over 75% of, but less than annualized SGA, to be just below the annualized SGA level.

**Finding Two: Earnings Remained Below SGA (cont.)**



**Median Earnings Were \$4,476 in the Year after VR for Those Who Had Earnings**

In the year after VR, the median annual earnings for all disability beneficiaries from the 2000 to 2003 cohorts *who had earnings* (almost 153,000 people) were \$4,476 or less than half of the average annualized SGA of \$9,618.\*

Specifically, median annual earnings by program were:

- \$5,474 for DI,
- \$3,757 for SSI, and
- \$3,596 for concurrent beneficiaries.

\*Median earnings and average annualized SGA are in 2004 dollars. The average annualized SGA is the annualized SGA averaged over the 2000 to 2004 time period.

**Finding Two: Earnings Remained Below SGA (cont.)**



**2000/2001 Cohorts: Fewer Earned at or above Annualized SGA over Time**

The percentage who had annual earnings at or above annualized SGA decreased slightly from 1 year after VR through 2004, as follows:

- 2000 Cohort – decreased from 14.6% in 2001 to 11.8% in 2004, and
- 2001 Cohort – decreased from 12.4% in 2002 to 11.0% in 2004.





**Finding Three: Some Reduced Their Benefits**

**DI: Benefit Reductions Due to Work Totaled About \$106 Million**

Almost 9% of DI and concurrent beneficiaries in our study did not receive any DI benefits at some point in the year after VR due to work, with the majority not receiving DI benefits for over half the year.

DI benefit reductions for DI and concurrent beneficiaries in our study totaled over an estimated \$106 million (2004 dollars):\*

- 2000 cohort – over 4,700 beneficiaries had their benefits reduced by \$30.0 million in 2001,
- 2001 cohort – almost 4,600 beneficiaries had their benefits reduced by \$29.8 million in 2002,
- 2002 cohort – almost 3,700 beneficiaries had their benefits reduced by \$22.9 million in 2003, and
- 2003 cohort – almost 3,700 beneficiaries had their benefits reduced by \$23.8 million in 2004.

The average annual benefit reduction across cohorts was \$26.6 million.

\*This may be an underestimate as we did not include benefit reductions for auxiliary beneficiaries, such as a dependent child with disabilities. See appendix II for details.

**Finding Three: Some Reduced Their Benefits (cont.)**



## **SSI: Benefit Reductions Due to Work Cannot Be Reliably Estimated**

Of the 70,302 SSI and concurrent beneficiaries in our study who had earnings gains from the year before VR to the year after VR, almost 50,000 (71%) had a reduction in their SSI benefits.

- For concurrent beneficiaries (who comprised over 16,000 of the 50,000 who had earnings gains and benefit reductions), 70% may have earned enough to also increase their DI benefit during the same time period.

We were unable to reliably estimate SSI benefit reductions due to earnings for SSI and concurrent beneficiaries because SSI benefit amounts can be affected by other factors besides earnings increases (such as changes in unearned income, spouse's income, etc.), and, due to data limitations, we could not isolate the effect of beneficiaries' earnings increases on their benefit levels.

**Finding Four: 10% Left, but Some of These Returned**



**2000/2001 Cohorts: 10% Were Able to Leave the Rolls at Some Point before 2005**

Of the beneficiaries who completed VR in 2000 or 2001 (for whom we have the most years of earnings data), the percentages who left the rolls by program were:

- 16% of all SSI beneficiaries (over 9,600 people),
- 9% of all DI beneficiaries (almost 5,900 people), and
- 3% of all concurrent beneficiaries (over 800 people) in our study.\*

While 3% of the concurrent beneficiaries in our study had their benefits from both programs discontinued, during the same time period:

- 19% of concurrent beneficiaries stopped receiving only their SSI benefits, and
- 4% stopped receiving only their DI benefits.

\*Leaving the rolls is defined as cessation of cash disability benefits due to work even though the individual remains medically eligible. Concurrent beneficiaries were considered to have left the rolls if their benefits were discontinued from both programs. Those concurrent beneficiaries who left only DI or SSI were not included in the percentages who left the rolls for those specific programs.

**Finding Four: 10% Left, but Some of These Returned**



**Differences in Program Rates of Leaving the Rolls May Be Affected by Several Factors**

The fact that more SSI beneficiaries from the 2000 and 2001 cohorts left the rolls...

- 16% of all SSI,
- 9% of all DI, and
- 3% of all concurrent beneficiaries in our study left the rolls.

...may be due to several factors, including:

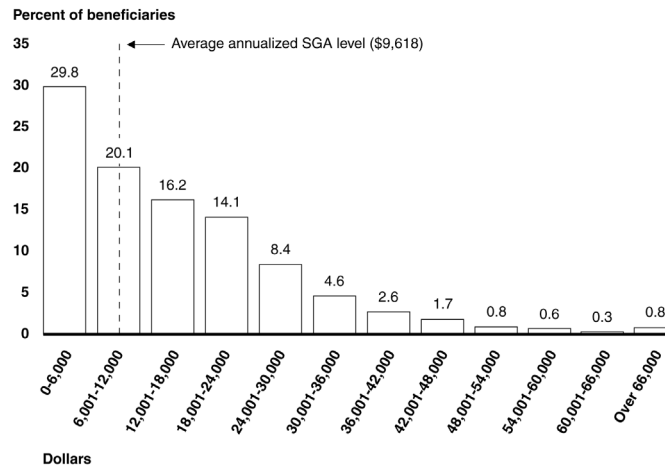
- program rule differences, such as DI being afforded a much longer working period before cash benefits cease entirely, and
- delays in the reporting of earnings data to SSA, with delays more likely for DI.



**Finding Four: 10% Left, But Some of These Returned**

**2000/2001 Cohorts: Annual Earnings of Many Beneficiaries Who Left the Rolls Were Low**

Figure 6: Annual Earnings Distribution (in 2004 dollars) for Beneficiaries from the 2000 and 2001 Cohorts in the Year They Left the Rolls through 2004 (N=15,066).



Source: GAO analysis of SSA data.

Note: Excludes those beneficiaries who left the rolls due to work, but did not have any earnings. See appendix II for details.

**Finding Four: 10% Left, But Some of These Returned**



**2000/2001 Cohorts: Annual Earnings for Those Who Left the Rolls Differed by Program**

Beneficiaries' median annual earnings (in 2004 dollars) in the year they left the rolls was \$12,027. By program, median earnings were:

- \$17,166 for DI,
- \$14,323 for concurrent, and
- \$ 8,128 for SSI beneficiaries in our study.\*

By comparison, the average annualized SGA for 2000 to 2004 was \$9,618 and the average annualized disability benefits (in 2004 dollars) for the 2000 to 2003 cohorts in the year after VR were:

- \$8,460 for DI, and
- \$4,452 for SSI beneficiaries in our study.\*\*

\*Excludes those beneficiaries who left the rolls due to work, but did not have any earnings. Earnings for those who left the rolls are only through 2004, as we did not have 2005 earnings data.

\*\* Includes concurrents.

**Finding Four: 10% Left, But Some of These Returned**



**2000/2001 Cohorts: About a Quarter of Those Who Left the Rolls Returned by 2005**

By 2005, of the over 16,000 beneficiaries in our study who had left the rolls, 24% (over 3,900 people) were again receiving disability benefits for at least 1 month. By beneficiary type:

- 25% of DI beneficiaries who left the rolls returned,
- 21% of SSI beneficiaries who left the rolls returned, and
- 48% of concurrent beneficiaries who left the rolls returned (to DI, SSI, or both).

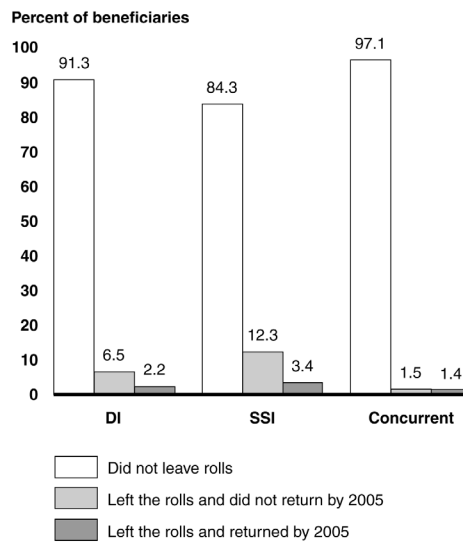
Those who returned had been off the rolls for an average of 16 months.



**Finding Four: 10% Left, But Some of These Returned**

**2000/2001 Cohorts: Percentage Who Left the Rolls and Returned by Program**

Figure 7: Percentage of Beneficiaries from the 2000 and 2001 Cohorts Who Left the Rolls and Returned for at Least 1 Month by 2005 (N=157,915)



Source: GAO analysis of SSA data.





**Observations and Next Steps:**

**Observations from Phase One**

- A number of disability beneficiaries who completed VR in 2000 to 2003 achieved positive earnings outcomes, and a few left the disability rolls; however, because we were not able to identify a comparable control group, we cannot attribute these outcomes to receipt of VR services.
- Benefit reductions were realized for our exit cohorts as a result of increased beneficiary earnings even for some beneficiaries who did not leave the rolls, although we were unable to reliably estimate SSI benefit reductions due to data limitations.
- The decline in earnings in the years following VR suggests that many complex factors are likely involved in achieving long-term employment.



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**Observations and Next Steps:**

## **Next Steps**

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Our next report will analyze beneficiary characteristics at the agency level.

- We will present our findings on factors that may affect the success of beneficiaries in the workforce – specifically, state economies, individual VR agency policies, and types of disabilities.
- We will analyze their statistical significance and effect on earnings outcomes.

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# Appendix II: Scope and Methodology

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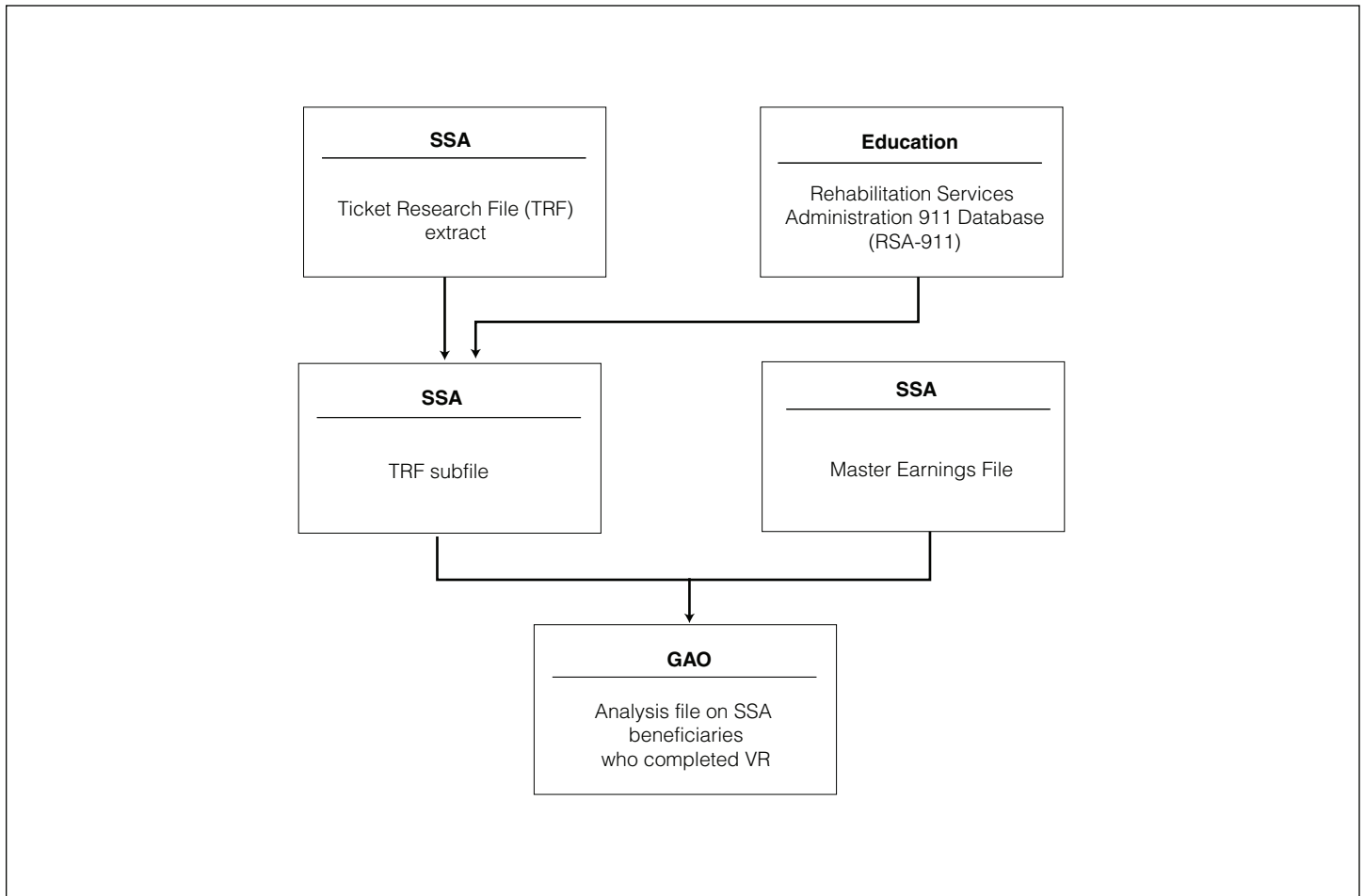
To conduct our work, we obtained a newly available longitudinal data set—a subfile of the Ticket Research File (TRF)—which contains information from several Social Security Administration (SSA) and Department of Education (Education) administrative databases on all SSA disability beneficiaries who completed the federal-state vocational rehabilitation (VR) program between 1998 and 2004.<sup>1</sup> SSA merged this data set with its Master Earnings File (MEF), which contains information on each beneficiary’s annual earnings from 1990 through 2004. (See figure 1 for a depiction of data sets used in our analysis.) The combined data provide information about each beneficiary’s disability benefits, earnings, and VR participation.<sup>2</sup> With these data on long-term benefits and earnings, we were able to study disability beneficiaries’ earnings levels far beyond the 90-day period that Education uses to track VR clients, as well as the effect that earnings changes had on benefit levels.

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<sup>1</sup>In 2003, SSA contracted with Mathematica Policy Research to conduct a full evaluation of the Ticket to Work Program. As part of this evaluation, Mathematica constructed the Ticket Research File (TRF), a compilation of longitudinal data from SSA. An extract of the TRF was merged with vocational rehabilitation data from the Department of Education’s RSA-911 database by an SSA official.

<sup>2</sup> Education’s data on VR closures were available from 1998 to 2004. Data from SSA’s TRF database were available from 1994 to 2004 with MEF earnings data available from 1990 to 2004. Social Security’s MEF data are annual earnings based on Internal Revenue Service W-2 tax filings. At the time we obtained this data set from SSA, earnings data for 2005 were not available.

**Figure 1: Data Sources Used to Create Analysis File on SSA Beneficiaries Who Completed VR in 2000 through 2003**



Source: GAO analysis.

We assessed the reliability of the databases used to create the TRF subfile and the Master Earnings File and determined that, despite the limitations outlined below, the data that were critical to our analyses were sufficiently reliable for our use. Specifically, we performed the following

- reviewed documentation regarding the planning and construction of the administrative databases used to construct the TRF subfile, the results of data reliability tests conducted by SSA’s database contractor, and whether documented plans were implemented;
- conducted multiple interviews with SSA and Education officials who work with the databases from which the TRF subfile and earnings data were drawn to understand the construction of the data fields;

- conducted our own electronic data testing to assess the accuracy and completeness of the data used in our analyses; and
- consulted with GAO staff knowledgeable about these data sets.

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## Study Population

In consultation with SSA officials and contractors as well as Education officials, we selected as our study population working-age individuals receiving DI only, SSI only, or both DI and SSI benefits concurrently, who exited VR after having received services.<sup>3</sup> To use the most recent data available, we further refined this population to include those beneficiaries who

- began receiving VR services no earlier than 1995 and who completed VR after having received services in fiscal years 2000 through 2003;
- had received a DI or SSI benefit payment at least once during the 3 months before application for VR services (Beneficiaries were defined as concurrent if they received both DI and SSI benefits for at least 1 month in the 3 months before VR application. We selected a 3-month window to account for the fact that many beneficiaries, SSI beneficiaries in particular, fluctuate in their receipt of benefits for any given month.); and
- exited VR once during the timeframe of our study.

We excluded from our study population those disability beneficiaries who

- started VR prior to 1995 (Earlier disability benefit information was not available, therefore, including beneficiaries who started VR prior to 1995 would have limited our analyses of benefit changes before and after VR.);<sup>4</sup>
- completed VR after 2003, and for whom we lacked at least 1 year of long-term outcome data;
- applied for or started VR services, but did not complete VR;
- began receiving disability benefits after receiving VR services because these beneficiaries may have differed in certain important characteristics from those receiving benefits before VR participation;

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<sup>3</sup> Our study population included disabled adult children and disabled widow(er)s, who may receive DI benefits based on their parents' or spouses' Social Security earnings record. While their benefits are paid from the Old-Age and Survivors Insurance Trust Fund, these individuals are disabled and are eligible for VR services.

<sup>4</sup> Approximately 90 percent of VR consumers spend 5 years or less in VR, therefore, excluding those who started VR prior to 1995 decreased our population by 10 percent with the greatest effect on the 2000 cohort.

- reached age 65 or died at any point in their VR participation or during the timeframe of our study (We excluded the beneficiaries who died or reached age 65 because they would have left the disability rolls for reasons unrelated to employment. For example, beneficiaries who reach age 65 convert to SSA retirement benefits.); and
- participated in VR more than once during the timeframe of our study. About 17 percent of the beneficiaries in our data, who received VR services more than once during the timeframe of our study, were excluded to avoid double counting beneficiaries who may have received services multiple times, but who left the rolls only once.

Our final study population included 303,529 DI, SSI, or concurrent beneficiaries who had completed VR once during the timeframe of our study.

We were not able to compare the earnings of beneficiaries who completed VR with a control group that had not completed VR because we could not identify a group that was sufficiently similar to those who completed VR to feel confident that any differences in outcomes that we found would be attributable to the VR program and not to the differences in individual characteristics.

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## Analysis of Outcomes—An Overview

Using the TRF subfile combined with data from SSA's Master Earnings File, we computed for the fiscal year 2000 through 2003 exit cohorts the number of beneficiaries who had earnings after receiving VR services, the amount they earned, how their earnings compared to the substantial gainful activity (SGA) amount,<sup>5</sup> and whether their benefits were eventually reduced or discontinued. We conducted separate analyses for DI, SSI, and concurrent beneficiaries because the programs differ in structure and incentives. On the advice of SSA officials, we used only the nonblind SGA amount in our calculations because the data did not indicate which beneficiaries were legally blind—a requirement to receive the blind SGA amount.<sup>6</sup>

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<sup>5</sup> Individuals are considered to be engaged in substantial gainful activity (SGA) if they have earnings above a certain amount each month (after the reduction of impairment-related work expenses). The amount of monthly earnings is set by SSA each year.

<sup>6</sup> Only a fraction of those individuals reporting visual impairments meet the criteria to be considered legally blind. While there was not an indicator for legal blindness in the version of the TRF subfile that we received from SSA, it will be included in subsequent versions.

When we compared dollar amounts (i.e., earnings, benefits, and SGA levels) across cohorts and years, we needed a way to control for the impact of changes in the economy and inflation over time. To control for these changes, we standardized the dollar amounts in our calculations using the Consumer Price Index for All Urban Consumers (CPI-U). The CPI-U, maintained by the Bureau of Labor Statistics, represents changes in prices of all goods and services purchased for consumption by urban households. The CPI-U can be used to adjust for the effects of inflation, so that comparisons can be made from one year to the next using standardized dollars. We standardized the value of earnings, benefits, and SGA levels to 2004 dollars because this was the most recent year for which earnings data were available at the time of our analysis.

#### Analysis of Earnings Outcomes

We assessed earnings outcomes using annual earnings data. Specifically, we computed

- the amount earned in the year after VR and how those earnings differed from the year prior to VR;<sup>7</sup> and
- whether beneficiaries had some level of earnings over 4 consecutive years (for the 2000 cohort only because we had the most years of data for this group).

To ensure we fully captured beneficiaries' earnings before entry into VR, we compared earnings from the year before VR to the year after VR as well as earnings from 2 years before VR to the 2 years after VR. Because the results between these two analyses were consistent, we reported only the differences between the year before VR and the year after VR to allow us to incorporate as many cohorts as possible in our analyses. We also compared the date beneficiaries were determined to be eligible for disability benefits with their date of application to VR to ensure their earnings in the year before VR were after being found eligible for disability benefits, but prior to receipt of VR services.

#### Analysis of Annual Earnings in Relation to Annualized Substantial Gainful Activity (SGA) Level

To compare annual earnings with SGA, we created an annualized SGA amount. SGA, a monthly earnings amount updated each year by SSA, is used to determine whether an individual is engaging in substantial work. We used annual earnings for both DI and SSI because, at the time of our

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<sup>7</sup> To determine a beneficiary's earnings in the year after VR, we calculated earnings in the calendar year after the year in which beneficiaries completed VR. For example, if a beneficiary completed VR in October 2000, earnings from January 2001 through December 2001 would have been used to determine earnings in the year after VR.

study, only annual earnings were collected for DI beneficiaries.<sup>8</sup> To present comparable information between beneficiaries' annual earnings and SGA, we created an annualized SGA amount for each cohort by multiplying SGA for a given year by 12. The nonblind monthly SGA levels for the years of our study were: 2000—\$700; 2001—\$740; 2002—\$780; 2003—\$800; and 2004—\$810.

To determine what percentage of annualized SGA each cohort earned in the year after VR, we compared beneficiaries' annual earnings for each cohort to the annualized SGA amount for that year. For example, we compared the 2000 cohort's 2001 earnings to the 2001 annualized SGA level. When we computed the median annual earnings for beneficiaries who had earnings—irrespective of cohort—in the year after VR and for those who left the rolls, we averaged the annualized SGA amount from 2000 through 2004 and standardized it in 2004 dollars as a point of reference.<sup>9</sup>

To determine whether beneficiaries might have been “parking,” or earning amounts that were close to, but never exceeding, annualized SGA, we analyzed the percentage of beneficiaries in our study whose annual earnings were just below annualized SGA. If beneficiaries were parking, we would expect to find their annual earnings just below the annualized SGA level. While there are no clear criteria for identifying the point at which a beneficiary can be said to be earning “just below” SGA, consistent with our prior work we considered parking to be earning over 75 percent of, but less than, annualized SGA.<sup>10</sup>

## Analysis of SSI Benefit Changes and Reductions

We determined the number of SSI and concurrent beneficiaries who had SSI benefit reductions by comparing benefit levels in the year before VR to the year after VR. Because SSI benefit reductions can occur as a result of

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<sup>8</sup> The Supplemental Security Record (SSR) collects monthly data on SSI beneficiaries, however, when we compared the SSR with the MEF, we found that the values between the two data sources differed for our study population. Additionally, the most recent version of the SSR may not have been included in our TRF subfile. Therefore, we used the annual earnings from the MEF for both SSI and DI.

<sup>9</sup> For the purposes of our study, to compute the average annualized SGA we converted the nonblind monthly SGA amounts for each year (2000 to 2004) into 2004 dollars. We then multiplied the monthly rates by 12, added the annual amounts for all years, and determined the average.

<sup>10</sup> GAO, *SSA Disability: SGA Levels Appear to Affect the Work Behavior of Relatively Few Beneficiaries, but More Data Needed*, [GAO-02-224](#) (Washington, D.C.: January 2002).



an increase in income from sources other than earnings, we examined benefit changes, and the resulting reductions, for only those beneficiaries who had an earnings gain from the year before VR to the year after VR.<sup>11</sup> To identify whether SSI and concurrent beneficiaries had SSI benefit changes from the calendar year before VR to the calendar year after VR, we used the benefit “due” field because it is not affected by under- or overpayments.<sup>12</sup> Of the concurrent beneficiaries who had an earnings gain and a benefit reduction, we determined how many also had a DI benefit increase during the same time period.

### Analysis of Reduction of DI Benefit Payments

We calculated the reduction of DI benefit payments for each cohort in the year after VR based on the number of months DI and concurrent beneficiaries were in DI benefit suspension or termination.<sup>13</sup> For the calendar year after VR completion, we calculated the percentage of beneficiaries who did not receive DI benefits for 1 or more months because they were in either benefit suspension or termination. We also determined the percentage who were in benefit suspension or termination for the majority of the year after VR by dividing the number who were in benefit suspension or termination for 7 to 12 months of the year by the total number who were in benefit suspension or termination for 1 month or more. To determine the estimated reduction in benefit payments resulting from benefit suspensions or terminations, we multiplied each DI and concurrent beneficiaries’ monthly benefit amount (in 2004 dollars) by the number of months they were in benefit suspension or termination and summed the amounts for each cohort in the year after VR.

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<sup>11</sup> SSI monthly benefits could increase or decrease for a variety of reasons, including changes in marital status, living arrangements, or unearned income.

<sup>12</sup> We also computed the average benefit reduction amount for beneficiaries with earnings gains, and the total benefit reduction amount, for all cohorts in the year after VR. To estimate the total benefit reductions resulting from SSI benefit changes, we summed the total SSI benefit changes (in 2004 dollars) for each cohort in the year after VR. We ultimately decided not to report these estimates because we could not determine the extent to which benefit reductions were due to changes in earnings or due to changes in other factors.

<sup>13</sup> Beneficiaries who do not receive their benefit in a given month during the extended period of eligibility are in benefit suspension. Those who have completed the extended period of eligibility and no longer receive a benefit are considered to have been terminated from the disability rolls.

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Analysis of Departures from  
and Returns to the Disability  
Rolls

To determine whether disability beneficiaries in our study left the rolls before 2005 and if they returned before 2005, we used data from the TRF subfile that indicated the month in which a beneficiary left the rolls because of work. We also calculated beneficiaries' earnings in the year they left the rolls. We included beneficiaries who left the rolls after their VR application date and counted them as having returned if they returned for 1 month or more. Concurrent beneficiaries were considered to have left the rolls only if they stopped receiving benefits from both programs, and to have returned to the rolls if they returned to either program.

Our data indicated that some beneficiaries in our study who left the rolls due to work also did not have any earnings. According to SSA, some beneficiaries may have earned enough to leave the rolls, but then stopped working in the same year that their benefits ceased. Additionally, some beneficiaries may have had earnings from sources that were not covered by Social Security—for example, earnings from state governments—and, therefore, would not be in our earnings data. While we included all beneficiaries that the data indicated left the rolls due to work in our calculations of the number who left the rolls, we eliminated those with zero earnings in the MEF from the earnings calculations of those who left the rolls to avoid an artificial reduction in median earnings.

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Limitations of our  
Analyses

Our results cannot be generalized to the larger population of all SSA disability beneficiaries because we looked only at beneficiaries who completed VR. Because VR participation is voluntary, beneficiaries who participate in VR may have certain characteristics that make them different from other SSA beneficiaries and, therefore, more likely or less likely to succeed in the workforce. Also, without a control group, we cannot isolate the impact of VR services on outcomes. That is, we cannot determine whether these beneficiaries would have been either more or less likely to achieve positive outcomes in the absence of the VR program.

Limitations in Analyzing  
Earnings

Our earnings data had several limitations that made it difficult to estimate beneficiaries' earnings and earnings changes due to employment. For example, while the beneficiary earnings data were provided to SSA by the Internal Revenue Service and are considered to be the most comprehensive and accurate measure of earnings available, they excluded several categories of workers who participated in alternative retirement

systems and whose earnings may not have been reported to SSA.<sup>14</sup> Such omissions could have resulted in an under- or overestimate of beneficiary earnings. On the other hand, some earnings reported to SSA may have included income derived from work activity in a previous year, such as commissions or bonuses. Further, the earnings data included some forms of nonwork income, such as sick leave earnings and profit sharing. These additional sources of income could not be identified and separated out of SSA's data and, therefore, could result in an overestimation of beneficiaries' earnings due to employment in a particular year, and either an over- or under-estimate of earnings changes over time. The data did not allow us to estimate the magnitude of the effect of these factors on our analyses.

In addition, our use of annual earnings data limited our ability to analyze outcomes in the year following VR. Specifically, we were limited to using all earnings in the calendar year after VR, irrespective of the time gap between VR completion and the first month of the next calendar year. The start month for calculating earnings in the year after VR could have ranged from the 1st to the 12th month after VR, depending on which month the beneficiary exited. For example, beneficiaries who exited VR in June 2000 would have their 2001 annual earnings calculated beginning in January 2001—6 months after their exit from VR. Whereas beneficiaries who completed VR in December 2000, would have been out of VR for 1 month when their 2001 annual earnings calculation started in January 2001. We have no indication of clustering in earnings relative to VR completion, and, therefore, expect a fairly even distribution of earnings over time. We do not expect the time lag in the earnings calculation to vary systematically by year or cohort.

#### Limitations in Analyzing “Parking”

The earnings data also limited our ability to assess the extent of “parking” on a monthly basis. Beneficiaries may work inconsistently throughout the year and not have earnings in some months. Because the Master Earnings File only contains annual earnings data, we were not able to identify parking that might have occurred among beneficiaries, who, for example, worked for only a few months during the year and limited their earnings to a level near, but not exceeding, the monthly SGA level in each of those months.

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<sup>14</sup> Workers who may have been excluded include federal civilian employees hired before 1984 and certain state and local government employees.

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Limitations in Analyzing  
Benefit Reductions

Our calculations on DI benefit reductions may have resulted in under- and overestimates. For example, in calculating the DI reduction in benefit payments from beneficiaries in benefit suspension or termination, we did not include the reduction in benefit payments for auxiliary beneficiaries—such as a dependent child with disabilities—who would also not have received a benefit. According to an SSA official, this could result in an underestimate of benefit payment reductions. Additionally, we used the Consumer Price Index to inflate DI benefit amounts to 2004 dollars. Using another inflation standard—such as the wage index—may have produced different results.

With respect to SSI, while we attempted to capture SSI benefit changes due to earnings by limiting our analysis to beneficiaries with earnings gains, our data did not allow us to completely exclude benefit changes that may have been due to other factors. Therefore, we did not report estimated SSI benefit reduction amounts.

Limitations in Analyzing  
Beneficiaries Who Left the  
Rolls

Our finding that more SSI than DI beneficiaries ultimately left the rolls is likely due to several factors, including the different structures of the DI and SSI programs. DI beneficiaries are allowed a trial work period (9 months) and an extended period of eligibility (36 months) before they are considered off the rolls.<sup>15</sup> In contrast, SSI beneficiaries who earn enough so that they do not receive a benefit for 12 months are taken off the rolls. Therefore, given the 4-year timeframe of our study, many DI beneficiaries may not yet have entered or completed their extended period of eligibility or reached the point where they would be considered off the rolls.

In addition, delays in the reporting of earnings may also have contributed to our finding that relatively more SSI than DI beneficiaries left the rolls due to work. There can be a significant delay—up to 3 years—between when beneficiaries begin work and when SSA is notified or learns of their earnings. This delay is more likely to occur with DI beneficiaries, whose earnings were reviewed on a yearly basis as compared to monthly earnings reviews for SSI beneficiaries during the timeframe of our study. Because of this reporting delay, the TRF subfile data that indicated whether a beneficiary left the rolls may not have contained completely up-to-date data, especially for later cohorts.

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<sup>15</sup> The 9-month trial work period must occur within a 60-month period.

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We may have under- or overestimated the earnings of those beneficiaries who left the rolls. Because our data did not include earnings from sources not covered by Social Security and we could not include their earnings in our analysis, we may have underestimated the earnings of beneficiaries in the 2000 and 2001 cohorts in the year they left the rolls. However, if the beneficiaries who had noncovered earnings earned less on average than those whose earnings were included in our data, it is possible that we could have overestimated earnings for those beneficiaries who left the rolls.

# Appendix III: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES

THE ASSISTANT SECRETARY

Denise M. Fantone, Acting Director  
Education, Workforce, and  
Income Security Issues  
United States Government Accountability Office  
441 G Street N.W.  
Washington, D.C. 20548

MAR 1 2007

Dear Ms. Fantone:

Thank you for providing the U.S. Department of Education (Department) with the opportunity to review your draft report: *Vocational Rehabilitation-- Workforce Participation Increases for Many SSA Beneficiaries After Receiving VR Services, But Most Incomes Were Below "Substantial Gainful Activity"* (GAO-07-332). We note you briefed Congressional staff on your findings and your draft report includes your briefing slides.

The report does not make any recommendations to the Department, and is generally positive with regard to outcomes for vocational rehabilitation (VR) clients who are SSA beneficiaries. Up to ten percent were able to leave the benefit rolls compared to the historical unassisted departure percentage of less than one percent. These are, of course, the very individuals who had previously undergone stringent reviews demonstrating their incapacity to work.

Findings showed that one year after receiving VR services and exiting the program, employment continued for about 40 percent of SSA beneficiaries. Supplemental Security Income beneficiaries performed somewhat better in this regard when compared to Social Security Disability Insurance beneficiaries. The report found that most (88 percent) earnings fell below the substantial gainful activity (SGA) level. The general conclusion that most beneficiaries exit VR in employment outcomes with earnings below SGA is consistent with our own information regarding earnings at closure. However, this initial report has many limitations, as you noted, and there are a great many other complicating and qualifying factors related to rehabilitation success and client behavior.

For example, eligibility criteria for non-cash services and benefits from other government assistance programs, such as housing programs, may have major effects on earnings behavior. Also, hours worked may reflect vocational capacity, opportunity or desire. The interactions of these factors with pay rates to produce any given level of economic activity are difficult to determine. Over one third of the individuals served by state VR agencies are individuals with developmental disabilities or mental disabilities. These individuals are also served by state developmental disability (DD) or mental health agencies that use Medicaid funds for the provision of residential and other supports. Work activity for many of these individuals may be conditioned or subordinated to the need to maintain the supports provided by the DD or mental health agencies.

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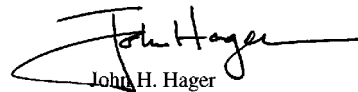
**Appendix III: Comments from the Department  
of Education**

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We recognize and appreciate the unique aspect of your work: the linkage of the Department's employment program participants with the SSA's record of their earnings. We are interested in discussing in detail the technical and methodological issues inherent in comparing large data files, and the extent to which results of the study could be further explained by characteristics such as disabling condition.

Thank you for your interest in the operation and efficiency of the Department's programs for individuals with disabilities. We look forward to reviewing GAO's next phase of work regarding agency-level data for Social Security rehabilitation.

Sincerely,



John H. Hager

# Appendix IV: Comments from the Social Security Administration

Note: GAO's comments supplementing those in the report text appear at the end of this appendix.



## SOCIAL SECURITY

The Commissioner

March 02, 2007

Ms. Denise M. Fantone  
Acting Director, Education, Workforce, and  
Income Security Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, D.C. 20548

Dear Ms. Fantone:

Thank you for the opportunity to review and comment on the draft report, "Vocational Rehabilitation: Workforce Participation Increases for Many SSA Beneficiaries after Receiving VR Services, But Most Earnings Were Below Substantial Gainful Activity" (GAO-07-332). At the exit conference phase, we provided informal verbal and written comments stating our concerns regarding GAO's methodology, and the accompanying analysis and findings. We continue to believe that the report, as written and presented, could lead policymakers to misinterpret the results of the study and the relative effectiveness of Vocational Rehabilitation services.

While the report itself contains information about the limitations to the data and the analytical approach, these weaknesses are not adequately conveyed in the slide show that policymakers will view. The presentation could be misleading and result in policymakers drawing erroneous conclusions, which your auditors intentionally did not make due to the weakness of the analysis. We believe the analysis is inadequate for addressing the questions raised by Congressman Rangel and should not be overrepresented. A complete description of our concerns and the supporting rationale can be found in the attached detailed comments.

If you have any questions, please contact Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Astrue".

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001



**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "VOCATIONAL REHABILITATION: WORKFORCE PARTICIPATION INCREASES FOR MANY SSA BENEFICIARIES AFTER RECEIVING VR SERVICES, BUT MOST EARNINGS WERE BELOW SUBSTANTIAL GAINFUL ACTIVITY" (GAO-07-332)**

Thank you for the opportunity to review and comment on the draft report and briefing slides. At the formal exit conference, we discussed a number of concerns with respect to the "Results Review Summary Fact Sheet" provided on January 22, 2007. We are disappointed to see that the final slide show presentation and accompanying narrative did not address the core of our concerns that were: 1) discussed formally on January 24, 2007; 2) provided in writing via e-mail on January 29, 2007; and 3) discussed in great detail in a subsequent conference call held on January 31, 2007. We remain concerned that the results of this analysis do not address the pertinent questions and may not be relevant to policymakers. Specifically, we believe the report and particularly the slide show overstate the findings of the study and are likely to result in a misinterpretation of the evidence of the effectiveness of Vocational Rehabilitation (VR) services by policymakers. In addition, there are several technical mistakes and/or oversimplifications in the discussion of Social Security Administration (SSA) programs and policies that need to be corrected and/or clarified. The following detailed information and specific examples provide the rationale for our response.

See comment 1.

Title of the Report

The title of the report "Vocational Rehabilitation: Workforce Participation Increases for Many SSA Beneficiaries after Receiving VR Services, But Most Earnings Were Below Substantial Gainful Activity" is misleading. While the paper itself contains information about the limitations to the data and the analytical approach, these weaknesses are not adequately conveyed in the slide show. The presentation could be very misleading and result in policymakers drawing erroneous conclusions; conclusions that GAO auditors intentionally did not make due to the weakness of the analysis. A title that accurately reflects the analysis would be "Inflation Adjusted Social Security Taxable Earnings Increase for Some SSA Beneficiaries after Successfully Completing a Vocational Rehabilitation Program, But Most Annual Earnings Did Not Exceed Twelve Times the Monthly Substantial Gainful Activity Amount."

See comment 2.

Ticket Research File

On page 3, and elsewhere, the discussion on the Ticket Research File (TRF) is not accurate. The TRF is a file built by SSA under contract with Mathematica Policy Research (MPR) Inc. MPR is SSA's Ticket to Work evaluation contractor and supports SSA's evaluation of the TTW Program and other SSA employment-related disability research and evaluation needs. The file used by GAO is a sub-file of the TRF that had been matched to the 1998-2004 Rehabilitation Services Administration's (RSA) 911 closure files. SSA did not match the TRF-RSA sub-file to the Master Earnings File (MEF) at the request of GAO. We matched the TRF, RSA-911, and earnings files for ongoing SSA and RSA research activities that have been in development since 2001. GAO learned of these files through entrance interviews with RSA and SSA. At that time, GAO

requested, and was provided with, a copy of these matched TRF-RSA-MEF files and was provided extensive support in using them.

See comment 3.

Scope of the Review

There are many places (pages 4, 6, 17, 29, 30, 41, 42) that refer to a number or percentage of “all beneficiaries.” This is misleading as the percentage is not calculated among all beneficiaries, but among beneficiaries in the very limited sample used in the analysis, as defined by the exclusions. The sample size suggests roughly 3 percent of all disabled beneficiaries are included in the sample, so as a percentage of all beneficiaries the percentages would be 1/33<sup>rd</sup>, as large as the percentage that is reported and that was calculated only for beneficiaries in the study sample. The term “sample cases” or “beneficiaries in this study” should be used in place of “all beneficiaries” to accurately describe the population covered by the study. Similarly, since these cases were limited to a very select group, the term “VR participants” should be changed to “successful VR case closures” (page 13 and 43) to more accurately describe the population.

There are a number of exclusions that were made which we believe potentially bias the findings. Specifically, limiting the analysis to “receiving services once” (i.e., excluding individuals with multiple spells of VR services), removing individuals who died, and removing those who retired during their VR participation, all potentially bias the findings. Individuals in the excluded groups represent a significant portion of beneficiaries who are likely to be systematically different from those who were included in the study. Care must be taken not to present the analysis as representing VR effectiveness for all SSA beneficiaries receiving such services. We do not believe sufficient care in this regard has been exercised in this report, and this is likely to lead to misinterpretation of the evidence by policy makers.

The last bullet on page 38 is not accurate. This bullet says “We excluded the beneficiaries who reached age 65 because *the data may have indicated they left the disability rolls, when, in fact, they may have converted to SSA retirement benefits*” [emphasis added]. The TRF data used by GAO, and the SSA constructed left-due-to-work (LDW) variable in particular (which was used by GAO extensively for this analysis), clearly distinguish between those who left the rolls due to work (LDW=2), and those who were ineligible for benefits due to death, converted to retirement benefits, or medical recovery (LDW=9). We do not understand why GAO excluded the beneficiaries who reached age 65 or died at any point in their VR participation.

It is unclear as to whether disabled adult children (DACs) and disabled widow(er)s (DWBs) are included in this study, even though both groups are eligible for VR services. It was impossible to determine whether they were included due to some inconsistencies in the report. The report begins by citing the number of “working aged people with disabilities (who) were beneficiaries of federal income support programs administered by the Social Security Administration- namely the Disability Insurance program and the Supplemental Security Income program.” DACs and DWBs would, in most cases, fit the definition of “working aged people with disabilities (who) were beneficiaries of federal income support programs administered by the Social Security Administration.” However, most DACs and all DWBs (except those DWBs dually entitled as workers) are not technically within the Disability Insurance (DI) program, since their benefits are paid from the OASI program. Adding DI workers, DACs paid from the DI trust fund,

Supplemental Security Income (SSI) recipients age 18-64, and not double counting concurrent beneficiaries, the number of working aged persons paid from the DI and SSI programs is slightly less than the 10 million figure that is cited, suggesting that all Social Security disability beneficiaries are included (i.e., it includes DACs and DWBs paid from the OASI trust funds). However, later in the report there is language stating that all DI beneficiaries have a qualifying work history (e.g., page 15). This is not generally true for DACs and DWBs, although some dually entitled DACs and DWBs may be insured and also receive a DI benefit. The report should clarify which Social Security disability beneficiaries are included and which are not. Whether DACs and DWBs are included or not, there are additional edits that need to be made to the report so that it is technically correct and internally consistent.

Pages 20-21, (slides 13 and 14), are somewhat confusing. It appears slide 13 excludes beneficiaries who started working after 2001, and slide 14 excludes beneficiaries who started or stopped working after 2001. The population included should be made clearer.

Program Savings

The DI finding in the first bullet on page 6 is misleading in that it reports “savings” to SSA, when the figures reported are for non-payments of SSA benefits (the text is correctly phrased for SSI). Also, in numerous places (e.g., pages 6, 13, 14, 28, 35, 41, 42, 43) there are references to “program savings.” However, the report contains no analysis on program savings; instead GAO simply assessed benefit reductions that may or may not relate to or coincide with the participation in, and successful completion of, VR services. In order to assess actual program savings costs, as well as the savings associated with benefit reductions, would have to be evaluated. Among those costs are:

- 1) actual VR costs (from SSA’s perspective, the costs of reimbursing VR for services or making Ticket outcome and milestone payments),
- 2) any costs associated with higher DI benefits paid after recomputations made due to work while on the rolls that did not lead to termination, and
- 3) costs associated with continued benefit payments to those who medically recover, but continue to receive benefits under section 301 provisions, amount of social security taxes paid, etc.

In addition to the misnomer of program savings, as described above, the total estimates of “savings” does not reflect a specific time period. The slides break this out to give some context to this estimate; however, it is difficult to understand what the total estimate means. The text needs to clarify that these figures include four annual (one-year) savings figures for the four cohorts studied (not totals over all post-VR years), summed to a total estimate that represents 4 years worth of savings. We believe providing the average for all of the cohorts would be more meaningful as a yearly savings concept (i.e., divide the total estimated savings by 4).

Footnote 20 on page 6 seems to be incorrect. GAO’s estimates of beneficiary earnings when leaving the rolls could be *either* underestimates *or* overestimates depending on the average earnings of those not included in the MEF earnings (i.e., those not covered by Social Security). For example, if those in State government (and thus not included in the MEF earnings

See comment 4.

data) on average earned less than those in the MEF data, then the GAO estimates would overestimate earnings by the population who left the rolls.

Finally, and most importantly, the methodology used does not permit an assessment of the possible outcome in the absence of VR. Therefore, it is unknown whether any of the benefit reductions are even related to the VR services that were received. At a minimum, the term “benefit reductions” or similar specific wording should be used instead of “program savings.” However, that terminology could also be misleading due to the lack of a proper methodology.

Numerical Estimates

The finding in the second bullet on page 5 and elsewhere, (i.e., slide 16, page 23), that “the majority of disability beneficiaries were not “parking” is misleading. What GAO found is “no evidence of parking,” but the data used is poorly suited for examining this question. Not finding evidence of “parking” is not the same thing as finding that “parking” did not occur. The earnings data used by GAO is annual data and “parking” can only be analyzed as a monthly event. GAO could say that the majority of disability beneficiaries were not “parked” in all months in each year for which GAO had earnings data, but this is not very meaningful because we know most beneficiaries do not work in all months of any given year. What is more likely happening in these data is that non-work in some months of a given year is pulling down the monthly average earnings for the year. How this relates to monthly “parking” is thus masked by the annual nature of the earnings data and the tendency of SSA beneficiaries with disabilities to work inconsistently throughout the year. As a result, a finding that the majority of disability beneficiaries were not “parking” is inaccurate.

In addition, the problems of using annual earnings data to assess monthly earnings should be thoroughly explained under the limitations section and in the summary text as well. It is well known that SSA beneficiaries with disabilities have irregular work patterns that are masked by annual data. This is important because it makes it impossible to match monthly earnings with monthly benefit status. Further, any adjustments to annualize the monthly status or to create monthly averages of annual earnings can lead to misleading results in the data. The issues with assessing “parking,” as noted above, is one example of the problems created by this mismatch in the data. This mismatch creates problems in other areas of analysis as well. Low annual earnings would result, for example, for beneficiaries who have exited the program for less than all of the months included in the annual calendar earnings figure. Beneficiaries who exit VR mid-year could have earnings above SGA in the 12 months following exit, but if that work is not sustained, the 12 months of earnings will be split between the calendar year of exit and the calendar year after exit, with both values substantially below the annualized SGA value. Appropriate caution needs to be exercised in using and interpreting this data.

On page 6, the dollar increases in earnings among SSI recipients does not seem to translate into the fairly large benefit reductions for this group. It seems likely that this estimate captures more than benefit reductions due to earnings, perhaps even including reductions in SSI benefits for concurrent’s whose DI benefits increase due to post-entitlement earnings (or whose work results in insured status and entitlement to a DI benefit). Earning among SSI recipients (and their benefit

See comment 5.

See comment 6.

reductions) can be more accurately tracked and calculated using the Social Security Record rather than the MEF.

The measure of changes in benefits on slide 19 seems illogical, and possibly misleading. If the point is to measure benefit changes, those whose earnings fell should be included as well. By including only those whose earnings increased, benefits are surely going to fall due to the mechanics of the SSI program and the result becomes fairly meaningless.

In the discussion of program savings (pages 41-42), it is not clear whether GAO used the amount that was *due* to the beneficiary or the amount that was *paid*. Generally for such calculations, the amount *due* would be used because this amount is not affected by overpayments or underpayments. In footnote 10 (page 42), however, GAO notes that SSI benefits may “decrease because of an overpayment.” This suggests that GAO may have used the amount *paid* for their calculations and this would introduce many problems into the benefit analysis. GAO should clarify which amount was used. If the amount *paid* was used for these calculations, then GAO should consider redoing the analysis using the amount *due* instead since this will give a more accurate indication of benefit changes.

Ticket to Work Initiatives

We do not believe the report adequately discusses Ticket to Work (TTW) and the changes associated with the roll-out of TTW over the time period under this study. Although TTW legislation is mentioned and cited, the timeframes of the study do not allow for measurement of the effects of the TTW program. The study covers 2000-2003 VR usage with employment results from 2000 through 2004, a period marked by the phased rollout of the Ticket in the States. This was a period of flux and is neither representative of the older VR reimbursement scheme nor of the TTW program. Any benefits from TTW would not be fully evident during this time period. This phased program change could have had an impact on VR outcomes. Specifically, there is the possibility that creaming, (i.e., selecting those who are most likely to succeed), by Employment Networks has contributed to reductions in successful State VR outcomes over this period (pages 25, 27, 28). Additional information on the TTW program and its relationship to VR should be more thoroughly discussed on page 2 and on the slides.

Page 5, first paragraph continuing from page 4, the TTW implementation date of “beginning in 2001” is not correct. Ticket to Work was phased in gradually beginning in February 2002.

Employment and Earnings Data

There are a number of references to “employment” of beneficiaries. However, there is no data about employment. Instead, the analysis is based on an assumption that posted earnings are earnings derived from “employment.” However, posted earnings do not necessarily relate to current employment. In addition, GAO notes that earnings not covered by Social Security are not included and that non-covered employment is unknown. More importantly, there are earnings that are posted to the earnings record that have no connection to current employment, including commissions from prior employment, sick pay, vacation pay, and certain profit sharing arrangements. The end result may be an overstatement of employment and earnings, rather than

See comment 7.

See comment 8.

the understatement that is asserted on page 13 and the footnote on page 32. At a minimum, this needs to be clarified as this group represents “persons with posted earnings,” not necessarily “employment.”

In several places there are references to “duration” and “sustained work” (pages 20, 21, and 40). This language is misleading. Having positive earnings in more than one consecutive year does not necessarily imply sustained work or an extended duration of work. Positive earnings in more than one year may be, at best an indicator of intermittent work. An individual may have worked a few scattered weeks over a multi-year period and meet the definition of “sustained work.” Additionally, as presented in the comment above, posted earnings are not a definitive indicator of work or employment. In summary, the word “sustained” is suggestive of working month after month for several years. The term “posted earnings in consecutive years” rather than “sustained” should be used to more accurately describe this group and to avoid misinterpretation.

Description of SSA Programs

The discussion of SSI benefits is inaccurate. For example, on pages 3 and 4, it is stated that SSI benefits are generally the same for all beneficiaries. This is only true of the base benefit rate; benefits can vary from individual to individual based on a number of factors including earnings, unearned income, marital status, living arrangements, institutionalization, in-kind support and maintenance, and a number of other factors. Nowhere in the report is there information that SSI benefits are reduced \$1 for \$1, after a \$20 disregard, for unearned income. At a minimum, this should be added to the slide shown on page 16. This variation in SSI benefit amount is most obvious in the case of concurrent beneficiaries, who are specifically discussed in the report. Moreover, the discussion of the reduction in SSI for earnings is erroneous. Earnings are reduced \$1 for \$2 above \$65 per month, not \$85 per month. If the individual has no unearned income, the \$20 disregard can be added to the \$65 disregard. Concurrent beneficiaries would never have an \$85 disregard.

The most important factor likely to be driving the result on slides 22 and 23 is not included at the bottom of slide 23, (see pages 29 and 30). Lower program exits are likely to be affected by the length of the nine-month Trial Work Period (TWP), but the 36 month Extended Period of Eligibility (EPE) is a much more important factor. For SSI, program exit would occur after 12 months in suspense. For DI, however, there is both the 9 month TWP and 36 month EPE, for a total of 45 months (33 months longer than the SSI measure). Given this, and the fact that the GAO follow up period is at most 4 years, it would be expected that few DI beneficiaries left the rolls after VR during this follow-up period. Most likely, the only beneficiaries who did leave the rolls were those already working for significant periods before they left VR.

The report and the slides note program differences between SSI and Social Security. On page 30 it is stated that the length of the TWP is different. This is technically inaccurate as there is no TWP for SSI. On page 4, the TWP is mentioned for DI beneficiaries, though it is not limited to DI workers or DI beneficiaries (e.g., a DAC paid from the OASI trust fund is eligible for a TWP). A more important difference is that SGA no longer has any meaning for SSI exit from the rolls due to 1619A provisions. We do not believe that either difference in the treatment of work and earnings is adequately discussed in the report.

See comment 9.

On page 4, the discussion of the EPE has a minor error. Benefits do not stop at the beginning of the EPE. The cessation month is the first month of SGA level earnings after the completion of the TWP and the individual is paid benefits (regardless of the level of earnings) for the 3 months after cessation of benefits (which would be the first 3 months of the EPE if earnings are above SGA). Also, benefits are not automatically paid in months the individual earns less than SGA. The individual or representative must report that earnings are below SGA and request reinstatement of benefits (i.e., SSA does not routinely monitor earnings of persons in the EPE and automatically make benefit payments when earnings fall below SGA).

On pages 6 and 7, the report refers to “benefit reductions” for the Social Security disability program. Benefits are not reduced for earnings in the case of Social Security benefits for the disabled. The monthly benefit is either paid or not paid. Reductions in benefits generally occur in the case of overpayments. This language should be changed to reflect the non-payment of benefits, rather than reductions in benefits.

Description of Health Insurance

The report and slides mention the potential loss of health insurance coverage, presumably Medicare and/or Medicaid, as a challenge in leaving the disability rolls (e.g., pages 4, 7, and 9). The report, particularly the slides, does not fully address the extended Medicare and Medicaid benefits. Medicare continues at least 93 months after the end of the TWP, and Medicaid can continue indefinitely (1619B) for those on SSI who work their way off the rolls. There is a Medicare buy-in and a Medicaid buy-in (in some States) for the disabled who work and eventually lose their coverage under Medicare and Medicaid. Many legislative changes have been enacted that offer access to continued health care coverage making this a considerably less important factor.

Left the Rolls

The report repeatedly uses various forms of the term “left the rolls” (e.g., pages 28, 29, 30, and 33). Leaving the rolls usually suggests termination of benefits, yet the figures shown seem to reflect “leaving the rolls” is related more to suspension of benefits, particularly for the disabled receiving Social Security. The 36 month EPE would seem to preclude the observation of many DI terminations in these cohorts. We believe the report should use alternative language that clearly specifies whether the figures reflect suspension of benefits or termination of benefits. These two concepts are quite different. Prior research shows significant numbers of DI beneficiaries who enter the EPE yet do not terminate benefits (Muller, L. Scott “Disability Beneficiaries Who Work and Their Experience under Program Work Incentives” Social Security Bulletin, Vol. 55, No 2. Summer 1992).

Finally, on page 6, clarification is needed in the second bullet, and elsewhere (especially slide 26, shown on page 33), regarding how return to SSA benefits was measured, among those who left the DI program. Such beneficiaries may have returned to the program briefly, permanently, or somewhere in between. One could assume “returned to benefits” was defined as one or more months, but the definition should be made explicit.

See comment 10.

See comment 11.

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The following are GAO's comments on the Social Security Administration's letter dated March 2, 2007.

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## GAO's Comments

1. We agree that there is some potential for readers to misinterpret the title. Therefore, we adjusted it to indicate that we analyzed beneficiaries' earnings after completing VR services, rather than workforce participation. Additionally, we removed the reference to SGA because we acknowledge the limitations of using annual earnings data in determining whether beneficiaries were earning SGA.
2. We clarified our description of the Ticket Research File.
3. Regarding the scope of our review, we disagree that our study population biases our findings or that we have characterized our findings as representing VR effectiveness for all beneficiaries completing VR. We indicate that our findings are based on the outcomes of the individuals included in our study population, are not intended to represent potential outcomes for groups outside this population, and cannot be attributed to VR. In accordance with our objective to determine whether beneficiaries eventually replace their benefits with earned income, we focused on those beneficiaries who could have potentially left the rolls due to work following completion of VR services; therefore, we excluded people who retired or died during the timeframe of our study because they would have left the disability rolls for reasons unrelated to an increase in earnings. We clarified why these groups were excluded in our discussion of scope and methods in appendix II. We also stated in this appendix that our findings cannot be attributed to VR because we were unable to identify a control group.

We agree that the left-due-to-work variable distinguishes between those who left the rolls due to work and those who were ineligible for benefits for other reasons. However, the left-due-to-work variable was not developed by SSA's contractor until several months into our study. Once the variable was available, we incorporated it into our analysis. However we disagree, for reasons discussed in the preceding paragraph, that it was inappropriate to exclude those beneficiaries who died or reached 65 during the timeframe of our study.

SSA noted that the report should clarify which disability beneficiaries are included in our study. We adjusted our language to better reflect which beneficiaries were included, why we excluded certain beneficiaries, and the numbers and percentages of beneficiaries in our study population as appropriate.



4. We agree with SSA that “benefit reductions” more accurately describes the analysis we conducted than “program savings” and have changed the report accordingly. We also clarified that benefit reductions included the sum of one year following VR for all four cohorts and added an annual average in the letter’s Summary section and in the slides.

While SSA stated that our methodology does not permit an assessment of the possible outcome in the absence of VR, we explicitly state in the letter and the slides that we could not isolate the impact of VR because we did not have a control group. However, we added language in the scope and methods section of the letter reemphasizing this point.

We clarified, in our Scope and Methods discussion in appendix II, that our estimates of average annual beneficiaries’ earnings when leaving the rolls could be either an underestimate or an overestimate depending on the average annual earnings of those not included in the data (i.e., those beneficiaries who had earnings not covered by Social Security).

5. Regarding our numerical estimates of SGA, we agree that SGA is a monthly figure and that using annual earnings data is not ideal for assessing whether beneficiaries are “parking” on a monthly basis. However, SSA did not collect monthly earnings data on DI beneficiaries during the timeframe of our study. As a result, we limited our analysis to comparing annual earnings to an annualized SGA figure and included language regarding this limitation in both the letter and slides. Although our original language indicated that the finding was “not suggestive of parking,” to further ensure that our finding is not misunderstood, we adjusted the language in the report to indicate that we found no evidence of parking. We also added language to the limitations section in appendix II.

In a 2002 report, where we examined the effect of SGA on earnings for DI beneficiaries, we recommended, and SSA agreed, that it needed to improve its earnings data collection methods.<sup>1</sup> According to SSA officials, since the timeframe of our study, SSA has begun collecting earnings information for DI beneficiaries through EWORK. To the extent that the data in this system are reliable, they may, in the future, provide an opportunity for a more precise analysis of “parking.”

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<sup>1</sup> GAO, *SSA Disability: SGA Levels Appear to Affect the Work Behavior of Relatively Few Beneficiaries, but More Data Needed*, GAO-02-224 (Washington, D.C.: January 2002).

SSA noted that because we used annual earnings data we could have captured low annual earnings in the year after VR for beneficiaries who may have completed VR mid-year, worked for the next several months, but then did not sustain their earnings. We agree that we were not able to capture earnings immediately after VR completion for beneficiaries who exited mid-year. However, Education already reports on employment and earnings 3 months after beneficiaries exit VR. The purpose of our study was to explore long-term outcomes. While we agree it would have been preferable to report earnings beginning with the month immediately upon exiting the VR program, we were unable to do so because SSA did not collect monthly earnings data for DI beneficiaries during the time period of our study.

6. We agree with SSA's point that other factors besides work-related earnings (e.g., changes in unearned income and assets) may cause SSI benefits to increase or decrease, and that it is possible that concurrent beneficiaries may experience an SSI benefit reduction and a DI benefit increase due to the same increase in earnings. We initially limited our analysis to SSI and concurrent beneficiaries with earnings gains to better ensure that SSI benefit reductions were related, in part, to those earnings gains. However, we were still not able to determine what portion of remaining SSI benefit reductions were due to increased beneficiary earnings. Therefore, we have removed this estimate from our final report.

We disagree with SSA that, for our study, SSI earnings could have been more accurately tracked and calculated using the monthly earnings in the Supplemental Security Record (SSR) rather than the annual earnings in the Master Earnings File (MEF). While the SSR provides earnings on a monthly basis, it relies on self-reported data that then must be verified; and the TRF subfile that SSA provided for our analysis may not have included the most recent version of the SSR data. The MEF contains annual earnings based on Internal Revenue Service W-2 tax filings. When we compared SSI earnings between the SSR and MEF data that we had for our study population, we found that the values differed between the two data sets; therefore, we used the MEF as we believed it to be more reliable.

7. We disagree that the report does not adequately discuss Ticket to Work because our study objectives did not include measuring the effects of the Ticket to Work program. Therefore, we did not include the additional language suggested by SSA, as it might detract from the report's focus. However, we corrected the language in the letter to

indicate that the Ticket to Work program was phased in gradually starting in 2002.

8. We agree that our analysis of whether beneficiaries were employed was based on posted earnings in SSA's Master Earnings File (MEF). Because SSA's data does not allow us to distinguish earnings due to current employment from other earnings (such as commissions from previous employment or vacation pay), we replaced references to employment with earnings throughout the report.

SSA also had concerns about the use of "sustained work" because it is suggestive of working month after month for several years. While we had defined our usage of the term, we changed it to "earnings in consecutive years" to avoid misinterpretation.

9. We agree with most of SSA's comments regarding our description of SSI benefits and DI work incentives and have made the suggested changes.
10. We disagree that a fuller discussion of extended Medicaid and Medicare benefits is needed for this report. However, we added language to the letter indicating that it is unclear the extent to which loss of health care coverage remains a disincentive for SSA beneficiaries returning to work.
11. Regarding the clarity of the term "left the rolls" and how return to the rolls was measured, we added language to our report clarifying that leaving the rolls is defined as cessation of disability cash benefits and that beneficiaries who left the rolls were counted as returning if they returned for 1 month or more.

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# Appendix V: GAO Contacts and Staff Acknowledgments

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## GAO Contact

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