

SOCIAL SECURITY ADVISORY BOARD

STATEMENT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM

Public Law 104-193 requires that members of the Social Security Advisory Board be given an opportunity, either individually or jointly, to include their views in the Social Security Administration's annual report to the President and the Congress on the Supplemental Security Income (SSI) program.

We appreciate the opportunity to present our views on this important program, and we have asked the Social Security Administration to include the following statement of views in this year's annual report.

VIEWS OF THE BOARD REGARDING THE SSI PROGRAM

In its statements in previous annual reports, the Board has discussed a wide range of issues, including program integrity, the disability determination process, rehabilitation and employment services, research and program evaluation, and service delivery. All of these areas require continuing attention. We note in particular that the Social Security Administration is undertaking major revisions in the disability determination process and in the systems supporting that process. This is an encouraging development, and the Board expects to monitor those changes as they are implemented.

In presenting our views this year, we would like to comment on two aspects of the program. We will first comment briefly on program integrity in general and overpayments in particular. Then we will focus on the concept of disability embodied in the SSI program and the degree to which it meets the needs of the American people today. We have presented our views on the Social Security disability programs more fully in our October 2003 report, *The Social Security Definition of Disability*, available on our website, www.ssab.gov.

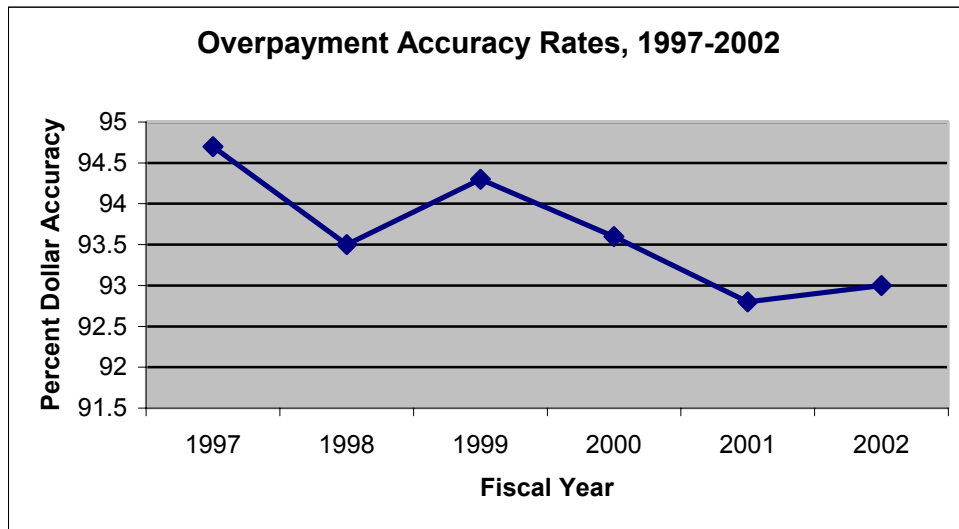
PROGRAM INTEGRITY AND OVERPAYMENTS

In 1997 the General Accounting Office designated SSI a high-risk program because of its vulnerability to abuse and mismanagement, increasing overpayments, and poor recovery of outstanding overpayments. Last year, GAO removed the program from its high-risk list, noting SSA's progress in improving the financial integrity and management of the program. GAO noted SSA's actions in obtaining legislation to prevent and collect overpayments as well as administrative actions to strengthen SSI program integrity.

GAO also noted, however, that the impacts of SSA's actions were not yet fully realized. A look at some recent data shows that the SSI program continues to need attention. Payment accuracy is lower than in 1997, and the balance of identified SSI overpayments has climbed every year since 1997.

Payment Accuracy

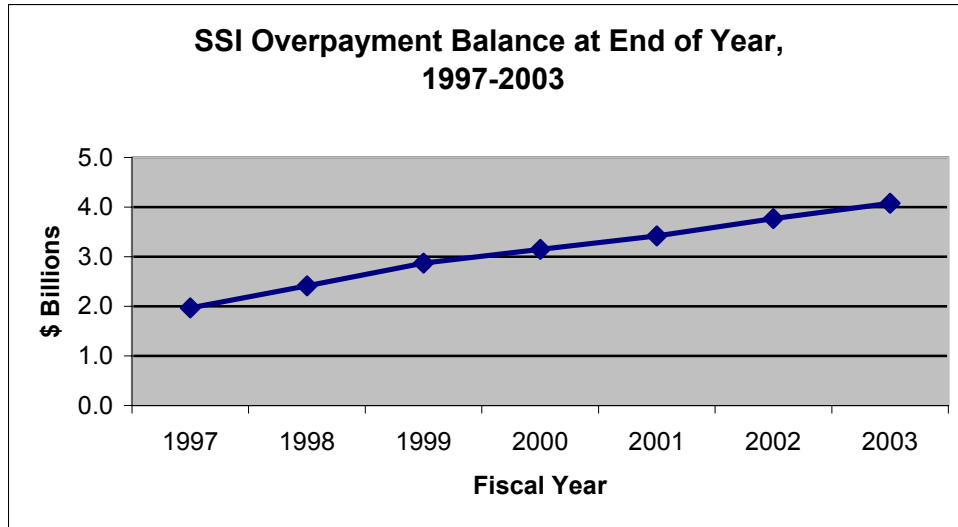
SSA conducts an annual stewardship study of the SSI program. The study examines a monthly sample of non-medical reviews of SSI cases in current-pay status. The study for FY 2002, the most recent available, shows a decline in non-medical accuracy since 1997, the year that GAO designated SSI a high-risk program. The overpayment accuracy rate for FY 2002 was 93.0 percent, compared to 94.7 percent in FY 1997. Applying the FY 2002 rate to the universe of \$34 billion in SSI payments results in a projection of \$2.4 billion in SSI overpayments. (“Overpayment accuracy” is determined on the basis of a sample study by subtracting overpaid benefits from total benefits paid and then dividing the result by total benefits paid.)



Field office managers have consistently expressed to the Board their concerns about the quality of non-medical SSI work done in their offices. They say that pressures for a high volume of production prevent their employees from taking the time and care needed to ensure quality. They add that because of the reduction in management positions in field offices, they are unable to do quality reviews. A survey of field managers conducted last year by the National Council of Social Security Management Associations reinforces these concerns. The survey showed that only 7 percent of managers think that the quality of work produced in their office had improved over the last two years, while 48 percent thought it had worsened.

Overpayment Collection

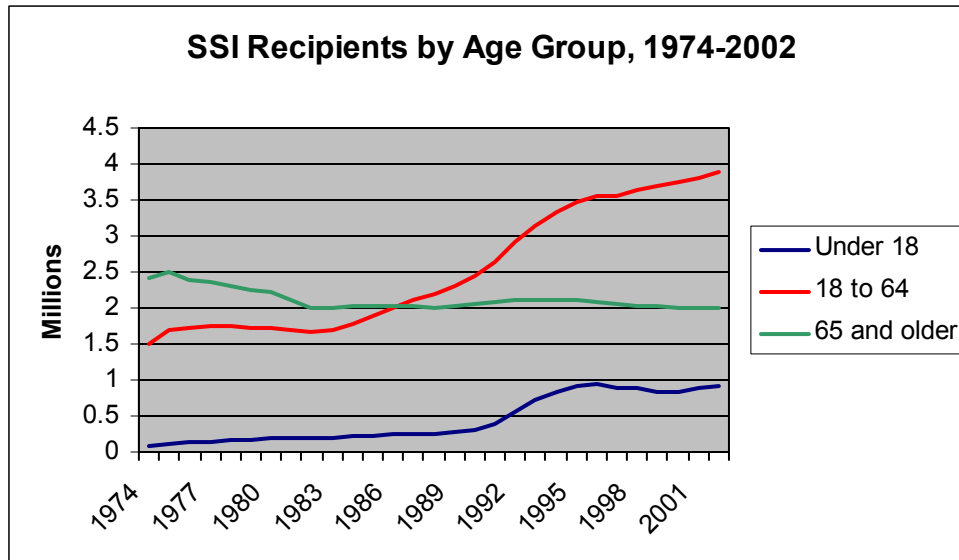
Although the collection of overpayments is a highly cost-effective activity, yielding about \$10 in recovered funds per dollar spent on the activity, resource limitations have constrained the agency’s results in this area as well. The end-of-year SSI overpayment balance has doubled since the program was first put on the high-risk list, from \$2 billion in 1997 to \$4 billion in 2003. Although SSI overpayment collections increased in FY 2003 because of new “netting” software that automatically recovers overpayments when an underpayment is discovered, the SSI overpayment balance was \$305 million higher at the end of 2003 than at the end of 2002.



The law provides that overpaid beneficiaries may request a waiver of collection of the overpayment, which the agency may grant under certain conditions. As we pointed out in previous reports, we believe that waiver policies may be applied too loosely. This is not a criticism of SSA's hard-working field office employees. Rather, it is a reflection of the shortage of staff in those offices. As an SSA executive has told the Board, field offices often do not pursue overpayment collection because the staffs are too busy, and it is easier for them to waive collection of the debt. SSA's Office of the Inspector General should be commended for its plans to issue an audit report this year evaluating SSA's waiver process and to issue a report in FY 2005 on undetected overpayments in SSA's disability programs.

THE CONCEPT OF DISABILITY IN THE SSI PROGRAM

In discussions of Social Security disability programs, attention tends to center on the Disability Insurance program which accounts for annual expenditures of more than \$70 billion. However, the SSI disability program, although much smaller in benefit costs, represents a very large percentage of the disability caseload. Of the 10.5 million persons receiving benefits on the basis of disability, 3.6 million are qualified solely through the SSI program and another 1.3 million receive both SSI and title II disability payments. While the number of SSI aged beneficiaries has declined since the program was initiated in 1974, the number of disabled beneficiaries has grown substantially and continues to increase.



SSI beneficiaries are, in many respects, different from DI disabled worker beneficiaries. They tend to have less work history and a more tenuous connection to the workforce. They are more likely to have mental disorders. In 2002, 22 percent of SSI beneficiaries age 18 to 64 had a diagnosis of mental retardation, and 33 percent had other mental disorders. Only 9 percent had a musculoskeletal diagnosis. By contrast, only 5 percent of DI disabled workers have a diagnosis of mental retardation, 28 percent have other mental disorders, and 24 percent have a musculoskeletal diagnosis. One in three adult SSI beneficiaries have a representative payee, compared with less than one in eight DI disabled workers. SSI beneficiaries are poor, with 60 percent of those age 18 to 64 having no income other than their SSI benefits. These are very substantial differences. Consideration of any changes in program definition or structure should take these differences into account.

Defining Disability

When Congress established the Supplemental Security Income program in the Social Security Amendments of 1972, it adopted for that program the same definition that had been established for the Disability Insurance program. An applicant will be found to be disabled if he or she is “unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.” Because the inability to engage in substantial gainful activity is not a test readily applicable to children, the law defines disability for those under age 18 in terms of “marked and severe functional limitations.”

As we pointed out in our October 2003 report on the Social Security definition of disability, this definition has its roots in an earlier era when there was little expectation that those with severe disabilities could have any realistic expectation of participating in employment or aspiring to self-sufficiency. It seemed both feasible and reasonable to adopt a definition of disability that would attempt to draw a clear line between those who could and those who could not work.

While the definition of disability has remained unchanged throughout the 30 years of the SSI program and essentially unchanged since the Social Security disability insurance program was enacted a half-century ago, there have been many changes in the economy, in medicine, in rehabilitative technology, and in attitudes about disability and the disabled.

Medical advances and improved rehabilitative knowledge and technology have made it harder to draw a clear line between those who can and those who cannot work. The nature of work and the workforce has also changed. We have become much more of a service economy, in which it is harder to measure the degree to which medical impairments limit an individual's ability to engage in employment. Indeed, in the early years of the Social Security disability program, over 90 percent of awards were based on the severity of applicants' medical condition without the need for the highly individualized assessment of the combined impact of medical and vocational factors that now is required in well over half of all allowed disability claims.

Attitudes about disability and work have also changed over the years. Changing public attitudes are reflected in the enactment in 1990 of the Americans with Disabilities Act that required employers to make reasonable accommodations as necessary to enable the employment of disabled individuals and that condemned stereotypic assumptions about the ability of disabled individuals to participate in, and contribute to, society.

Work as an Objective of the SSI Disability Program

Although it defines disability as the inability to do any substantial gainful work, from its beginning, the SSI program has also included elements aimed at helping or encouraging beneficiaries to engage in work activity. The legislation that established it included provision for payment to State Vocational Rehabilitation agencies for rehabilitation services to SSI beneficiaries. Other provisions aimed at encouraging work activity were included in (or have been added to) the SSI legislation.

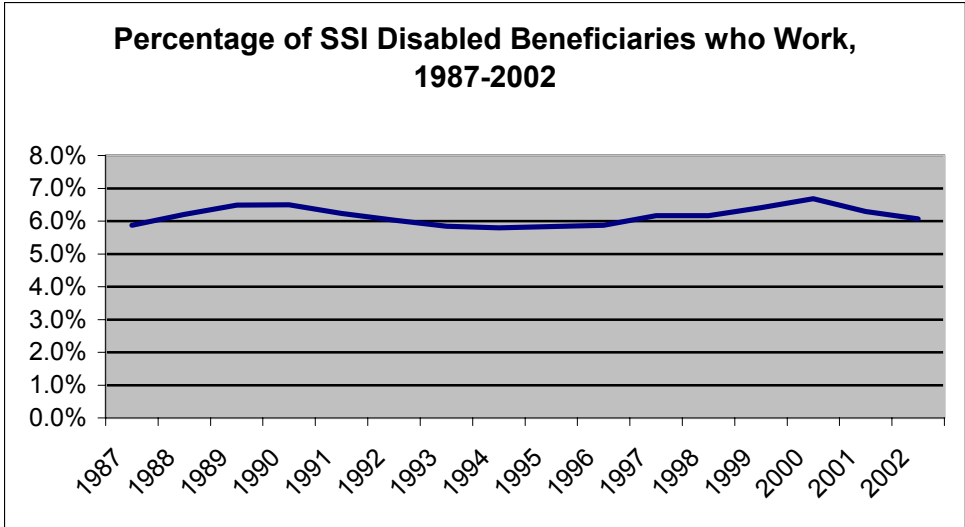
- **Continuation of SSI** – Beneficiaries who work may continue to receive SSI payments until their countable income exceeds the SSI limit. (For an individual getting only Federal SSI with other income only from earnings, the monthly benefit rate would be reduced to zero at a monthly earnings level of \$1,213.)
- **Continuation of Medicaid eligibility** – Medicaid eligibility will usually continue even if beneficiaries earn too much to receive SSI payments, if they cannot afford similar medical care and depend on Medicaid in order to work.
- **Earned income exclusion** – The first \$65 (\$85 if the beneficiary has no unearned income) of any monthly earned income, plus one-half of remaining earnings are excluded from countable income.
- **Student earned income exclusion** – For students under age 22 who are regularly attending school and neither married nor the head of a household, up to \$1,370 of earned income per month, to a maximum of \$5,520 per year, is excluded from countable income.

- **Work expenses of the blind** – Any income earned by a blind individual that is used to meet expenses needed to earn that income is excluded from countable income.
- **Plan for achieving self-support (PASS)** – A PASS allows a disabled or blind individual to set aside income and resources to get a specific type of job or to start a business. The income and resources that are set aside are excluded under the SSI income and resource tests.
- **Reinstatement of benefits** – Beneficiaries who have not been eligible for an SSI benefit for 12 months or less do not have to file a new application to reinstate SSI cash payments or Medicaid coverage.
- **Impairment-related work expense exclusion** – The cost of certain impairment-related services and items that a beneficiary needs in order to work are excluded from countable income for SSI purposes and are deducted from earnings when determining if work is substantial.
- **Continued payment under a vocational rehabilitation program** – Beneficiaries who medically recover while participating in a vocational rehabilitation program that is likely to lead to becoming self-supporting may continue to receive benefits until the program ends.

The Ticket to Work and Work Incentives Improvement Act (TWWIIA) of 1999 amended the Social Security Act to create the Ticket to Work program. The program provides DI and SSI disability beneficiaries with a Ticket that can be used to obtain vocational rehabilitation training, employment services, or other support services through public and private providers. TWWIIA also expanded the availability of health care services to working disability beneficiaries. The law provided several enhancements to Medicaid, including giving States more options in providing Medicaid coverage to people ages 16-64 with disabilities who work.

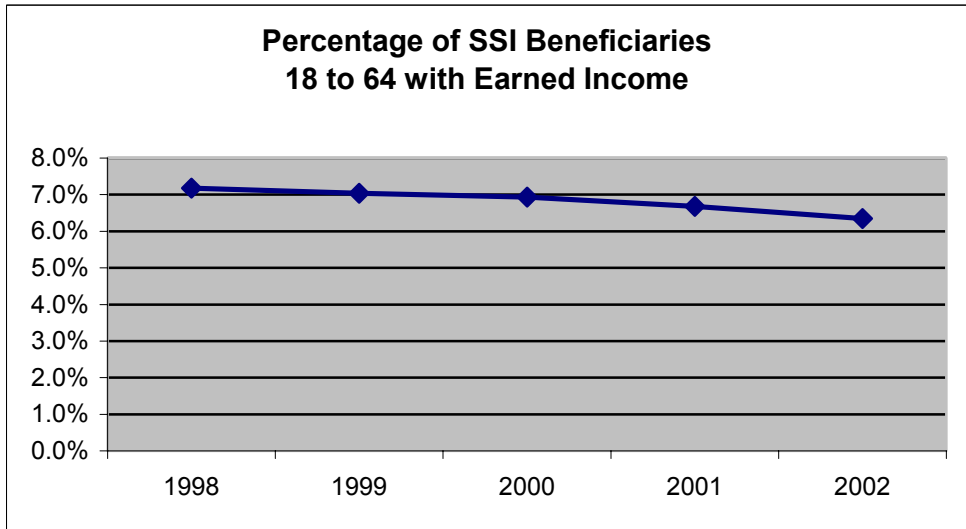
Participation rates in the program, however, have been low, and most Ticket to Work activity continues to involve State Vocational Rehabilitation agencies. Information on participation by SSI beneficiaries has not been published, and SSA's management information system does not make it readily available. This is troubling, especially in view of concerns expressed by the Ticket to Work Advisory Panel that program incentives are not adequate to induce providers to serve SSI beneficiaries.

Data on work, rather than on program participation, show that the response to all of these incentives has been limited. Published data for the 18 to 64 age group are not available for the entire period since the program began, and figures on the number of SSI beneficiaries who work are not available for 1984 through 1986. Since 1987, however, the percentage of all disabled SSI beneficiaries who work has fluctuated around 6 percent. A very substantial amount of that work activity is by beneficiaries with disabilities based on mental retardation. While that diagnosis accounts for 22 percent of the working-age SSI disabled population, it accounts for 42 percent of those who have work activity.



As of December 2002, of the 3.9 million SSI beneficiaries between the ages of 18 and 64 receiving a cash benefit, only about 246,000, or 6.3 percent of the total, reported having earned income. The average monthly earnings for this group was \$324. Out of this group, 17,000 had earnings above the substantial gainful activity (SGA) level (\$780 in 2002). Another 79,000 were above the SGA level and were receiving Medicaid but no cash benefit.

The percentage of beneficiaries of SSI cash benefits age 18 to 64 with earned income has fallen from 7.2 percent in 1998 to 6.3 percent in 2002.



The amount of work activity seems small in view of the incentives that have been provided, and it is particularly of concern that work activity seems to be less rather than more common despite the addition of numerous features aimed at encouraging work.

Policy Questions

We believe it is necessary to look beyond the existing incentives and disincentives and to question whether the definition of disability that is at the heart of the existing disability programs is consistent with our society's basic beliefs about disability and work. The present definition asks the applicant and the government to make a determination that substantial work is not possible. That, probably inevitably, creates a mindset that is inimical to the motivations that are crucial to supporting the objective of enabling impaired individuals to achieve maximum self-sufficiency and independence. Moving away from that definition would very clearly involve significant programmatic changes. Given the importance of the disability programs, any such changes would have to be carefully developed and carefully implemented. A first step in addressing this issue would be a consideration of the choices policymakers would face, including the issue of the extent to which the desired results could be achieved by changes within the existing programs. In our October 2003 report we discuss in detail a variety of policy issues that would need to be addressed including:

- Can the current definition ever be administered fairly and accurately?
- What improvements are possible within the confines of the existing program and definition?
- Is the existing definition central to program acceptability?
- What is the realistic potential of the disability population for work?
- How effective are the current eligibility processes at drawing the line between the able and the disabled, and is significant improvement possible?
- How does a disability program fit into the overall and greatly changing picture of income security?
- How can the impact of disability programs on motivation to work be improved?
- Does the disability program, as currently defined, fail to meet the legitimate needs of a significant portion of the impaired population?
- Should work-oriented services be targeted on beneficiaries or on applicants?
- What should be the role of the Social Security Administration if there is a major restructuring?

In considering SSI specifically, there is the additional issue of whether different approaches should be used for the DI and SSI programs. These two programs' beneficiaries differ in their work histories and education levels, suggesting that approaches and incentives that work for one program might not be appropriate for the other. The fact that the nature of their disabilities is also different, with a much higher prevalence of mental retardation and other mental disorders in the SSI beneficiary population, also suggests that different approaches would be needed for them. In addition, SSI beneficiaries have increasingly been receiving means-tested benefits from other programs as well, making their work incentive situation more complex. The benefit levels of the DI and SSI programs are also different. As of February 2004, the average DI worker benefit was \$862.60, while the average benefit for an SSI beneficiary age 18

to 64 was \$443.20. From a cost-benefit perspective, it is easier to justify incentives or supports for DI beneficiaries to return to work, since the potential program savings are greater. On the other hand, average wages in the economy have tended to rise faster than SSI income support levels. This would argue that failing to encourage and support work activity for SSI beneficiaries puts them at an even greater disadvantage compared with DI beneficiaries whose benefit levels tend to increase with rising wages.

Issues Related to Alternative Program Designs

Changing the definition of disability would require a major redesign of all or part of the program. It would almost certainly have substantial implications for program costs, caseloads, and administrative resources. To the extent it involved changes in eligibility or benefit levels, a long transition would be needed to assure that current beneficiaries are not adversely affected.

Ultimately, policymakers would need to decide whether the monetary and social gains from such a major shift of direction are worth the monetary and social consequences that might result. There are several basic questions that would need to be answered about any alternative program, such as:

- What would be the appropriate definition (or definitions) of disability?
- Would it increase or decrease the extent of eligibility and the cost of the program?
- Would benefit levels differ from the existing program and in what ways?
- Would it continue to be administered by the Social Security Administration and, if not, by what agency or agencies?
- Would it emphasize services or just provide benefits under a different set of rules designed to rely on stronger economic incentives for working?

If Congress wanted to adopt a different definition of disability, many different structures and combinations of structures are possible. Some of the possible elements that might be considered include.

- Paying benefits based on an essentially medical definition of what constitutes a “severe” disability, not necessarily the same as the current adjudicative distinction between severe and non-severe, but not requiring a finding as to the impact of the disability on each individual’s ability to work.
- Divorcing eligibility for health benefits from eligibility for cash benefit programs, or perhaps, for certain categories of the disabled, providing the health care necessary for employment rather than cash benefits.
- Dividing the disability program into two programs. A “permanent” program roughly equivalent to the existing program would begin only after a longer waiting period (perhaps two or three years) or might be available immediately only to those with the most severe disabilities. A new temporary program would be available during that waiting period. The temporary program might differ from the permanent program by such things as having easier eligibility rules, different benefit levels, and

stronger and perhaps more individualized medical and other services needed to support workforce participation. A temporary program might be administered by a different agency from SSA with SSA retaining responsibility for the “permanent” program. Many variants of this approach are possible depending on program objectives and costs.

- Changing the current all-or-nothing concept of disability eligibility to a program providing percentages of disability based (at least for less than 100 percent levels) on very specific medically determinable criteria.
- Changing the disqualifying event from “becoming able to work” to something roughly along the unemployment compensation lines of failure to seek or accept work.

Conclusion

In issuing our October 2003 report on the definition of disability, we argued that this is an issue that needs attention. We have found widespread dissatisfaction with the existing system. It may be that, in the end, the existing definition will be retained, and ways will be found to administer it in a manner more consistent with society’s current approach to disability policy. Or it may be that only a definitional change will serve to meet the needs of today’s impaired population in a way that society can approve. In any case, the problems and inconsistencies of the existing system are significant and demand action.

To further the discussion of this subject, the Board sponsored a day-long forum on April 14, 2004 with presentations and discussion by experts and interested parties on the extent to which the current program is or is not consistent with appropriate national disability policy and what changes might be made to the program structure and definition. The text of the presentations is available on the Board’s website at www.ssab.gov.

We encourage the Administration and the Congress to carefully consider how the Social Security disability programs can better meet the high goals set by the Americans with Disabilities Act of assuring the disabled “equality of opportunity, full participation, independent living, and economic self-sufficiency.” In some respects this issue is particularly important for the SSI program since that has developed into a program primarily serving disabled individuals and since that program’s beneficiaries have perhaps even more to gain if they are provided with the incentives and support needed for self-sufficiency.

Hal Daub
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