

NLWJC - Kagan

DPC - Box 013 - Folder 003

**Disabilities - Healthcare Budget
Proposals**

Disabilities - healthcare
budget proposals

Diana Fortuna

02/12/98 04:39:12

PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc: Laura Emmett/WHO/EOP, Jeanne Lambrew/OPD/EOP

Subject: What Bob Williams was calling you about

I'm happy to say it's been resolved. He was worried that OMB wasn't going to clear a HCFA document, but OMB just cleared it.

We might be able to use this document at the signing of the disability EO (assuming we get a signing event). The BBA included a Medicaid buy-in state option for people with disabilities who return to work. It was our idea, as part of the 98 budget. States that participate can let people buy Medicaid on a sliding scale, and not lose Medicaid as their income rises (up to 250% of poverty). The document OMB just cleared is HHS's letter to states on how to implement this. I have asked them to hold it for a few weeks. It might be a nice announcement for him to make at the signing, since it's an action step, and the rest of the EO is just studying the problem.

Diana —

Yes, this is good.

Elena

Disabilities - healthcare budget proposals

▶ **Diana Fortuna**
09/17/97 11:51:24 AM
PJL SET RESOLUTION=600 -

@PJL ENTER LANGUAGE = PCL

Record Type: Record

To: Christopher C. Jennings/OPD/EOP, Jeanne Lambrew/OPD/EOP, Sarah A. Bianchi/OPD/EOP

cc: Elena Kagan/OPD/EOP, Anne E. Tumlinson/OMB/EOP

Subject: Rep. Bunning's bill on SSI/SSDI return to work

Rep. Bunning has a draft proposal to return SSI/SSDI beneficiaries to work, and wants our comments on Friday. The bulk of it is similar to our ticket proposal in the President's budget, but it also has a Medicare part. I had a conference call on it today with agencies. On Medicare, we'll say we're nervous about cost and the precedent of a Medicare buy-in, and remind them of the vague demo we had in our budget.

Here's what it says on Medicare:

"Medicare coverage would be continued 2 years beyond the current law 39-month extension. Thereafter, a Medicare buy-in would be provided unless the disabled individual medically recovers. The beneficiary would receive cost-free Medicare up to \$15,000 in earnings and would pay a premium of 10% of earnings for amounts in excess of \$15,000. The premium would be capped at the current law Medicare premium."

HCFA and OMB say they have

File: Disability initiatives



FORTUNA D @ A1
01/22/97 07:20:00 PM

Diana -
These look great.
Let's keep pushing.

Elena

Record Type: Record

To: Bruce N. Reed
cc: Elena Kagan, Paul J. Weinstein Jr.
Subject: Disability initiatives in budget

I'm not suggesting these are state of the union items, but I thought you might be interested in a return to work initiative for people w/disabilities that we managed to get in the budget.

It is predicated on the fact that the SSI and SSDI rolls are growing like crazy, with increasingly young disabled people on the rolls, and virtually no one leaving to return to work; and at the same time people with disabilities increasingly can and supposedly want to work.

It has 2 parts:

1. A voucher or ticket that SSI/SSDI beneficiaries can take to private rehabilitation providers. A provider who successfully gets a person to work and off SSA's rolls will get a percentage (50%) of the benefits for up to 5 years.

This will be a "test" that begins in 5-10 states. It is structured so that if it goes badly and ends up costing us money, we can pull the plug. If it goes well, it can be expanded to 40 or so states.

These clients can theoretically be served by the huge federal vocational rehab program, but they are seldom served successfully. So in many ways this is a test of private against public (a point we hadn't planned to stress since we are already going to antagonize the powerful VR lobby with this proposal).

Rep. Bunning has a bill that does something similar (along with some wacky elements we don't like).

2. Extend health insurance to those who go back to work.

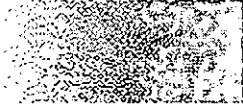
Disability advocates argue that losing Medicaid or Medicare is a major disincentive to going to work, especially since they face exclusions due to preexisting conditions.

There are already some work incentives in the law here; this would add to them. On Medicaid, states would have the option of letting people purchase Medicaid if they earn above a certain amount. On Medicare, it's just really a demonstration to see what works, but it's something.

OMB is nervous that the woodwork effect of the Medicaid proposal could be larger than anticipated. (OMB tried to ignore us on this proposal, but Carol spoke to the President about it and it got included at the last minute.)

Jeffords has a bill that would extend Medicare to people who return to work.

Although small, these initiatives will be quite meaningful to the disability community (especially the health one). They have been pushing these concepts very hard on the Hill, and have stirred up some bipartisan interest.



Diana Fortuna

02/02/97 05:21:48 PM

Record Type: Record

To: REED_B @ A1 @ CD @ LNGTWY, Elena Kagan/OPD/EOP
cc: Christopher C. Jennings/OPD/EOP
Subject: Disability work incentives

SSA would like to give an AP reporter the story that we are including work incentives for people with disabilities on Wednesday, the day before the budget is released. The theory is that, while these are small, they are important to the disability community and are at least a start toward "making work pay" for people with disabilities, and they are likely to be swallowed up if they are announced on Thursday, between the general budget story and the 2 other stories of interest to the disability community (SSI children and Medicaid per capita cap).

Nancy-Ann Min, Chris Jennings, and Bill White of public liaison all advocate drawing some kind of notice or doing some kind of event with these proposals, particularly given the disability groups' negative reaction on Medicaid and SSI. I think it's a wise idea, as long as there are no other budget release strategies it would screw up.

What do you think? Obviously we can roll it out of here if we prefer, but I am assuming you don't think this merits much White House attention.

Diana Fortuna 02/05/97 10:07:15 AM

Record Type: Record

To: REED_B @ A1 @ CD @ LNGTWY, Christopher C. Jennings/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Ken on 7:45 and releasing disability work incentives today

Ken Apfel says that there was a decision in the 7:45 yesterday NOT to release the disability work incentives a day early, and therefore he is not comfortable with announcing these today because of whatever conversation went on in that meeting (which he didn't hear first hand).

Bruce, does yesterday's conversation/decision mean that we have to clear this with more people before proceeding?

Diana Fortuna 02/05/97 11:22:32 AM

Record Type: Record

To: Christopher C. Jennings/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: FYI from Bruce

----- Forwarded by Diana Fortuna/OPD/EOP on 02/05/97 11:20 AM -----



Bruce N. Reed
02/05/97 11:13:00 AM

Record Type: Record

To: Diana Fortuna

cc:

Subject: Re: Ken on 7:45 and releasing disability work incentives today

Message Creation Date was at 5-FEB-1997 11:13:00


There was NO decision on it at the 7:45 yesterday. Frank brought it up, I said it was a good idea to release, and that's all that was said. We're not talking about SSA announcing, we're talking about Chris or Melissa giving a reporter a heads-up

Diana Fortuna 02/05/97 11:29:52 AM

Record Type: Record

To: Bruce N. Reed @ EOP @ LNGTWY

cc: Christopher C. Jennings/OPD/EOP, Elena Kagan/OPD/EOP

Subject: Re: Ken on 7:45 and releasing disability work incentives today 

Thanks for the clarification. I think, though, that Chris was proposing that, in addition to the press, we also hand out paper to the AIDS/disability groups on this today, didn't you, Chris? Maybe I misunderstood.

Supplemental Security Income New Childhood Disability Standard February 6, 1997

The welfare law required SSA to provide a new tightened definition of childhood disability for the SSI program, which provides monthly cash payments and Medicaid for low-income disabled children. SSA was challenged with formulating a standard that both meets the intent of Congress to tighten eligibility and ensures that severely disabled children and their families are protected under the new law. SSA is announcing that standard at 2 PM today.

SSA's Standard:

- The Administration is confident that the standard in the regulations SSA has developed meets the letter and the spirit of the law in ensuring that needy children with severe disabilities are protected.
- *Numbers:* Of the approximately 950,000 children currently receiving benefits, CBO estimated that between 100,000 and 260,000 children would lose benefits under the new eligibility definition in the welfare law. SSA estimated last year that 190,000 children would lose benefits; **SSA estimates that under its new standard the total number of children who will be removed from the rolls is 135,000 -- in the low range of CBO's initial estimates for the law.**
- *Type of Disability.* Most of those affected under SSA's standard can be categorized as children with less severe mental impairments -- such as less severe learning disabilities or behavioral disorders. The new rules provide guidelines for evaluating more severe impairments -- such as Down's Syndrome, severe mental retardation or autism -- to ensure that such children remain eligible under the new standard. Because disability determination is a complex issue, regulations in this area are difficult and complicated. For a description of the more specific details of the regulation, the SSA Commissioner should be contacted.

Medicaid Coverage:

- The President is also proposing a legislative change to soften the impact of the eligibility changes. The legislative change would allow disabled children who lose their SSI eligibility under the new definition of childhood disability to retain their Medicaid health coverage -- so that the medical needs of these families continue to be met.

Ongoing Evaluation:

- SSA will track the effects of the implementation of this law. If they discover that revisions or improvements in the law are needed, they will recommend such changes.

Drafted/Cleared: Ken Apfel, OMB, 5-4844
KMckiernan

Record Type: Record

To: See the distribution list at the bottom of this message

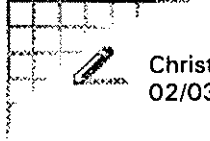
cc:

Subject: Budget item

Attached are internal talking points on a budget item to be announced tomorrow. It will help people with disabilities go to work. HHS is giving the story to the Wall St. Journal today.

Message Sent To:

William H. White Jr./WHO/EOP
Christopher C. Jennings/OPD/EOP
Sandra L. Bublick Max/OPD/EOP
Elena Kagan/OPD/EOP
Kenneth S. Apfel/OMB/EOP
Cynthia M. Smith/OMB/EOP
Jack A. Smalligan/OMB/EOP
Mark E. Miller/OMB/EOP
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Deborah L. Fine/OPD/EOP
Emily Bromberg/WHO/EOP
James T. Edmonds/WHO/EOP
Angus S. King/WHO/EOP
Paul R. Dimond/OPD/EOP



Christopher C. Jennings
02/03/97 07:37:14 AM

Record Type: Record

To: Diana Fortuna/OPD/EOP

cc: reed_b @ a1 @ cd @ Ingtwy, Elena Kagan/OPD/EOP

Subject: Re: Disability work incentives

I think we should pursue whatever strategy we believe will achieve the most coverage of this important initiative. I think it has the potential to be extremely well received -- even beyond the people with disabilities community (incentives for work empowerment, etc.). Since I am not the communications expert, I of course completely defer to Bruce on this one.

cj

Talking Points Welfare Reform and the Faith Communities

- Before I begin talking about welfare reform, and what role all you may play in this effort, I want to say a few words about the country's response to church burnings. In response to these crimes, there has been a tremendous outpouring of assistance that has flowed from every corner of our country. People have crossed lines of faith and race and region to link arms in a united effort to rebuild and protect our houses of worship. And by doing so, they have shown us that America is still a country that cares about its neighbors -- a country that comes together in the face of common threats to defend the common ground of our values.
- On a national level, we saw groups like the National Council of Churches, the Anti-Defamation League, the Southern Christian Leadership Council, **the National Association of Evangelicals**, and the NAACP come together as one to tackle this problem. And we received strong bipartisan support from Congress for our work.
- I mention this because I want to draw on the strength, commitment, focus, and achievement of the response to the church burnings as an example of how we, as a nation, should respond to social inequalities. It is this strength in response that will help make the new welfare reform law a success.
- My husband signed the welfare law because of the social injustice the current system was inflicting on our nation's poor. The old law trapped the poor in the welfare system -- in a subsistent economy -- without giving them the opportunity to pull themselves out and into the workforce. Rather than solving the problem, we were perpetuating it by simply offering handouts without opportunity and without requiring any responsibility of the welfare recipient.
- The President believes, and I believe, that the new welfare law offers those on welfare the opportunity to improve their lives and the lives of their children, and will help make the permanent underclass a thing of the past.
- But we can't do it alone. We need your help, the help of your congregations, your communities, your colleagues. Even more help than you've already given us!
- Just a few weeks ago we had our annual prayer breakfast at the White House and, then, the President challenged the religious organizations, as employers, to participate in this program.

- I now want to expand that challenge. I believe there is even more the faith communities can do to help meet the President's pledge.
- First, I'll reiterate what you heard at the White House payer breakfast: We ask that you hire welfare recipients to work at your places of worship. Besides hiring welfare recipients yourselves though, you might recruit others from your congregations and communities to hire recipients and organize nonprofits and businesses in your communities around the welfare-to-work goal to encourage them to hire as well.
- Second, I know many of you are probably doing this already, but you may think about working with the business, nonprofit, and educational organizations in your community to form partnerships. These partnerships may create jobs and offer other services welfare recipients need to successfully enter the workforce. Riverside Church in New York City has just started such an effort. They call their effort Partnerships of Hope and they are bringing together business, government, and community service providers to create economic development, offer job readiness and job placement services, provide child care, find housing, and help recipients invest in their futures.
- Third, you may want to help those on welfare in your communities build the assets they need to stay off welfare once they find a job. You could encourage welfare recipients to save, even very, very small amounts, in Individual Development Accounts -- an option under the new law -- that allow the disadvantaged to save for a first home, higher education, or start a micro business without their savings counting against their welfare benefits. Even better, you could offer to match what welfare recipients save as a way to encourage them to save. This sort of asset building can help the poor **permanently** climb out of poverty. The Congress of National Black Churches is considering such an effort.
- Fourth, you may want to build on your long and powerful history of helping the poor by formalizing your efforts in some way consistent with the new welfare law. You could start a related nonprofit connected to your church to offer welfare recipients training and job readiness, job placement, and job retention services. The new law allows organizations affiliated with places of worship to contract with the state in the same manner as any nonprofit or for-profit would to offer welfare recipients services.
- Fifth, just last night if you watched the President give his State of the Union speech, you heard him announce that five CEOs from major corporations -- Monsanto, Sprint, United Airlines, Burger King, and UPS -- are among the first to join in a new, national, bipartisan effort to marshal America's

businesses to hire welfare recipients. You may want to work with these business people in their new effort, or you may think about starting a similar effort of your own with the religious communities.

- There are a myriad of ways the faith communities can become involved in the welfare to work effort. I urge you to sit down with your congregation and others in your community to fashion a welfare-to-work approach that fits with the needs and resources available in your community.
- I believe, and I hope all of you do too, that we have a moral obligation to make sure people who must work can work.

Elena - your copy - I've delivered to Vicki - Diana (check spelling)

2/16/97

TO: ~~Elena Kagan~~ Vicki Radd

FROM: ~~Diana Fortuna~~ E/C
DF

Attached are additional materials on the Administration's disability work incentive proposals. Except for the first document (SSA's press release and fact sheet), none of it is intended for public release. However, it could certainly be shared with Administration appointees such as Tony Coelho and Marca Bristo. Tony and Marca are very familiar with this issue, and have been part of a group internal to the Administration that pushed to address this in the budget.

Included are:

1. SSA's press release and fact sheet released today
2. An SSA document with more details on the "ticket" proposal and problems with the current system
3. An HHS document with more details on the Medicare and Medicaid proposals
4. A very detailed description of how the pilot test of the ticket is structured

Thursday, February 6, 1997
For Immediate Release

Phil Gambino / Tom Margenau
410-965-8904 Fax 410-966-9973

News Release

SOCIAL SECURITY

The Administration Proposes A "Ticket To Independence" For Disabled

Today, when people sign up for disability benefits with Social Security, they may get a referral to a state agency for possible vocational rehabilitation services. In the near future, instead they'll get a "ticket to independence" they can take to a private or public vocational agency in exchange for help in finding work.

The President's fiscal year 1998 budget proposes a bold new initiative to leverage innovation in the private sector to help more beneficiaries achieve their goals, to leave the benefit rolls, and return to work. The Social Security Administration will begin to pilot this new approach in five to ten states over a 10 year period. Here are the highlights:

Consumer Choice: Disabled beneficiaries will receive a "ticket to independence" to use with any participating public or private employment or rehabilitation provider of their choice.

Paying for Results: The provider will be paid when the beneficiary works and no longer receives cash benefits.

The Right Incentives: The budget also proposes to help people with disabilities work without losing their health care coverage. The budget proposes a demonstration project that will extend Medicare beyond the current law maximum for some beneficiaries who return to work. For SSI beneficiaries who work, states would have the option to extend Medicaid beyond current law limits as well.

Shirley S. Chater, Commissioner of Social Security, called the proposal an important step in fulfilling the President's vision of leveraging private sector initiative to better serve its customers. Also, it will help the President achieve his goal of moving people

-- More --

-- Page 2 --

from exclusion to inclusion and empowerment. "President Clinton has said he wants to support people with disabilities as they seek to gain more independence," Chater said. "The budget proposes a plan to give disabled Americans who want to work a ticket to independence."

After listening to people with disabilities and their advocates, vocational and rehabilitation counselors, as well as employers and other government agencies, SSA developed this unique approach to helping people get off the disability rolls and on the job.

Here's how it will work: Once an individual's disability claim is approved, he or she may be given a return to work ticket which can be presented to any approved provider in exchange for employment or rehabilitation services. SSA will pay for results. If the beneficiary returns to work and stops receiving disability benefits, the provider will receive a payment.

SSA's return to work policies include other incentives that encourage employment. For example, beneficiaries who try working can keep receiving full monthly disability payments for up to a year after they start a job. The proposal also includes health care incentives. A demonstration project will extend Medicare beyond the current law maximum for some beneficiaries who return to work. For SSI beneficiaries who work, states would have the option to extend Medicaid beyond current law limits as well.

"Many of our customers with disabilities tell us they can work if the incentives are right and if the services they need are available," Chater said. "With this plan, we are creating new ways of helping people find work and achieve their goals."

The return to work ticket and other incentives apply to both disability programs administered by SSA. The Social Security disability insurance program pays more than \$36 billion annually to almost four and one-half million people. The Supplemental Security Income disability program pays \$25 billion each year to more than five million low-income individuals with disabilities.

#



SOCIAL SECURITY

Fact Sheet

The Administration Proposes "Ticket to Independence" for Disabled Beneficiaries

Background: The Social Security Administration (SSA) now pays more than \$36 billion a year in disability insurance benefits to 4.5 million disabled workers, and pays \$25 billion a year in Supplemental Security Income to more than 5 million low-income people with disabilities. Today Social Security refers disabled beneficiaries to State vocational rehabilitation agencies. SSA reimburses these State agencies for their costs in providing rehabilitation services when the beneficiary works for nine months. Last year SSA paid state VR agencies about \$71 million for approximately 6,000 disabled beneficiaries who returned to work.

Proposal: The President's fiscal year 1998 budget proposes a new initiative, in partnership with the private sector, to help more beneficiaries achieve their goals of leaving the benefit rolls and returning to work. SSA will begin in five to ten states to pilot the new approach:

Consumer Choice: Disabled beneficiaries will receive a "ticket to independence" to use with any participating public or private employment or rehabilitation provider of their choice.

Paying for Results: The provider will be paid when the beneficiary works and no longer receives cash benefits.

Health Care Incentives: Disabled beneficiaries will have more secure health care coverage. A demonstration project will extend Medicare beyond the current-law maximum for some beneficiaries returning to work. For SSI beneficiaries who work, States would have the option to extend Medicaid coverage beyond current-law limits as well.

Advantages over current law:

- Creates a public-private partnership between Social Security and private employment/VR agencies with the goal of returning beneficiaries to work.
- Offers potentially significant savings to the Social Security trust funds by helping Americans with disabilities to work.
- Gives beneficiaries the control and flexibility they need in securing VR services.
- Maximizes consumer choice of providers and services.

Feb. 5, 1997

FACT SHEET ON RETURN TO WORK

Background

SSA is proposing a new way to get more disability beneficiaries back to work and off the rolls--a phased-in pilot of a return-to-work ticket program

When Congress established the Social Security disability program in 1954 it provided that SSA refer disability applicants to State vocational rehabilitation (VR) agencies.

Today, SSA provides disability applicants with information about the availability of services from their State VR agency. In addition, a disability examiner (or a State VR agency counselor) screens disability cases to identify persons who may benefit from VR services and then refers them to State VR agencies.

Neither SSA staff nor disability examiners determine which disability applicants are provided VR services or what services are provided. These decisions are made by the State VR agencies under the regulations and policies set forth by the Department of Education's Rehabilitation Services Administration and the State VR agencies themselves.

Under current law, SSA pays for VR services provided to disabled beneficiaries only when these services result in a successful outcome, i.e., when the beneficiary performs substantial gainful activity for a continuous period of 9 months and SSA determines that the VR services contributed to the beneficiary's return to work. However, the State VR agencies have a limited capacity to provide VR services to SSA beneficiaries because they provide services to other disabled individuals. In FY 1996, SSA reimbursed State VR agencies approximately \$65.5 million for successfully rehabilitating about 6,000 beneficiaries.

Recent Criticisms

Over the last 10 years, SSA's disability programs have grown tremendously raising congressional and public concern. These concerns focused attention on the small number of beneficiaries who leave the rolls because of work activity; currently less than 1 percent of the disability rolls.

The legislative history of SSA's VR programs indicates that Congress intended DI and SSI applicants who are disabled to be served by the Federal-State VR program. By law, SSA is neither a service provider nor a case manager. Instead it is one portal through which people with disabilities may be encouraged to enter the Federal-State VR services system. Nevertheless, GAO and the public have been critical of SSA for not improving the work capacity of beneficiaries, and have pointed to the negligible impact SSA's current VR programs have on increasing the number of beneficiaries who return to work.

Steps SSA is Taking to Improve Return to Work

In 1994, Dr. Susan Daniels, Associate Commissioner for Disability, chaired an Employment Strategy team to examine approaches for bringing together the interests of employers, private insurers, and rehabilitation services to achieve more efficient handling of claims and to create greater employment opportunities for SSA beneficiaries.

The goals of SSA's employment strategy are to: (1) make it more economically advantageous for beneficiaries to work than receive benefits; (2) provide health care security for people who choose to work despite their impairments; and provide greater incentives for rehabilitation providers to serve SSA's referrals.

To that end, the ticket proposal was developed. After meeting with numerous individuals representing organized labor, disability advocacy groups and consumers, the business community, and rehabilitation providers among others, SSA developed the ticket proposal. (The ticket concept was first proposed by Monroe Berkowitz, a key member of the National Academy of Social Insurance.)

The Ticket Program

The program will be implemented as a phased-in pilot. SSA will select States for the operation of the pilot. In those States, all DI and SSI beneficiaries (except those expected to recover) will be issued a ticket when they begin receiving benefits. Beneficiaries may give the ticket to the participating provider of his/her choice in exchange for rehabilitation and employment services.

If the beneficiary returns to work and stops receiving disability checks because of earnings, the provider holding the ticket at the time the beneficiary returns to work will receive a percentage (e.g., 50 percent) of the disability payments that would have otherwise been paid to the beneficiary for a specified period (e.g., 5 years).

SSA will award a contract to an administrator for managing the system of referrals, ticket registration, and payment distribution to providers.

The Commissioner will report to Congress periodically on the operation of the ticket program. At the end of the 3rd, 5th, and 7th years of the pilot, the Commissioner will determine the costs and estimated program savings from the pilot, including the costs and savings to the Social Security, SSI, Medicare, and Medicaid programs. If the annual program costs of the pilot project exceed \$20 million net of projected program savings under current law, the Commissioner will take necessary measures to reduce the costs.

**Talking Points
Return-to-Work Ticket Proposal**

- SSA's disability programs have experienced tremendous growth in the last 10 years. This growth has led to congressional and public concern regarding the solvency of the DI trust fund.
- In addition, the increase in disability program growth has raised the issue of why so few disabled beneficiaries leave the rolls because of work activity--less than 1 percent nationally.
- Under current law, State disability examiners screen disability cases to identify persons who may benefit from vocational rehabilitation (VR) services and then refers them to State VR agencies. SSA pays for VR services provided to a disabled beneficiary only when such services result in the beneficiary performing substantial gainful activity for a continuous period of 9 months and SSA determines that the VR services contributed to the beneficiary's return to work.
- State VR agencies have a limited capacity to serve SSA beneficiaries and therefore have had a negligible impact on the number of disabled beneficiaries who return to work.
- In addition, beneficiaries are reluctant to attempt work for fear of losing cash and medical benefits.
- SSA has taken the initiative to help break the cycle of dependency on disability benefits. In 1994 an Employment Strategy Team was formed. The team, in consultation with public and private stakeholders, developed a comprehensive strategy to address major barriers faced by beneficiaries in their attempts to work and become independent.
- SSA is proposing a new way to get more disability beneficiaries back to work and off the rolls by piloting a return-to-work ticket program.
- The program will be implemented by a phased-in 10-year pilot in selected States. In the participating States, all DI and SSI beneficiaries (except those expected to recover) will receive a ticket when they become entitled to benefits.

- Beneficiaries may give the ticket to the participating provider of his/her choice in exchange for rehabilitation and employment services.
- If the beneficiary returns to work and stops receiving disability checks because of their earnings, the provider holding the ticket at the time the beneficiary returns to work will receive a percentage (e.g., 50 percent) of the disability payments that would have otherwise been paid to the beneficiary for a specified period (e.g., 5 years).
- We are proposing a phased-in approach so that we can carefully evaluate the program before fully implementing it. For instance, we will be measuring costs/savings in terms of how successful the program enables beneficiaries to enter the workforce.
- Estimates indicate that this program will save money for the trust funds and general revenues, even if the number of beneficiaries who leave the rolls only slightly increases.
- We believe this approach builds on the principles of consumer choice and empowerment and encourages competition and innovation among service providers.
- Competition will likely result in new ways to rehabilitate disabled beneficiaries which should serve to further encourage beneficiaries to enter the workforce and to ultimately come off the disability program rolls.
- Because this program only reimburses providers when beneficiaries leave the rolls, we believe that providers will have a strong incentive to continue servicing beneficiaries until they are successfully rehabilitated.

DRAFT**WORKING DISABLED - MEDICARE DEMONSTRATION**

Current law: SSDI beneficiaries are eligible for Medicare after a 2-year waiting period. After this waiting period, they are entitled to Part A and, unless they decline, pay a premium for Part B. Current law provides for a period during which beneficiaries can test their ability to work without losing their entitlement for benefits. The period consists of: (1) a "trial work period" that allows beneficiaries to work for up to 9 months (within a 60 month rolling period) with no effect on their disability benefits or Medicare benefits; and (2) a 36 month period known as the "extended period of eligibility" (EPE) during which disability benefits are suspended for every month in which the individual is engaged in substantial gainful activity. SSDI beneficiaries retain Part A Medicare coverage during the EPE and a 3 month grace period (39 months). After 39 months, working SSDI beneficiaries lose automatic entitlement to Part A coverage, but can buy-in to Medicare coverage as long as the disabling impairment continues.

Description of Medicare demonstration: The demonstration program would be limited to 4 years beginning in 1998 and ending in 2001. Under the demonstration, SSDI beneficiaries who return to work beginning in 1998 would continue to be entitled Part A coverage (assuming the disabling impairment continues) through 2001. The Part A coverage would take effect when the SSDI beneficiary completed the 39 month extended period of eligibility.

The following group of people with disabilities would be eligible for the demonstration:

- This proposal would provide up to four years of entitlement to Part A Medicare coverage to those SSDI beneficiaries who complete their EPE (estimated at 7,000 per year).

Financing: The funding stream for this demonstration would be as follows: FY1998 - \$10 million; FY1999- \$20 million; FY2000 -\$30 million; and FY2001-\$40 million.

HCFA would be responsible for the program costs of the demonstration program described above totaling \$100 million. The Social Security Administration would fund an evaluation of the demonstration program.

DRAFT**WORKING DISABLED - MEDICAID**

Current law: SSI provides cash assistance to needy disabled and blind individuals who have little or no income and resources. SSI disabled beneficiaries are categorically eligible for Medicaid in 39 states and the District of Columbia. The remaining 11 states use different eligibility criteria than those of the SSI program (the so-called 209(b) option).

To qualify for SSI disability benefits, the individual must meet the disability standard of being unable to engage in substantial gainful activity (SGA) by reason of a medically-determined physical or mental impairment. The impairment must be expected to result in death or last for a continuous period of at least 12 months. Current regulations define average earnings of over \$500 per month as SGA.

SSI provides special rules for disabled persons who already are *receiving SSI and who also are working*. Section 1619(a) provides for continuation of SSI cash benefits and Medicaid benefits for those working above the SGA level (up to twice the SSI payment, about \$1,000 per month). Section 1619(b) provides for continuation of Medicaid (but not cash assistance) for SSI beneficiaries whose earnings are above about \$1,000 per month up to a level that varies by state. The 1619(b) earnings threshold ranges from \$12,012 to \$32,504. SSI beneficiaries who earn more than this threshold level receive no Medicaid except where the State has a special waiver or the beneficiary spends down to the State's medically needy levels (when available). It is assumed that many beneficiaries stop working as soon as they get close to the earnings threshold.

Description of Medicaid proposal: States would have the option to establish an income-related premium buy-in program under Medicaid for the working disabled. A new eligibility group would be created (a new section 1619(c) of the Act) to provide Medicaid to working disabled individuals who exceed the section 1619(b) income threshold levels. Individuals eligible for 1619(c) would be required to contribute to the cost of the program by paying a premium, which would be established by the State. Premium levels would be on a sliding scale, based on the individual's income. All working disabled (who had received SSI benefits) in states that choose this option would have the Medicaid buy-in option available.

Financing: This provision is estimated to cost \$20 million over the five year period between FY1998 and FY2002.

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A Phased-In Test of the RTW Ticket for Social Security Disability Beneficiaries

Recommended Option

The Social Security Administration (SSA) recommends a 10-year test of the Return-to-Work (RTW) ticket. The test will be conducted to achieve 3 purposes:

1. Pilot the ticket idea in general to determine whether or not a private market for return-to-work services can be created;
2. Test different models of the ticket and payment systems; and
3. Roll-out the ticket nationwide, based on success of tests and refinements made over the life of the test.

Scope and Timing: The RTW ticket will be tested over 10 years through a series of models with gradually expanding phases. The testing will begin in 5-10 selected States and, at critical decision points, the Commissioner of SSA will decide to either end the test or expand to more States. Ultimately, the models could be operating in as many as 25-35 States.

State VRA Options: The State VR agencies (SVRAs) in each test State will have the option to participate on an equal basis with any other provider or to remain in the current SSA VR program (i.e., receive cost reimbursement after 9 months of Substantial Gainful Activity). Under either system, private sector providers will be able to work directly with recipients before they are first considered by a State VR agency.

Eligibility for Tickets: Tickets will be given to all new beneficiaries at the time of award, except those awardees who are classified "Medical Improvement Expected" (MIE). MIE cases will be granted a ticket only after the first Continuing Disability Review (CDR) has resulted in a continuation of benefits. Also, beneficiaries who are in close proximity for a CDR would not be granted a ticket until after the CDR has resulted in a continuation decision.

Payment Formula: SVRAs or private providers will be paid a percentage of disability benefits saved, as a result of beneficiary work, for a specified period of time. Several models will be tested with variations across models in the payment formula (20-50 percent of savings) and the length of the payment period (3-5 years) with the greater risks of longer payment periods being compensated by higher total payments. Providers will be eligible for payment for each month of the payment

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period in which no disability benefits are paid. The payment period will begin in the first month of zero benefits due to work and will continue for 36-60 consecutive months, according to the variant being tested.

Decision Points: At the end of the third, fifth, and seventh year of the tests, the Commissioner will decide:

1. if the ticket system has been sufficiently successful to continue,
2. whether details of the models need to be modified (such as the payment formula or length of the payment period), or
3. if the tests should be expanded to additional States.

At the end of the third, fifth, and seventh year of the tests, SSA will be required to estimate the costs and savings from the test, including SSI and DI costs and SSI, DI, Medicaid, and Medicare savings. If the annual costs net of program savings of the program, as compared to current law, are found to exceed \$20 million a year, the Commissioner of Social Security would be required to issue regulations that would reduce the level of payments to providers, reduce costs through other means, or provide for SSA to return to the current reimbursement system.

In the tenth year, the Commissioner will decide:

1. whether to recommend that the tests be continued for an additional period of time,
2. whether the RTW ticket system should be ended, or
3. whether the RTW ticket system should be converted to a permanent nationwide program and, if so, under which model or models.

Measures of Success: The success of each model will be measured by comparing the number of beneficiaries served and the costs and savings of the models between test States and to control States, as well as each test State's own historical record of return-to-work in a pre/post evaluation design.

Management: A contracted administrator will manage the system of referrals, ticket registration, and payment distribution to providers. The administrator will also develop a data collection system incorporating management reports (MIS), a beneficiary tracking system, and perform basic data analysis to inform the Commissioner's decisions.

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Dispute Resolution: The current P&A system will be supplemented to provide alternate dispute resolution services, disability rights information, & information & referral services to similar benefits for ticket holders. The system will be augmented by transferring funds by Interagency Agreement (under a demonstration umbrella) to the agencies currently funding the existing P&A system(s). This aspect of the process will be testing (as with the current demonstration to provide dispute resolution to participants in the alternate provider process) the efficacy of using the current P&A model to provide services to SSA beneficiaries.

Legislative Authority: Legislation will be needed to change existing law related to reimbursement for the costs of rehabilitating disability beneficiaries. Those changes would specify the boundaries for testing the various models and the terms for conversion to one or more of the models on a permanent basis. Legislation is also needed for SSA to refer beneficiaries directly to private sector providers (as well as State VR agencies) to allow those providers to work directly with beneficiaries before they are first considered by a State VR agency.

Levels and Sources of Funding: The payments to providers, including the SVRAs, for successful RTW efforts would be made from program funds out of savings realized from benefit suspension due to work. The funding of the contract with the project administrator will come from LAE funds and funding for the P&A demonstration will come from demonstration funds. The total is estimated to be approximately \$8 million per year for the period covered by years 1-3, \$12 million per year for years 4-6, and \$18 million per year for years 7-10. The P&A portion of that budget is \$2.3 million for the first 3 years combined; the remainder coming from LAE the budget for private contractor administration of the ticket system. Funding for the first 3 years of the administration contract should be front-loaded to allow for one-time costs of setup and testing initial procedures. Payments to providers may extend to 5 years beyond the end of the test to fully liquidate all payment obligations. Also, SSA will need an additional 5 FTEs per year to provide management oversight, contract administration, and analytical support.

Evaluation: SSA will identify a group of States which represent a range of size of resident beneficiary population and geographic diversity and will solicit their participation. SSA will collaborate with the project administrator in the design and implementation of the data collection system, which will include information for a sample of cases on the specific impairments of beneficiaries served and the nature of services provided. The Office of Systems and the Office of Disability in SSA will jointly design a system for tracking payment obligations and making payments to providers. Earnings information from annual earnings reports will be added to the record for evaluation of work activity and benefit savings. A system of routine reports to the Commissioner on the numbers and types of beneficiaries receiving tickets and of providers registering tickets, as well as the numbers and costs of

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payments made will be established. Data collected from other sources within and outside SSA on beneficiaries served by the SVRAs in participating States will be used for comparison.
