

Financing of Disability Beneficiary Rehabilitation

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THE 1965 AMENDMENTS to the Social Security Act provided for reimbursement from the social security trust funds to State vocational rehabilitation agencies for the costs of rehabilitation services provided to selected disability beneficiaries. The purpose was to assist the State vocational rehabilitation agencies in providing services to a greater number of disability beneficiaries, and to enable these agencies to offer more intensive services in order to restore more of these severely handicapped persons to productive work capability.¹

The social importance of these provisions lies not only in the increased incentives for State agencies to provide rehabilitation services to more of the severely disabled, but in the emphasis on a rehabilitation goal that goes beyond the aim of returning the individual to work, to one of returning him to sustained, competitive earnings capacity. It is this earnings capacity that will obviate the need for the disability benefit and make it possible to remove the beneficiary from the OASDHI rolls.

"Disability," as used here, refers to the administrative definition for disability insurance purposes, and "rehabilitation" is the term used by State vocational rehabilitation agencies to refer to the successful closure of a case after the provision of services.²

Other sources than the State vocational rehabilitation agencies, of course, may sponsor and provide rehabilitation services. Restoration and therapy may be provided directly by physicians

and hospitals with payment by the patient directly or through workmen's compensation or other liability and sickness insurance programs. Veterans Administration facilities are one specialized source of rehabilitation services.

The 1966 Social Security Survey of Noninstitutionalized Disabled Adults found that 22 percent of disability beneficiaries stated they had received some form of rehabilitation services and 7 percent said they had received services during the course of the previous year (1965). More than 1 in 5 disabled beneficiaries stated they were interested in receiving additional or initial rehabilitation services.³

BENEFICIARY REHABILITATION EXPERIENCE

The disability insurance program has been primarily an income-maintenance program for persons expected to have prolonged or permanent disabilities. It was also designed to identify those beneficiaries with good rehabilitation potential and encourage them to return to work.

To ensure the identification of beneficiaries with rehabilitation potential, the initial determination of disability is made by State agency evaluation teams of disability examiners and physicians who screen each case record for possible referral to the vocational rehabilitation agencies. Information from the disability file of referred applicants, including medical and vocational information gathered for the disability determination, is sent to the vocational rehabilitation agency. Referred cases are then considered by the counselor for eligibility determination. Some cases, of course, will have been accepted already from other earlier referral sources.

(Currently, a program of early referral of applicants to vocational rehabilitation agencies is being tested in a number of district offices where, at the time of initial application, the applicant is given an explanation of vocational rehabili-

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¹ *Social Security Amendments of 1965 . . .* (S. Rept. 404, 89th Cong., 1st sess., p. 103); and *Recommendations for Social Security Legislation: Reports of the Advisory Council on Social Security . . .* (S. Doc. 208, 2d sess., p. 80).

² For a discussion of the rehabilitation by vocational rehabilitation agencies of disability beneficiaries, see Bernard Popick, "Social Security and Rehabilitation on the Move," *Journal of Rehabilitation*, May-June 1967, pages 10-12. For a discussion of the relation between the concepts of disability and rehabilitation potential, see Richard D. Burk, "The Nature of Disability," *Journal of Rehabilitation*, November-December 1967, pages 11-37.

³ The findings of this aspect of the survey will shortly be published by the Office of Research and Statistics. See Lawrence D. Haber, "Disability, Work, and Income Maintenance: Prevalence of Disability, 1966," *Social Security Bulletin*, May 1968.

tation services and, if he wishes, is referred immediately to the vocational rehabilitation agency. The Rehabilitation Services Administration is encouraging all State agencies to establish similar arrangements with Social Security Administration district offices. An experimental project in Atlanta, Georgia, aims at early aid and placement through mobilization of community resources for applicants. Applicants are referred to a project team consisting of a representative of a State disability unit, the Georgia State vocational rehabilitation agency, and the Georgia State Employment Service.)

To encourage attempts to return to work and establish the capacity to carry on regular, sustained employment, beneficiaries who work in spite of their impairment continue to receive full benefits during a trial work period of 9 months, and an additional 3 months of benefits are payable before the benefits are terminated. In addition, social security benefits may be suspended for beneficiaries who refuse, without good cause, to accept the offer of vocational rehabilitation services. Those beneficiaries whose benefits are terminated on account of medical recovery or for return to substantial gainful activity may immediately become reentitled to benefits without any waiting period if a new disability period is established within 5 years of their benefit termination.

Numbers Referred and Rehabilitated

In 1965, State disability determination units screened for rehabilitation potential the case records of 553,000 applicants for disability benefits, of whom about two-thirds became disability beneficiaries. About 1 applicant in 10 was referred to the vocational rehabilitation agencies, and about 1 in 4 of the referred applicants was accepted for rehabilitation services or was already in their active caseload.

Although the aim has been to promote rehabilitation of disability beneficiaries, only a small number have received vocational rehabilitation services through the State agencies. From the beginning of the disability program in 1955 through fiscal year 1965, more than 2 million severely disabled persons received disability benefits under the Social Security Act; of these, an estimated 19,000 have been rehabilitated by the

vocational rehabilitation agencies of the States.⁴

As Congress noted in 1965, "Social Security disability beneficiaries, who are likely to be older and more severely disabled than other applicants for vocational rehabilitation, generally do not represent the best investment of the State's rehabilitation resources, and they often have a lower priority than others applying for rehabilitation services."⁵

Most workers with mild or temporary disabilities do not meet the requirements for disability benefits. For the purpose of determining insurance eligibility, disability is defined as the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months. Before the 1965 amendments, the duration of the disability was defined as long-continued, indefinite, or one likely to result in death. By and large, it was a program for disability resulting from irreversible conditions.

A large number of beneficiaries suffer from chronic and progressive conditions. Of those who received disabled-worker awards in 1965, more than one-fourth had diseases of the circulatory system; more than 70 percent were aged 50 or older; and 20 percent were either institutionalized, hospitalized, or housebound at the time of application.⁶

Beneficiary Recovery

Of 169,000 terminations of disability benefits in 1966, 50 percent were terminated because of death and 35 percent represented conversions to old-age benefits at age 65. Only 23,000, or 14 percent, had benefits terminated because of medical recovery or return to substantial gainful activity. These cessations of benefits for recovery or return to work represented 1.8 percent of the 1,266,000 individuals who received disability benefits in the year.

Many of the cessations because of recovery

⁴ These estimates are based on reports of the Rehabilitation Services Administration and of the Division of Management and Appraisal, Bureau of Disability Insurance, Social Security Administration.

⁵ S. Rept. 404, *op. cit.*

⁶ *Disability Applicant Statistics*, Office of Research and Statistics, December 1967.

occurred without the aid of rehabilitation agencies. Rehiring by a former employer is one method of returning to work that may preclude the need for rehabilitation services. Studies related to investigations of continuing entitlement indicate that more than a fourth of those beneficiaries who attempted work and whose benefits were terminated for recovery returned to their previous employment.⁷

Even though he may have the capacity to do productive work, the severely disabled job-seeker is apt to encounter labor-market resistance to the hiring of the handicapped—particularly when he is not young.⁸

The Vocational Rehabilitation Amendments of 1968 (P.L. 90-391) authorize funds to employers and organizations for the running of training programs for the handicapped. In addition to providing training for the disabled person, such programs can give these employers experience with the productive capacities of the handicapped. The amendments also authorize funds to train the handicapped in public service careers in such fields as rehabilitation, health, safety, and welfare.

In some countries, as in France, legislation is directed to labor-market resistance to hiring the handicapped by requiring public and private employers to reserve a fixed proportion of their positions for the handicapped. Beneficiary rehabilitation has been limited up to now. Recent studies, however, indicate that many more of the severely disabled may be likely candidates for rehabilitation than the number accepted for services in the past.

Demonstration Project on Rehabilitating Disability Beneficiaries

A demonstration project supported by the Rehabilitation Services Administration was conducted in 11 State rehabilitation centers on the feasi-

⁷ Barbara Levenson and Jerome Green, "Return to Work after Severe Disability," *Journal of Chronic Diseases*, 1965, pages 167-180; Robert Ferguson, "A Follow-Up of the 1963 Levenson and Green Study Sample," *Disability Studies Note*, Bureau of Disability Insurance, Social Security Administration, July 1967.

⁸ Labor-market restrictions on social security applicants are discussed by Robert P. Overs, "Vocational Appraisal of Social Security Disability Claimants," *The Personnel and Guidance Journal*, December 1968, page 37.

bility of rehabilitating disability beneficiaries. It concluded that, given careful selection procedures, the service cost might not be appreciably above that for other rehabilitants and would be small compared with the savings from disability benefit terminations.⁹

Out of 10,698 disability beneficiaries, a group of 1,176 carefully evaluated cases were accepted for services. Of these, 354 were returned to employment, and an additional 296 were still receiving services at the end of the 3-year study period. The average cost of the services for those successfully rehabilitated was \$1,182. More than 3 percent of the initial group of beneficiaries were rehabilitated. This proportion compares favorably with estimates of less than 1 percent of beneficiaries rehabilitated through vocational rehabilitation agencies in the past.

Other Legislation Affecting Number Rehabilitated

In addition to the provisions for payments from the social security trust funds, other recent legislation should increase the number of rehabilitated beneficiaries. Among the changes were broadening of the definition of disability in the Social Security Amendments of 1965 to include those whose disability might be expected to improve after 12 months and the liberalization of the insured-status requirements in 1967 for workers disabled before age 31. Many less permanently handicapped and younger workers will now be entitled to disability benefits.

The 1965 and 1967 amendments to the Vocational Rehabilitation Act significantly raised the limits on Federal appropriations to support basic State programs and provided additional resources to the States to broaden the scope of goods and services available to the handicapped.

In 1967, more than 173,000 clients were rehabilitated by State agencies, an increase of 12 percent over the number rehabilitated in 1966; in 1968, more than 200,000 were rehabilitated—a 35-percent increase over the 1966 number of

⁹ Robert M. Gray, et al., *The Severely Disabled Person Is Rehabilitated* (University of Utah College of Medicine, March 1966). See also Delores A. Berg and Iver A. Iversen, *The Project 21 Report: A Summary* (The American Rehabilitation Foundation, February 1967), for assessment of the referral and the disability determination processes.

rehabilitations. Beneficiary rehabilitations, as identified by the Rehabilitation Services Administration, increased from about 6,700 in 1966 to about 9,000 in 1967 and nearly 13,000 in 1968.¹⁰

It should be made clear that not all the beneficiaries identified as successfully rehabilitated by the vocational rehabilitation agencies return to such sustained, competitive employment that their disability benefits are terminated. Though vocational rehabilitation agencies may classify the individual as rehabilitated when he has returned to work, the cessation of social security benefit payments occurs only after remunerative work of at least 9 months, unless there is significant medical recovery. Some persons classified as rehabilitated by the vocational rehabilitation agencies do not return to gainful, competitive employment but may be limited to sheltered work or home-making. Before the social security benefit can be terminated, the individual must return to sustained, substantial gainful employment or there must be evidence of sufficient medical recovery that such employment is again possible.

FINANCING OF REHABILITATION SERVICES

In enacting the trust-fund financing program, Congress stipulated that the social security expenditures for rehabilitation should produce savings or equal the cost to the trust funds, as well as lead to general economic and social gains by enabling disabled persons to become self-supporting. Savings to the trust funds would occur when the value of benefits saved because of termination exceeded the costs of reimbursed expenditures. These direct savings would be further increased by the amount of social security taxes paid on restored earnings.

To accomplish this objective, vocational rehabilitation counselors are asked to request reimbursement only for services to beneficiaries who have a reasonable likelihood of being restored to substantial gainful employment and who could not be expected to return to such work without the aid of rehabilitation services.

¹⁰ Rehabilitation Services Administration, *Characteristics and Trends of Clients Rehabilitated in Fiscal Years 1963-1967*, March 1968, and *Quarterly Status Report of Social Security Disability Insurance Beneficiaries, Rehabilitation Service Series No. 69-2, Supplement 2*, October 1968.

Other beneficiaries who might gain from rehabilitation services but who could not be expected to return to competitive employment continue to receive vocational rehabilitation services in the same manner as in the past—that is, under regular State-Federal funding arrangements. Persons whose applications for disability benefits are denied are also considered for referral to vocational rehabilitation agencies, but they are not, of course, included in the trust-fund financing program.

Expenditures

Reimbursable expenses from the trust funds include case service costs and evaluation and planning costs. They also cover the estimated costs of administration, guidance, and placement counseling.

There is presently no maximum limit on expenditures for any one beneficiary. A ceiling on funds available for allocation to the States, has, however, been established: The total amount of reimbursement in any year may not exceed 1 percent of the total amount of social security disability benefits disbursed in the previous year. On the basis of total benefits paid in 1966, the amount of trust funds available in the fiscal year 1967 was \$14.8 million, but only about \$9 million was expended. In 1968 the total amount available—\$16 million—was expended.

For fiscal year 1969, \$18 million is expected to be obligated for allocation under this program and \$21 million for fiscal year 1970. Preliminary budget requests from the State agencies for fiscal year 1969 indicated that all available funds would be used.

Program Operations

Arrangements to enter into the trust-fund reimbursement program were not completed by all the State agencies until 1968. Amended plans were required of the States to meet prescribed policies, including the criteria for selection into the trust fund program and the offering of services without regard to citizenship, residence, or economic need. In addition, as a result of the expansion of their regular programs through

increased availability of Federal funds, State agencies were confronted with extensive planning and staffing problems. Accordingly, the agencies were in a position to expend only a limited amount of reimbursable funds—about \$500,000—from the time of enactment of the 1965 amendments until the end of the fiscal year 1966. Many States did not exercise the option of making retroactive charges as they entered the program.

Only 62 of 91 agencies had amended plans in effect by the end of fiscal year 1966. When the fiscal year 1967 ended, 88 State agencies had amended plans approved, and by 1968 all agencies were participating in the program.

In fiscal year 1967, an estimated 592,000 applicants for disability benefits were considered for vocational rehabilitation referral. Of these, 378,000 were disability beneficiaries. During the same period, about 9,000 disability beneficiaries were rehabilitated. Of these beneficiaries whose cases were closed after rehabilitation, only about 2,000 had services financed with any trust fund money, an indication of the early stage of development of the program. Some of those whose services were financed from the trust funds may have begun receiving services under regular vocational rehabilitation financing procedures and therefore may not represent clients added to the regular vocational rehabilitation programs because of the trust-fund program.

In fiscal year 1968, more than 27,000 closures represented beneficiaries with trust-fund financing,

TABLE 1.—Vocational rehabilitation closure status for disability insurance beneficiaries in fiscal year 1968¹

Vocational rehabilitation agency clients	Total closures ²	Rehabilitated	Not rehabilitated after acceptance	Not accepted for services after referral
All vocational rehabilitation agency clients:				
Number.....	590,000	207,900	61,000	322,000
Percent.....	100	35	10	55
Disability beneficiary clients, total:				
Number.....	62,800	12,900	7,000	42,900
Percent.....	100	21	11	68
Trust-fund beneficiaries:				
Number.....	27,500	5,900	3,300	18,300
Percent.....	100	21	12	67
Non-trust-fund beneficiaries:				
Number.....	35,300	7,000	3,700	24,600
Percent.....	100	20	10	70

¹ Information based on data from the Rehabilitation Services Administration and on their identification of the beneficiary status of clients.

² Based on RSA classification for cases referred to vocational rehabilitation agencies and closed by them after the referral action and any evaluation or service provision are completed. Cases in active service or referral status not included.

probably more than twice the total of the previous year. In the same year, out of approximately 13,000 beneficiaries reported as rehabilitated, about 6,000 had trust-fund financing (table 1).

In some States, new arrangements to promote the rehabilitation of the severely disabled provide for counselors to work on a full-time basis with the severely disabled beneficiaries, with reimbursed service costs. At the end of 1968 more than 160 full-time counselors were working with these beneficiaries.

Benefit Savings

Disabled-worker beneficiaries.—Of approximately 7,800 rehabilitated beneficiaries, some or all of whose rehabilitation services were paid from the trust funds through June 1968, 1,195 workers have been identified as having their disability benefits terminated after rehabilitation. These workers are the ones for whom benefit savings can be considered to accrue. A number of the remainder of the rehabilitated beneficiaries may be presumed to be engaged in the trial work period with termination of benefits a future possibility. The average age of these 1,195 worker beneficiaries was 44 at the time of benefit termination. There were 554 who had no dependents entitled to family benefits and 641 with a total of 2,091 dependents.

The total amount of the monthly benefits payable to these workers was \$146,000, and the amount payable monthly to their entitled dependents was \$79,000, or \$225,000 monthly in benefits terminated. The average monthly benefit to the family group with or without dependents was \$189. Through June 30, 1968, the amount of identified benefits saved as a result of terminations totaled \$1,697,000.

Savings to the social security trust funds will continue to accrue for each worker whose benefit has been terminated as long as he does not return to the disability rolls, up to retirement or death. (It is presumed that return to sustained employment capacity and benefit termination following rehabilitation closure is primarily due to the provision of rehabilitation services.)

Disabled child beneficiaries.—The disabled adult children who are entitled to benefits as the

dependents of disabled-worker or retired-worker beneficiaries or as the survivors of insured workers also have services financed with social security trust funds. At the end of the fiscal year 1968, only 43 disabled adult children had had their benefits terminated after rehabilitation under the trust fund program. Their average age in the month of termination was 26, with a range from age 20 to age 50, and the average monthly benefit payable to them was \$60. The total amount of benefits saved through June 1968 was \$21,000.

Initial Assessment

Additional information on case service costs, benefit savings, and demographic, disability, and rehabilitation characteristics of beneficiaries in the trust fund program should shortly become available. Because this long-term program has only recently become fully operational, the data currently available are limited; because of complex State by State and agency variations in services offered, it is difficult to draw conclusions on the

status and effectiveness of the program at this time. Additional administrative experience may be necessary before the criteria for selection for reimbursement are systematically applied by all the vocational rehabilitation agencies. It is clear, however, from the increase in beneficiary rehabilitation that the vocational rehabilitation agencies are extending services to more severely disabled beneficiaries.

Costs for the program must be exceeded by savings in terminated benefits before a primary objective of the program is achieved. However, though a large number of beneficiaries have been initially selected for cost reimbursement, a relatively small number have been able to complete the extended process of rehabilitation services, the trial work period, and the several years of work without benefits. Years of experience with these long-term stages of rehabilitation and labor attachment will be needed, then, before an evaluation can be made of the direct benefits of the financing program for those severely disabled beneficiaries judged to have the potential for sustained, productive activity through vocational rehabilitation services.

Notes and Brief Reports

Veterans' Legislation in 1968*

During its second session, the 90th Congress enacted a number of laws dealing with veterans' income maintenance provisions and related benefits. The pension and compensation programs were both improved, educational allowances were liberalized and extended to widows and wives of certain veterans, vocational rehabilitation was made available to part-time trainees, and increased rates of reimbursement were authorized for domiciliary and nursing-home care.

VETERANS' PENSIONS

Some of the most far-reaching changes enacted were in Public Law 90-275, signed March 28, 1968.

* Prepared in the Interprogram Studies Branch, Division of Economic and Long-Range Studies.

It (1) restructured the system of income brackets adopted under the Veterans' Pension Act of 1959 (P.L. 86-211) to measure the need of veterans and survivors for pensions based on non-service-connected disability or death and to determine the amounts payable, (2) raised the maximum income levels of the pension program and of the dependency and indemnity compensation program for parents with an across-the-board increase of these limits by \$200, and (3) provided "phase-in" protection for those with Veterans Administration benefits who also receive cash benefits under the old-age, survivors, disability, and health insurance (OASDHI) program. About 1.3 million pensioners are affected by these provisions.

Effective January 1, 1969, the new law provides for an expanded multi-level income limitation system to replace the three-level system used since July 1, 1960. Under the latter, three income brackets—ranging up to \$1,800 a year for a single veteran or widow and up to \$3,000 a year for a veteran or widow with dependents—were used