



Health, Education and Human Services Division

B-265844

September 7, 1995

The Honorable Jim Bunning
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

This letter is in response to your request for information on the Social Security Administration's (SSA) Research Demonstration Program (RDP) and Project NetWork (PN). These two programs represent a culmination of SSA's research efforts over the past 15 years aimed at improving its processes for rehabilitating people receiving disability benefits. In 1994, SSA paid \$57 billion in disability benefits to 7.2 million beneficiaries under the Disability Insurance (DI) and Supplemental Security Income (SSI) programs. Although legislation that created DI and SSI established the policy that as many beneficiaries as possible be rehabilitated into productive activity, few beneficiaries are entering productive activity. In fact, only one out of 1,000 beneficiaries leaves the rolls as a result of SSA-funded rehabilitation efforts.

In response to your request, we examined how and why the RDP was conducted, what it cost, and what it found; how and why PN is being conducted and what SSA expects it to cost; and what PN has found so far and the current status of the project. To develop this information, we synthesized published RDP and PN project documentation and interviewed SSA's Co-Project Officer for Project NetWork. As agreed with your staff, we did not verify the information with other sources, such as Abt Associates, SSA's PN contractor, or PN case managers or demonstration participants in various PN demonstration sites. Nor did we review SSA's contractual agreements with firms responsible for part of the PN demonstration. We conducted our work between June and August, 1995, in accordance with generally accepted government auditing standards.

SSA'S RESEARCH DEMONSTRATION PROGRAM

To help DI beneficiaries return to work, the Congress authorized SSA to test new forms of rehabilitation and

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other employment-related initiatives under section 505 of the Social Security Disability Amendments of 1980, P.L. 96-265. Section 505 authorizes the Secretary to waive DI and Medicare statutory requirements for demonstration purposes. The Congress authorized other demonstration projects that assisted in promoting the objectives of the SSI program under section 1110 of the Social Security Act. Sections 505 and 1110 provide authority for conducting SSA's Research Demonstration Program, a series of demonstration projects undertaken to test innovative approaches for assisting people with disabilities to enter the workforce or return to work.

SSA intended for the RDP to cover a broad array of populations, use a wide range of methodologies, and test a variety of interventions in order to (1) educate the agency about rehabilitation and employment techniques and (2) educate private providers about the agency's beneficiaries and their particular needs. In SSA's 1992-1994 Interim Report of Demonstration Activities, the agency acknowledged that the original RDP plan omitted a strong evaluation component and that the RDP projects lacked rigorous scientific design, substantially limiting the ways that their results could be generalized.

The RDP, which was initiated in three phases from 1987 to 1989, involved a total of 116 RDP grants at a cost of about \$30 million. Forty-six of the 116 grants included waivers permitting direct referral of Social Security beneficiaries to vocational rehabilitation (VR) sources other than the state agencies, e.g., to private and nonprofit agencies. Some grantees received waivers that liberalized work incentives. All grantees received waivers allowing fee-for-service reimbursement. In general, projects funded under the first two RDP grant announcements demonstrated varying approaches to the early stages of the vocational rehabilitation process: identification, recruitment, referral, and assessment of candidates for rehabilitation and case management. Projects funded under the third RDP grant announcement focused on the final components of return-to-work efforts: job placement and retention.

Generally, the RDP led SSA to observe that, although no firm conclusions could be drawn, many beneficiaries have a greater capacity for work than previously believed. Other observations garnered by SSA from the demonstrations include the following:

- case management can be an effective means of establishing and maintaining a network of

rehabilitation and employment providers and ensuring coordination and timely delivery of services to beneficiaries;

- SSA needs more recruitment and outreach to reach all potential VR candidates;
- alternative ways to offer and pay for VR services are needed;
- SSA should use strong outreach and marketing to spread information about work incentives, VR, and job opportunities;
- no single best time exists to offer VR services;
- a case manager can use an automated system for screening beneficiaries to identify best candidates and match them with appropriate community resources and services;
- because traditional attitudes may bias views about who is a good candidate for VR, individualized needs assessments are essential to ensure that no one's potential is underestimated; and
- SSA should establish closer ties with public and private agencies serving people with disabilities.

PROJECT NETWORK--AN OUTGROWTH OF
THE RESEARCH DEMONSTRATION PROGRAM

Project Network (PN) is an outgrowth of the RDP observation about the effectiveness of case management. PN is a randomized field experiment initiated by SSA in fiscal year 1991. The tested interventions have been completed, the analysis is under way, and the final report is expected to be released in December 1997. PN addresses two questions:

- Is it feasible to increase VR participation with outreach, case management, and liberalized work incentives?
- Do the tested interventions produce net benefits for the participants, the society, the Trust Fund, and the federal government?

PN tests four case management models in which SSA field office staff or staff under contract to SSA provide rehabilitation and employment services to DI beneficiaries

and SSI applicants/recipients. (See table 1.) SSA implemented each model in two separate demonstration agencies for approximately 2 years following a pilot period of, in most cases, 2 months.¹ PN operations at each demonstration agency are now complete.

The study intends to measure the effects of the interventions on participant employment and earnings; receipt of DI and SSI and other government benefits, such as Medicaid and Medicare; health and functional status; and social and psychological well-being.

In the PN evaluation, the term "case management" does not imply that beneficiaries will receive an expanded set of social services. Rather, PN views case management as an approach to arrange for and monitor rehabilitation and employment services. Such services should encourage and help move people with disabilities into the labor force.

As facilitators and monitors, case managers in PN focused on placing an individual with a disability in a job. Case managers recruited clients, evaluated employment potential, arranged for and coordinated rehabilitation and employment services, acted as liaisons to employers and rehabilitation and employment service providers, and provided additional assistance and guidance as needed to help clients complete a rehabilitation plan and be placed in competitive employment. PN is not intended to go beyond job placement. Providing post-employment services would have increased the cost and the length of the demonstration beyond what SSA felt was realistic.

PN has a total budget of approximately \$25 million. Fifty-four percent of the PN budget is funded by section 505 (a) monies, with the balance funded under section 1110. The PN budget covers estimated costs for project administration and evaluation, as well as for VR services provided to project participants. SSA has a contract with Abt Associates, Inc., to evaluate PN over a 5 1/2-year period.

¹The Dallas site piloted PN for more than 4 months and spent a month adjusting the site's operations.

Table 1: Project NetWork--Four Case Management Models

Model	Description	Demo agency	Start/end date of full operations
1. SSA case manager	SSA employees provided case management through local SSA field offices	Two Dallas field offices; Fort Worth field office	June 1992/ June 1994
2. Private contractor	Two private, for-profit firms provided case management under contract to SSA	SouthWest Business and Industry Rehabilitation Association, Phoenix, AZ; Karr Services, Minneapolis, MN	Jan. 1993/ Jan. 1995
3. VR outstationing	State VR agency provided case management under contract to SSA and was outstationed in SSA field offices	State of New Hampshire VR Agency; State of Virginia VR Agency	Oct. 1992 and Jan. 1993/ Mar. 1995
4. SSA referral specialist	SSA referral managers in local SSA field offices identified case management service providers	Tampa and Carrollwood, FL, SSA field offices; Spokane, WA, and Coeur d'Alene, ID, SSA field offices	Jan. 1993/ Jan. 1995

According to SSA's Co-Project Officer, Project NetWork's approach to providing rehabilitation and employment services differed in the following ways from the current state VR agency system.

- Participation in PN was voluntary. PN used self-screening to identify individuals with the potential to benefit from rehabilitation services. Thus, PN provided equal access to all of the eligible population, including those whose age, severity of condition, or length of time on the rolls might have made participation unlikely under traditional screening criteria. In comparison, the state Disability Determination Services (DDS) systematically screen beneficiaries on the basis of national screening guidelines and local DDS/state VR agency factors such as a specific age, impairment, or educational level.
- PN focused on job placement. PN attempted to place individuals in either full- or part-time, wage- or salary-earning employment. The case manager arranged for training or other necessary accommodation to support a particular job placement only after identifying a target job. This philosophy differs from what SSA describes as the traditional state VR agency approach of training the person first and then placing the person in a job.
- PN focused on placement in the competitive labor market. In contrast, state VR agencies consider unpaid positions, such as homemaker or family worker, suitable employment.
- PN placed few procedural constraints on case managers. According to SSA's Co-Project Officer, PN case managers consequently reduced their time evaluation to about half the time of the standard state VR agency evaluation, which generally lasts 4 months or more. Although medical evaluations were almost always done, case managers sometimes bypassed a vocational evaluation and moved directly to job placement.
- PN placed no constraints on where case managers could purchase services. Consequently, models 1 and 2 (SSA case manager and private contractor models) had little involvement with state VR agencies; instead, they purchased services primarily from private sector providers. Even model 3 (VR outstationing model) generally purchased more services from the private market than a state VR agency usually would. Model 4's

(referral specialist model) Florida site provided an exception to such private sector involvement. Case managers there purchased more services from the state VR agency than from private providers. The Spokane site under model 4 also used the state VR agency as a primary referral source but was more intensely involved with private sector providers than the Florida site.

- PN reimbursed providers under models 1, 2, and 3 for services rendered rather than contingent on successful outcomes. In model 4, providers negotiated a per-case flat fee with SSA to evaluate and place referrals. Referral specialists in model 4 generally worked with such nonprofit providers as Goodwill, United Cerebral Palsy, and the state VR agencies that are funded from other sources and can provide services for less than full cost.

PN solicited DI and SSI disability beneficiaries or applicants for SSI who lived in the affected field office service areas to volunteer for the project. A case manager interviewed all those who expressed an interest in the project. If the individual wanted to volunteer for PN, qualification for project participation was automatic, unless the individual was employed or already participating in a return-to-work program, such as VR.

Volunteers were randomly assigned to a treatment or control group. The PN design is intended to measure the incremental effects of case management, given that waivers are present, by directly comparing the treatment and control group cases. The treatment group was eligible for a full range of rehabilitation and employment services and liberalized work incentives.² Case managers (models 1-3) arranged for vocational and medical evaluations, developed the individual rehabilitation and employment plan, worked with providers to obtain the necessary services, placed the individual in a job, and helped the individual begin working. Referral managers (model 4) searched for a comprehensive treatment source for treatment group cases. The treatment source was responsible for the complete management of the rehabilitation and employment process for

²A DI waiver suspended the counting of trial work period months for the first 12 months of work while participating in the project. An SSI waiver prevented SSA from conducting a continuing disability review for SSI participants who engaged in work activity, as would often be required under normal circumstances.

the individual. Control group cases, on the other hand, were eligible for the liberalized work incentives but not for PN services, although they could seek and receive services from other sources, such as state VR agencies.

Table 2 provides information reported by PN case managers on the numbers of individuals solicited for, interested in, and volunteering for PN.

Table 2: Number of Solicitations, Interested People, and Volunteers (March 1995)

Number of people solicited for PN	139,926
Number of people expressing interest in PN	14,708
Number interested as percent of number solicited (interest rate)	10.51%
Number of PN volunteers (sample size)	8,241
Number of volunteers as percent of number interested (volunteer rate)	56.03%
Number of volunteers assigned to treatment group	4,164
Number of volunteers assigned to control group	4,077

The PN design will not allow results to be generalized to the entire country.³ But because of the similarity of metropolitan field offices, SSA believes that information on the administrative feasibility of managing programs of rehabilitation and employment services for beneficiaries in

³SSA believed that generalizing results nationwide would have required a representative sample of all field offices in the country as demonstration sites. The agency considered such a sample to be prohibitive in cost.

a field office will be generalizable to a large percentage of the more than 1,300 field offices nationwide.

PN uses three major sources of data:

- Case/referral managers recorded personal information into the Case Management Control System (CMCS) for all solicited individuals who expressed an interest in participating in PN, before determining whether they wished to volunteer for PN. As treatment group members moved through the case management process, case/referral managers tracked their progress by recording such activities as plans for services, receipt and costs of services, and job placements as they occurred. SSA originally instructed case/referral managers to follow up with clients monthly on employment and earnings after job placement. According to SSA, case managers felt they lacked the time needed for follow-up and found it difficult to keep track of the clients. Follow-up was generally inconsistent among case managers.
- Abt Associates, Inc., completed a baseline personal interview survey in November 1994, with a sample of treatment, control, and nonparticipant cases in all project service areas. Abt did not reach its goal of 4,125 completed interviews (1,375 completed interviews for each of the control, treatment, and nonparticipant groups). Instead, the survey ended with 3,847 interviews completed, which the Co-Project Officer considered to be adequate for the analysis.

The baseline survey included such standard data as earnings, employment history, and health status. It also included an instrument to measure emotional stability, with questions regarding drug and alcohol abuse, cognitive ability, outlook on life, and self-esteem. Responses to the latter questions were to form the basis for assessing how emotional problems and motivation affect job placement and retention and what supports might be necessary.

A follow-up survey was intended to serve as the basis for measuring and comparing changes in the baseline treatment and control groups between the time of initial involvement with the project and a time after treatment group members had completed rehabilitation services and had been placed in jobs. Because of funding problems, as discussed below, the follow-up survey may not be carried out.

- SSA will gather benefits-related data from its central office administrative data system for the 140,000 people solicited for project participation. In addition, Health Case Financing Administration Medicare data will aid in the analysis of participant and nonparticipant health services utilization and expenditures.

A 1994 article in the Social Security Bulletin reported some baseline characteristics of PN participants and nonparticipants.⁴ For example, in comparison with nonparticipants, PN participants

- included a higher proportion of men and younger age groups;
- included a lower proportion of individuals who had been receiving benefits for a very long period of time (for example, 12 years or more) and a higher proportion of individuals who had been receiving benefits for a very short period of time (less than 2 years);
- reported better health and fewer functional limitations (for example, one-fifth of participants reported excellent or very good health conditions, although about half of participants reported a fair or poor health condition and multiple functional limitations, and 26 percent of participants reported being confined to bed for more than one of the previous 12 months); and
- included a lower proportion reporting conditions that limit or prevent work (yet one-fifth of participants and nonparticipants reported they did NOT have conditions that limited their ability to work).

⁴Kalman Rupp, Stephen H. Bell, and Leo A McManus. "Design of the Project NetWork Return-to-Work Experiment for Persons with Disabilities," Social Security Bulletin, Vol. 57, No. 2, Summer 1994, pp. 3-19. The baseline characteristics described treatment and control group members who had volunteered by January 13, 1994. Characteristics of nonparticipants were based on a representative sample of nonparticipants based on administrative records. Characteristics were also based on survey data from participants and nonparticipants through January 15, 1994.

PROJECT NETWORK: INTERIM FINDINGS
AND CURRENT STATUS

Final outcomes will not be available until a report of the overall analysis, due in December 1997, is released. However, two interim findings are described here:

- According to the Co-Project Officer, actual costs for purchased services per case averaged only about 30 percent of budget, depending on the model. The overall project approach aimed to minimize costs of services while placing individuals in sustained, gainful employment. PN emphasized efficiency by using a streamlined evaluation, eliminating procedural barriers, and placing individuals in jobs before purchasing expensive training. SSA projected PN's budget for purchased services⁵--\$3,500 per treatment group case--on the basis of historical state VR agency costs, adjusted downward. Actual per case costs for each model were substantially lower than budgeted costs, as shown in table 3.

Table 3: Actual Cost per Case of Purchased Services

Model	Actual per treatment group case cost of purchased services
Model 1: SSA case manager	\$1,200
Model 2: private contractor	\$1,047
Model 3: VR outstationing	\$1,224
Model 4: SSA referral specialist	\$ 948 ^a

^aPart of the explanation for this relatively low figure is that the nonprofit providers may not have billed SSA for all costs incurred.

⁵Purchased services included, for example, medical or vocational evaluations, training, prosthetics, assistive devices, job placement services, and job coaching but did not include the case management services themselves.

For comparison purposes, SSA reimburses state VR agencies for the costs they incur in successfully rehabilitating disabled beneficiaries. To be considered a success, the services provided by the agency must have contributed to the individual's ability to engage in substantial gainful activity for a continuous period of 9 months. The average cost per successful case in fiscal year 1994 was \$11,226 (\$63,462,164 reimbursed to state VR agencies, divided by 5,653 claims).

-- A PN progress report dated March 31, 1995, showed, on average, nearly 21 percent of treatment group members working at any salary level, as shown in table 4.⁶ The interim findings in table 4 should be interpreted with caution, however. Case managers did not consistently follow up after the first job placement to determine job tenure. Some case managers stopped following an individual (and therefore stopped entering data into the CMCS) after the first job placement. Others followed up on the individual through two or three placements and then stopped entering data, while still others followed an individual throughout the demonstration, entering data through demonstration site closure. Thus the "percent working" in table 4 does not represent a single snapshot in time--nor does it reflect consistent data collection criteria. This percentage could, therefore, either under- or overrepresent the number of individuals working at the time of site closure. SSA does not know the extent of such under- or overrepresentation.

⁶Information in this report on the treatment group status was drawn from the CMCS. Work history of the control group will be drawn from the match with SSA earnings records and the results of the follow-up survey, if it is conducted.

Table 4: Project NetWork--Cumulative Progress
in Return-to-Work Through 3/31/95

Activity	Model 1: SSA case manager	Model 2: private contractor	Model 3: VR outstation	Model 4: referral manager	Total all models
Number in treatment group	958	1,089	1,087	1,030	4,164
Percent working ^a	21.3%	18.2%	23.8%	19.1%	20.6%

^a"Working" means employed--whether part-time or full-time--and earning some level of salary. But salary does not have to be at substantial gainful activity or above.

Abt Associates is currently consolidating data files and matching data from each of the demonstration agencies with baseline survey data. They will match the combined data with SSA administrative records, once they are available. The firm is additionally analyzing the baseline survey data itself. Table 5 shows the estimated delivery dates for the remaining PN tasks.

Table 5: Estimated Delivery Dates for PN Tasks

Delivery dates	Tasks
Summer 1995	Annual Project NetWork reports for 1994 and 1995
December 1996	Analysis of baseline survey data
November 1997 (possibly earlier)	Process study, including how the case managers conducted business, established provider networks, contacted beneficiaries, and set up individual employment plans
December 1997	Impact study, cost/benefit analysis, and final Project NetWork report

The status of PN's follow-up survey, which is not reflected in table 5, is currently in question. In general, the cost of conducting the personal interviews was higher than expected, such that insufficient funds remain to conduct the follow-up survey. SSA and Abt Associates are reportedly jointly attempting to find a solution. If SSA eliminates the follow-up survey, the agency will use its own administrative data to track control and treatment group members to see whether they move off the rolls and thus assess program savings attributed to case management.⁷ These savings could then be compared with project costs to estimate program costs and benefits. Moreover, SSA can track participants' total earnings through Social Security records, although this information will be dated because of a year or more of lag between the receipt of the earnings and the information about the earnings being reported.

Without the follow-up survey, SSA will not be able to measure many of the effects it intended to measure through the project in the following areas:

- Employment and earnings: SSA will be unable to measure the length of a participant's employment. Moreover, SSA will not know the type of job obtained by the participant, whether it is full-time or part-time, or whether the participant holds multiple jobs.
- Transfer income: Although SSA will be able to measure effects on DI and SSI payments and Medicare and Medicaid benefits, it will not be able to measure changes in income from other government transfer programs, such as Food Stamps, due to work. Nor will SSA be able to assess the impact of the availability of health insurance on a participant's job tenure without answers to the follow-up questions.
- Health, functional status, and other noneconomic outcomes: SSA will not have detailed information on these effects. This information, if available, would

⁷The observed differences between the treatment and control groups can be attributed to the effects of case management alone. Project NetWork provided waivers protecting the disability benefits of the project participants when they started to work to both the treatment and the control cases, whereas case management services were provided only to the treatment cases.

help SSA explain why an individual has made (or has not made) a change from dependency to self-sufficiency.

Some may believe the follow-up survey should not be funded. From the standpoint of SSA's budget, some may say that PN will be able to measure certain critical, bottom-line outcomes without the survey, such as whether the participants reduce their benefits or leave the rolls and the level of participant earnings from employment (even with a time lag).

Some may also say that PN's specific interventions may not be implemented in SSA's future employment strategy. If so, then case management would become less important to SSA, raising the question of the relevance of the survey--particularly given the availability of the bottom-line outcome information. Although information relative to participants' psychosocial condition and its impact on rehabilitation and employment could be useful and interesting for researchers and policy analysts, some may question whether SSA should subsidize collecting this information.

On the other hand, others contend that SSA needs to learn more about the science of employability and how the agency can strengthen its employment strategy. When weighed against a budget of \$107 billion in cash and medical benefits, \$1 million for a survey is a relatively small investment to help SSA learn more about why beneficiaries do or do not return to work. According to this argument, if, for instance, a person leaves the disability rolls and then returns to the rolls a year later, SSA would not have the evaluation information that explains this person's decision. Without the follow-up survey, SSA would lose information that could help it better understand beneficiaries' motivation and, based on such information, formulate more effective return-to-work strategies.

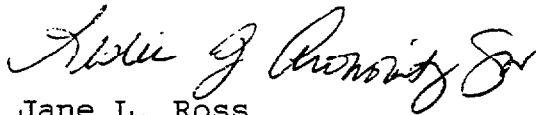
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We received comments on the materials in this letter from SSA's Co-Project Manager, who generally agreed with its content and provided technical comments, which we have

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included. If you or your staff director have any further questions on this matter, please call me at (202) 512-7215.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Jane L. Ross".

Jane L. Ross
Director, Income Security Issues

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