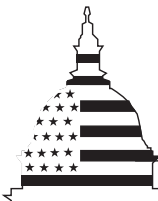


September 2002

SSA DISABILITY

Enhanced Procedures and Guidance Could Improve Service and Reduce Overpayments to Concurrent Beneficiaries



G A O

Accountability * Integrity * Reliability

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Abbreviations

DI	Disability Insurance
PSC	program service centers
SSA	Social Security Administration
SSI	Supplemental Security Income



United States General Accounting Office
Washington, DC 20548

September 5, 2002

The Honorable Max Baucus
Chairman
The Honorable Charles E. Grassley
Ranking Minority Member
Committee on Finance
United States Senate

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

In calendar year 2001, the Social Security Administration (SSA) paid cash benefits of nearly \$60 billion to more than 6 million working-age adults with disabilities and eligible family members under its Social Security Disability Insurance (DI) program,¹ and nearly \$20 billion to more than 3.5 million working-age adults with disabilities under the Supplemental Security Income (SSI) program. In addition to cash benefits, the DI program provides access to Medicare and for most beneficiaries the SSI program provides access to Medicaid. Some beneficiaries, known as concurrent beneficiaries, receive cash and medical benefits from both programs. To encourage beneficiaries to return to work, the DI and SSI programs offer work incentives that are designed to lessen the effect of earnings on benefits, by allowing beneficiaries to test their ability to work without losing all benefits. However, many of the work incentives in the two programs differ. These differences can create challenges for SSA in administering these programs for concurrent beneficiaries.

¹In addition to disability beneficiaries who qualified on the basis of their own work records, we are considering in the category of the DI program for purposes of this report, all disability benefits paid from the Old-Age, Survivors, and Disability Insurance trust funds to disability beneficiaries age 18-64 who qualified on the work record of a deceased, retired, or disabled parent; as well as disability beneficiaries age 50-64 who qualified on the work record of a deceased spouse.

The Ticket to Work and Work Incentives Improvement Act of 1999 (P.L. 106-170) requires us to assess the coordination of the DI and SSI programs for individuals who are concurrently entitled to benefits. This report discusses (1) the characteristics of concurrent beneficiaries, (2) the extent to which SSA coordinates the DI and SSI program rules when individuals are working and concurrently receiving benefits from both programs, and (3) the potential effect of applying both DI and SSI program rules on concurrent beneficiaries' decisions to work and on their benefits.

To address these issues, we analyzed data from SSA's Characteristic Extract Record for September 2001 and February 2002. This record contains information used to determine the eligibility for SSI benefits. We interviewed SSA officials at their headquarters in Baltimore, Maryland, and at seven field offices. We also interviewed academic researchers, advocates for people with disabilities, and a small number of disability beneficiaries. In addition, we reviewed SSA laws, regulations, and policies on the work incentive provisions of the two programs. We performed our work in accordance with generally accepted government auditing standards from September 2001 through August 2002. (See app. I for a detailed description of our scope and methodology.)

Results in Brief

Concurrent beneficiaries comprised about 14 percent of SSA's disability population; 58 percent have mental impairments and about 53 percent are female. About 11 percent of concurrent beneficiaries worked and earned a median income of approximately \$250 per month. More than three-quarters of those who worked received benefits on the basis of mental illness or mental retardation. The proportion of individuals with mental retardation who worked was twice the proportion of concurrent beneficiaries with mental illness. However, working concurrent beneficiaries with mental retardation earned much less than those with mental illness.

There is little coordination between SSI and DI program rules for individuals who work and receive benefits from both programs concurrently. Because most field office staff specialize in one program, they may not be sufficiently knowledgeable of the procedures for the other program to ensure that concurrent beneficiaries who work are paid the appropriate benefit amount under both programs. The guidance SSA provides to assist staff in this task is not well-integrated or sufficiently cross-referenced to help busy field office staff determine what actions to take when current beneficiaries work. In addition, SSA has not established procedures to ensure that both DI and SSI program staff receive

information related to concurrent beneficiaries' work activity. Moreover, SSA does not monitor the overall processing of work activity and may not always take timely action, especially for DI benefits, which can result in overpayment of DI benefits for concurrent beneficiaries even when beneficiaries report their work in a timely manner. SSA recently took steps to improve service to concurrent beneficiaries, including testing the use of a field office employee specially trained in work issues and developing a new computer system to collect information about work. However, it is too early to know whether these initiatives will have the intended effect.

Applying both SSI and DI program rules to concurrent beneficiaries may make it difficult for them to make informed decisions about attempting work and could result in an increase or decrease in overall income, depending on the amount of earnings. Concurrent beneficiaries may not receive adequate explanations from SSA staff or from published materials about the complete effect work has on their disability benefits. However, because the rules are complex and may be difficult to understand even with a detailed explanation, beneficiaries who do not understand them could possibly make decisions about work that would not meet their needs or improve their situation.

We make recommendations in this report that SSA develop methods for collecting information and sharing it across the DI and SSI programs and improve management information systems for tracking work activities of concurrent beneficiaries. We also recommend that SSA improve its guidance to employees regarding concurrent beneficiaries as well as develop new public information materials specifically for concurrent beneficiaries.

SSA provided comments on a draft of this report. SSA agreed with our conclusions and highlighted initiatives either planned or underway that it believes will address our recommendations.

Background

SSA administers two programs that provide benefits for individuals who are unable to work because of disability. Although they differ with respect to program purpose and requirements for entitlement, both DI and SSI use the same definition of disability for initial entitlement. Specifically, in order to be found disabled, an individual must have a medically determinable physical or mental impairment that (1) has lasted or is

expected to last at least one year or result in death and (2) prevents an individual from engaging in substantial gainful activity.²

DI was established in 1956 as an insurance program to help replace earnings lost because of disability. To be eligible for benefits, individuals with disabilities must have a specified number of recent work credits under Social Security based on age as of onset of disability. Individuals may also be able to qualify on the work record of a deceased, retired, or disabled parent or a deceased spouse. Benefits are financed by payroll taxes paid by covered workers and their employers, and are linked to the worker's earnings history. In most cases, individuals who have been entitled to DI benefits for 24 months qualify for Medicare.

The SSI program was established in 1972 to provide a standard minimum level of income for individuals with disabilities, as well as aged individuals, who have limited income and assets. Eligibility does not require a past work history. Benefits are paid from general revenues and, in general, most beneficiaries are eligible for the same benefit amount. However, other income counts against this benefit amount, usually resulting in a reduction in that amount. In most states, entitlement to SSI means automatic entitlement to Medicaid.

Most beneficiaries qualify for either one program or the other; however, receipt of benefits under one program does not necessarily preclude entitlement under the other program. Beneficiaries who are receiving one benefit may transition to the other benefit or they may receive both benefits concurrently. Receiving an SSI benefit has no bearing on continuing entitlement to DI benefits. However, because SSI is a means-tested program, the amount of the DI benefit must be considered in determining whether an individual with a disability also qualifies for SSI. If the amount of the DI benefit is low and all other income and resource factors are met, a DI beneficiary may also receive an SSI benefit. Concurrent beneficiaries who are covered by Medicaid and who have been entitled to DI long enough to qualify for Medicare may also be eligible for payment of their Medicare premiums and co-payments by their state. The minimum value of these payments would be \$54.00 a month.

²SSA considers individuals to engage in substantial gainful activity if they have countable earnings above a certain dollar level. For 2002, the dollar level was \$780 a month (\$1,300 a month for legally blind beneficiaries).

Both programs feature work incentive provisions that are intended to encourage beneficiaries to return to work. However, the provisions of the two programs differ significantly, providing different levels of safeguards for continuing eligibility, income, and medical coverage for DI and SSI beneficiaries. For example, earnings, regardless of the amount, do not affect a DI beneficiary's cash benefit for a period of time known as the trial work period. However, benefits will eventually stop completely after this period if earnings exceed a specified level. In contrast, earnings can affect an SSI beneficiary's cash benefit immediately but the reduction in benefits is gradual with a reduction in benefits of \$1 for every \$2 earned over the first \$65. Table 1 highlights each program's work incentive provisions in effect at the time the Ticket to Work and Work Incentives Improvement Act of 1999³ called for this study. Even with the work incentive provisions in the two programs, relatively few disability beneficiaries work and no more than 1 percent leave the DI and SSI beneficiary rolls each year because of their work.

³This act provides for additional extensions of medical insurance and new options for reinstating eligibility if beneficiaries stopped working as well as demonstration projects providing for earned income exclusions under DI.

Table 1: DI and SSI Work Incentive Provisions

Type of safeguard	Provisions by program ^a	
	DI	SSI
Income	<p>Impairment-related work expenses: Allows the costs of certain impairment-related items and services needed to work and paid for by the beneficiary to be deducted from gross earnings in determining whether earnings indicate that the individual has performed substantial gainful activity.</p> <p>Subsidies: Allows the value of the support a person receives on the job to be deducted from earnings to determine whether earnings indicate that disability has ended.</p> <p>Trial work period: Allows beneficiaries to work for 9 months (not necessarily consecutively) within a 60-month rolling period during which they may earn any amount without affecting benefits. To qualify as one of the 9 months, earnings must exceed a specified amount (currently \$560 a month). After the trial work period, cash benefits continue for 3 months and then stop if countable earnings exceed a specified amount (currently \$780 a month; \$1,300 a month for legally blind beneficiaries).</p> <p>Unsuccessful work attempt: Allows for the exclusion of brief periods of work activity that stopped because of the beneficiary's impairment from the consideration of benefit cessation following completion of the trial work period.</p> <p>Extended period of eligibility: Allows for a consecutive 36 month period after the trial work period in which cash benefits are reinstated for any month countable earnings fall below a specified level (currently \$780 a month; \$1,300 a month for legally blind beneficiaries). This period begins the month following the end of the trial work period.</p>	<p>Impairment-related work expenses: Same as DI, except that these expenses are also deducted from gross earnings in computing the monthly SSI benefit amount.</p> <p>Subsidies: Same as DI.</p> <p>Earned income exclusion: Allows beneficiaries to exclude half of all earned income in excess of \$65 when determining the SSI payment amount. (In addition, beneficiaries may exclude from earned income any portion of the \$20 general income exclusion that was not applied to unearned income.)</p> <p>Section 1619(a): Allows beneficiaries to continue to receive SSI cash payments even when monthly earnings exceed a specified amount (currently \$780 a month). However, as earnings increase the payment decreases.</p> <p>Plan for achieving self-support: Allows beneficiaries to exclude from their SSI eligibility and benefit calculation any income and resources used to achieve a work goal.</p> <p>Student earned income exclusion: Allows student beneficiaries under age 22 to exclude higher levels of earned income than with the regular earned income exclusion, with both monthly and annual limits on the exclusion. Eligible students must not be married or the head of the household.</p> <p>Blind work expenses: Allows beneficiaries receiving SSI on the basis of blindness to deduct from gross earnings the cost of all expenses associated with work activity in figuring the cash benefit.</p>
Medical coverage	<p>Continued Medicare coverage: Allows for continued Medicare coverage for at least 39 months following a trial work period as long as medical disability continues.</p> <p>Medicare buy-in: Allows beneficiaries to purchase Medicare coverage after the 39 month premium-free coverage ends. Beneficiaries pay the same monthly cost as uninsured retired beneficiaries pay, but individuals may be eligible for a reduction in the premium if they or their spouse or former spouse have a significant work history.</p>	<p>Section 1619 (b): Allows beneficiaries to continue receiving Medicaid coverage needed to continue working even when earnings become too high to allow a cash benefit. Coverage continues until earnings reach a threshold amount, which varies in every state.</p>

Type of safeguard	Provisions by program ^a	
	DI	SSI
Eligibility	<p>Continued benefit while in an approved vocational rehabilitation program: Allows a person actively participating in a vocational rehabilitation program to remain eligible for cash and medical benefits even if he or she medically improves and is no longer considered disabled by SSA.</p> <p>Re-entitlement to cash benefits and Medicare: After a period of disability ends, allows beneficiaries who become disabled again within 5 years to be re-entitled to cash and medical benefits without another 5 month waiting period. (Different rules apply to beneficiaries who qualify on the work record of a spouse or parent.)</p>	<p>Continued benefit while in an approved vocational rehabilitation program: Same as DI.</p> <p>Property essential to self-support: Allows beneficiaries to exclude from consideration in determining SSI eligibility the value of property that is used in a trade or business or for work. Examples include the value of tools or equipment.</p>

^aIn effect as of December 17, 1999, the date the Ticket to Work and Work Incentives Improvement Act was signed into law.

Source: GAO Analysis of SSA law, regulations and policy guidance.

DI and SSI beneficiaries who do return to work are responsible for reporting their work activity to SSA as soon as it occurs. SSA has no specific provisions for adjusting benefits for concurrent beneficiaries who work and must apply the work incentive provisions of the two programs independently to determine whether an individual remains entitled to DI and SSI and, if so, the amount of each benefit. Most concurrent beneficiaries interact with SSA through its network of nearly 1,300 field offices. To cope with the complexity of its programs, most of these field offices use employees who specialize in either the Social Security programs, including the DI program, or the SSI program. The remaining offices use generalist employees who are trained in both programs. To supplement the information provided by its staff, SSA also publishes several pamphlets that explain the provisions of the DI and SSI programs. Two of these publications, *Red Book on Employment Support* and *Working While Disabled—How We Can Help*, provide information about the effect of work on DI and SSI benefits.

There Are Over 1 Million Concurrent Beneficiaries and Few Work

Concurrent beneficiaries, who comprised about 14 percent of SSA's disability population, were likely to have mental impairments and be female. In addition, their average age was 45. About 11 percent of concurrent beneficiaries worked and had a median earned income of about \$250 a month. More than three-quarters of those who worked have mental impairments—mental illness and mental retardation.⁴ Individuals with mental retardation worked at twice the rate of beneficiaries with mental illness, but earned much less. The median earnings of beneficiaries with mental retardation were nearly half those of beneficiaries with mental illness.

More than One-half of Concurrent Beneficiaries Have Mental Impairments

Of the more than 6 million working-age adults receiving disability benefits under the DI program and the more than 3.5 million working-age adults receiving SSI, our analysis of the February 2002 SSA data indicates that, approximately 1.2 million⁵—14 percent—received benefits from both programs. These beneficiaries were an average age of 45, with fewer than 15 percent between the ages of 17 and 30. In addition, 53 percent were female. Concurrent beneficiaries received an average DI payment of about \$430 per month and an SSI payment of about \$150 per month. The majority of concurrent beneficiaries qualified for DI benefits on the basis of their work record. The remainder received benefits on the basis of the work history of a deceased, disabled, or retired parent (25 percent); or their deceased spouse (3 percent).

Over half of concurrent beneficiaries had a mental impairment—a third had mental illness and about a quarter had mental retardation. Approximately one-ninth of concurrent beneficiaries had an impairment related to their muscular or skeletal system. The remaining beneficiaries had one of a wide range of impairments as their primary impairment.

⁴The percentages shown are based on the proportion of those beneficiaries for which a primary impairment was shown in SSA's records. SSA records did not show the impairment for about 8 percent of concurrent beneficiaries. This analysis did not include additional impairments that may contribute to some beneficiaries' inability to work.

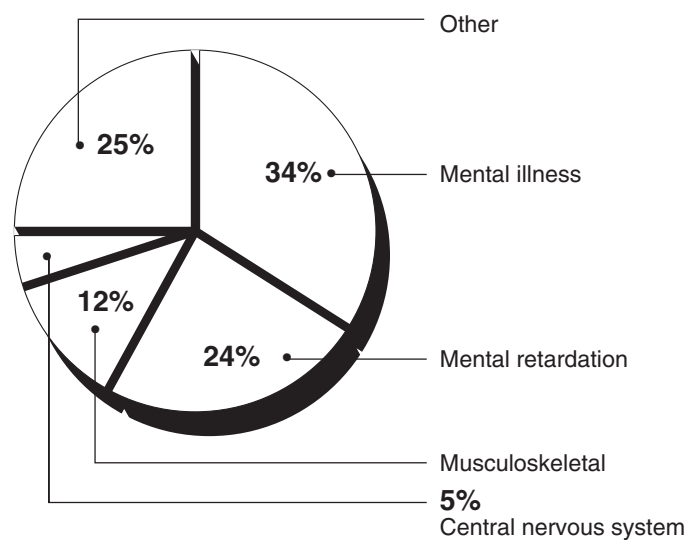
⁵This figure includes individuals who do not receive cash benefits because of the amount of their earnings, but who remain eligible for Medicaid coverage under the provisions of section 1619(b).

About 11 Percent of Concurrent Beneficiaries Work but Earn Relatively Low Wages

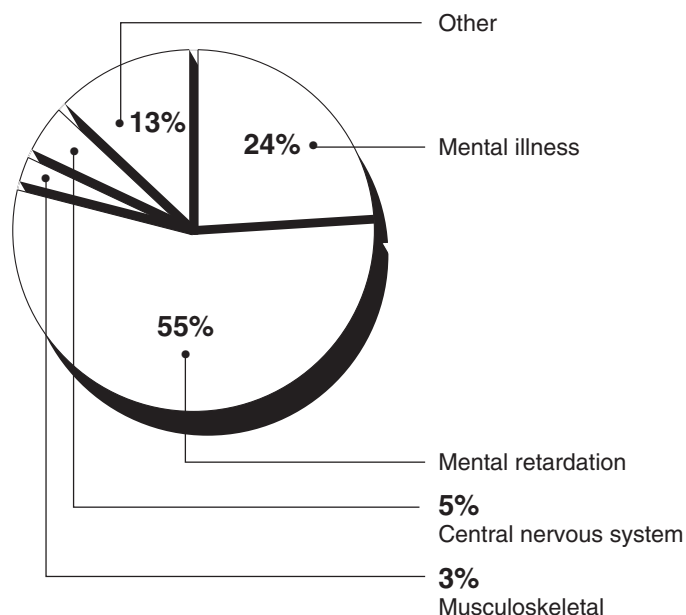
Of the approximately 142,000 concurrent beneficiaries who worked, almost 80 percent had a mental impairment. Concurrent beneficiaries who worked were more likely to have mental retardation, tended to be younger, and male. As shown in figure 1, while individuals with mental retardation made up only a quarter of the concurrent population, they accounted for over half of the concurrent beneficiaries who worked. Moreover, nearly half may not have had a significant work history. Instead, they qualified for benefits on the basis of the work history of a parent or spouse.

Figure 1: Primary Impairments of All Concurrent Beneficiaries and Concurrent Beneficiaries Who Worked

Primary impairments of concurrent beneficiaries



Primary impairments of working concurrent beneficiaries



Source: GAO analysis of SSA data.

Most concurrent beneficiaries who worked earned low wages, but earnings levels varied by impairment categories. While the median earned income of all working concurrent beneficiaries was approximately \$250 per month, more than one-quarter earned \$65 per month or less.⁶ Workers with mental retardation had median monthly earnings of about \$200, compared with about \$400 for concurrent beneficiaries with mental

⁶Monthly earnings of \$65 or less do not affect the SSI benefit amount.

illness. However, the median earned income for concurrent beneficiaries eligible for DI benefits on the basis of the work history of a deceased, disabled, or retired parent was only \$85 per month.

A higher proportion of concurrent beneficiaries worked than SSI beneficiaries,⁷ but they earned much less. Fewer than 8 percent of SSI beneficiaries worked, but they had median earnings of \$400, compared with about \$250 for concurrent beneficiaries. More than one-quarter of SSI beneficiaries earned \$1,000 per month or more, greater than three times the percentage of concurrent beneficiaries with earnings at that level. Table 2 provides the percentage of concurrent and SSI beneficiaries that were earning at the levels listed. The difference in earnings may be explained, in part, by the higher proportion of working concurrent beneficiaries with mental retardation as compared with SSI beneficiaries. However, this higher incidence of beneficiaries with mental retardation does not completely explain the difference in earnings since the earnings for SSI beneficiaries with mental retardation were higher than those for concurrent beneficiaries with mental retardation. For example, median monthly earnings for SSI beneficiaries with mental retardation were \$250 compared with \$200 for concurrent beneficiaries with the same impairment.

⁷For this report, we are using the term SSI beneficiaries to refer to individuals who receive SSI benefits only. DI beneficiaries were not considered in this analysis because SSA records do not allow them to readily distinguish between concurrent beneficiaries and those who receive only DI benefits.

Table 2: Percentage of Working Concurrent and SSI Beneficiaries' Monthly Earnings at Various Levels

Earnings	Percent of working concurrent beneficiaries	Percent of working SSI beneficiaries^a
\$1-65	26.2	19.5
\$66-99	4.0	3.8
\$100-199	13.1	10.4
\$200-299	10.6	8.0
\$300-399	9.2	6.3
\$400-499	7.7	5.9
\$500-599	7.6	5.1
\$600-699	6.0	4.3
\$700-799	3.9	3.7
\$800-899	2.7	3.5
\$900-999	1.9	2.9
\$1000 or more	7.2	26.5

^aIncludes individuals who receive SSI benefits, but not DI benefits.

Source: GAO analysis of SSA data.

Our analysis of data available on the use of work incentives indicated that, while 11 percent of concurrent beneficiaries worked, they did not take advantage of most of the work incentives available to them under the SSI and/or DI programs. Most concurrent beneficiaries who worked used the earned income exclusion under the SSI program that reduces cash benefits by \$1 for every \$2 earned, but the other incentives were not widely used. The next most frequently used work incentive was the Impairment Related Work Expenses provision, which allows beneficiaries to exclude the costs of certain impairment-related items and services needed to work. It was used by fewer than 3 percent of concurrent beneficiaries who worked. Concurrent beneficiaries' use of work incentives was comparable to that of SSI beneficiaries. Because beneficiaries may not meet all the eligibility requirements for work incentives, it may be difficult to determine whether the low rates of use of work incentives were attributable to the inability to meet eligibility factors or lack of understanding of the provisions.

Little Coordination of DI and SSI Programs Exists for Concurrent Beneficiaries Who Work

There is little coordination between SSI and DI program rules, especially for concurrent beneficiaries who work and, as a result, SSA must apply the complex provisions of the two programs independently. The specialization of most SSA field office staff in either the DI or SSI program makes it difficult to serve concurrent beneficiaries effectively. Specialists in one program lack integrated guidance to readily determine the effect of work on the benefits in the other program. Moreover, because the guidance does not adequately cross reference the DI and SSI rules that pertain to concurrent beneficiaries, these specialists may not recognize the need to communicate information about work to the other program as required by SSA guidance. In addition, SSA has not established formal operating procedures that ensure that this information is collected and communicated nor has it established a monitoring system to ensure that appropriate actions are taken. Because information on the work activities of concurrent beneficiaries may not be exchanged between the two programs or acted on in a timely manner, SSA may be overpaying benefits. SSA took steps recently that have the potential for improving service to concurrent beneficiaries and increasing the accuracy of their payments by better coordinating the administrative process related to work activity. For example, SSA officials have created a new position and new software to handle work-related issues for all beneficiaries, which could provide better integrated service to concurrent beneficiaries. Because these initiatives are still being tested and evaluated, it is too early to know whether they will have the intended effect if implemented nationwide.

Lack of Integrated Guidance and Operational Procedures Increases the Difficulty Specialized Staff Have in Effectively Serving Concurrent Beneficiaries

SSA's guidance for administering the DI and SSI programs may contribute to the difficulty encountered by staff that specialize in one program but are required to collect information about both programs for concurrent beneficiaries. SSA's written guidance for both programs is contained in a voluminous document of about 35,000 pages divided into multiple parts.⁸ A DI specialist collecting work activity information from a concurrent beneficiary may find it challenging to use the multi-part guidance for DI benefits and even more challenging to use the guidance for SSI that would also be needed for a concurrent beneficiary.

SSA guidance does not provide integrated instructions for processing work information reported for concurrent beneficiaries or an integrated explanation of the effect of work on both DI and SSI benefits. Available

⁸SSA guidance consists of multiple parts because of the need to adjust guidance over time, incorporate temporary updates, additional guidance from regional offices, and information about court decisions that affect how policies are applied in certain areas.

guidance usually segregates information by program and provides little cross-referencing to issues that may be common to both programs. In addition, the cross-referencing that is provided does not always direct specialists to the specific procedures to follow for the other program. For example, the guidance for dealing with a DI beneficiary who returns to work contains a single cross-reference to an 81 page section of SSI policy and procedural statements. However, this 81 page section does not explain the basic effect of work on benefits. To determine the specific procedures and how work affects the person's SSI benefits, the DI specialist would need to go to yet another section of SSI guidance without the benefit of a cross-reference to find it. The need for efficient and accessible guidance is particularly important in field offices where heavy workloads and changing priorities often compete for employee attention.

The lack of integrated guidance may contribute to SSA not collecting all the required information on concurrent work beneficiaries. In some offices, concurrent beneficiaries report their work activity to either a DI or SSI specialist who collects the information he or she believes necessary to determine the amount of benefits that should be paid under both programs. Some specialists reported that they did not always know when an individual was a concurrent beneficiary and did not always know what information to collect about the other program. In other offices, a concurrent beneficiary reported to a specialist in each program. If the beneficiary is unable to meet with both specialists, SSA may not collect all the information needed to adjust benefits correctly.

Even if the information is collected, some field offices lack standard procedures for ensuring that information about the work activity is shared between programs. Some field offices have established local procedures for sharing this information, but these procedures may not always be adequate. For example, in one field office we visited, the SSI specialists who usually collected information about work activity from concurrent beneficiaries would copy and share the information with one designated supervisor who was responsible for taking the actions necessary to adjust DI benefits. Even with this procedure in place, the supervisor told us she was not confident that she was receiving all the information that was being reported by concurrent beneficiaries.

SSA Does Not Monitor Its Process for Accounting for Work Activity, Often Resulting in Untimely Actions That May Cause Overpayments

SSA's procedures for determining the appropriate DI benefit amount when concurrent beneficiaries work make it difficult to adjust benefits in a timely manner. When a concurrent beneficiary reports work, the field office handling the case can adjust the SSI benefit, when warranted. In contrast, in most cases, field office employees cannot take immediate actions to adjust DI benefits because they cannot be adjusted until the beneficiary has completed a 9 month trial work period.⁹ At the beginning of the trial work period, SSA procedures direct the field office to transfer DI cases to one of seven program service centers (PSC) for documenting the start of this period. At the end of this period, the PSC is supposed to return the case to the field office, which then determines whether the beneficiary will continue to be entitled to benefits. However, SSA does not routinely monitor or have a comprehensive system that tracks actions on cases as they move between SSA components and automatically identifies the cases may be nearing the completion of the trial work period. As a result, the field offices may not be notified immediately upon the completion of a trial work period and, therefore, may not know whether or not to terminate DI benefits. Employees in several field offices told us that they often do not receive the cases back from the PSCs in a timely manner. Their estimates of the time it took the PSC to return these cases for further action ranged from 1 to 10 years. SSA officials could not verify these delays because they told us that they did not systematically collect information about these time frames. These problems occur not only when administering the trial work period for concurrent beneficiaries, but for all DI beneficiaries who return to work.

Untimely actions may also occur because the tasks related to adjusting benefits after the end of the trial work period are given a lower priority than other workloads. Several SSA officials told us that many tasks associated with adjusting benefits to account for work activity do not receive workload credits that help maintain or increase field office staffing levels. For this reason, field office managers generally give a higher priority to tasks that do, such as processing initial claims for benefits. However, an SSA headquarters official recently told us that SSA will focus greater attention on the post trial work period workload as it implements the Ticket to Work program.

Because SSA employees do not always evaluate and take action related to the work activity in a timely manner, some DI beneficiaries continue to receive benefits that they are no longer due. When DI beneficiaries earn

⁹See table 1 for an explanation of the trial work period.

more than a specified amount¹⁰ in any month after completing the trial work period, as of that month, SSA no longer considers the person disabled and should end their DI benefits 2 months later. However, several SSA officials told us about a one-time analysis of SSA disability overpayments based on cessation of disability in calendar year 2000 that revealed that about one-half of the overpayment dollars were made to people who should not have received benefits because of their earnings. Given this analysis, failure to take timely actions when DI beneficiaries work may account for about \$350 million dollars in overpayments for calendar year 2001.¹¹

SSA established a temporary new position in July 2000, the employment support representative, which has the potential to address the challenges it faces in serving concurrent beneficiaries. SSA developed the position, in part, to concentrate on the needs of disability beneficiaries who work and tested it with 32 SSA employees who had responsibility for 54 field offices. These representatives received extensive training in the work incentive provisions of both the DI and SSI programs. This training prepared them to take the necessary actions for both programs without the need to rely on unfamiliar program guidance. Moreover, funneling all work activity cases through a single employee would allow this individual to develop a level of expertise that was not possible in the traditional field structure. Further, combining all duties related to disability beneficiaries who return to work into a single position could eliminate the problem of specialists in one program failing to share information with the other program. In addition, since these representatives do not share responsibility for handling the case with the PSC, they could take actions to adjust DI benefits in a timelier manner.

It is unclear whether SSA will make this position permanent, and to what degree. In a November 2001 report, an SSA workgroup recommended that the position be implemented permanently in as many of its 1,300 service locations as feasible. While the 32 employment support representatives

¹⁰Earnings above a specified monthly amount indicate the capacity to perform substantial gainful activity and would result in a finding that the beneficiary is no longer disabled. The monthly limit for 2002 is \$780 for all beneficiaries, except for those with statutory blindness. For blind beneficiaries, the monthly limit is \$1,300.

¹¹In another situation, SSA has underpaid SSI beneficiaries who should have been concurrent beneficiaries. Because of a problem in the SSI benefit payment system, SSA was not alerted to all the cases in which SSI beneficiaries had worked a sufficient amount of time to become eligible for DI benefits. SSA estimates that more than 500,000 SSI beneficiaries may be underpaid an average of 8 years' benefits.

continue to perform the duties of this position, the agency has not announced decisions about the ultimate fate of this position. As of July 2002, SSA officials were still evaluating the resource implications of implementing this position in most of its field offices. Without additional resources, some field office managers told us they would have to divert existing staff from their current positions to assume the employment support representative role. SSA has not evaluated the timeliness of actions taken by the employment support representatives to adjust benefits. However, the employment support representatives with whom we spoke thought that the additional costs associated with the new position could be offset by the reduction in overpaid DI benefits from their more timely actions.

In addition to testing the employment support representative position, SSA is developing a new computer system that may potentially help to improve the timeliness of actions in response to the work activity of DI beneficiaries. Scheduled for release at the end of calendar year 2002, the new program will allow SSA for the first time, to collect information about the monthly earnings of all DI beneficiaries who are working. This information should provide the basis for a systematic method for SSA to determine whether additional action is needed to determine continuing eligibility for DI benefits. However, SSA is still deciding what additional information the new system should include and what reports it should produce to monitor all the actions needed to account for the work activity of DI beneficiaries and to adjust benefits in a timely way.

The Application of Both DI and SSI Rules Makes It Difficult for Concurrent Beneficiaries to Make Informed Decisions about Work Activity

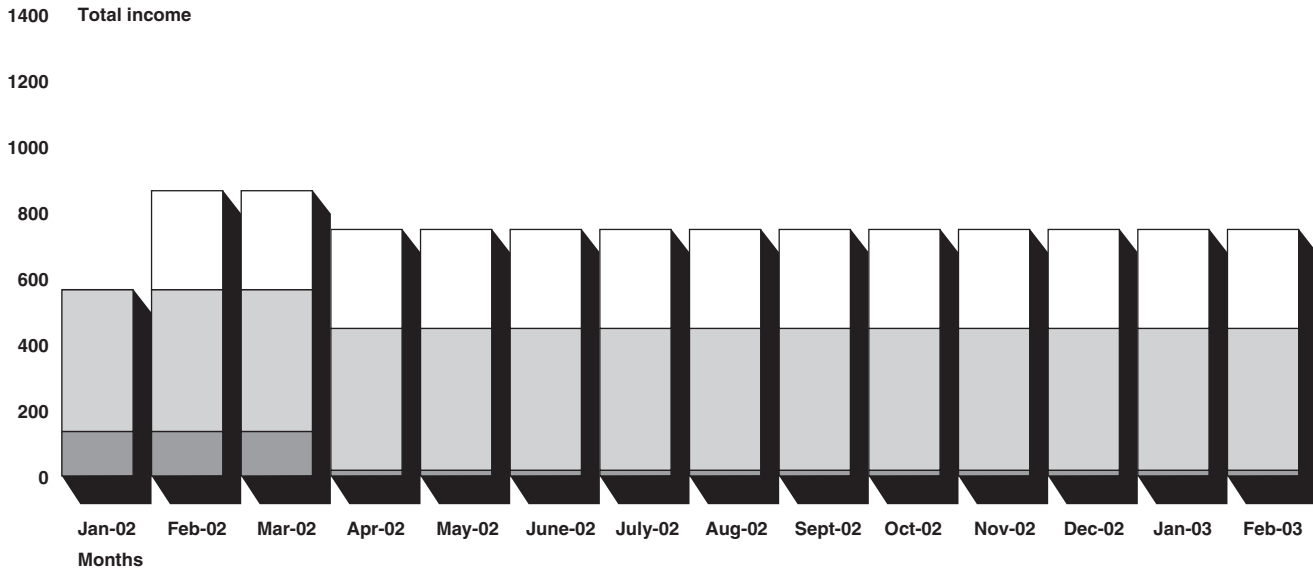
Just as SSA has no special procedures for administering the rules for concurrent beneficiaries, it does not provide concurrent beneficiaries with any integrated explanation of the effects of work on both DI and SSI benefits through its public information materials. The numerous publications that SSA has issued explain how work affects one benefit or the other. SSA extends this practice of not integrating their explanations of the effects on benefits by sending beneficiaries two separate letters, one to explain changes in DI benefits and another to explain SSI benefits. In addition, SSA field office specialist employees that lack expertise about both programs may provide incomplete or incorrect information about these effects.

While it may be difficult to communicate, it is important for concurrent beneficiaries to understand that work activity affects their benefits at different levels of earnings and at different times, depending on the program. For example, concurrent beneficiaries with relatively low earnings may be able to maintain both benefits while increasing their total

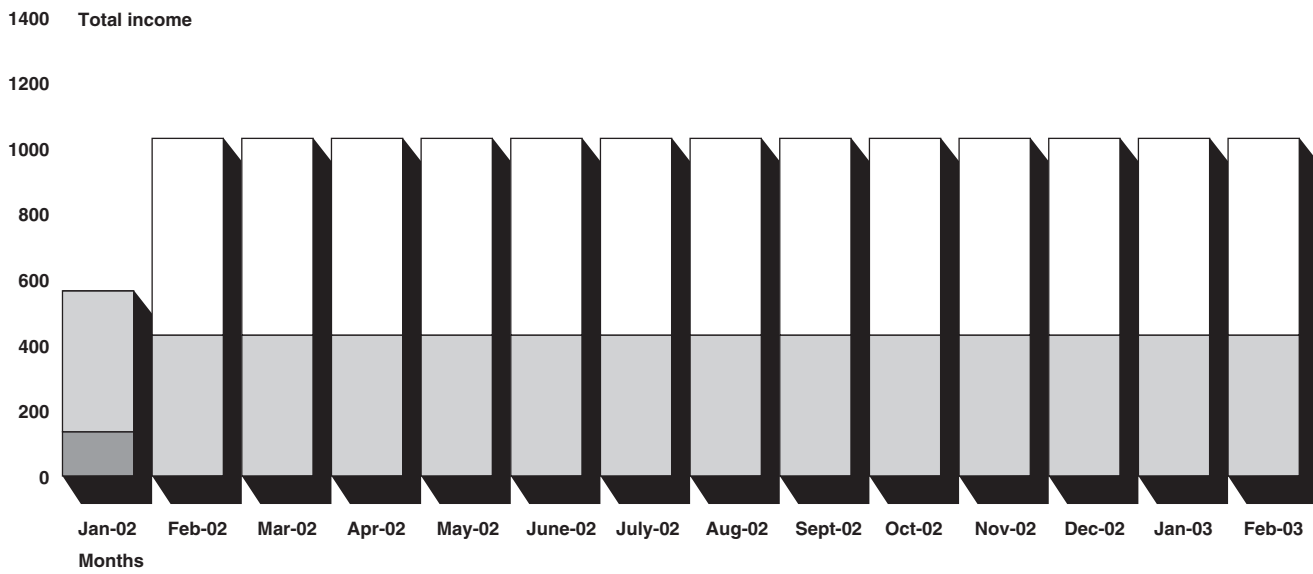
income. However, as earnings increase, so does the probability that they will eventually lose one or both benefits. Figure 2 illustrates these effects of work activity at three earnings levels on the DI and SSI benefits. At low earnings, a beneficiary receiving the average DI benefit who starts working in February 2002 retains DI and SSI benefits throughout the 13 month period shown. In contrast, a beneficiary with high earnings—higher than substantial gainful activity—will lose both benefits during the same period.

Figure 2: Effect of Earnings on the DI and SSI Benefits of a Concurrent Beneficiary

Low earnings - \$300 per month

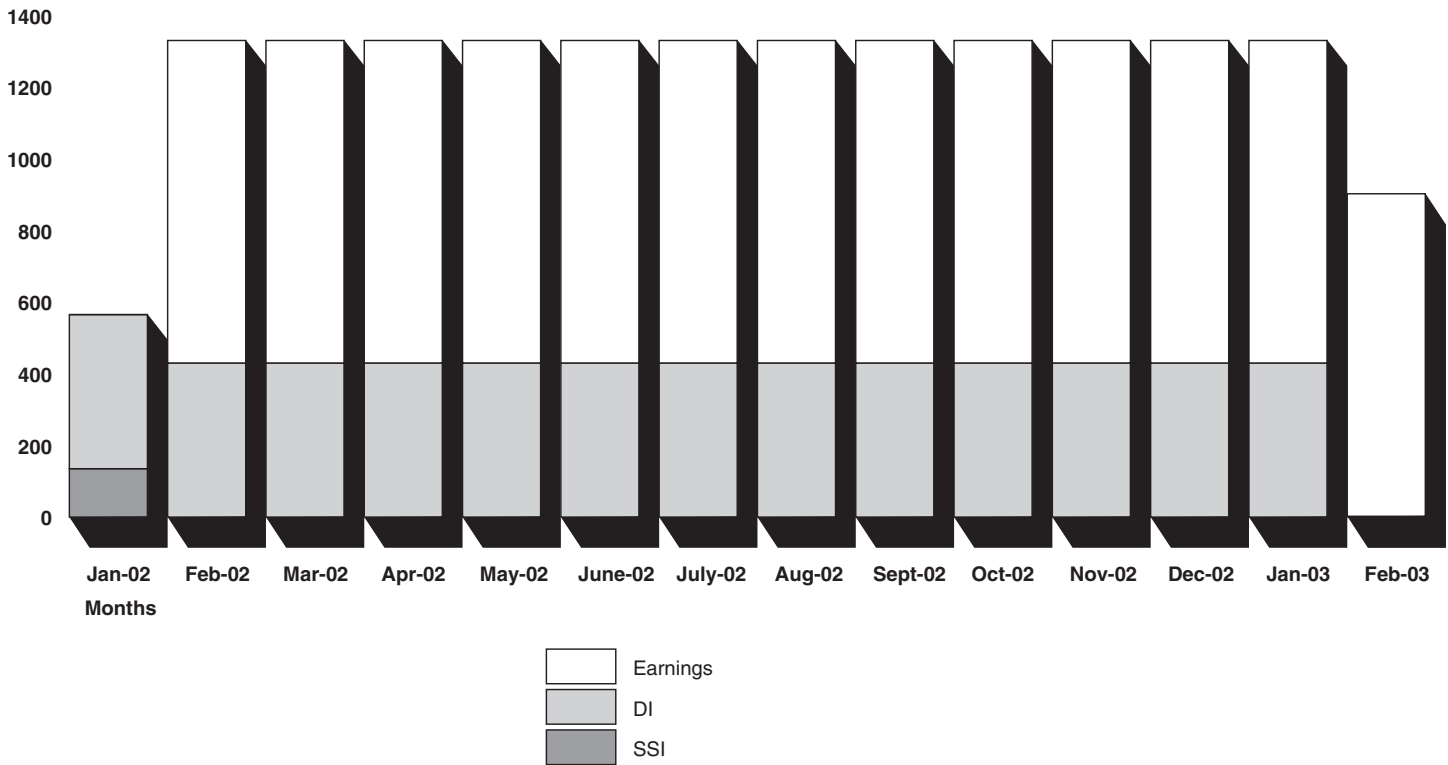


Moderate earnings - \$600 per month



High earnings - \$900 per month

Total income



Note: Computations are based on the following assumptions: an individual (1) has the average monthly DI benefit of \$430 for concurrent beneficiaries, (2) has an SSI benefit of \$135 and no income other than earnings, (3) began work in February 2002, (4) lives in a state that does not supplement the federal SSI benefit and (5) has Medicare and does not need Medicaid to continue working. For the sake of simplicity, no cost-of-living adjustments have been estimated for 2003.

Source: GAO Analysis of SSA law, regulations and policy guidance.

Because the work incentive provisions of the two programs are designed to encourage beneficiaries to test their ability to work without losing their benefits, concurrent beneficiaries who understand the rules of both programs can make decisions that best support their priorities for income, services, and self-sufficiency. Concurrent beneficiaries who wished to become self-sufficient would need to understand that, to maintain an equivalent of their level of benefits and services, they would need to earn enough to make up for the eventual loss of cash benefits and health

insurance and benefits and services from other sources. Concurrent beneficiaries who are uncertain about their ability to sustain work can focus on working at a level that preserves enough benefits to support them while they test their ability to work. In determining what level of work they can pursue, these beneficiaries would have to weigh the value of non cash benefits that depend on income and assets such as housing or social services compared with the earnings from increased work activity. For example, a service provider told us about one concurrent beneficiary who was receiving in-home support services from his county that allowed him to live independently. However, he returned to work and was then earning too much to continue to qualify for these services. He determined that he could continue to qualify for the support services by working 1 hour less per week and he negotiated the change with his employer.

Concurrent beneficiaries who do not understand the programs' provisions may make decisions about work that will make them worse off financially. Some concurrent beneficiaries do not work at all because they are afraid of losing their benefits. For example, two social service providers with whom we spoke indicated that some of their clients with mental retardation and the family members who helped them make decisions would avoid any work activity. Even though some earnings would not significantly affect benefits, they feared the loss of any benefit and health insurance and decided to forego the additional income they could have earned. At the other extreme, beneficiaries may inadvertently lose the benefits and health insurance they need by earning more than the allowable limits under one or both of the programs.

Concurrent beneficiaries who do not understand the full range of work incentives may not pursue provisions that might ease their transitions to work. For example, one young concurrent beneficiary who was working part-time and attending college told us that SSA employees had never explained two SSI work incentive provisions that would have allowed her to exclude more of her earned income from the total used to determine her benefit. This would have allowed her to have more money for her tuition. Another concurrent beneficiary said that, even though she had expressed a strong desire to work and had returned to work for a short time, SSA had never explained that she could deduct from her countable earnings the cost of any items or services related to her impairments that were necessary for her to continue working.

To assist beneficiaries in making better decisions about work activity, as authorized by the Ticket to Work and Work Incentives Improvement Act of 1999, SSA has provided funding since 2000 to community-based

organizations. These organizations are funded to provide work incentive planning and assistance to beneficiaries and conduct outreach to individuals who are potentially eligible to participate in work incentive programs. In fiscal year 2002, SSA awarded a total of about \$20 million to more than 100 organizations for these activities. The 2001 annual report of this program indicates that, through the end of that calendar year, more than 100 organizations receiving funding provided intensive benefit support services to more than 4,500 beneficiaries, most of whom were working or considering a return to work. In addition, more than 5,000 beneficiaries received less intensive services, such as information and referral.

Some disability advocates have recommended making the work incentive rules similar in both the DI and SSI programs to help beneficiaries better understand the effect of work on benefits. They frequently suggest eliminating the 9 month trial work period for DI and replacing it with a gradual reduction in benefits in response to increased earnings, similar to the SSI program. Such a change would require legislative action. The Ticket to Work and Work Incentives Improvement Act requires SSA to conduct a demonstration project to test whether a reduction of \$1 in DI benefits for every \$2 earned would remove disincentives to return to work. SSA is still in the planning stages for this demonstration, and it is unclear when data will be available.

Conclusions

The DI and SSI programs were designed as two separate programs to serve two distinct categories of disability beneficiaries. However, a third category, concurrent beneficiaries—those who qualify for both DI and SSI benefits—has emerged as a sizable disability population. Failure to properly administer the program for this special population could result in benefit overpayments and underpayments and less-than-ideal beneficiary decisions about work.

Without taking additional steps, it will be more difficult for SSA to effectively administer the disability program and serve concurrent beneficiaries under the current program. Without improved guidance and procedures, staff that have knowledge only about SSI or DI program rules may not collect and share information needed to make accurate determinations about concurrent beneficiaries' benefit payments. In addition, without a monitoring system to ensure information about concurrent beneficiaries' work activity is shared across program components and acted upon within a timely manner, SSA faces an increased risk that concurrent beneficiaries, as well as all DI beneficiaries

who return to work, will be overpaid. Moreover, without public information materials that clearly explain the complex interaction of the two programs, the possibility that beneficiaries would make decisions about working that are not in their best interest could increase. Further, a lack of understanding of the work incentive provisions could create a disincentive to work.

Recommendations for Executive Action

SSA needs to undertake the necessary steps to ensure it adequately serves concurrent beneficiaries and exercises its stewardship over program funds by avoiding overpayments. We recommend that the Commissioner of SSA:

- Develop procedures and integrated guidance to ensure information about work activity is collected and shared between the DI and SSI programs. One option would be to improve the cross-references used in its program guidance to more specifically target needed information to take actions to adjust benefits for both programs. Another option would be to require that some staff are knowledgeable about both programs and that they collect and act on work activity information for both programs. Regardless of the option selected, SSA should also consider adding to its guidance explanations and examples of the effect of work activity for individuals receiving both DI and SSI benefits.
- Develop comprehensive systems to monitor the progress of DI cases as they move between SSA components and set timeliness goals for the entire process for each action and component. In addition, use this information to help ensure timely actions and minimize overpayments of DI benefits when individuals return to work.
- Develop public information materials targeted to concurrent beneficiaries that explain the complex interaction of the two programs in language that beneficiaries can understand. SSA may wish to consider revising its publication, *Working While Disabled—How We Can Help*, to include a basic explanation of the effects of work when an individual receives both DI and SSI benefits and examples that illustrate these effects. For more detailed explanations, SSA could direct beneficiaries to contact an SSA representative knowledgeable of both programs.

Agency Comments and Our Evaluation

In its comments on a draft of this report, SSA agreed with our conclusions and highlighted the initiatives it has underway or planned that it believes will address our recommendations (see app. II). Concerning our first recommendation, SSA stated that it is developing training for fall 2002 to enhance field office employees' technical proficiency in both the DI and

SSI programs. It is also developing and refining its supportive software systems to print referral forms for use in routing program information. We believe additional training should help to improve the technical proficiency of field office employees in both programs. However, SSA may need to consider the time field employees will need to develop proficiency after completing the training. Reliable, user-friendly program guidance could help reinforce this training as well as be a reference to these and future employees. Therefore, we continue to believe that program guidance should be modified to more completely explain the interactions of the two programs when concurrent beneficiaries work. Further, while the enhancements to software should provide SSA with an additional tool for sharing information between programs, SSA may wish to consider developing procedures to ensure that such available tools are being used appropriately to share information.

Concerning our second recommendation, SSA said that the systems it now has under development and scheduled for release in November 2002 will provide the necessary management information capabilities needed to ensure actions related to beneficiaries working are taken on a timely basis. As acknowledged in our report, the new system under development has the potential for improving the timeliness of actions in concurrent cases. However, because the system is still under development, we are unable to determine how effective it will be in identifying and controlling work activity. For example, we cannot confirm at this time whether the databases being developed will contain information about all working beneficiaries nationwide that can be accessed by all field offices or local databases that can only be accessed by the employees in one office, similar to those being tested in a number of field offices.

Concerning our third recommendation, SSA stated that it would develop a fact sheet for concurrent beneficiaries that explains the interaction of the two programs in language they can understand. The agency will also modify another publication to make it clear that beneficiaries should contact the agency for an explanation because the interaction of work activity with the two programs is so complex that it requires individualized explanations. We believe a fact sheet that explains the interactions of the DI and SSI programs should be useful for concurrent beneficiaries. In addition, we agree that the interaction of work with DI and SSI benefits is complex and that individualized explanations may provide concurrent beneficiaries with the most complete information. In relying on individualized explanations provided by SSA employees, SSA may wish to consider developing methods to ensure that concurrent beneficiaries have access to employees who are knowledgeable in both programs regardless

of the method of contact. For example, given that many beneficiaries may contact SSA through its 800 number teleservice centers, SSA could either deploy knowledgeable staff in the teleservice centers or establish procedures to ensure that these calls are referred to staff who are knowledgeable in both programs.

SSA also provided technical comments, which we have incorporated as appropriate.

We are sending copies of this report to the Commissioner of Social Security, appropriate congressional committees, and other interested parties. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me on (202) 512-7215 or Shelia Drake at (202) 512-7172. Key contributors to this report were Beverly Crawford, Amy Bevan, Patrick DiBattista, and Vanessa Taylor.



Robert E. Robertson, Director
Education, Workforce, and
Income Security Issues

Appendix I: Scope and Methodology

To determine the number and characteristics of concurrent beneficiaries, we used data from the Social Security Administration's (SSA) monthly 10 Percent Characteristic Extract Record file of the Supplemental Security Record, which contains data from a 10 percent simple random sample of the records of all Supplemental Security Income (SSI) applicants and beneficiaries. We used data from the September 2001 extract to test our analysis and used the February 2002 extract for the final analysis.

We first determined the number of working age beneficiaries (both concurrent and SSI only). To do this, we deleted from the sample universe all records that

- were not active (those that did not have a Record Identification Code of G);
- showed a date of death in a month prior to the month of the file;
- showed a master file type other than disabled or blind;
- showed that the beneficiary was under age 18 or over age 64 as of the month of the file;
- showed that the claim was denied and no payments had been made on that record;
- showed entitlement for a veteran under title VIII of the Social Security Act; and
- showed that the beneficiary was not receiving SSI because of excess income, except for those beneficiaries who continued to be eligible for Medicaid under section 1619b of the Social Security Act and who would be eligible for SSI payments if it were not for their earnings.

We then determined which beneficiaries received Disability Insurance (DI) income as well as SSI income—concurrent beneficiaries. To do this, for the records that remained, we identified concurrent beneficiaries as individuals who were currently receiving type A unearned income. Type A unearned income is any Social Security benefit. The remaining records were identified as beneficiaries who received SSI but not DI. We did not eliminate the remaining records for which benefits were suspended, but were not terminated as of February 2002, because, in many cases, these suspensions are temporary and the beneficiary will return to payment status within a relatively short period of time. In addition, our methodology did not allow us to discern whether concurrent beneficiaries ages 62 through 64 were receiving Social Security benefits on the basis of disability or retirement. As a result, we may be slightly overstating the size of the concurrent beneficiary population.

All estimates have sampling errors of +/- 5 percent or less of the value of the point estimates offered. We employed standard and widely accepted social science and statistical methods. We did not independently verify the accuracy or completeness of the data provided to us by the SSA.

To assess the extent to which SSA coordinates the DI and SSI program rules when individuals are working and receiving benefits from both programs, we reviewed the relevant sections of the Social Security Act, regulations, and SSA policy and procedural guidance to its employees. We also interviewed SSA officials at the headquarters in Baltimore, Maryland, and at several field offices. We visited two SSA field offices each in metropolitan Los Angeles, California; and Chicago, Illinois, and one each in Alexandria, Virginia; Wilmington, Delaware; and Towson, Maryland. We judgmentally selected the locations on the basis of geographic diversity, the presence or absence of an employment support representative pilot, and the use of generalist or specialist claims representatives.

To determine the potential effect of applying both DI and SSI program rules on concurrent beneficiaries' decisions to work and on their benefits, we relied on our review of SSA law, regulations, and policy and procedural guidance as well as our interviews with SSA officials at headquarters and in field offices. We also reviewed the public information materials that SSA developed and used to communicate information about its programs to beneficiaries and other interested parties. In addition, we interviewed academic researchers, advocates for people with disabilities, social service providers for individuals with disabilities, and a small number of concurrent beneficiaries.

Appendix II: Comments from the Social Security Administration



SOCIAL SECURITY

The Commissioner

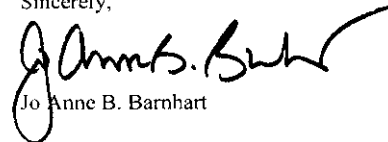
August 12, 2002

Mr. Robert E. Robertson
Director, Education, Workforce and
Income Security Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Robertson:

Thank you for the opportunity to review and comment on the draft report, "Social Security Administration Disability: Enhanced Procedures and Guidance Could Improve Service and Reduce Overpayments to Concurrent Beneficiaries" (GAO-02-802). Our comments on the report are enclosed. If you have any questions, please have your staff contact Trudy Williams at (410) 965-0380.

Sincerely,



Jo Anne B. Barnhart

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT, "SOCIAL SECURITY ADMINISTRATION DISABILITY: ENHANCED PROCEDURES AND GUIDANCE COULD IMPROVE SERVICE AND REDUCE OVERPAYMENTS TO CONCURRENT BENEFICIARIES" (GAO-02-802)

General Comments

We agree with GAO that concurrent beneficiaries who choose to work can face complex choices and confusion over the effects of work and earnings. As a result, SSA has underway a number of initiatives to increase the Agency's ability to serve concurrent beneficiaries effectively in this area. We are continuing development of an extensive new systems capability to improve monitoring, notice capability, workload measurement, management information, and the ability of front-line personnel to both query the system and make direct input. In addition, we have instituted new support structures such as the benefits planning, assistance and outreach program; protection and advocacy grants; and State partnership initiatives. SSA is also currently providing hundreds of hours of program training and is updating instructional materials on the changes brought on by the Ticket to Work and Work Incentives Improvement Act of 1999 and their interaction with existing work incentive programs.

Recommendation 1

SSA should develop procedures and integrated guidance to ensure that information about work activity is collected and shared between the Disability Insurance (DI) and Supplemental Security Income (SSI) programs. One option would be to improve the cross-references used in its program guidance to more specifically target needed information to take actions to adjust benefits for both programs. Another option would be to require that some staff be knowledgeable about both programs and that they collect and act on work activity information for both programs. Regardless of the option selected, SSA should also consider adding to its guidance explanations and examples of the effect of work activity for individuals receiving both DI and SSI benefits.

Comment

We agree it is advisable to have sufficient staff knowledgeable about both DI and SSI benefits. Training is being developed for Fall 2002 implementation to enhance field office employees' technical proficiency in both programs. Also, we are developing and refining our supportive Modernized Return to Work (MRTW) software to assist in improving cross-references between the two programs. Some of the software developed in the MRTW system actually prints referral forms for SSI and Social Security Disability Insurance (SSDI) that can be routed to the appropriate person specializing in the other program. Completion of the referral screen does not require extensive knowledge of the other program.

Recommendation 2

SSA should develop comprehensive systems to monitor the progress of DI cases as they move between SSA components and should set timeliness goals for the entire process for each action and component. In addition, SSA should use this information to help ensure timely actions and minimize overpayments of DI benefits when individuals return to work.

Comment

We agree that a comprehensive system to monitor the progress of DI cases is necessary. We believe that the Disability Control File (DCF), being developed for release in November 2002, will provide a comprehensive system to monitor the progress of disability cases as they move among SSA components and programs.

We believe the systems that we currently have under development will greatly increase our abilities to identify and monitor concurrent cases. The databases that we are developing will provide the necessary information and systematic capabilities for employees to identify and control work activity in concurrent cases from the point of the work report to final action in both titles. Further, these systems will provide the management information capabilities we will need to insure actions are taken on a timely basis.

Recommendation 3

SSA should develop public information materials, targeted to concurrent beneficiaries, that explain the complex interaction of the two programs in language that beneficiaries can understand. SSA may wish to consider revising its publication, *Working While Disabled-How We Can Help*, to include a basic explanation of the effects of work when an individual receives both DI and SSI benefits and examples that illustrate these effects. For more detailed explanations, SSA could direct beneficiaries to contact an SSA representative knowledgeable of both programs.

Comment

We concur. SSA will develop a fact sheet for concurrent beneficiaries that explains the complex interaction of the two programs in language that beneficiaries can understand. We are also revising the publication, *Working While Disabled-How We Can Help*, to make clear that if a beneficiary is receiving benefits under one or both programs they should contact Social Security. We believe that the interaction of the way that work is treated under the two programs is so complex it requires individualized explanations.

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