

**Testing New Earnings  
Rules for Social Security  
Disability Insurance:  
Findings from the Benefit  
Offset National  
Demonstration**

**Center for Studying Disability Policy**

**Webinar**

**December 12, 2018**



# Welcome



**Moderator**

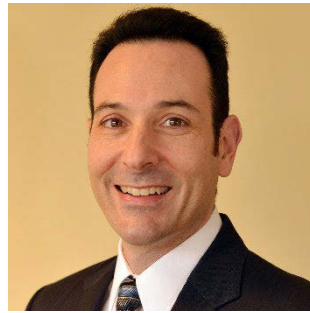
**David Wittenburg**

**Mathematica**

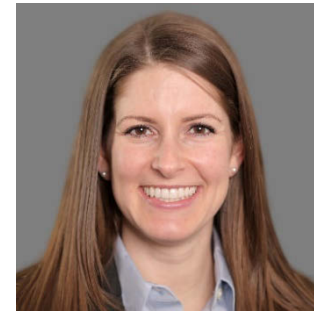
# Today's Speakers



**Mark Warshawsky**  
Social Security Administration



**Daniel Gubits**  
Abt Associates



**Denise Hoffman**  
Mathematica



**Judy Geyer**  
Abt Associates



**David Stapleton**  
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Social Security Administration

# Benefit Offset National Demonstration (BOND)

## Introduction

Mark J. Warshawsky  
Deputy Commissioner for  
Retirement and Disability Policy

December 12, 2018



# Benefit Offset Pilot Demonstration (BOPD) – A Precursor to BOND

- **Purpose**

- » Work through the process of administering a benefit offset
- » Use findings from the process evaluation to inform and develop BOND

- **Location and Enrollment**

- » Implemented in four states: Connecticut, Utah, Vermont, and Wisconsin
- » Enrollment from August 2005 to December 2006
- » 1,800 disability insurance (DI) beneficiaries randomized into treatment and control groups
- » Subjects had six years to use the \$1-for-\$2 benefit offset



# BOPD Results

## The BOPD offset caused:

- An increase in the percentage of beneficiaries with earnings above substantial gainful activity (SGA)
- High-earning individuals to reduce their earnings
- Low-earning individuals to increase their earnings above SGA

**NOTE:** These results could not be generalized outside the unique sample of those volunteer beneficiaries.

# BOND

- **BOND** is a much larger experiment than the pilot and cost \$127 million.
- **BOND** involved 1.2 million beneficiaries randomly selected from around the United States.
- **BOND** involved two stages:
  - » Stage 1:
    - Larger, mandatory, nationally representative
    - Regular benefits counseling
  - » Stage 2:
    - Smaller, voluntary
    - Regular and enhanced benefits counseling

# Demonstrations Are a Valuable Tool for Policymakers

- Randomized treatment control trials are used by the federal government to protect the public.
- Since the 1980s, demonstrations using this methodology have been a part of the government's move toward more evidence-based decisions around policy.
- BOND provides policymakers extensive evidence to judge whether the implementation of a national \$1-for-\$2 benefit offset is in the best interest of beneficiaries, Social Security Administration (SSA), and taxpayers.



# Benefit Offset National Demonstration

## Design of BOND

Presented by Daniel Gubits

December 12, 2018



# Outline: Design of BOND

- Provide brief policy background
- Describe how the \$1-for-\$2 benefit offset tested in BOND differs from current DI rules
- Describe central questions of BOND evaluation

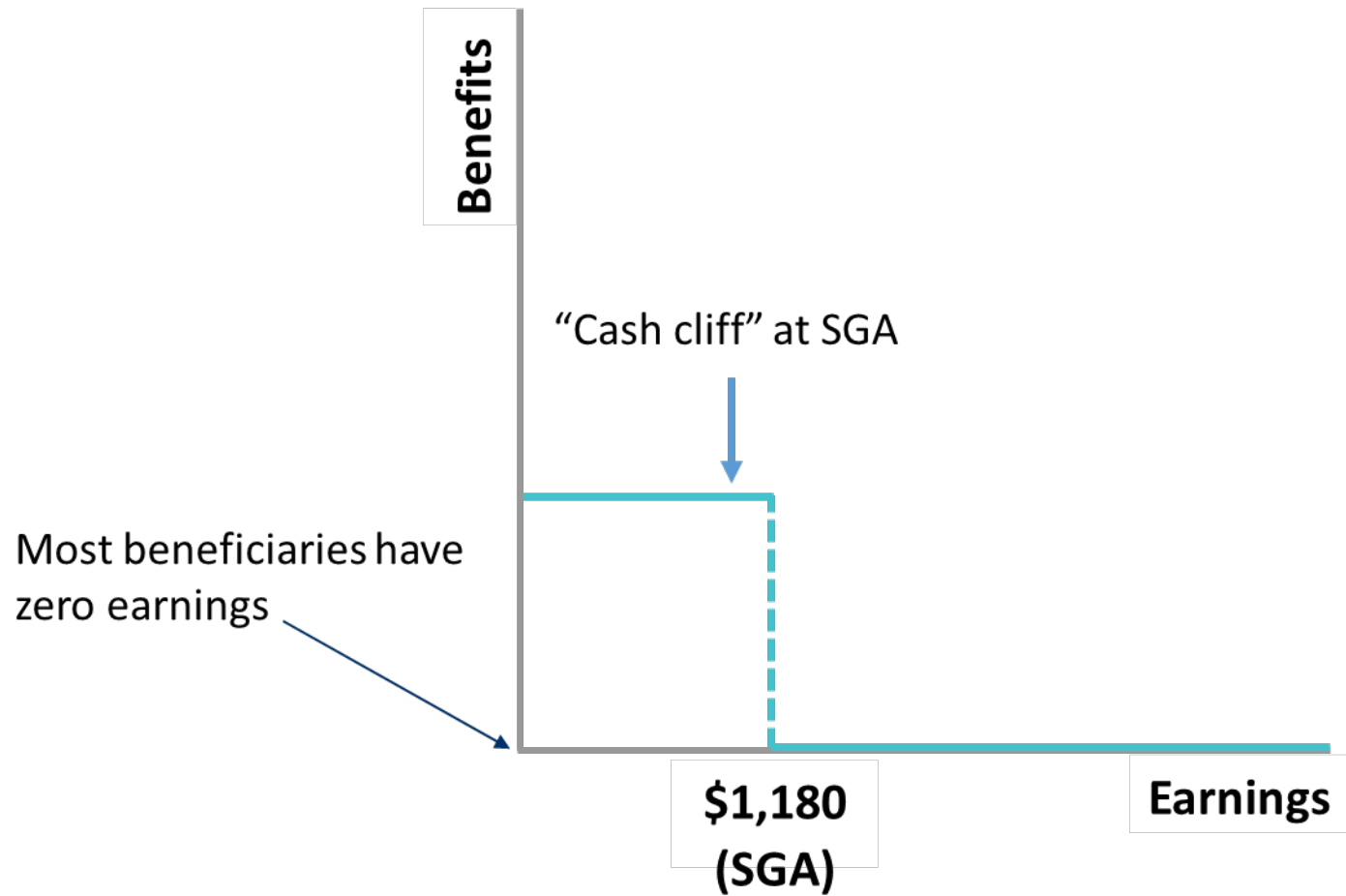
# Background (1)

- **Some DI beneficiaries can return to substantial work in the absence of medical recovery.**
- **Current program rules discourage beneficiaries from engaging in SGA.**
- **Interest in letting beneficiaries earn more and keep part of their benefits dates back to 1980 at least.**
  - » **Earned income exclusion for Supplemental Security Income (SSI)**

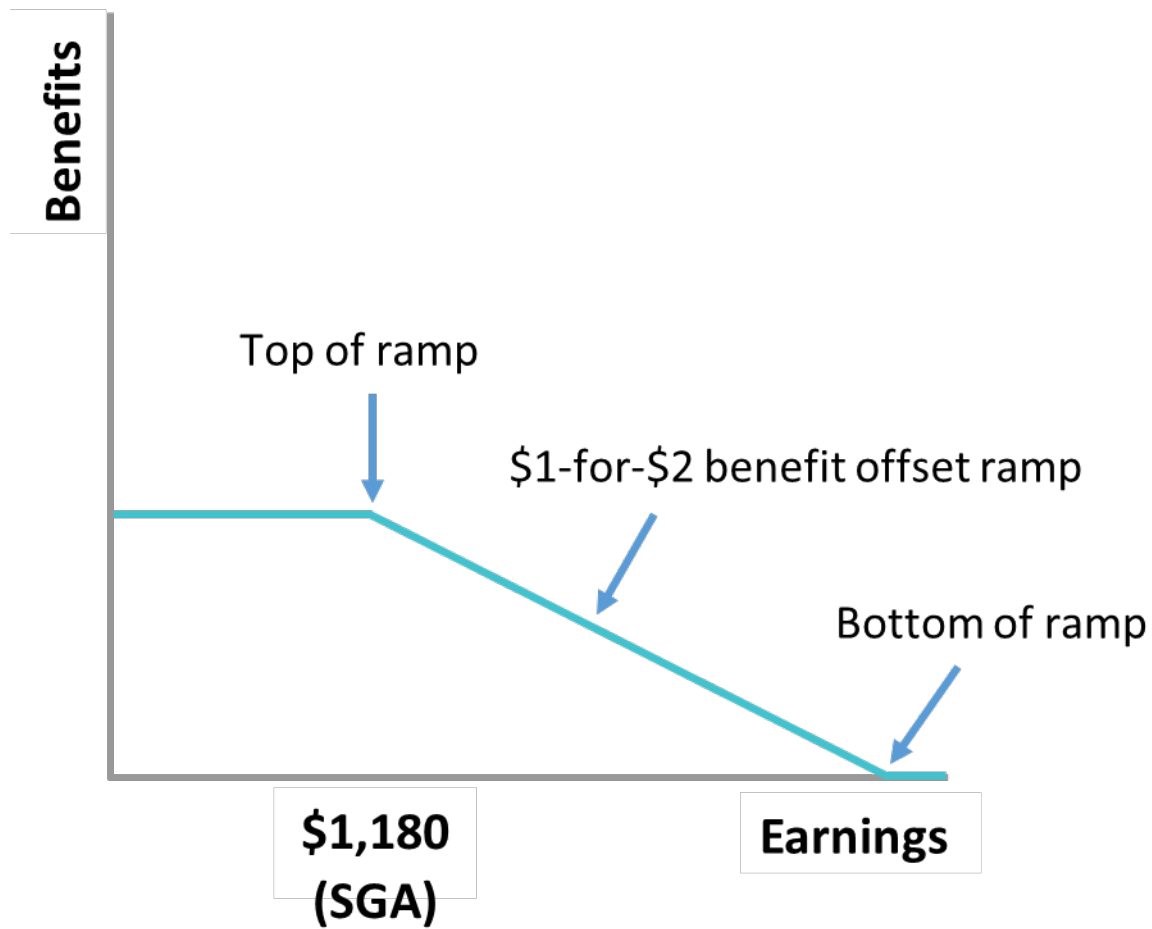
# Background (2)

- Congress authorized **BOND** in the 1999 Ticket to Work and Work Incentives Improvement Act.
- Interest heightened when actuaries projected depletion of the **DI Trust Fund** in 2016.
- The **Bipartisan Budget Act of 2015**, the economic recovery, and other circumstances have now pushed the projected depletion date to 2032.
- **BOPD** tested procedures to administer **\$1-for-\$2** benefit offset policy in four states.

# Current Rules Concerning Earnings



# Benefit Offset Rules



# Benefit Offset Versus Current Law: Earnings, Benefits, Total Income



	Current law cliff		Benefit offset ramp		Difference in income
	Benefit	Total income	Benefit	Total income	Amount
Earnings					
\$0	\$1,200	\$1,200	\$1,200	\$1,200	\$0
\$1,180 (2018 SGA)	\$1,200	\$2,380	\$1,200	\$2,380	\$0
\$1,190	\$0	\$1,190	\$1,195	\$2,385	\$1,195
\$2,380	\$0	\$2,380	\$600	\$2,980	\$600
\$3,580 (full offset)	\$0	\$3,580	\$0	\$3,580	\$0

# Theoretical Effects of the Benefit Offset Are Ambiguous

- Predicted effects of the benefit offset depend on what beneficiaries would earn when subject to current rules.

Earnings under current law	Predicted effect on earnings	Predicted effect on DI benefits
Earnings below BYA	+	-
Earnings above BYA	-	+
<b>All beneficiaries</b>	<b>?</b>	<b>?</b>

**Note: BYA = BOND Yearly Amount (annualized SGA threshold)**

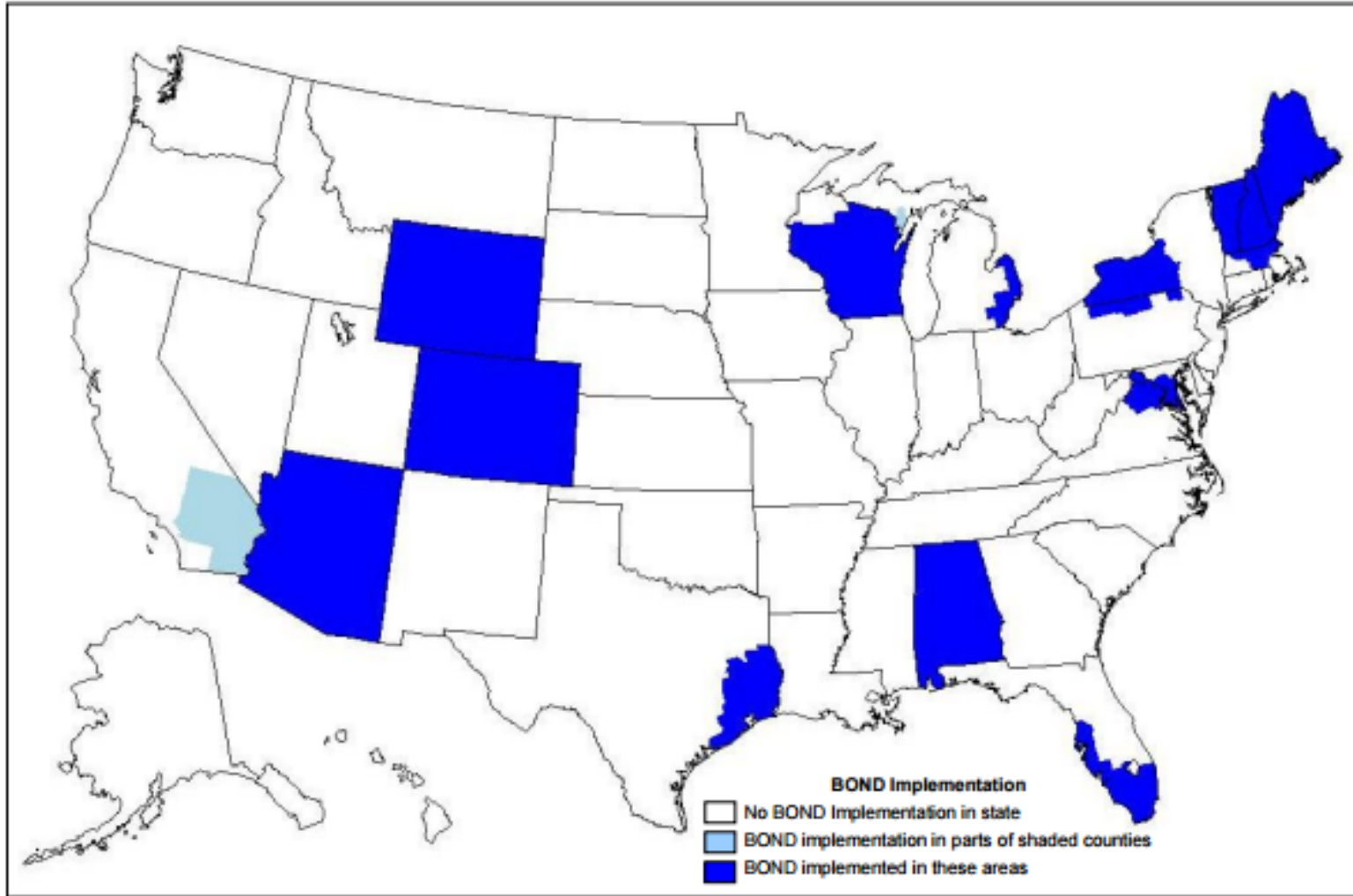


# Central BOND Questions

- **Effect of the \$1-for-\$2 benefit offset on average:**
  - » Earnings?
  - » DI benefits?
- **Other effects—for example:**
  - » Effects of adding enhanced work incentives counseling?
  - » Different effects by subgroup?
- **What are the costs and benefits of the offset policy compared with current law?**



# BOND: 10 Randomly Selected Sites



# Contact Information

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# Benefit Offset National Demonstration

Estimated Impacts for  
the Full DI Caseload  
(Stage 1)

Presented by Denise Hoffman

December 12, 2018



# Outline: Findings from Stage 1

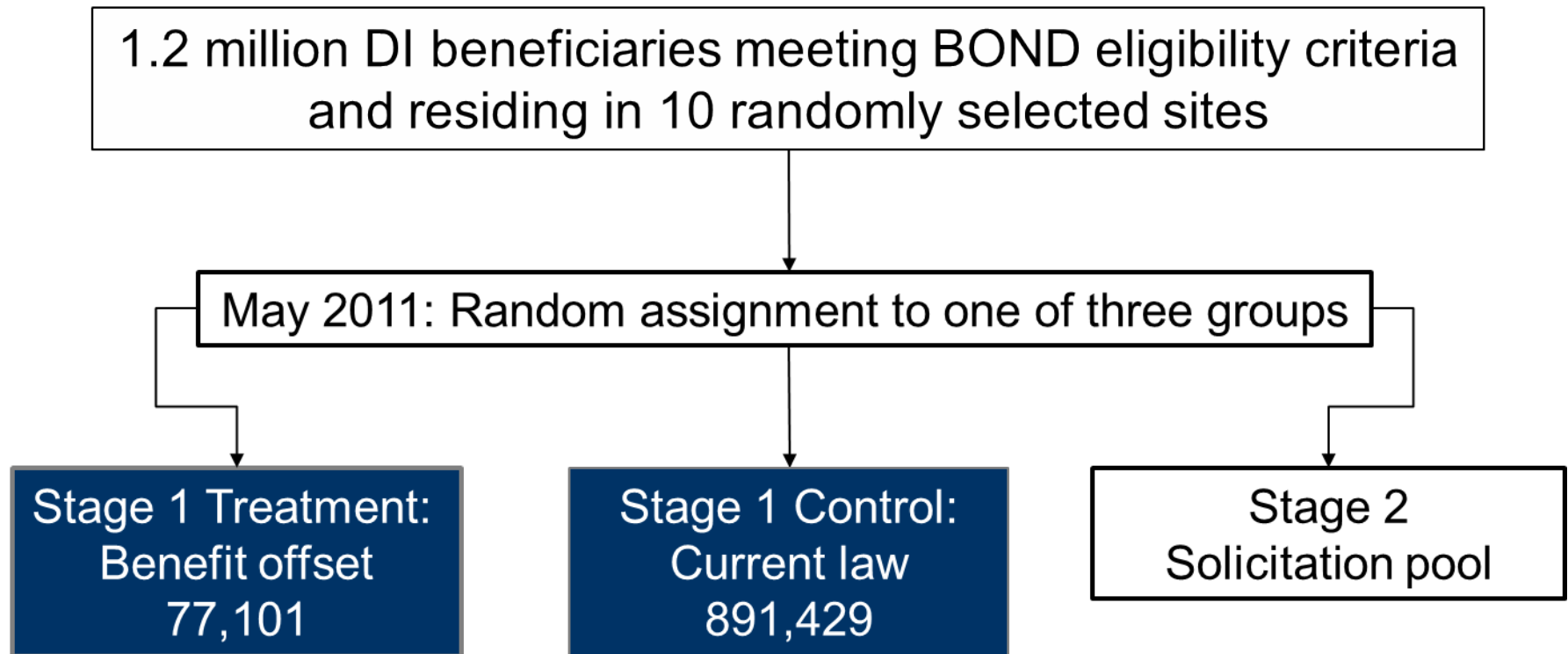
- Stage 1 implementation
- Statistics on understanding and offset use
- Impacts of the benefit offset on earnings and benefits outcomes



# BOND Stage 1

- **Purpose:** determine the impacts of offering the **BOND \$1-for-\$2 benefit offset to all DI beneficiaries**
- **Approach:**
  - » Select a nationally representative sample
  - » Randomly assign treatment and control groups
  - » Inform the treatment group members
  - » Offer standard work incentives counseling
  - » Compare outcomes

# Stage 1 Random Assignment



- Sample size large because of low expected offset use
- Statistically equivalent treatment and control groups

# Outreach to Treatment Subjects

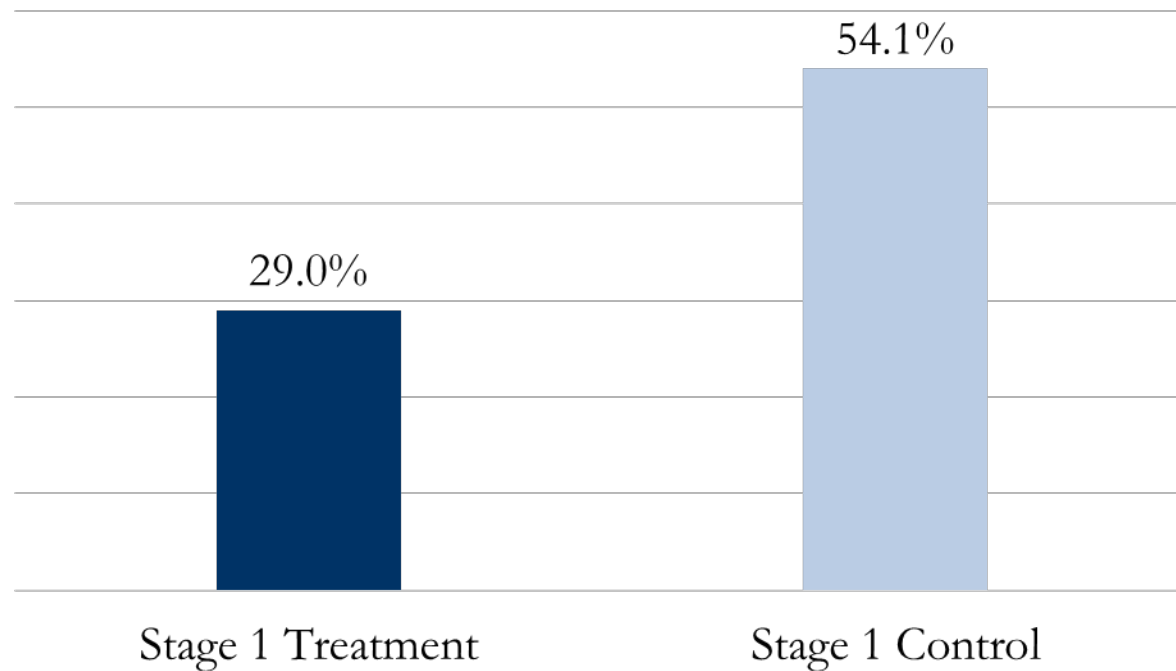
- **Initial outreach**
  - » May to August 2011
  - » Two letters to notify treatment subjects of their assignment to benefit offset rules
- **Additional outreach**
  - » 2012 to 2014
  - » Follow-up letter and up to two call attempts





# Few Treatment Subjects Understood the BOND Benefit Offset Rules

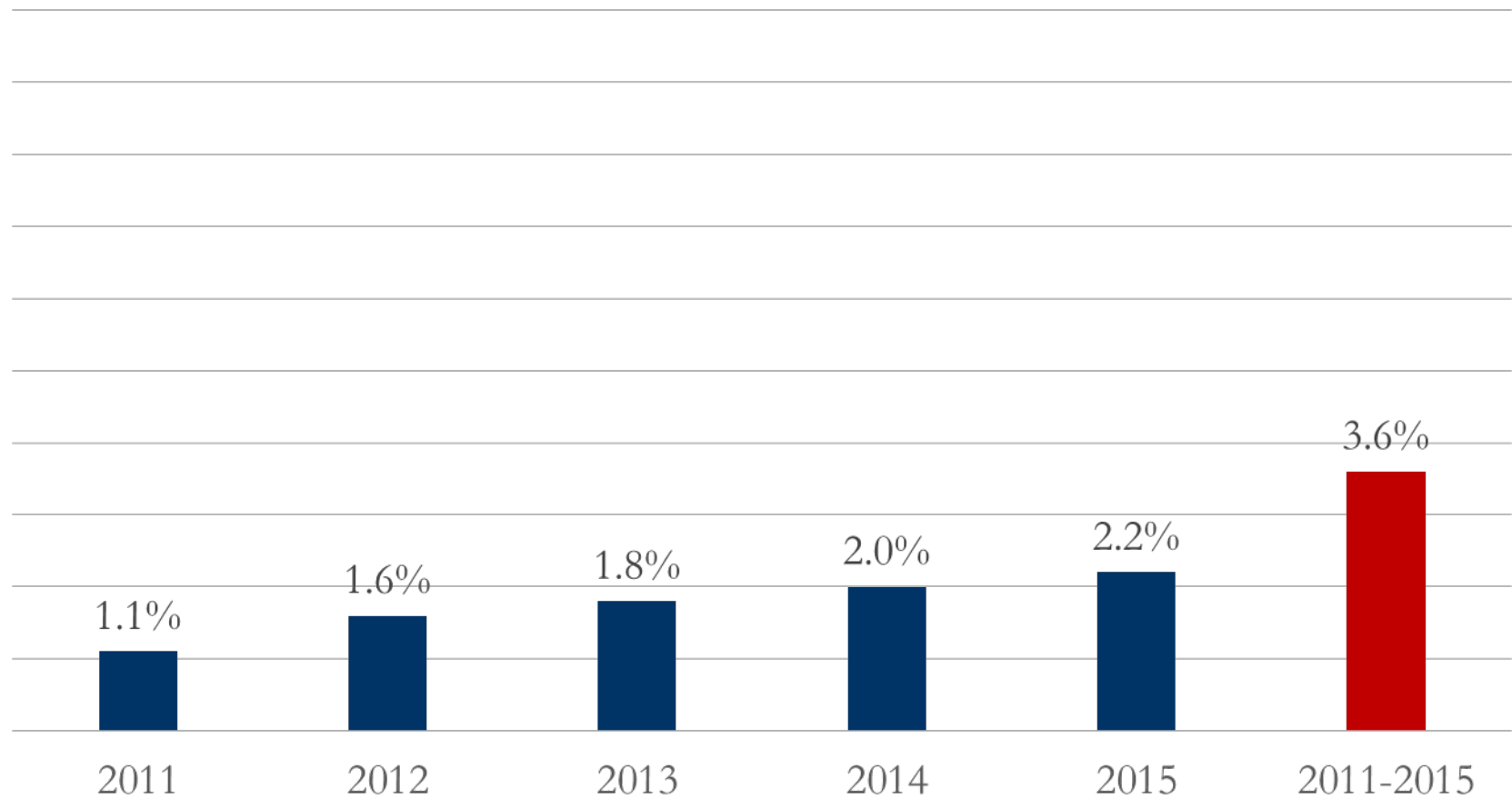
- Proportion of beneficiaries who correctly understand benefit rules that apply to them (2014):



# Delays in SSA Applying the Offset

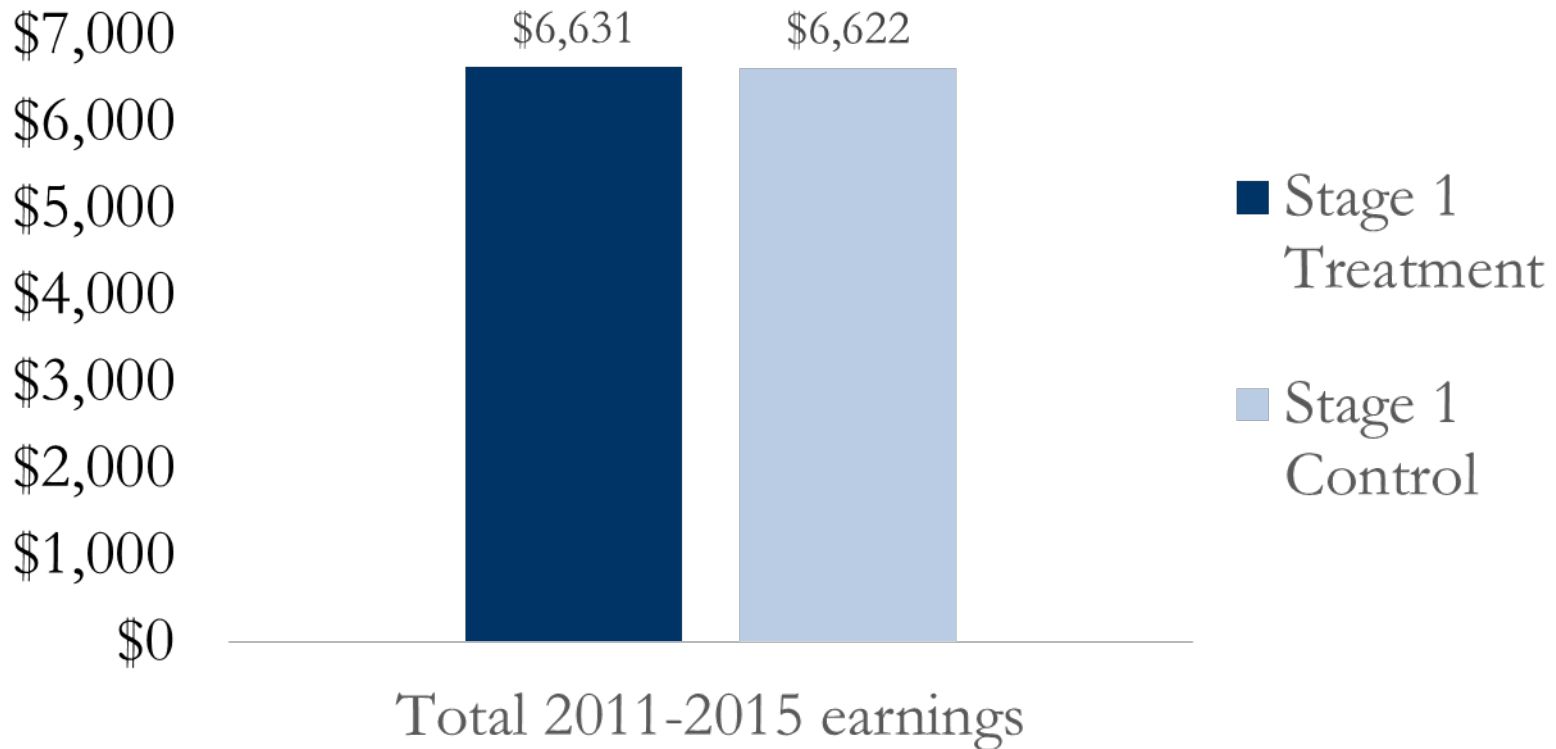
- Treatment subjects are considered to have used the offset when their earnings exceed BYA.
- The median duration between the first month of offset use and benefit adjustment was 22 months.

# Offset Use Increased Over Time



Note: Based on benefit adjustments made through July 2017

# BOND Offset Had No Effect on 2011–2015 Earnings



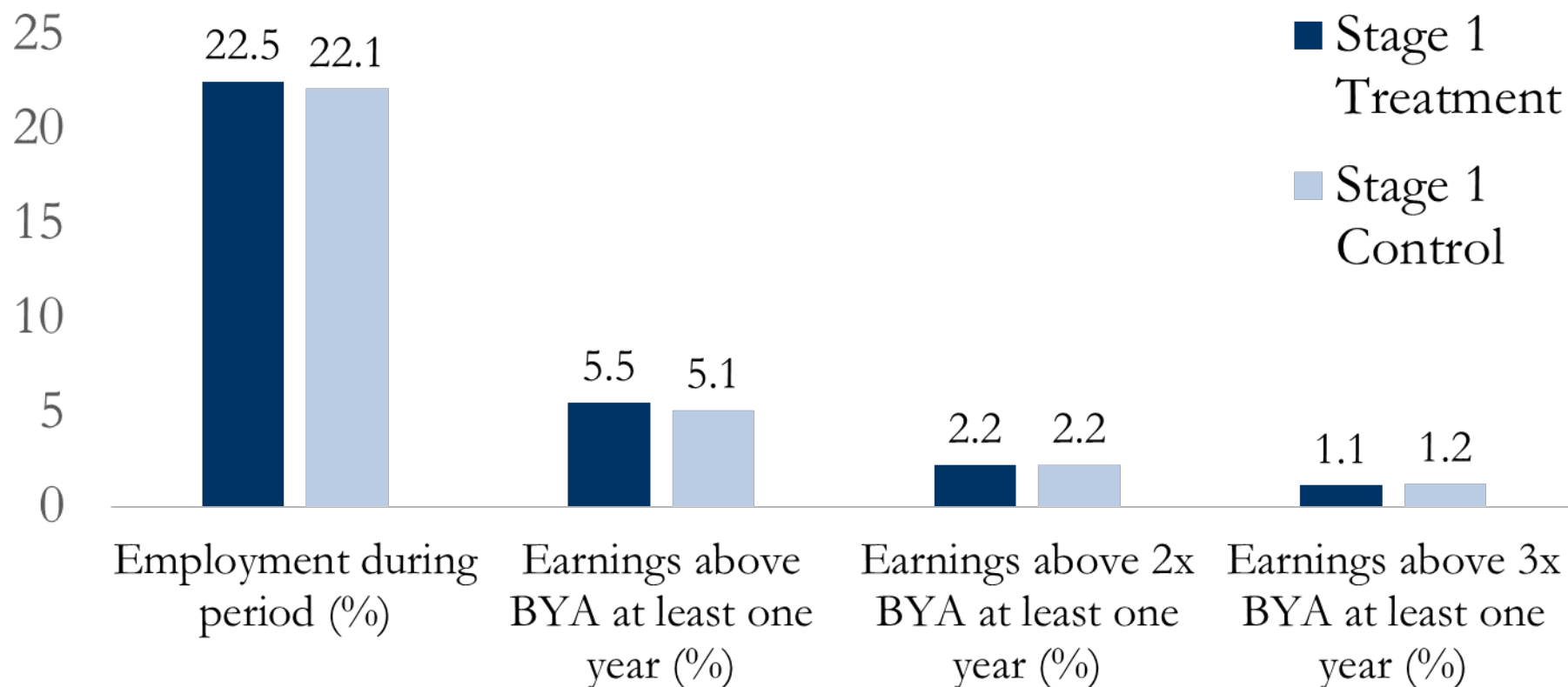
**No statistically significant effect detected**

# BOND Offset Had No Effect on Earnings for Tested Subgroups

- Short versus long duration beneficiaries
- DI-only versus concurrent SSI beneficiaries
- Employed versus not employed in 2010
- Access versus no access to the Medicaid Buy-In
- Younger than age 50 versus 50 or older at baseline
- Primary impairment of major affective disorder versus all other primary impairments
- Primary impairment of back disorder versus all other primary impairments

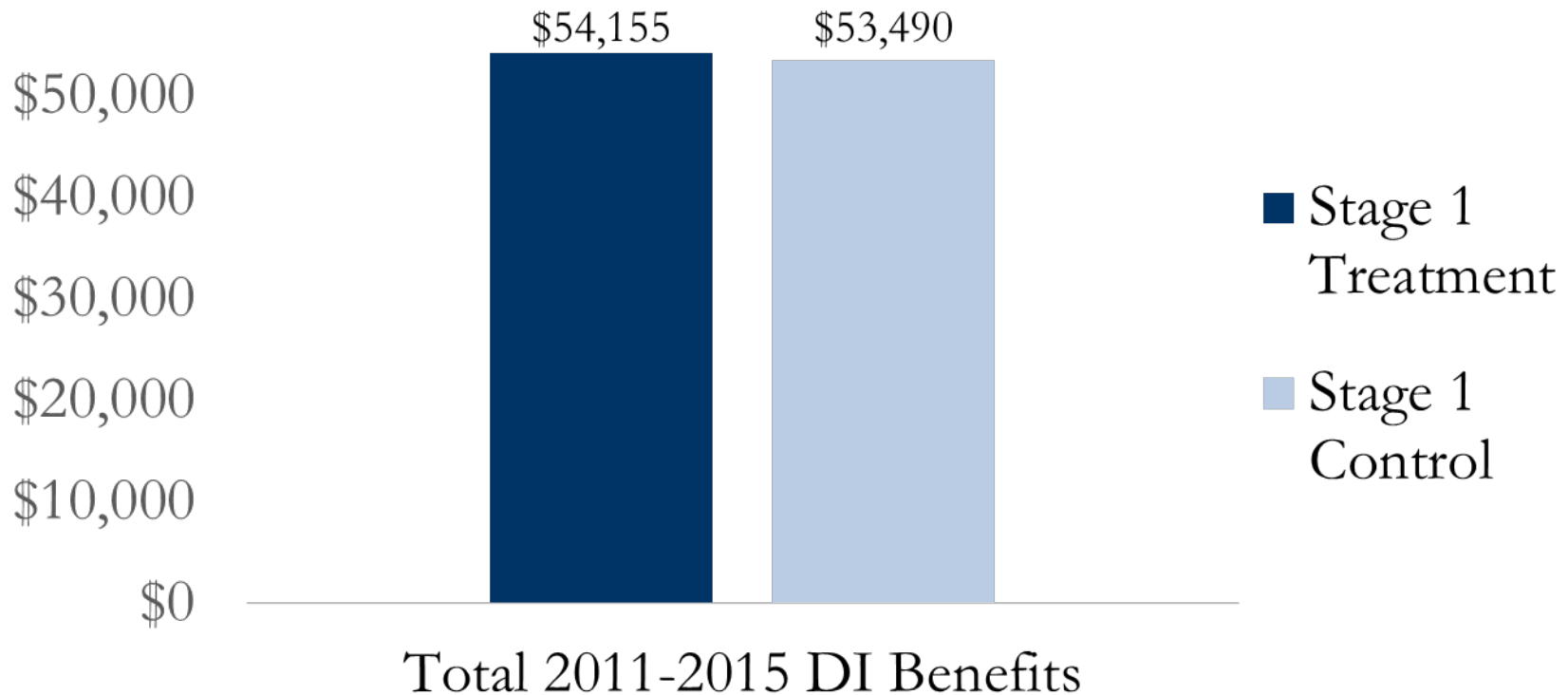


# Effects on Other Earnings Outcomes for the Full Stage 1 Sample



**Statistically significant increases in the percentage employed and earning above BYA but a statistically significant decrease in the proportion earning above 3x BYA**

# BOND Offset Increases DI Benefits

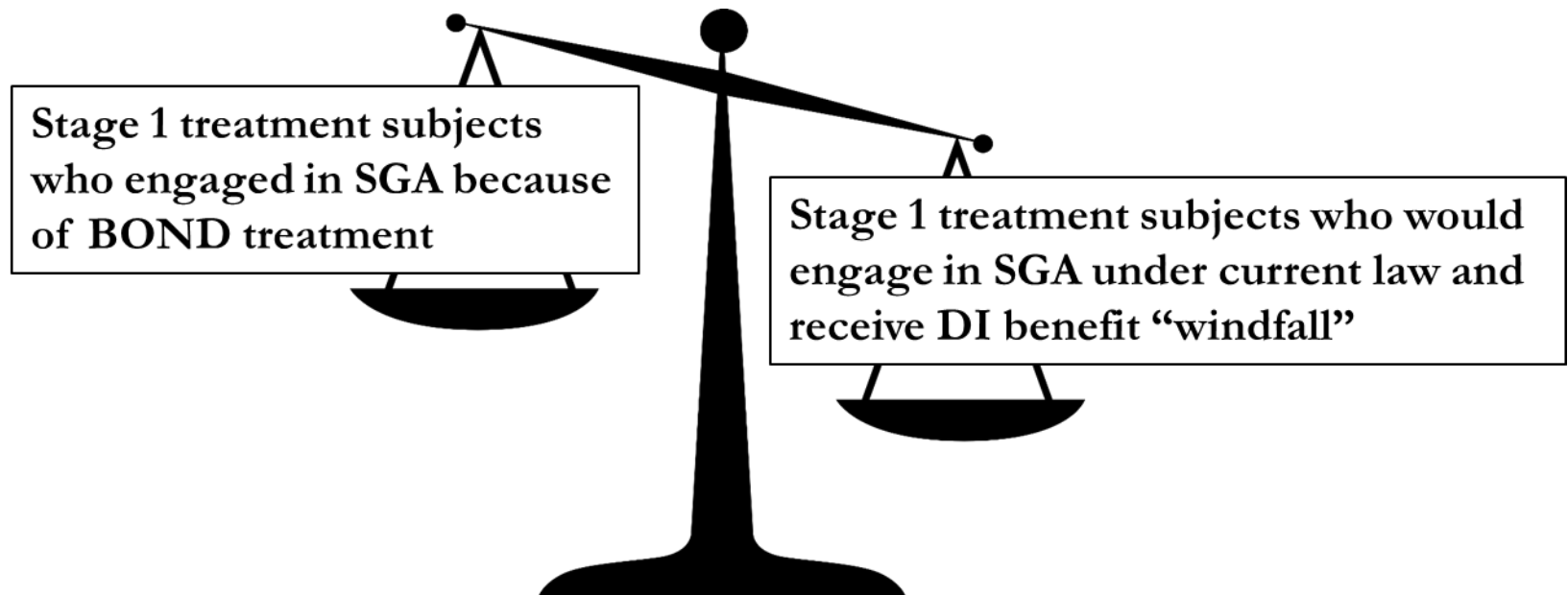


**Statistically significant increase of \$665.**

**Equivalent to \$143 per year, or 1% of the C1 mean.**

# Summary of Stage 1 Findings

- **Summary of findings (2011–2015)**
  - » No effect on earnings
  - » Increase in DI benefits
- **Implication for DI benefits**





# Benefit-Cost Analysis

- Net benefits per beneficiary, by perspective:

Time horizon	Beneficiaries	DI Trust Fund	Other government	All society
10-year	\$1,578	-\$1,589	\$106	-\$188

- » Beneficiaries gain
- » Loss to DI Trust Fund
- » Net loss to society



# Contact Information

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# Estimated Impacts for Motivated Volunteers

## BOND Stage 2

Presented by Judy Geyer

December 12, 2018



# Outline: Findings from Stage 2

- **The design of BOND Stage 2**
  - » Purpose
  - » Approach
  - » Differences between volunteers and national beneficiary population
  - » Enhanced Work Incentives Counseling
- **Statistics on understanding and offset use**
- **Impacts on earnings and benefits outcomes**

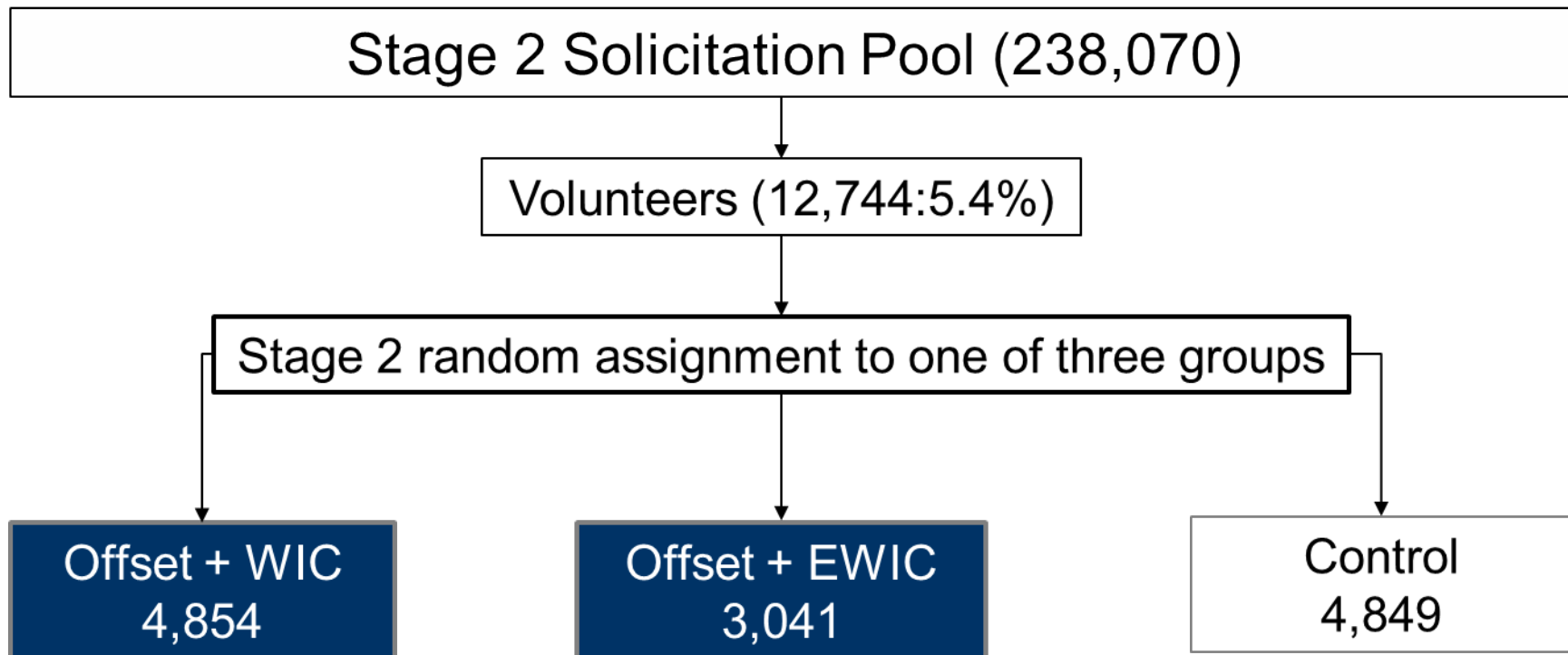


# BOND Stage 2

- **Two purposes:**
  - » Determine the impacts of the benefit offset rules on earnings and well-being of beneficiaries most likely to use the offset
  - » Determine the extent to which enhanced work incentives counseling affects impacts
- **Approach:**
  - » Recruit DI-only beneficiaries in the solicitation pool
  - » Randomly assign volunteers to one of three groups:
    - Offset plus standard work incentives counseling (WIC)
    - Offset plus enhanced work incentives counseling (EWIC)
    - Control group
  - » Compare outcomes



# Stage 2 Random Assignment



# Stage 2 Volunteers Differ from National Beneficiary Population

- **Volunteers are more likely to work during study period:**
  - » 22 percent in Stage 1 control group compared with 52 percent in Stage 2 control group.
- **Volunteers are more likely to earn over BYA during study period:**
  - » 5 percent in Stage 1 control group compared with 16 percent in Stage 2 control group.

# Design of Enhanced Counseling

- **Unlike WIC, EWIC included the following:**
  - » Outreach to beneficiaries
  - » Assessments to identify barriers, needs, and skills relevant to the workplace
  - » Employment Services Plan and monitoring of referrals
    - Counselors themselves did not provide employment services.



# EWIC Was Implemented as Designed

## Recurring services

Received counseling

95.6

Service coordination, if documented need

91.6

Referral

63.7

## One-time services

Benefits Summary and Analysis (BS&A)

54.0

Work Incentives Plan

52.9

Barriers and needs assessment\*

88.4

Skills assessment\*

77.4

Employment Support Plans (ESP)\*

77.2

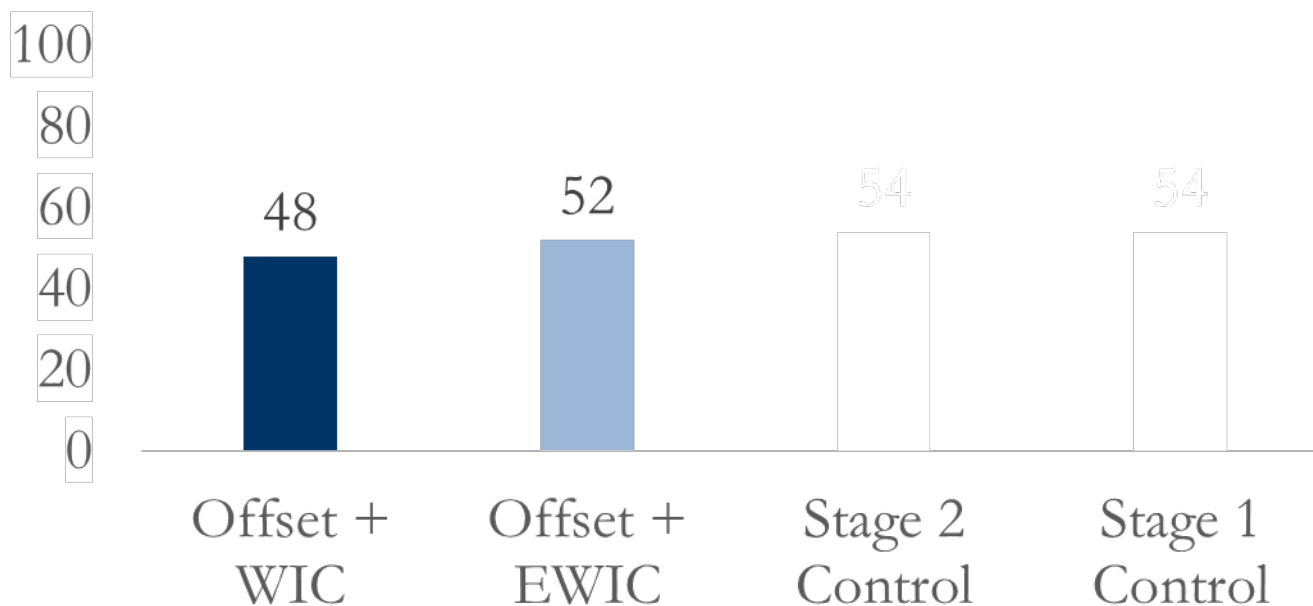
Percentage of Offset + EWIC subjects receiving service, from enrollment to 2016

*\*EWIC-specific service not offered through WIC*

By contrast, 38 percent of Offset+WIC subjects ever received counseling.

# EWIC Increases Understanding of Benefit Offset Rules

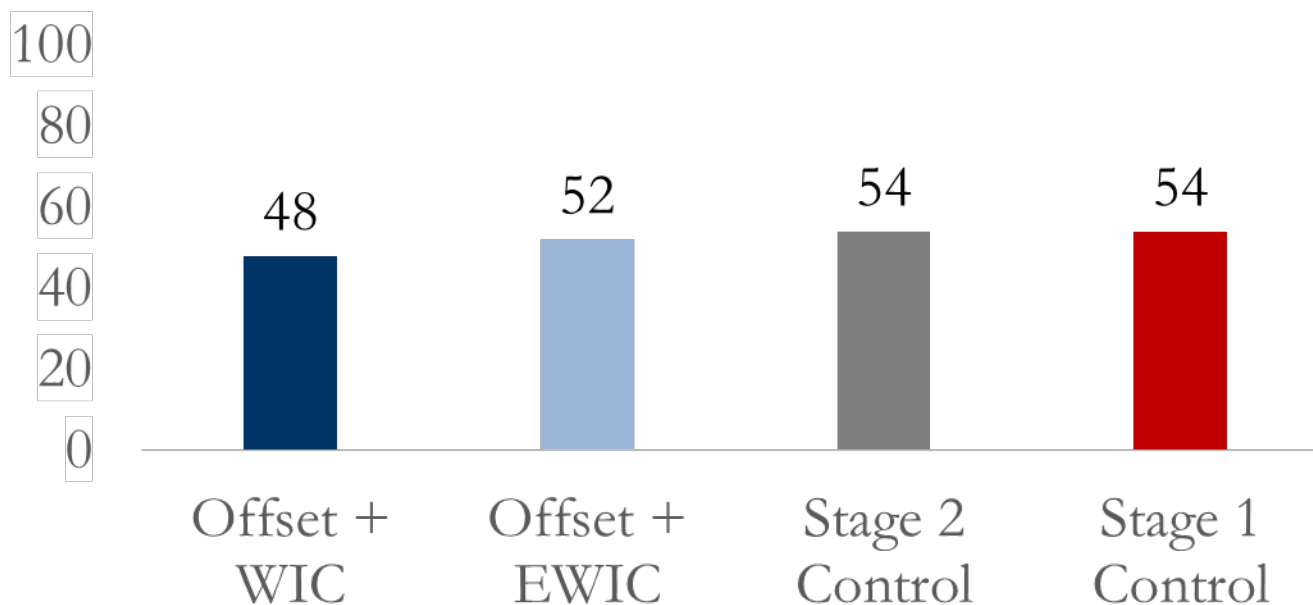
Percentage of Beneficiaries with Correct Understanding of Benefit Rules that Apply to Them



Compared with standard counseling, beneficiaries with enhanced counseling understood slightly better.

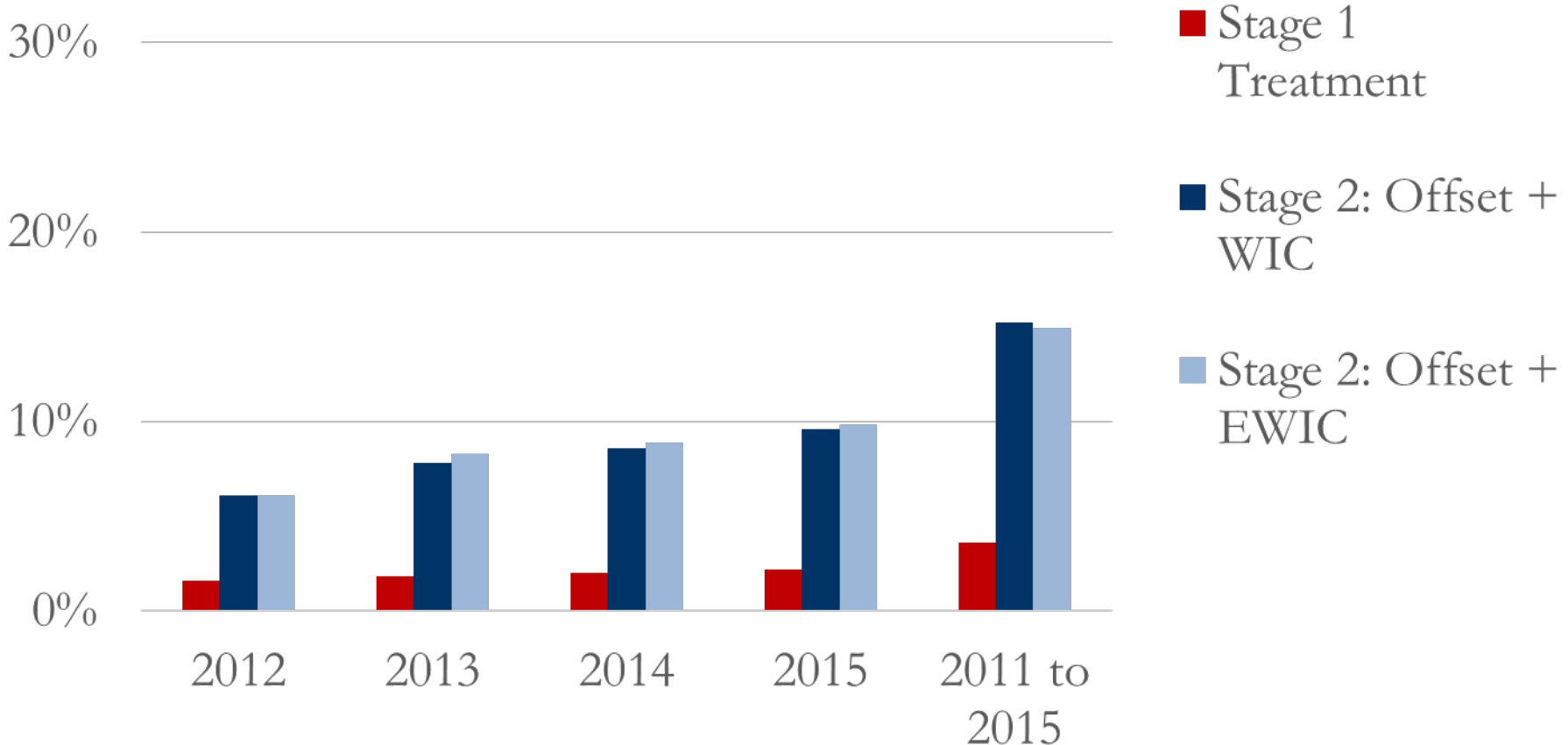
# EWIC Increases Understanding of Benefit Offset Rules

Percentage of Beneficiaries with Correct Understanding of Benefit Rules that Apply to Them

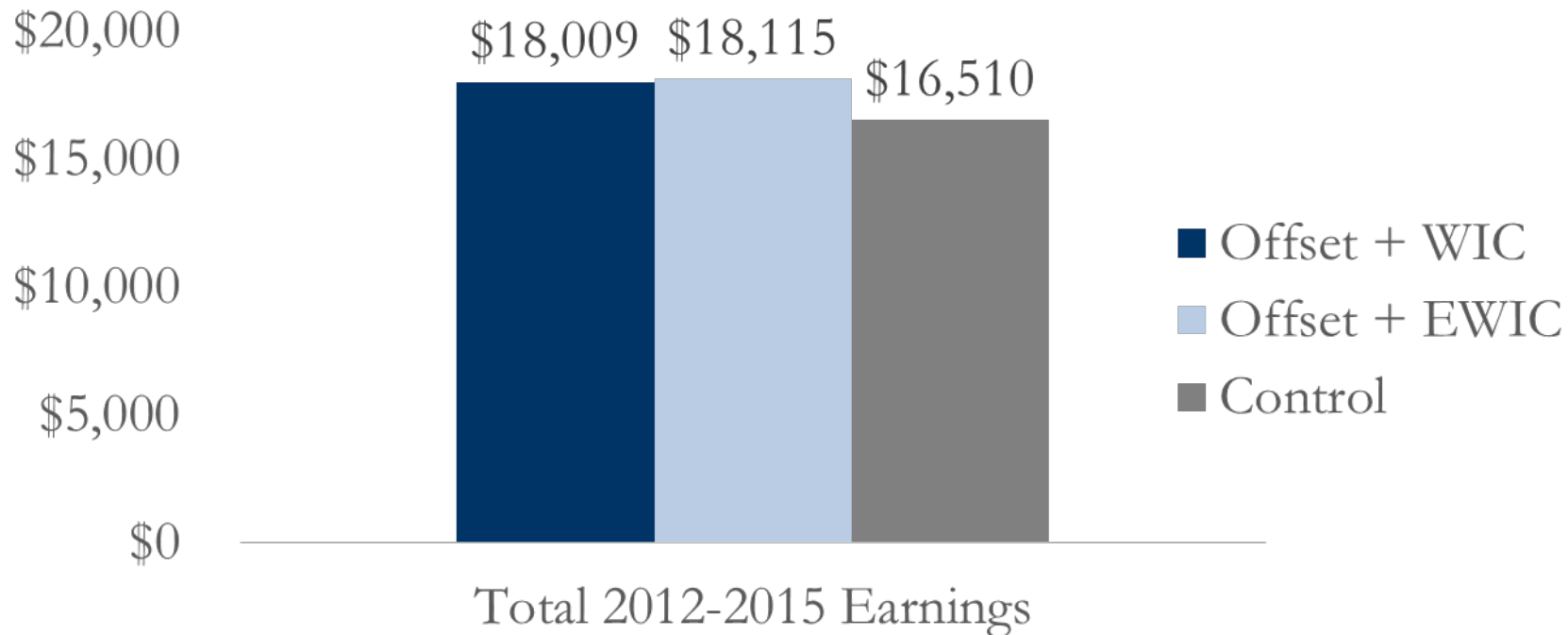


Compared with standard counseling, beneficiaries with enhanced counseling understood slightly better.

# Offset Use Higher in Stage 2 Than Stage 1



# No Evidence that Offset Increases Earnings in Stage 2



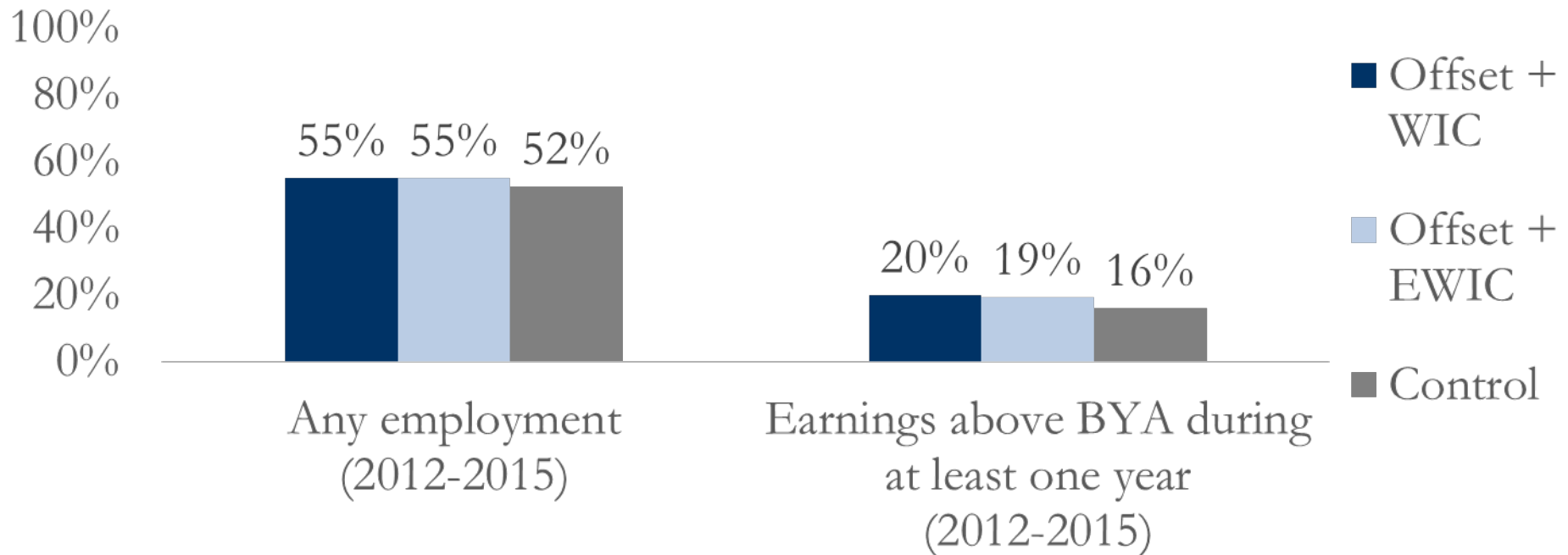
No statistically significant impact of:

Offset + WIC versus Control

Offset + EWIC versus Control

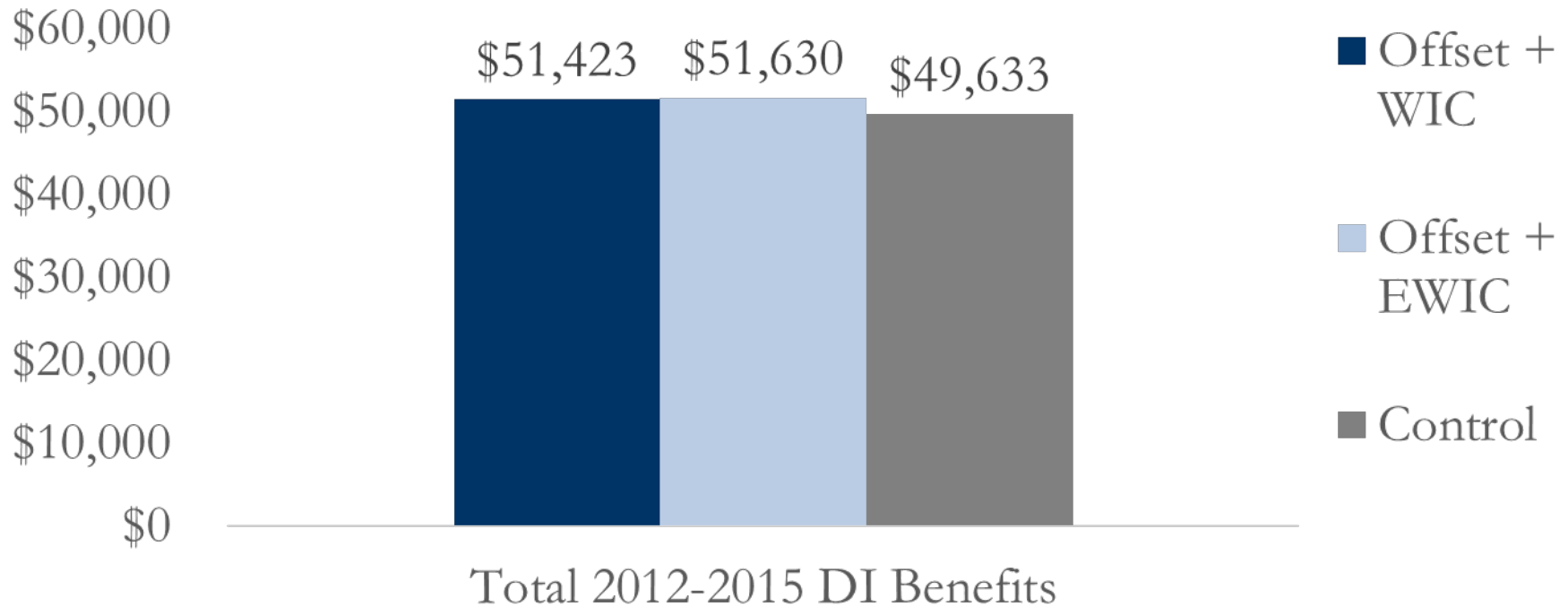
Offset + EWIC versus Offset + WIC

# Offset Increases Employment and Proportion with Earnings > BYA, Stage 2



- Offset + WIC and Offset + EWIC increased employment.
- Offset + WIC and Offset + EWIC increased proportion with earnings above BYA during at least one year.

# Offset Increases DI Benefits, Stage 2



Statistically significant impact of:

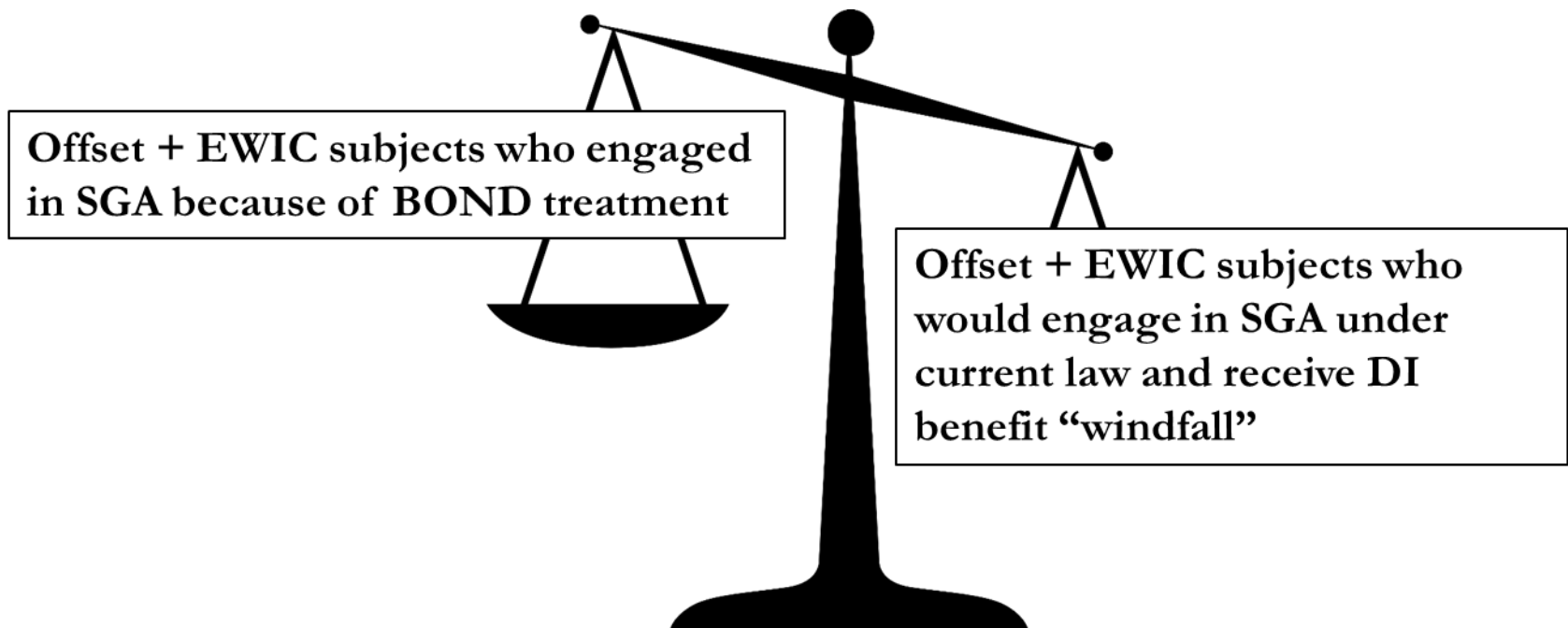
Offset + WIC versus Control (\$1,791)

Offset + EWIC versus Control (\$1,997)

No statistically significant impact of EWIC versus WIC

# Summary of Stage 2 Findings

- **Summary of findings (2012–2015)**
  - » No detected effects on total earnings
  - » Increase in DI benefits





# Summary of EWIC Versus WIC Findings

- There were no impacts of EWIC on earnings or benefits compared with WIC.
- Elements of counseling were 3 to 10 times more prevalent in EWIC than WIC.
- Additional contact, assessments, and referrals alone are not likely to lead to higher earnings or earnings exceeding SGA.
- Counseling costs for EWIC exceed those in WIC by \$600 per year per beneficiary.
  - » Benefits do not outweigh costs.

# Contact Information

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# Benefit Offset National Demonstration

Lessons from **BOND**

Presented by David Stapleton

December 12, 2018



# Lessons

- **Main findings in context**
- **Why were impacts on earnings not larger?**
- **Lessons for research on earnings and disability benefits**

# BOND Findings in Context

- **Long-term interest in \$1-for-\$2 benefit offset attributable to the following:**
  - » Low earnings and income among beneficiary households
  - » Projected shortfall of the DI Trust Fund in 2032
- **Can replacing the cash cliff with the BOND ramp:**
  - » Increase earnings and income
  - » While reducing Trust Fund expenditures?
- **Long-awaited answer: No**
  - » Benefit reductions because of higher earnings are not large enough to offset windfall gains in benefits

# Could Addressing Implementation Issues Change “No” to “Yes”?

Impact on percentage with earnings above  
BYA required for impact on benefits to be zero  
(breakeven for DI Trust Fund)

	Stage 1: Treatment	Stage 2: Offset+WIC	Stage 2: Offset+EWIC
Actual	0.2	2.6	2.7
Breakeven	6.2	19.8	25.6
Breakeven/actual	31	8	10

- Very large increase in percentage earning above BYA is needed to pay for windfall gains of others.
- Such large increases seem unlikely.

# Why Were Earnings Impacts Not Larger?

- Limited earnings capacity of beneficiaries
- Incentive to earn more than BYA under \$1-for-\$2 offset still low
- Complexity of earnings rules under both current law and BOND offset
- Implementation challenges



# Impacts on Benefits are Positive *Without Induced Entry*

- Longstanding concern that BOND's benefit offset would increase DI entry
- SSA determined that estimation of induced entry via a demonstration was not feasible.
  - » Non-experimental analysis of other data found positive effects.
- The BOND findings imply that the BOND benefit offset would increase DI Trust Fund expenditures *even if there is not induce entry.*



# Lessons for Research on Earnings and DI

- **Early results informed the design of SSA's Promoting Opportunity Demonstration.**
  - » Specified in Bipartisan Budget Act of 2015
  - » Promoting Opportunity Demonstration rules:
    - \$1-for-\$2 offset starts at lower earnings level
    - Trial work and grace periods eliminated
    - Limits on use of impairment related work
  - » Simplifications eliminate work reviews and make adjustments easier.
  - » State/local agencies are helping beneficiaries report earnings monthly.

# More Lessons for Research on Earnings and DI

- **The proposed DI “ultimate” demonstration**
  - » Goal: estimate earnings capacity of beneficiaries when they can keep all of their benefits, regardless of earnings
  - » What’s the best we could hope for under any design?
- **RETAIN—Retaining Employment and Talent After Injury/Illness Network**
  - » Goal: Can workers with significant medical problems be diverted from applying for DI via work-support initiatives?
  - » Federal support for other initiatives to help people with disabilities enter or stay in the workforce before seeking disability benefits



# Methodological Lessons

- **Addressing the limitations of using informed volunteers is important and difficult.**
  - » Most Stage 1 subjects who used the offset would not have volunteered for Stage 2.
  - » Only about half of Stage 2 subjects correctly understood the offset rules.
- **Administering experimental rules well is important.**
  - » Understanding is needed to induce behavioral change.
  - » Experimental rule complexity might hinder evaluation.
  - » Demonstrations should have sufficient resources.

# Lessons

- **BOND provided a definitive answer to an important policy question.**
  - » But it is not the one that policymakers hoped for.
- **The evaluation drew attention to reasons why impacts of the BOND offset were not larger.**
- **BOND's lessons have informed ongoing initiatives.**

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# Benefit Offset National Demonstration

## BOND Discussion

Presented by John Jones

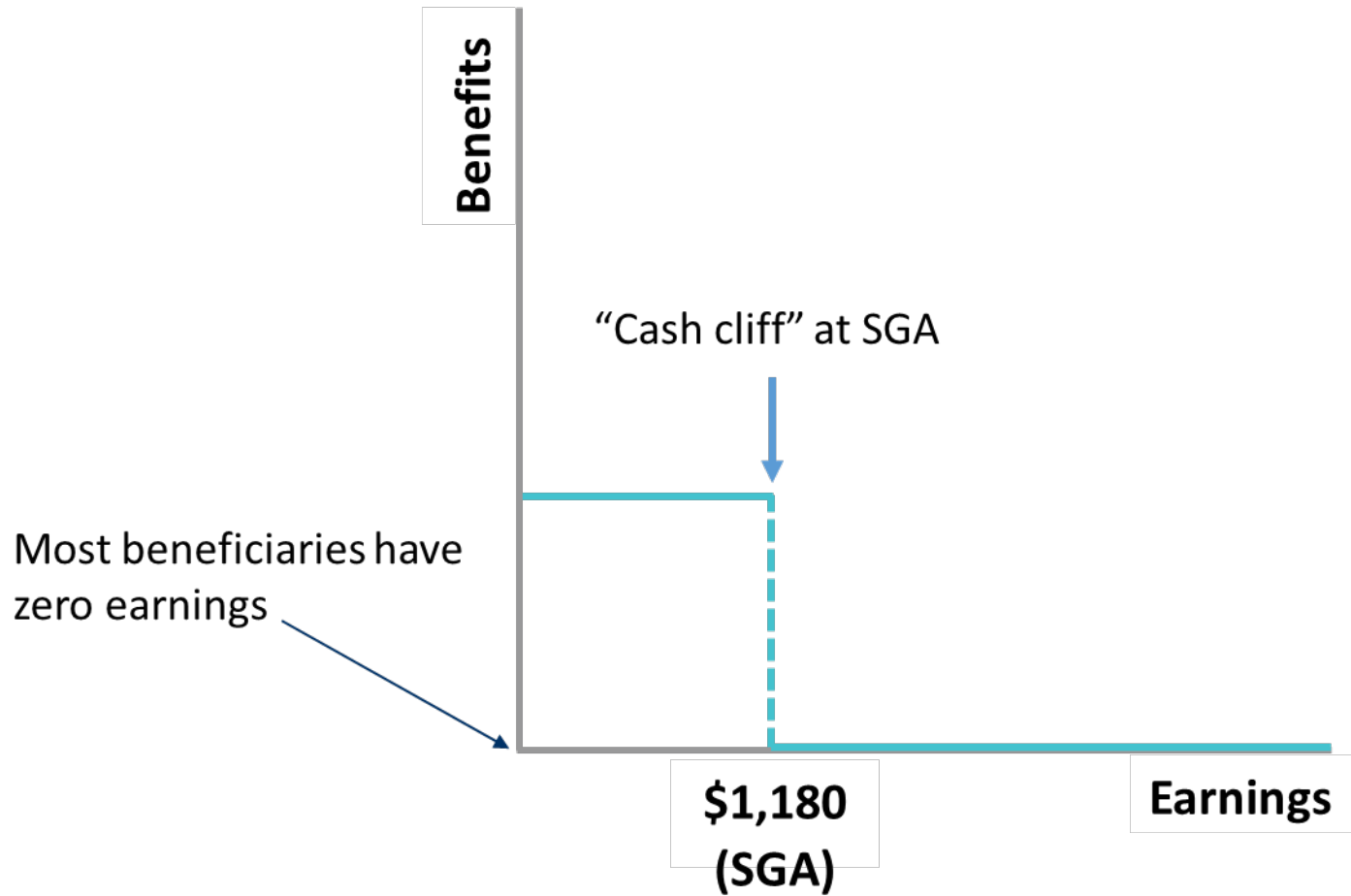
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# BOND Takeaways

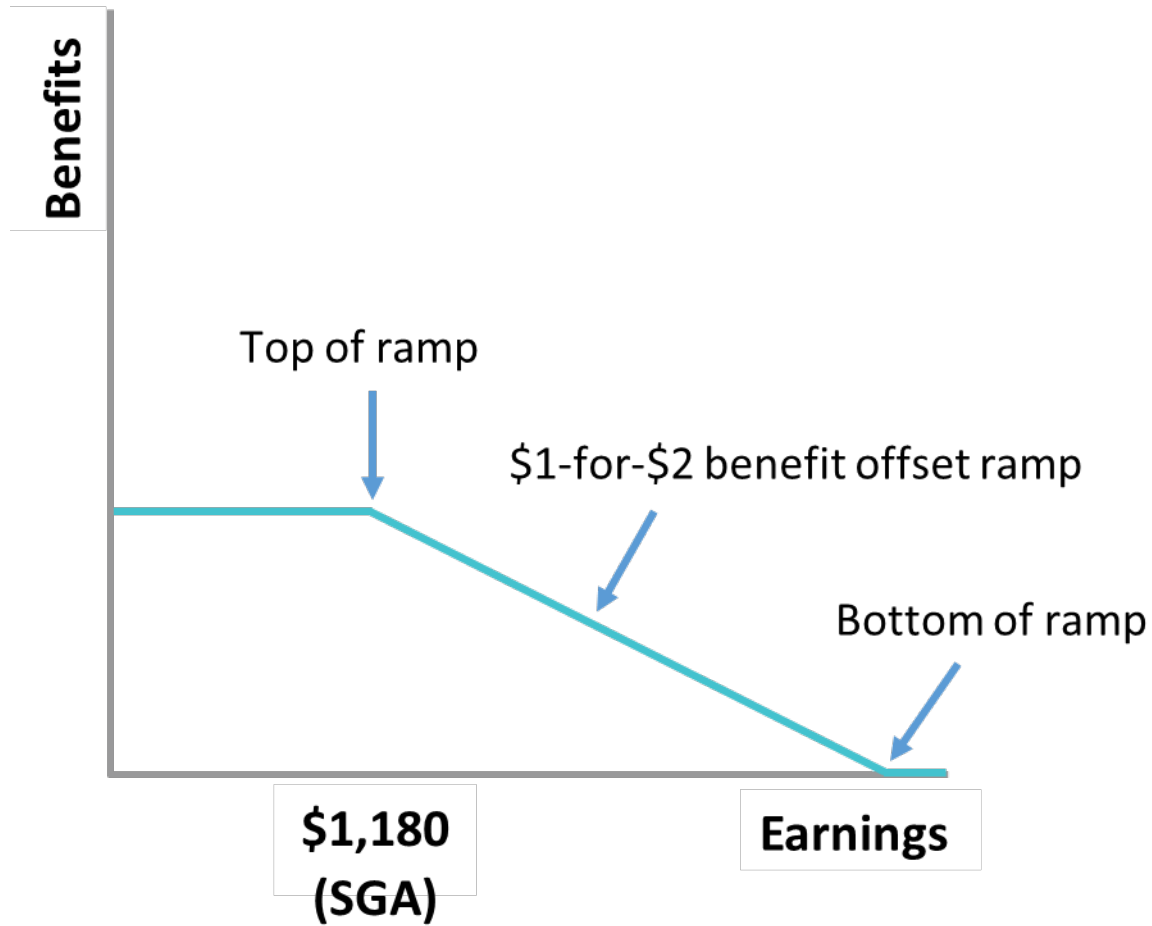
- **BOND** reveals interesting findings that are unlikely to have been known without experimentation.
  - » Parking
  - » “Cash cliff” eliminated?
- **BOND** smoothed the path for the future demonstrations.
  - » Promoting Opportunity Demonstration

# Current Rules Concerning Earnings





# Benefit Offset Rules



# BOND and Parking

- **“Parking”**
  - » Working beneficiaries keep earnings just below SGA to avoid loss of benefits (“Parkers”)
  - » SGA rules were assumed to cause Parking
  - » BOND was assumed to be beneficial to Parkers
- **Parking and BOND findings**
  - » The majority of beneficiaries induced to use the offset were non-workers (beneficiaries reporting zero earnings) and less so for Parkers.
  - » The BOND \$1-for-\$2 benefit offset induced mostly non-working beneficiaries to jump over the cash cliff and land on the ramp.

# Did the BOND Offset Eliminate the Cash Cliff?

- **Current law**
  - » 100 percent tax on benefits for earnings above SGA
  - » The cash cliff
- **\$1-for-\$2 benefit offset**
  - » 50 percent tax on benefits for earnings above SGA
  - » Reduces work disincentive effect of SGA but would not eliminate it
- **BOND findings**
  - » Beneficiaries who can obtain relatively high earnings that would zero-out their benefit payments in BOND tend to reduce the earnings.
  - » The BOND \$1-for-\$2 benefit offset created a smaller cliff at the bottom of the benefit-offset ramp.

# Smoothing the Path for Future Demonstrations

- **Section 234 of the Social Security Act**
  - » The act gives authority to conduct research and demonstration projects designed to test DI program changes that could encourage disabled beneficiaries to work.
  - » The authority is time limited.
- **Bipartisan Budget Act of 2015**
  - » Congress extended this authority through December 31, 2022
    - To conduct the Promoting Opportunity Demonstration



# Demonstration Considerations

- **BOND** is one of the largest of SSA's randomized controlled trials.
- **BOND** provided lessons learned for future demonstrations.
  - » Coordination of three elements:
    - Operations – benefit adjustments
    - Systems – computer systems
    - Outreach – providing information to beneficiaries

# General Takeaways from BOND

- **BOND is part of the government's evidence-based decision making.**
- **General findings of the BOND Final Evaluation Report**
  - » BOND \$1-for-\$2 benefit offset:
    - Did not encourage enough work among DI beneficiaries to be cost effective
    - Made the DI program more generous at a net loss to society
    - Showed enhanced benefits counseling is no more effective than less expensive current benefit counseling

# BOND Final Evaluation Report

- The BOND Final Evaluation Report can be found at

<https://www.ssa.gov/disabilityresearch/offsetnational.htm>

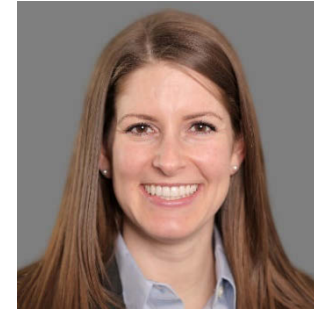
# Audience Q&A



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