SSA Payments to State Vocational Rehabilitation Agencies for Beneficiaries Who Work

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Recognizing that many Social Security disability beneficiaries want to work, and knowing that advances in technology, supportive services, and social attitudes have improved opportunities for workers with disabilities, the Social Security Administration (SSA) has emphasized helping beneficiaries return to work and exit the rolls. The Ticket to Work (TTW) program, implemented in phases from 2002 through 2004, offered new financial incentives to expand the network of providers offering return-to-work services to beneficiaries. Although many new organizations began to function as employment networks under TTW, most beneficiaries still receive employment services through the federal/state vocational rehabilitation (VR) program that existed before TTW.

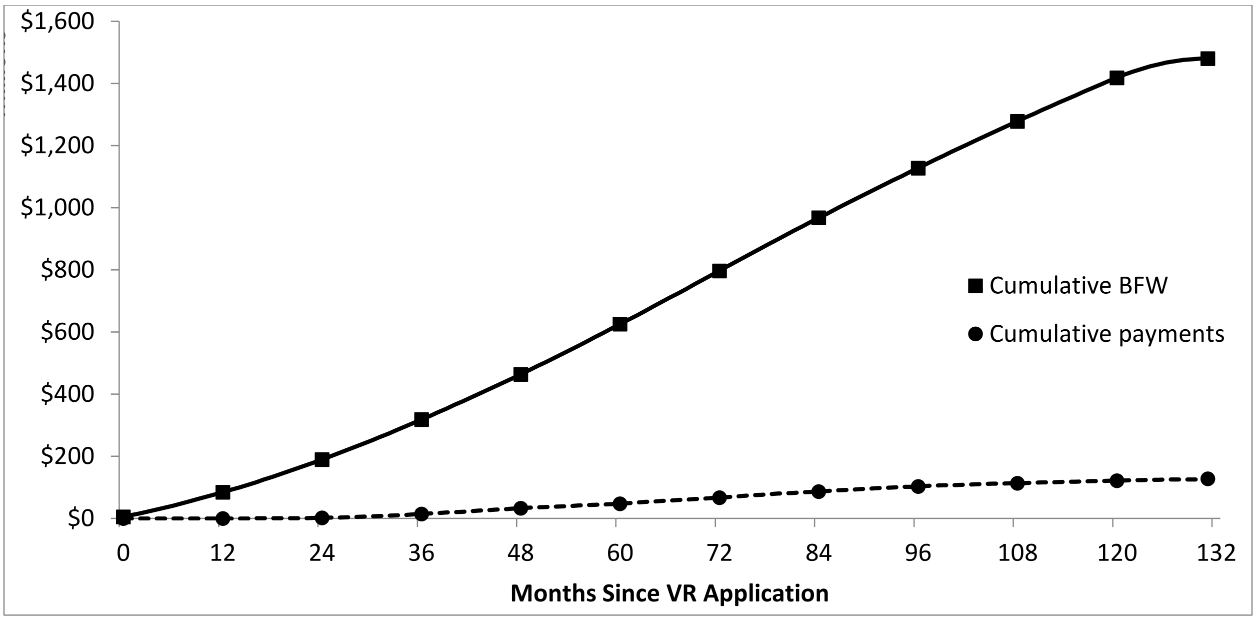
In this study, we seek a better understanding of the extent to which SSA disability beneficiaries who apply for services from state VR agencies (SVRAs) work at a substantial enough level to generate payments from SSA to SVRAs, and how these payments compare to the accrued benefit reductions to beneficiaries who generate the payments. Since the implementation of TTW, SVRAs that provide services to SSDI and SSI beneficiaries may potentially receive reimbursement from SSA under one of the payment schemes of the TTW program, or under the more traditional reimbursement mechanism that existed before TTW. SVRAs can choose which payment applies on a case-by-case basis, and most SVRAs serve most or all SSA beneficiaries under the cost reimbursement system. Under that scheme, SSA will reimburse the SVRA for qualifying service costs once the beneficiary achieves earnings at or above the level of substantial gainful activity (SGA; $1,070 per month in 2014) in 9 of 12 consecutive months. TTW payments are not tied to the actual cost of serving a beneficiary, but are predetermined and accrue in months when beneficiaries achieve specified earnings outcomes relative to SGA.

Our analysis is based on linked administrative data from SSA and the Rehabilitation Services Administration (RSA). In particular, we used the RSA's Case Service Report (RSA-911) data linked to SSA's Disability Analysis File (DAF) to identify the first time that SSDI and SSI beneficiaries whose case was closed by the end of the 2012 fiscal year had applied for services from an SVRA during the 2002–2007 period while they were beneficiaries. Using these selection criteria, and limiting the data to applications to SVRAs in the 50 United States and the District of Columbia, we identified 1.28 million "beneficiary VR applicants," representing about one-quarter to one-third of all applications to SVRAs during this time. We are able to follow the benefit and work experiences for these applicants for 5 to 10 years after VR application, using monthly information contained in the DAF. For purposes of this summary, we highlight the experiences of the 2002 applicants, which we believe to be largely representative of what we would observe if we were able to follow later applicant cohorts over a similar length of time.

Our first objective was to determine the frequency with which payments were made. We found that payments from SSA to SVRAs were relatively rare during our period of study. Among all beneficiaries who first applied for VR services from 2002 through 2007, approximately one in 20 beneficiary applicants had work activity that triggered a payment from SSA to an SVRA. About 10 percent of the payments made by SSA were on behalf of beneficiary applicants who were not served when they first applied for VR services. In these instances, beneficiaries must have reapplied, received services, and ultimately earned enough to make the SVRA eligible for payment.

Our next objective was to determine how the payments made by SSA on behalf of beneficiary VR applicants compared to cash benefits forgone for work (BFW) during the same period. We found that the total BFW accrued among beneficiaries who applied for services from SVRAs dwarfed the payments SSA made to the SVRAs for serving those beneficiaries. For example, among the 2002 beneficiary VR applicant cohort, BFW accumulated through the end of 2012 is 11.5 times higher than the payments SSA made to SVRAs for their services (Figure 1; $1.48 billion in BFW compared to $1.28 million in payments). When limiting follow-up to the end of the fourth calendar year after closure to consider a shorter follow-up period after receiving VR services, the ratio of BFW to payments is still substantial at 7.9:1.

Figure 1. Accumulation of SSA payments to SVRAs and beneficiary BFW following to VR application, 2002 beneficiary VR applicant cohort



Source: Authors' calculations using DAF12 linked to RSA-911 closure files.

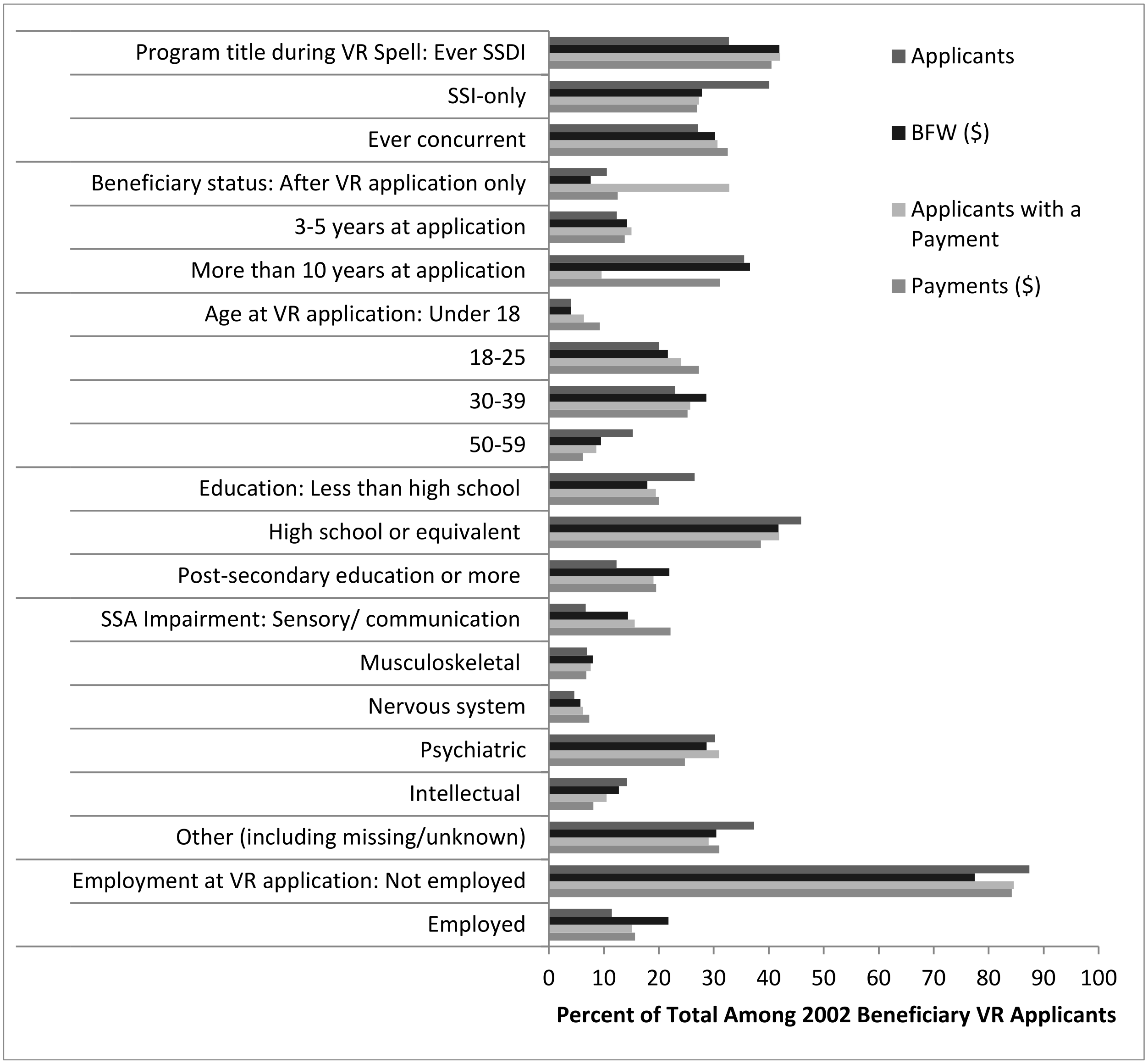
Note: Month 132 includes all payments made in December 2012 and later (through June 2013), provided the spell closure date was in December 2012 or earlier. Payments and BFW are adjusted to 2012 dollars using the SSA's COLA.

We also considered whether BFW accrual and SVRA payments vary by the beneficiary's characteristics or by the agency providing services. Young beneficiaries, those with higher levels of education, and those with sensory impairments generate disproportionate shares of BFW and payments (Figure 2).[1]

[1] For each group, we calculate the share of applicants it represents, as well as the share of the group with a payment, its share of total payment dollars, and its share of total BFW. The share of applicants (top bar for each subgroup) can be compared with the corresponding share for each of the three outcomes. When the applicant share is lower than the share with the relevant outcome, applicants in that subgroup had a disproportionately high outcome. Conversely, when the applicant share is above the share with the relevant outcome, applicants in that subgroup had a disproportionately poor outcome.

There is also wide SVRA-level variation in the share of beneficiaries for whom SSA makes a payment to an SVRA. Some agencies collect a low share of payments given the number of beneficiary applicants they serve, whereas others collect a disproportionately high share of payments. This variation does not seem to be directly tied to BFW among applicants, suggesting that agencies vary in the extent to which they seek payment (not shown).

Figure 2. Proportion of applicants, beneficiary BFW, and SSA payments to SVRAs by subgroup: 2002 beneficiary VR applicants



Source: Authors' calculations using DAF12 linked to RSA-911 closure files. Program title, time as a beneficiary, age, and SSA impairment code derived from DAF12; all remaining characteristics drawn from RSA-911. SSA impairment group defined in the first month during the VR spell that an individual met the definition of beneficiary.

Note: Payments and BFW are calculated at the end of the fourth calendar year after VR case closure and adjusted to 2012 dollars using the SSA's COLA.

Since the time period of our study, changes to the traditional payment process from SSA to SVRAs have led to substantial growth in payments, but our study cannot assess the implications of those changes. Nonetheless, our finding that some SVRAs seem to collect disproportionately high levels of payments whereas others collect disproportionately low ones, combined with our findings on beneficiaries who are not served initially and go on to generate payments, suggest that SSA may want to consider whether additional improvements to the payment process could yield a higher rate of service provision to beneficiaries and/or improve their employment outcomes.