

How Do Medicaid Buy-In Participants Who Collect Social Security Disability Insurance Benefits Use SSA Work Incentive Programs?

By Kristin Andrews, Bob Weathers, and Su Liu

The Medicaid Buy-In program is a key component of the federal effort to make it easier for people with disabilities to work without losing health benefits. Authorized by the Balanced Budget Act of 1997 (BBA) and the Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIA), the Buy-In program allows states to expand Medicaid coverage to workers with disabilities whose income and assets would ordinarily make them ineligible for Medicaid. To be eligible for the Buy-In program, an individual must have a disability (as defined by the Social Security Administration) and earned income, and must meet other financial eligibility requirements established by states. States have some flexibility to customize their Buy-In programs to their unique needs, resources, and objectives. As of December 31, 2006, 33 states reported covering 80,871 individuals in the Medicaid Buy-In program.

This issue brief, the seventh in a series on workers with disabilities, examines how Medicaid Buy-In participants who first enrolled in the program in 2003-2004 and who collected Social Security Disability Insurance (SSDI) benefits have used SSDI work incentive programs.

The majority of Medicaid Buy-In participants both collect SSDI benefits and are eligible for the work incentive programs that are part of the SSDI program. These programs and the Medicaid Buy-In are designed to improve a beneficiary's prospects of finding employment that will ultimately lead to economic self-sufficiency. Yet, little is known about the extent to which beneficiaries use these programs or its implication for improving the lives of people with disabilities.

To bridge this gap, policymakers and program administrators need answers to the following questions:

(1) How many eligible Buy-In participants are using the Social Security Administration's (SSA) work incentive programs, and which ones are they using? (2) How are

the designs of the state Buy-In program related to the use of work incentive programs? (3) How is the use of work incentive programs correlated with earnings?

The study population consists of Medicaid Buy-In participants who first enrolled in 2003-2004 and who received SSDI benefits in the month before they enrolled (approximately 47,000 people). We examined participation in four SSA work incentive programs from January 1, 2000, through December 31, 2005.

What Work Incentives Are Available to SSDI Beneficiaries?

Many SSDI beneficiaries may be deterred from working or from earning above the substantial gainful

activity (SGA) level for fear of losing their benefits. To mitigate this disincentive, SSA created several work incentive programs. We examined four of these programs, which are described below. Two of the programs, the Trial Work Period and Extended Period of Eligibility, automatically take effect once a beneficiary has reached certain earnings thresholds. A third program, which considers impairment-related work expenses, is an option for beneficiaries who earn over the SGA level. Thus, these three programs are associated with certain levels of earnings. The fourth work incentive—the Ticket to Work program—may be used by any SSDI beneficiary, regardless of current work or earnings, who would like support in pursuing work.¹

The **Trial Work Period** allows SSDI beneficiaries to work for up to 9 months while continuing to receive full SSDI cash benefits. In 2007, any month in which countable earnings exceed \$640 is counted as a month of work. The Trial Work Period ends when a beneficiary has logged 9 months of work (not necessarily consecutively) within a rolling 60-month window (that is, the 60 months prior to the current month). We used the Trial Work Period end date to identify participation in this program.²

The **Extended Period of Eligibility (EPE)** picks up where the Trial Work Period ends. Beneficiaries remain eligible for reinstatement of SSDI benefits for an additional 36 months after the Trial Work Period. During the EPE, benefits are suspended in months when a beneficiary is earning above the substantial gainful activity (SGA) level (\$1500 per month for beneficiaries with blindness and \$900 per month for beneficiaries without blindness in 2007). Cash benefits are reinstated in any month when the beneficiary is working below the SGA level. We used the EPE start date to identify participation in this program.

Impairment-Related Work Expenses are deducted from countable earnings when SSA determines

¹Other work incentives include expedited reinstatement of program benefits, the extension of Medicare benefits after cash benefits are suspended or terminated, and a grace period. For further information on SSA work incentives, see SSA’s “2007 Redbook.”

²The Trial Work Period completion date is the only information in the Ticket to Work Research File (TRF05) that identifies participation in this program. This measure is an undercount of those participating in the Trial Work Period in a given year.

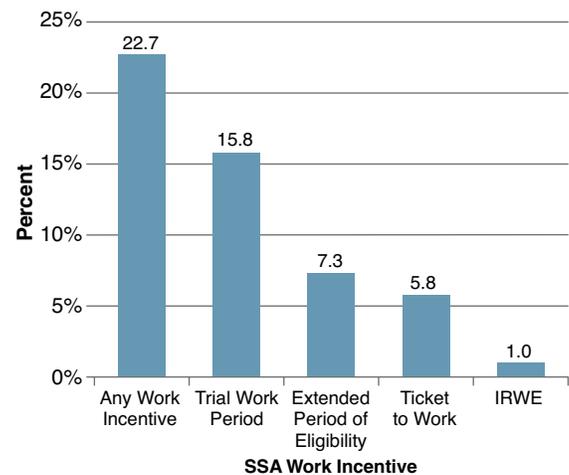
whether a beneficiary’s work qualifies as SGA. The expenses must be paid while a beneficiary is working, must not be reimbursed by another party, and must be the reasonable and standard charge for those items or services in a beneficiary’s community.

Ticket to Work provides SSDI and SSI beneficiaries with a “ticket” that they may exchange for employment services offered by an employment network or a state vocational rehabilitation agency. Services include job readiness, placement, and training; job coaches; and other similar supports. We used the assignment of a ticket to identify participation in this program.

What Percentage of Buy-In Participants Use Each SSDI Work Incentive Program?

Twenty-three percent of the study population participated in at least one of the four SSDI work incentive programs during the analysis period (Figure 1). The Trial Work period was the most used program, with approximately 16 percent of beneficiaries participating. The EPE came in second, with 7 percent of beneficiaries starting an EPE during the period. To put this estimate in perspective, only 0.4 percent of all Social Security disability beneficiaries were in an EPE and

Figure 1: Percent of Medicaid Buy-In Participants Receiving SSDI Benefits Who Participated in SSDI Work Incentive Programs: January 1, 2000–December 31, 2005



Sources: Ticket Research File (TRF05) and finder files of Medicaid Buy-In participants who first enrolled in the Buy-In in 2003 or 2004

had benefits suspended in 2004.³ The Ticket to Work program ran a close third: 6 percent of beneficiaries participated, a substantially higher share than the 1.7 percent of the Social Security disability population participating as of August 2007.⁴ Less than one percent of the participants reported impairment-related work expenses to SSA during the analysis period.

How Do State Buy-In Program Designs Relate to Participation in SSDI Work Incentive Programs?

Participation in SSDI work incentive programs varies by state (Figure 2). Part of the variation is likely to be tied to differences in state labor markets, population, and

³See Table 52 of the “Annual Statistical Report on the Social Security Disability Insurance Program,” 2004. While this number is not directly comparable to our estimate of people starting a TWP, it provides an indication of the low rate of EPE participation and suspended benefits for all SSDI beneficiaries.

⁴The 1.7 percent is calculated among all SSDI and SSI beneficiaries. Based on data available from www.ssa.gov/work/Ticket/ticket_info.html, we could not calculate the participation rate for SSDI beneficiaries alone, which would provide a more direct comparison for the 6 percent participation rate found among our study population.

other characteristics. But the variation is also consistent with the state-specific design of each Buy-In program.

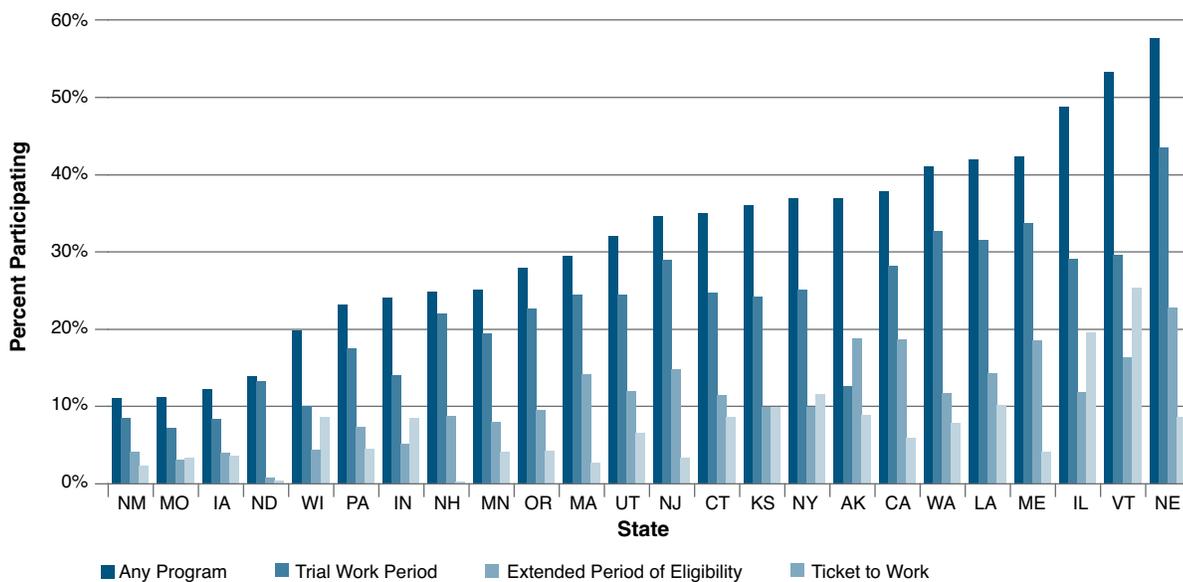
Nebraska had the highest share of participants (58 percent) in any program and the highest percent who completed a Trial Work Period (43 percent) or an EPE (23 percent). In all likelihood, this trend was influenced by the design of the state’s Buy-In program, which waives the unearned income limit for all SSDI beneficiaries who are participating in the Trial Work Period or EPE. This policy makes the program especially appealing to individuals who are on SSDI and engaged in competitive employment.⁵ Vermont had the largest Ticket to Work participation rate (25 percent), which may be due in part to the centralized benefits counseling services and Buy-In outreach at the state vocational rehabilitation agency.

In the three states with the lowest participation in all work incentive programs (New Mexico, Missouri, and Iowa), the Buy-In programs have fewer documentation requirements for demonstrating employment (such as proof that FICA or income taxes were paid).⁶ New Mexico’s program also waives the work requirement

⁵See White, Black, and Ireys 2005.

⁶See Ireys, Davis, and Andrews 2007.

Figure 2: Percent of Medicaid Buy-In Participants Receiving SSDI Benefits Who Participated in SSDI Work Incentive Programs, by State: January 1, 2000–December 31, 2005



Notes: Due to sample sizes of less than 30 participants in Arkansas, Michigan, Nevada, South Carolina, West Virginia, and Wyoming, results are not shown for these six states. The Ticket to Work Program was implemented in fall 2001 in Phase I states, in fall 2002 in Phase II states, and in fall 2003 in Phase III states.

Sources: Ticket Research File (TRF05) and finder files of Medicaid Buy-In participants who first enrolled in the Buy-In in 2003 or 2004.

DATA AND METHODS

Participation data for this analysis comes from Medicaid Buy-In enrollment records linked with the Ticket Research File (TRF05). The TRF contains individual-level data from SSA on all Social Security Disability beneficiaries through December 2005, including information on receipt of SSDI benefits and participation in each of the four SSDI work incentive programs. Since it takes time for SSA to verify and record information, the TRF05 may not fully capture participation in the work incentive programs in 2005. Earnings data for this analysis come from state Buy-In enrollment records linked with SSA's 2004 Master Earnings File (MEF), which contains information reported to the IRS on tax forms.

for SSDI beneficiaries during the 24-month Medicare waiting period. It is possible that these features may attract beneficiaries who are less likely to search for work or make use of the work incentive programs.

How Does the Use of SSDI Work Incentives Relate to Earnings?

States in which a larger share of SSDI Buy-In participants used the work incentive programs also had a larger share of Buy-In participants with earnings above the annualized SGA level in the year after they enrolled in the Buy-In. However, this correlation does not imply causation, since in order to use three of the four work incentives mentioned here, beneficiaries must first reach a certain level of earnings. It is possible that beneficiaries decide to work or earn more regardless of the work incentives; nevertheless, knowing about the work incentive programs would help beneficiaries make the leap to work and eventually to economic self-sufficiency.

Policy Implications and Next Steps

Our findings on participation in the SSDI work incentive programs shed light on the policy options that may be open to the nation's leaders as they forge new work supports for adults with disabilities. The fact that just 23 percent of Medicaid Buy-In participants who receive SSDI benefits use at least one of the work incentive programs implies that 77 percent are not taking advantage of the programs. Educating beneficiaries about these programs may be a way to support them in attaining self-sufficiency.

The differences in participation across states reveal that the state-specific design and implementation of

Buy-In programs may be related to the use of SSDI work incentive programs. States in which Buy-In program design or benefits counseling promote the use of work incentives have higher work incentive program participation rates, and the data show that higher work incentive program participation rates are associated with higher rates of economic self-sufficiency. Thus, key features of these Buy-In programs may be a good model for state officials and program administrators who would like to see more SSDI Buy-In participants take advantage of the work incentive programs.

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